



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Maricopa County

Year Ended June 30, 2014



Debra K. Davenport
Auditor General

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Maricopa County
Annual Expenditure Limitation Report
Year Ended June 30, 2014

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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 Accountants' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Maricopa County, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of Maricopa County for the year ended June 30, 2014. This report is the responsibility of the County's management. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of Maricopa County referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Jay Zsorey, CPA
Financial Audit Director

June 8, 2015

Maricopa County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2014

1. Economic Estimates Commission expenditure limitation	\$1,201,238,124
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>1,198,104,153</u>
3. Amount under the expenditure limitation	<u>\$ 3,133,971</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 8, 2015

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2014

Description	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 1,594,038,940	\$ 199,099,967	\$ 9,998,233,002	\$ 11,791,371,909
B. Less exclusions claimed:				
Debt service requirements on bonded indebtedness (Note 2)	16,715,180			16,715,180
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	14,183,426	219,689		14,403,115
Trustee or custodian (Note 4)	19,820,700		9,998,233,002	10,018,053,702
Grants and aid from the federal government (Note 5)	142,678,686			142,678,686
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	7,588,477			7,588,477
Amounts received from the State of Arizona (Note 7)	41,930,319			41,930,319
Quasi-external interfund transactions (Note 8)	58,629	185,383,722		185,442,351
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 9)	2,997,234			2,997,234
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 10)	64,571,695			64,571,695
Contracts with other political subdivisions (Note 11)	51,146,256			51,146,256
Refunds, reimbursements, and other recoveries (Note 12)	4,011,594	145,719		4,157,313
Amounts received for distribution to school districts (Note 13)	4,724,335			4,724,335
Prior years carryforward (Note 14)	<u>34,557,836</u>	<u>4,301,257</u>	<u> </u>	<u>38,859,093</u>
Total exclusions claimed	<u>404,984,367</u>	<u>190,050,387</u>	<u>9,998,233,002</u>	<u>10,593,267,756</u>
C. Amounts subject to the expenditure limitation	<u>\$ 1,189,054,573</u>	<u>\$ 9,049,580</u>	<u>\$ -</u>	<u>\$ 1,198,104,153</u>

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2014

Description	Governmental Funds	Enterprise 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	\$ 1,865,944,000	\$ 25,070,360	\$ 202,926,579	\$ 9,998,233,002	\$ 12,092,173,941
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation			1,174,966		1,174,966
Loss on disposal of capital assets			2,466		2,466
Claims incurred but not reported (Note 15)			134,658,408		134,658,408
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 16)	116,642,558	27,484,161			144,126,719
Long-term care contributions withheld by the State Treasurer (Note 17)	149,698,100				149,698,100
Involuntary court judgments (Note 18)	3,754,273		10,943,481		14,697,754
Payments made to reimburse the Arizona Department of Health Services (Note 19)	1,810,129				1,810,129
Total subtractions	<u>271,905,060</u>	<u>27,484,161</u>	<u>146,779,321</u>	<u>-</u>	<u>446,168,542</u>
C. Additions:					
Acquisition of capital assets		2,387,360	288,692		2,676,052
Principal payments on long-term debt		26,441			26,441
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 15)			142,664,017		142,664,017
Total additions	<u>-</u>	<u>2,413,801</u>	<u>142,952,709</u>	<u>-</u>	<u>145,336,510</u>
D. Amounts reported on Part II, Line A	<u>\$ 1,594,038,940</u>	<u>\$ -</u>	<u>\$ 199,099,967</u>	<u>\$ 9,998,233,002</u>	<u>\$ 11,791,371,909</u>

See accompanying notes to report.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes §41-1279.07. The AELR 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 Position for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds.

Note 2 - The exclusion claimed for debt service requirements on bonded indebtedness of \$16,715,180 in the Governmental Funds consists of principal retirement and interest expenditures.

Note 3 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$14,183,426 in the Governmental Funds includes interest income expended of \$614,924 and interest on delinquent taxes expended of \$13,568,502, which was recorded as tax revenue. Remaining interest income revenues of \$187,719 have been carried forward to future years. The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$219,689 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 \$19,820,700 in county contributions to the Arizona Health Care Cost Containment System (AHCCCS) for acute care. In the Fiduciary Funds, the exclusion consists of \$9,998,233,002 in distributions to investment pool participants.

Note 5 - The exclusion claimed for grants and aid from the federal government of \$142,678,686 consists of federal grants reported as intergovernmental revenues.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014

- 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 \$7,588,477 in the Governmental Funds, consists of \$3,595,644, \$256,236, \$2,666,364, and \$1,070,233 reported as intergovernmental revenues, charges for services, fines and forfeits, and miscellaneous revenues, respectively. Remaining excludable revenues of \$17,257, \$12,398, and \$47,854 recorded as charges for services, fines and forfeits, and miscellaneous revenues, respectively, have been carried forward to future years.
- Note 7 - The exclusion claimed for amounts received from the State of Arizona of \$41,930,319 in the Governmental Funds consists of \$40,454,049 and \$1,476,270, reported as intergovernmental revenues and charges for services, respectively. Remaining excludable revenues of \$1,431,066 and \$98,591 recorded 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 representing service billings in the Governmental Funds consists of \$58,629 reported as miscellaneous revenues. In the Internal Service Funds, the \$185,383,722 represents charges for services revenues paid from other county funds to the Internal Service Funds. Excludable Internal Service Funds charges for services revenues of \$400,411 were unexpended and have been carried forward to future years.
- Note 9 - The \$2,997,234 exclusion claimed in the Governmental Funds for amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements consists of capital outlay expenditures for the construction of new jail facilities made from sales tax revenues approved and exempted from the expenditure limitation by county voters.
- Note 10 - 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 \$89,630,002, which was reported as intergovernmental revenues. Remaining excludable revenues of \$10,178,581 recorded as intergovernmental revenues have been carried forward to future years.
- Note 11 - The exclusion claimed in the Governmental Funds for contracts with other political subdivisions of \$51,146,256 consists of \$5,005,506 and \$46,140,750 reported as intergovernmental revenues and charges for services, respectively. Remaining excludable revenues of \$515,969 recorded as charges for services, have been carried forward to future years.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014

Note 12 - The exclusion claimed for refunds, reimbursements, and other recoveries of \$4,011,594 in the Governmental Funds consists of various expenditure reimbursements of \$473,961, \$556,691, \$2,796,933, and \$184,009 reported as intergovernmental revenues, charges for services, fines and forfeitures, and miscellaneous revenues, respectively. Remaining excludable revenues of \$32,350 recorded as charges for services have been carried forward to future years. The exclusion claimed for refunds, reimbursements, and other recoveries of \$145,719 in the Internal Service Funds was reported as miscellaneous revenues.

Note 13 - The exclusion claimed in the Governmental Funds for amounts received for distribution to school districts consists of federal, state, and county revenues of \$4,724,335 recorded as education expenditures for operating accommodation schools.

Note 14 - 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>
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 3,645	
Grants and aid from the federal government	10,349,254	
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	947,679	
Amounts received from the State of Arizona	1,768,318	
Quasi-external interfund transactions		\$4,301,257
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	11,854,251	
Contracts with other political subdivisions	8,774,437	
Refunds, reimbursements, and other recoveries	540,124	
Amounts received for distribution to school districts	<u>320,128</u>	
Total prior years carryforward expended	<u>\$34,557,836</u>	<u>\$4,301,257</u>

Note 15 - The subtraction of \$134,658,408 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 \$142,664,017 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.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014

Note 16 - The subtraction of \$144,126,719 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 and Enterprise Funds categories in the fund financial statements:

Special Assessment Districts	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Public safety	\$ 37,549,260	
Culture and recreation	27,134,877	
Capital outlay	42,539,099	
Principal	8,902,071	
Interest	516,001	
Other expenses	1,250	
Housing authority		<u>\$27,484,161</u>
Total	<u>\$116,642,558</u>	<u>\$27,484,161</u>

Note 17 - The subtraction for long-term care contributions withheld by the State Treasurer consists of transaction privilege taxes the State Treasurer withheld to meet the County's share of long-term care costs that was reported as revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.

Note 18 - The subtraction of \$3,754,273 in the Governmental Funds and \$10,943,481 in the Internal Service Funds consists of payments for involuntary court judgments against Maricopa County.

Note 19 - The subtraction of \$1,810,129 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 of committing an individual the court determined to be sexually violent, as required by Laws 2013, 1st Special Session, Chapter 10, Sections 17 and 18, which were recorded as health, welfare and sanitation expenditures.

Note 20 - Revenue that is constitutionally excludable and unexpended in the year of receipt may be accumulated and expended in future years. The beginning carryforward balance was restated to include the Accommodation Schools carryforward balance as of June 30, 2013, totaling \$2,416,751. A summary of the revenue balances to be expended in future years is as follows:

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014

Description	June 30, 2013 <u>Balances</u>	<u>Additions</u>	<u>Reductions</u>	June 30, 2014 <u>Balances</u>
Dividends, interest, and gains on the sale or redemption of investment securities	\$252,227,212	\$ 187,719	\$ 3,645	\$252,411,286
Grants and aid from the federal government	73,489,605		10,349,254	63,140,351
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	3,489,308	77,509	947,679	2,619,138
Amounts received from the State of Arizona	9,188,085	1,529,657	1,768,318	8,949,424
Quasi-external interfund transactions: Governmental Funds	48,426			48,426
Quasi-external interfund transactions: Internal Service Funds	95,653,347	400,411	4,301,257	91,752,501
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	245,567,623		11,854,251	233,713,372
Highway user revenues in excess of those received in fiscal year 1979-80	65,509,740	10,178,581		75,688,321
Contracts with other political subdivisions	73,098,877	515,969	8,774,437	64,840,409
Refunds, reimbursements, and other recoveries	4,707,096	32,350	540,124	4,199,322
Amounts received for distribution to school districts	2,416,751		320,128	2,096,623
Total carryforward	<u>\$825,396,070</u>	<u>\$12,922,196</u>	<u>\$38,859,093</u>	<u>\$799,459,173</u>

