



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Annual Budgeted Expenditure Limitation Report

# Maricopa County

Year Ended June 30, 2002

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**Debra K. Davenport**  
Auditor General

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Maricopa County  
Report on Audit of Annual Expenditure Limitation Report  
Year Ended June 30, 2002

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DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

WILLIAM THOMSON  
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, 2002. 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, 2002, 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 and the Board of Supervisors, 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.

Dennis L. Mattheisen, CPA  
Financial Audit Director

June 20, 2003

Maricopa County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2002

1. Economic Estimates Commission expenditure limitation	\$676,953,928
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>661,412,756</u>
3. Amount under the expenditure limitation	<u>\$ 15,541,172</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: Tom Manos, Chief Financial Officer

Telephone Number: (602) 506-3561 Date: June 20, 2003

See accompanying notes to report.

Maricopa County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2002

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 1,093,973,216	\$ 681,598,188	\$ 50,451,958	\$ 8,900,638,636	\$ 10,726,661,998
B. Less exclusions claimed:					
Bond proceeds (Note 2)	20,654,874				20,654,874
Debt service requirements on bonded indebtedness (Note 3)	40,413,443				40,413,443
Proceeds from other long-term obligations (Note 4)	24,974,928	20,088,045			45,062,973
Debt service requirements on other long-term obligations (Note 5)	9,679,806	2,603,937	29,704		12,313,447
Dividends, interest, and gains on the sale or redemption of investment securities (Note 6)	4,653,848	5,727,572	1,176,174		11,557,594
Trustee or custodian (Note 7)	38,659,236			8,900,638,636	8,939,297,872
Grants and aid from the federal government (Note 8)	87,127,570	2,438,693			89,566,263
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 9)	693,833				693,833
Amounts received from the State of Arizona (Note 10)	67,541,434	3,834,265			71,375,699
Quasi-external interfund transactions (Note 11)	274,260	64,024,400			64,298,660
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 12)	154,960,736				154,960,736
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 13)	60,330,848				60,330,848
Contracts with other political subdivisions (Note 14)	50,980,657	403,233,616	1,207,087		455,421,360
Refunds, reimbursements, and other recoveries (Note 15)	1,913,436	83,541,703	200,903		85,656,042
Amounts received for distribution to school districts (Notes 16)	13,643,559				13,643,559
Prior years carryforward (Note 17)	<u>2,039</u>				<u>2,039</u>
Total exclusions claimed	<u>576,504,507</u>	<u>585,492,231</u>	<u>2,613,868</u>	<u>8,900,638,636</u>	<u>10,065,249,242</u>
C. Amounts subject to the expenditure limitation	<u>\$ 517,468,709</u>	<u>\$ 96,105,957</u>	<u>\$ 47,838,090</u>	<u>\$ -</u>	<u>\$ 661,412,756</u>

See accompanying notes to report.

Maricopa County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2002

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses reported within the fund financial statements	\$ 1,405,132,606	\$ 742,889,056	\$ 52,077,400	\$ 8,900,638,636	\$ 11,100,737,698
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		10,797,634	716,394		11,514,028
Loss on disposal of capital assets		103,280	309,729		413,009
Bad debt expense (Note 18)		73,157,937			73,157,937
Claims incurred but not reported (Note 19)			14,253,527		14,253,527
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 20)	156,420,455				156,420,455
Long-term care contributions withheld by the State Treasurer (Note 21)	101,811,878				101,811,878
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	9,843,870				9,843,870
Charges paid to the Internal Service Funds	<u>43,083,187</u>	<u>7,391,258</u>	<u>292,753</u>		<u>50,767,198</u>
Total subtractions	<u>311,159,390</u>	<u>91,450,109</u>	<u>15,572,403</u>		<u>418,181,902</u>
C. Additions:					
Principal payments on long-term debt (Note 22)		700,789	26,480		727,269
Acquisition of capital assets		29,458,452	1,429,486		30,887,938
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 19)			12,490,995		12,490,995
Total additions		<u>30,159,241</u>	<u>13,946,961</u>		<u>44,106,202</u>
D. Amounts reported on Part II, Line A	<u>\$ 1,093,973,216</u>	<u>\$ 681,598,188</u>	<u>\$ 50,451,958</u>	<u>\$ 8,900,638,636</u>	<u>\$ 10,726,661,998</u>

See accompanying notes to report.

Maricopa County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2002

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 amount 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; the 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 bond proceeds in the Governmental Funds consists of payments made to agents reported as payment to escrow agent and other debt service expenditures.
- Note 3 - The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental Funds consists of principal retirement and interest expenditures.
- Note 4 - The exclusion claimed for proceeds from other long-term obligations in the Governmental Funds consists of expenditures made from the proceeds of capital leases and lease revenue bonds issued in prior years and reported as capital outlay expenditures. The exclusion claimed for proceeds from other long-term obligations in the Enterprise Funds consists of certificates of participation and lease revenue bond proceeds spent for the acquisition of capital assets and reported as purchases of capital assets on the Statement of Cash Flows.
- Note 5 - The exclusion claimed for debt service requirements on other long-term obligations consists of capital lease and certificates of participation principal and interest payments of \$9,679,806 reported as general government, public safety, and health, welfare and sanitation expenditures in the Governmental Funds; \$229,159, \$56,334, and \$415,296 reported as capital lease, certificates of participation, and installment purchase contracts payments, respectively, on the Statement of Cash Flows and \$1,903,148 reported as interest expense in the Enterprise Funds; and \$26,480 reported as capital lease payments on the Statement of Cash Flows and \$3,224 reported as interest expense in the Internal Service Funds.
- Note 6 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$4,653,848 in the Governmental Funds consists of interest on investments, which was reported as miscellaneous revenues. Remaining interest revenues of \$17,068,429, which was

Maricopa County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2002

reported as miscellaneous revenues, and interest from delinquent taxes of \$9,831,777, which was reported as taxes revenues, 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 \$5,727,572 in the Enterprise Funds consists of interest on investments, which was reported as investment income. Remaining investment income of \$631,829 was unexpended and has been carried forward to future years.

**Note 7 -** The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$38,659,236 in contributions by the County to the Arizona Health Care Cost Containment System (AHCCCS) for acute care, and in the Fiduciary Funds, the exclusion was reported as distributions to participants on the Statement of Changes in Fiduciary Net Assets.

**Note 8 -** The exclusion claimed for grants and aid from the federal government of \$89,566,263 consists of the following:

Governmental Funds—\$87,127,570. This amount consists of federal grants of \$92,791,501 reported as intergovernmental revenues, of which \$6,600,138 was unexpended and has been carried forward to future years, and disproportionate share settlements of \$45,895,500, of which \$44,959,293 was unexpended and has been carried forward to future years.

Enterprise Funds—\$2,438,693. This amount consists of \$2,438,693 of federal grants reported as grant revenues.

**Note 9 -** The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes in the Governmental Funds consists of \$691,466 reported as intergovernmental revenues and \$229,069 reported as miscellaneous revenues. Of these amounts, excludable contributions of \$226,702 were unexpended and have been carried forward to future years.

**Note 10 -** The exclusion claimed for amounts received from the State of Arizona of \$71,375,699 consists of the following:

Governmental Funds—\$67,541,434. This amount consists of \$70,755,746 reported as intergovernmental revenues and \$817,303 reported as miscellaneous revenues. Of these amounts, excludable grants of \$4,031,615 were unexpended and have been carried forward to future years.

Enterprise Funds—\$3,834,265. This amount was reported as grant revenues.

**Note 11 -** The exclusion claimed for quasi-external interfund transactions of \$274,260 in the Governmental Funds consists of \$5,760 reported as charges for services revenues and \$268,500 reported as miscellaneous revenues. In the Enterprise Funds, the \$64,024,400 consists of \$46,892,018 reported as net patient service revenues and \$17,132,382 reported as charges for services revenues.

Maricopa County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2002

**Note 12** - The exclusion claimed in the Governmental Funds for amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements of \$154,960,736, consists of capital outlay expenditures for the construction of new jail facilities made from the accumulation of sales tax revenues approved and exempted from the expenditure limitation by County voters.

**Note 13** - The exclusion claimed in the Governmental Funds for highway user revenues in excess of those received in fiscal year 1979-80 is derived by subtracting the 1979-80 base year highway user fees of \$14,879,726 from the total of highway user revenues and vehicle license revenues received of \$85,028,994, which was reported as intergovernmental revenues. Of this amount, \$9,818,420 was unexpended and has been carried forward to future years.

**Note 14** - The exclusion claimed for contracts with other political subdivisions of \$455,421,360 consists of the following:

Governmental Funds—\$50,980,657. This amount consists of \$40,448,654 reported as intergovernmental revenues; \$1,991,398 reported as miscellaneous revenues; \$39,962,058 reported as transfers in; and \$305,871 reported as charges for services revenues. Of these amounts, \$31,727,324 were unexpended and have been carried forward to future years.

Enterprise Funds—\$403,233,616. This amount consists of \$385,032,441 reported as charges for services revenues and \$18,201,175 reported as net patient service revenues.

Internal Service Funds—\$1,207,087. This amount consists of \$859,504 reported as grant revenues and \$347,583 reported as miscellaneous revenues.

**Note 15** - The exclusion claimed for refunds, reimbursements, and other recoveries of \$1,913,436 in the Governmental Funds consists of \$1,037,834 reported as intergovernmental revenues, \$199,404 reported as charges for services revenues, \$295,691 reported as miscellaneous revenues, and \$380,507 reported as fines and forfeits revenues.

The exclusion claimed for refunds, reimbursements, and other recoveries of \$83,541,703 in the Enterprise Funds consists of Medicare reimbursements of \$32,629,169; AHCCCS reimbursements of \$34,912,660; health maintenance organizations reimbursements of \$14,939,456; and Champus reimbursements of \$615,513 reported as net patient service revenues; and intern reimbursements of \$444,905 reported as miscellaneous revenues.

The exclusion claimed for refunds, reimbursements, and other recoveries of \$200,903 in the Internal Service Funds consists of \$192,067 reported as miscellaneous revenues and \$8,836 reported as grant revenues.

Maricopa County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2002

- Note 16** - The exclusion claimed in the Governmental Funds for amounts received for distribution to school districts consists of expenditures of federal, state, and county revenues of \$13,643,559 reported as education expenditures for the operation of accommodation schools.
- Note 17** - Prior years carryforward in the Governmental Funds consists of constitutionally excludable interest revenues that were unexpended in the year of receipt and were expended in the current year.
- Note 18** - The subtraction of \$73,157,937 for bad debt expense in the Enterprise Funds was reported as provision for doubtful accounts of \$56,856,455 and indigent patient direct write-offs of \$16,301,482.
- Note 19** - The subtraction of \$14,253,527 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 amount of \$12,490,995 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 20** - The subtraction of \$156,420,455 for expenditures of 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:

<b>Special Assessment Districts</b>	
Public safety	\$ 33,590,728
Culture and recreation	12,162,432
Capital outlay	42,685,896
Principal retirement	7,843,379
Interest charges	1,632,942
Other expenditures	1,114,508
Payment to escrow agent	<u>57,390,570</u>
Total	<u>\$156,420,455</u>

- Note 21** - The amount of transaction privilege taxes withheld by the State Treasurer to meet the County's share of long-term care costs was reported as a revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.
- Note 22** - The addition of \$700,789 for principal payments on long-term debt in the Enterprise Funds consists of certificates of participation payments of \$56,334; capital lease payments of \$229,159; and installment purchase contract payments of \$415,296. The addition of \$26,480 for principal payments on long-term debt in the Internal Service Funds consists of capital lease payments.