

# Maricopa County

Annual Expenditure  
Limitation Report

Year Ended June 30, 2021

A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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**Stephanie Gerber**, Director  
**David Glennon**, Manager

## Contact Information

Arizona Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018-7271

(602) 553-0333

[contact@azauditor.gov](mailto:contact@azauditor.gov)

[www.azauditor.gov](http://www.azauditor.gov)



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LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
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 (report) of Maricopa County for the year ended June 30, 2021, and the related notes to the report. The County's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the Uniform Expenditure Reporting System in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report referred to above is presented in accordance with the Uniform Expenditure Reporting System as described in Note 1 in all material respects.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

May 23, 2022

**Maricopa County**  
**Annual Expenditure Limitation Report—Part I**  
**Year ended June 30, 2021**

1. Economic Estimates Commission expenditure limitation	\$1,485,908,684
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>1,451,715,742</u>
3. Amount under the expenditure limitation	<u>\$ 34,192,942</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: *Cynthia Goelz*

Name and title: Cynthia A. Goelz, Chief Financial Officer

Telephone number: (602) 506-4010 Date: May 23, 2022

See accompanying notes to report.

**Maricopa County**  
**Annual Expenditure Limitation Report—Part II**  
**Year ended June 30, 2021**

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	\$ 2,233,919,133	\$ 237,272,919	\$ 14,244,235,904	\$ 16,715,427,956
B. Less exclusions claimed:				
Debt service requirements (Note 2)	72,387,059			72,387,059
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	94,789	166,769		261,558
Trustee or custodian (Note 4)	17,788,700		14,244,235,904	14,262,024,604
Grants and aid from the federal government (Note 5)	482,664,963			482,664,963
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	9,317,672			9,317,672
Amounts received from the State of Arizona (Note 5)	44,092,128			44,092,128
Quasi-external interfund transactions (Note 7)		235,521,348		235,521,348
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	781,153			781,153
Contracts with other political subdivisions (Note 8)	4,805,169	132,843		4,938,012
Refunds, reimbursements, and other recoveries (Note 9)	378,682	484,356		863,038
Amounts received for distribution to school districts (Note 10)	5,840,208			5,840,208
Prior years carryforward (Note 11)	<u>144,219,539</u>	<u>800,932</u>		<u>145,020,471</u>
Total exclusions claimed	<u>782,370,062</u>	<u>237,106,248</u>	<u>14,244,235,904</u>	<u>15,263,712,214</u>
C. Amounts subject to the expenditure limitation	<u>\$ 1,451,549,071</u>	<u>\$ 166,671</u>	<u>\$ -</u>	<u>\$ 1,451,715,742</u>

See accompanying notes to report.

**Maricopa County**  
**Annual Expenditure Limitation Report—Reconciliation**  
**Year ended June 30, 2021**

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	\$ 2,606,185,632	\$ 252,512,457	\$ 14,244,235,904	\$ 17,102,933,993
B. Subtractions:				
Items not requiring use of current financial resources:				
Depreciation		6,684,171		6,684,171
Loss on disposal of capital assets		2,067		2,067
Pension and other postemployment benefits (OPEB) expense (Note 12)		(774,092)		(774,092)
Claims incurred but not reported (IBNR) (Note 13)		168,176,555		168,176,555
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 14)	107,168,972			107,168,972
Long-term care contributions the State Treasurer withheld (Note 15)	196,891,500			196,891,500
Required fees/reimbursements made to Arizona state agencies (Note 16)	9,125,117			9,125,117
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	27,083,511			27,083,511
Involuntary court judgments (Note 17)	31,997,399	3,805,462		35,802,861
Total subtractions	<u>372,266,499</u>	<u>177,894,163</u>		<u>550,160,662</u>
C. Additions:				
Acquisition of capital assets		118,575		118,575
Amounts paid in the current year but reported as expenses in previous years:				
Claims previously recognized as IBNR (Note 13)		161,218,210		161,218,210
Pension and OPEB contributions paid in the current year (Note 12)		1,317,840		1,317,840
Total additions		<u>162,654,625</u>		<u>162,654,625</u>
D. Amounts reported on part II, line A	<u>\$ 2,233,919,133</u>	<u>\$ 237,272,919</u>	<u>\$ 14,244,235,904</u>	<u>\$ 16,715,427,956</u>

See accompanying notes to report.

# Maricopa County

## Notes to Annual Expenditure Limitation Report

### Year ended June 30, 2021

#### **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 (A.R.S.) §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 other long-term obligations of \$72,387,059 in the governmental funds consists of principal and interest.

#### **Note 3**

The \$94,789 exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities consists of expended interest income. Remaining unspent interest income and interest on delinquent taxes of \$4,840,884, and \$17,230,649, respectively, have been carried forward to future years. The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$166,769 in the internal service funds consists of interest on investments, which was reported as investment income.

#### **Note 4**

The \$17,788,700 exclusion claimed for trustee or custodian in the governmental funds consists of county contributions to the Arizona Health Care Cost Containment System (AHCCCS) for acute care, uncompensated care, and administrative costs; and in the fiduciary funds, the exclusion of \$14,244,235,904 consists of \$8,202,438,370, \$907,152,010, \$4,993,071,487, \$114,223,223, and \$27,350,814 in distributions to investment pool participants, distributions to other governments, property tax distributions to other governments, and fines, fees, and forfeitures distributed to other governments, respectively.

#### **Note 5**

The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, grants, aid, contributions, or gifts from a private agency, organization, or individual, amounts received from the State of Arizona, contracts with other political subdivisions, and amounts received for distribution to school districts in the governmental funds:

**Maricopa County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2021**

<b>Description</b>	
Grants and aid from the federal government	\$ 482,664,963
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	8,703,533
Amounts received from the State of Arizona	38,141,311
Contracts with other political subdivisions	715,723
Amounts received for distribution to school districts	5,840,208
Other revenues – (nonexcludable)	947,465,239
Unspent revenues carryforward	<u>109,099,767</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$1,592,630,744</u>

Additional exclusions of \$5,895,317 and \$55,500 claimed for amounts received from the State of Arizona consist of charges for services and miscellaneous revenues, respectively, expended.

**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 \$9,317,672 in the governmental funds, consists of expenditures of \$8,703,533, \$209,028, \$38,378, and \$366,733 of revenues reported as intergovernmental revenues, charges for services, fine and forfeitures, and miscellaneous, respectively.

**Note 7**

The exclusion claimed for quasi-external interfund transactions in the internal service funds of \$235,521,348 consists of charges for services revenues paid from other county funds to the internal service funds. Excludable internal service fund charges for services revenues of \$25,299,734 were unexpended and have been carried forward to future years.

**Note 8**

The \$4,805,169 exclusion claimed for contracts with other political subdivisions in the governmental funds consists of expended charges for services and intergovernmental revenues of \$4,089,446 and \$715,723, respectively. Remaining excludable charges for services and intergovernmental revenues of \$42,257,205 and \$435,868, respectively, have been carried forward to future years. The \$132,843 exclusion claimed for contracts with other political subdivisions in the internal service funds consists of charges for services revenues.

**Note 9**

The exclusion claimed for refunds, reimbursements, and other recoveries of \$378,682 in the governmental funds consists of various expenditure reimbursements reported as fines and forfeits. Remaining unspent excludable revenues of \$1,833,445, \$663,633, \$649,569, and \$77,989 recorded as fines and forfeits, miscellaneous, charges for services, and intergovernmental revenues, respectively, have been carried

**Maricopa County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2021**

forward to future years. The exclusion claimed for refunds, reimbursements, and other recoveries of \$484,356 in the internal service funds consists of miscellaneous revenues.

**Note 10**

The exclusion claimed for amounts received for distribution to school districts in the governmental funds consists of federal, state, and county revenues of \$5,840,208 recorded as education expenditures for operating accommodation schools.

**Note 11**

Prior years carryforward 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	Governmental funds	Internal service funds
Debt proceeds	\$ 49,748,496	
Dividends, interest, and gains on the sale or redemption of investment securities	193,577	
Grants, aid, contributions, or gifts, from a private agency, organization, or individual, except amounts received in lieu of taxes	460,038	
Amounts received from the State of Arizona	1,177,790	
Quasi-external interfund transactions		\$800,932
Highway user revenues in excess of those received in fiscal year 1979-80	91,322,862	
Contracts with other political subdivisions	1,019,705	
Amounts received for distribution to school districts	297,071	
Total prior years carryforward expended	\$144,219,539	\$800,932

**Note 12**

The subtraction of (\$774,092) for pension expense and other post-employment benefits (OPEB) consists of the change in the net pension liability recognized in the current year in the internal service funds. The addition of \$1,317,840 for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the internal service funds. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.

**Maricopa County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2021**

	<u>Internal service funds</u>
<b><u>Statement of cash flows</u></b>	
Change in deferred inflows related to pensions and OPEB	\$ (925,646)
Change in deferred outflows related to pensions and OPEB	(1,048,019)
Change in net pension and OPEB liability	<u>(118,267)</u>
Total	<u>\$ (2,091,932)</u>
<b><u>AELR – Reconciliation</u></b>	
Pension/OPEB contributions – addition	\$(1,317,840)
Pension/OPEB expense– subtraction	<u>(774,092)</u>
Total	<u>\$ (2,091,932)</u>

**Note 13**

The subtraction of \$168,176,555 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 \$161,218,210 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 14**

The subtraction of \$107,168,972 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:

<b>Special Assessment Districts</b>	<u>Governmental funds</u>
Public safety	\$ 37,068,362
Culture and recreation	34,725,171
Capital outlay	<u>35,375,439</u>
Total	<u>\$107,168,972</u>

**Note 15**

The subtraction of \$196,891,500 for long-term care contributions the State Treasurer withheld 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 16**

The subtraction of \$9,125,117 for required fees/reimbursements paid to Arizona state agencies consists of \$6,724,000 paid to the Arizona Department of Juvenile Corrections pursuant to A.R.S. §41-2832 for

# Maricopa County

## Notes to Annual Expenditure Limitation Report

### Year ended June 30, 2021

committed youth confinement cost-sharing; and \$2,401,117 paid to the Arizona Department of Revenue pursuant to A.R.S. §42-5041 for administrative, program, and operating costs.

#### Note 17

The subtraction of \$31,997,399 in the governmental funds for payments for involuntary court judgments against Maricopa County consists of public safety, health, welfare, and sanitation, and general government expenditures of \$26,906,237, \$4,715,555, and \$375,607, respectively. The subtraction of \$3,805,462 in the internal service funds for payments for involuntary court judgments against Maricopa County consists of insurance claims.

#### Note 18

Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. A summary of the revenue sources and the changes in their balances is shown in the table below. The reduction for "Dividends, interest, and gains on the sale or redemption of investment securities", "Grants, aid, contributions, or gifts, from a private agency, organization, or individual, except amounts received in lieu of taxes", "Amounts received from State of Arizona", "Quasi-external interfund transactions: Internal Service Funds", "Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements" and "Refunds, reimbursements and other recoveries" includes prior year lost carryforward of \$1,071,673, \$5,416, \$35,590, \$537,910, \$928,595, and \$214,954 respectively, as a result of expenditures that were not excluded.

Description	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2021</u>
Debt proceeds	\$156,237,087		\$ 49,748,496	\$106,488,591
Dividends, interest, and gains on the sale or redemption of investment securities	369,711,128	\$ 22,071,533	1,265,250	390,517,411
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	2,569,774	1,171,730	465,454	3,276,050
Amounts received from the State of Arizona	16,968,009	696,133	1,213,380	16,450,762
Quasi-external interfund transactions:				
Governmental funds	48,426			48,426
Quasi-external interfund transactions:				
Internal service funds	70,806,623	25,299,734	1,338,842	94,767,515
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	64,300,654		928,595	63,372,059
Highway user revenues in excess of those received in fiscal year 1979-80	107,337,404	108,299,027	91,322,862	124,313,569
Contracts with other political subdivisions	129,518,913	42,693,073	1,019,705	171,192,281
Refunds, reimbursements, and other recoveries	9,123,177	3,224,636	214,954	12,132,859
Amounts received for distribution to school districts	<u>297,071</u>		<u>297,071</u>	
Total carryforward	<u>\$926,918,266</u>	<u>\$203,455,866</u>	<u>\$147,814,609</u>	<u>\$982,559,523</u>

