



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Maricopa County

Year Ended June 30, 2010



Debra K. Davenport
Auditor General

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Maricopa County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2010

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Maricopa County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Maricopa County for the year ended June 30, 2010. This report is the responsibility of the County's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Expenditure Limitation Report of Maricopa County for the year ended June 30, 2010, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management and others within the County, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA
Financial Audit Director

June 2, 2011

Maricopa County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2010

1. Economic Estimates Commission expenditure limitation	\$1,147,551,545
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>1,147,551,544</u>
3. Amount under the expenditure limitation	<u>\$ 1</u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: _____

Name and Title: Shelby Scharbach, Chief Financial Officer

Telephone Number: (602) 506-1367 Date: June 2, 2011

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2010

Description	Governmental Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 1,486,811,945	\$ 180,194,390	\$ 13,748,998,999	\$ 15,416,005,334
B. Less exclusions claimed:				
Debt service requirements on other long-term obligations (Note 2)	54,766,494			54,766,494
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	1,584,985	1,658,824		3,243,809
Trustee or custodian (Note 4)	35,778,881		13,748,998,999	13,784,777,880
Grants and aid from the federal government (Note 5)	129,477,908			129,477,908
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	3,445,438			3,445,438
Amounts received from the State of Arizona (Note 7)	39,404,127			39,404,127
Quasi-external interfund transactions (Note 8)	301,157	167,779,049		168,080,206
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 9)	32,785,895			32,785,895
Contracts with other political subdivisions (Note 10)	33,868,774			33,868,774
Refunds, reimbursements, and other recoveries (Note 11)	7,137,906			7,137,906
Amounts received for distribution to school districts (Note 12)	3,541,662			3,541,662
Prior years carryforward (Note 13)	<u>4,436,689</u>	<u>3,487,002</u>		<u>7,923,691</u>
Total exclusions claimed	<u>346,529,916</u>	<u>172,924,875</u>	<u>13,748,998,999</u>	<u>14,268,453,790</u>
C. Amounts subject to the expenditure limitation	<u>\$ 1,140,282,029</u>	<u>\$ 7,269,515</u>	<u>\$ -</u>	<u>\$ 1,147,551,544</u>

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2010

Description	Governmental Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 1,686,888,429	\$ 205,388,936	\$ 13,748,998,999	\$ 15,641,276,364
B. Subtractions:				
Items not requiring use of working capital:				
Depreciation		882,109		882,109
Loss on disposal of capital assets		54,799		54,799
Claims incurred but not reported (Note 14)		136,369,223		136,369,223
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 15)	110,568,643			110,568,643
Long-term care contributions withheld by the State Treasurer (Note 16)	87,407,806			87,407,806
Involuntary court judgments (Note 17)	455,099			455,099
Payments made to reimburse the Arizona Department of Health Services (Note 18)	1,644,936			1,644,936
Total subtractions	<u>200,076,484</u>	<u>137,306,131</u>		<u>337,382,615</u>
C. Additions:				
Acquisition of capital assets		736,199		736,199
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 14)		111,375,386		111,375,386
Total additions		<u>112,111,585</u>		<u>112,111,585</u>
D. Amounts reported on Part II, Line A	<u>\$ 1,486,811,945</u>	<u>\$ 180,194,390</u>	<u>\$ 13,748,998,999</u>	<u>\$ 15,416,005,334</u>

See accompanying notes to report.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010

Note 1 - Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the uniform expenditure reporting system (UERS), as required by Arizona Revised Statutes §41-1279.07, which excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on Part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds, Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds, Statement of Cash Flows for the Proprietary Funds, and the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds.

Note 2 - The exclusion claimed for debt service requirements on other long-term obligations in the governmental funds consists of principal retirement and interest expenditures of \$18,709,110 for lease revenue bonds and certificates of participation, and principal and interest payments of \$36,057,384 for capital leases reported as general government, public safety, highways and streets, health, welfare and sanitation, culture and recreation, and education expenditures in the Governmental Funds.

Note 3 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$1,584,985 in the Governmental Funds consists of interest on investments, which was reported as interest income. Remaining excludable interest on investments of \$16,795,554 reported as interest income and interest on delinquent taxes of \$24,102,458, which was recorded as tax revenue, were unexpended and have been carried forward to future years. The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$1,658,824 in the Internal Service Funds consists of interest on investments, which was reported as investment income.

Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$16,764,281 in contributions by the County to the Arizona Health Care Cost Containment System (AHCCCS) for acute care and \$19,014,600 in contributions to the State General Fund. In the Fiduciary Funds, the exclusion consists of \$13,748,998,999 in distributions to investment pool participants.

Note 5 - The exclusion claimed for grants and aid from the federal government of \$129,477,908 consists of federal grants reported as intergovernmental revenues. Remaining excludable revenues of \$4,006,872 reported as intergovernmental revenues have been carried forward to future years.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010

- Note 6 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes of \$3,445,438 in the Governmental Funds consists of \$1,505,570, \$503,598, and \$1,436,270 reported as intergovernmental revenues, charges for services, and miscellaneous revenues, respectively. Remaining excludable revenues of \$277 reported as miscellaneous revenues have been carried forward to future years.
- Note 7 - The exclusion claimed for amounts received from the State of Arizona of \$39,404,127 in the Governmental Funds consists of \$36,634,624, \$2,551,145, and \$218,358 reported as intergovernmental revenues, charges for services and miscellaneous revenues, respectively. Remaining excludable revenues of \$580,989 and \$87,416 reported as intergovernmental revenues and charges for services, respectively, have been carried forward to future years.
- Note 8 - The exclusion claimed for quasi-external interfund transactions of \$301,157 in the Governmental Funds represents service billings of \$285,919 and \$15,238 reported as charges for services and miscellaneous revenues, respectively. In the Internal Service Funds, the \$167,779,049 represents charges for services revenues paid from other county funds to the Internal Service Funds. Excludable Internal Service Funds charges for services revenues of \$8,914,300 were unexpended and have been carried forward to future years.
- Note 9 - The exclusion claimed in the Governmental Funds for highway user revenues in excess of those received in fiscal year 1980 is derived by subtracting the 1979-80 base year highway user fees of \$14,879,726 from the total of highway user revenues received of \$84,950,511, which was reported as intergovernmental revenues. Remaining excludable revenues of \$37,284,890 were unexpended and have been carried forward to future years.
- Note 10 - The exclusion claimed in the Governmental Funds for contracts with other political subdivisions of \$33,868,774 consists of \$330,988 and \$33,537,786 reported as intergovernmental revenues and charges for services, respectively. Remaining excludable revenues of \$6,623,170 and \$29,331,051 reported as intergovernmental revenues and charges for services, respectively, have been carried forward to future years.
- Note 11 - The exclusion claimed for refunds, reimbursements, and other recoveries of \$7,137,906 in the Governmental Funds consists of various expenditure reimbursements of \$448,887, \$1,874,911, \$4,687,910, and \$126,198 reported as intergovernmental revenues, charges for services, fines and forfeitures, and miscellaneous revenues, respectively. Remaining excludable revenues of \$626,888 reported as fines and forfeitures revenues have been carried forward to future years.
- Note 12 - The exclusion claimed in the Governmental Funds for amounts received for distribution to school districts consists of federal, state, and county revenues of \$3,541,662 reported as education expenditures for operating accommodation schools.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010

Note 13 - Prior years carryforward in the Governmental and Internal Service Funds consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year as follows:

Description	<u>Governmental Funds</u>	<u>Internal Service Funds</u>
Proceeds from other long-term obligations	\$1,684,718	
Amounts received from the State of Arizona	1,626,609	
Quasi-external interfund transactions		\$3,487,002
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	1,103,346	
Contracts with other political subdivisions	<u>22,016</u>	
Total prior years carryforward expended	<u>\$4,436,689</u>	<u>\$3,487,002</u>

Note 14 - The subtraction of \$136,369,223 for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Internal Service Funds. The addition of \$111,375,386 for claims paid in the current year, but reported as expenses incurred but not reported in previous years, consists of cash payments in the current year for claims recognized as an expense in previous years in the Internal Service Funds.

Note 15 - The subtraction of \$110,568,643 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the County's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the Governmental Funds category in the fund financial statements:

Special Assessment Districts	
Public safety	\$ 34,844,434
Culture and recreation	21,546,678
Principal	4,279,149
Interest	2,172,621
Other expenditures	91,580
Capital outlay	<u>47,634,181</u>
Total	<u>\$110,568,643</u>

Note 16 - The subtraction for long-term care contributions withheld by the State Treasurer consists of transaction privilege taxes withheld by the State Treasurer to meet the County's share of long-term care costs that was reported as a revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2010

- Note 17 - The subtraction of \$455,099 for involuntary court judgments in the Governmental Funds are payments made for court judgments against Maricopa County that were incurred losses paid in the current year. These expenditures were recorded as health, welfare, and sanitation expenditures.
- Note 18 - The subtraction of \$1,644,936 for payments made to reimburse the Arizona Department of Health Services consists of county payments to reimburse the State for the cost of inpatient competency restoration treatment and part of the cost to commit an individual determined to be sexually violent by the court, as required by Laws 2009, Third Special Session, Chapter 10, Sections 20 and 32, which were recorded as health, welfare, and sanitation expenditures.
- Note 19 - Revenue that is constitutionally excludable and unexpended in the year of receipt may be accumulated and expended in future years. A summary of the revenue balances to be expended in future years is as follows.

Description	Governmental Funds Balance June 30, 2009	Additions	Reductions	Balances June 30, 2010
Proceeds from other long-term obligations	\$ 1,697,471		\$1,684,718	\$ 12,753
Dividends, interest, and gains on the sale or redemption of investment securities	162,906,674	\$ 40,898,012		203,804,686
Grants and aid from the federal government	63,140,351	4,006,872		67,147,223
Grants, aid, contributions, or gifts, from a private agency, organization, or individual, except amounts received in lieu of taxes	3,038,502	277		3,038,779
Amounts received from the State of Arizona	6,600,581	668,405	1,626,609	5,642,377
Quasi-external interfund transactions (as reported in the Internal Service Funds)	82,294,823	8,914,300	3,487,002	87,722,121
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	83,400,232		1,103,346	82,296,886
Highway user revenues in excess of those received in fiscal year 1979-80	41,409,223	37,284,890		78,694,113
Contracts with other political subdivisions	53,918,383	35,954,221	22,016	89,850,588
Refunds, reimbursements, and other recoveries	1,401,126	626,888		2,028,014
Total carryforward	<u>\$499,807,366</u>	<u>\$128,353,865</u>	<u>\$7,923,691</u>	<u>\$620,237,540</u>

