



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Maricopa County

Year Ended June 30, 2008



Debra K. Davenport
Auditor General

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Maricopa County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2008

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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, 2008. 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, 2008, 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, and management, 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

September 15, 2009

Maricopa County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2008

1. Economic Estimates Commission expenditure limitation	\$1,034,689,933
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>1,034,689,932</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: September 15, 2009

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2008

Description	Governmental Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 1,553,007,073	\$ 181,330,731	\$ 14,538,403,352	\$ 16,272,741,156
B. Less exclusions claimed:				
Proceeds from other long-term obligations (Note 2)	29,953,944			29,953,944
Debt service requirements on other long-term obligations (Note 3)	21,597,215	54,937		21,652,152
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	51,613,621	4,675,893		56,289,514
Trustee or custodian (Note 5)	22,175,500		14,538,403,352	14,560,578,852
Grants and aid from the federal government (Note 6)	91,053,847			91,053,847
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	3,571,922			3,571,922
Amounts received from the State of Arizona (Note 8)	46,951,541			46,951,541
Quasi-external interfund transactions (Note 9)	5,292,073	175,613,917		180,905,990
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 10)	73,053			73,053
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 11)	87,871,867			87,871,867
Contracts with other political subdivisions (Note 12)	51,653,558			51,653,558
Refunds, reimbursements, and other recoveries (Note 13)	5,705,949			5,705,949
Amounts received for distribution to school districts (Note 14)	11,846,110			11,846,110
Prior years carryforward (Note 15)	89,055,166	887,759		89,942,925
Total exclusions claimed	<u>518,415,366</u>	<u>181,232,506</u>	<u>14,538,403,352</u>	<u>15,238,051,224</u>
C. Amounts subject to the expenditure limitation	<u>\$ 1,034,591,707</u>	<u>\$ 98,225</u>	<u>\$ -</u>	<u>\$ 1,034,689,932</u>

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2008

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	\$ 1,840,809,655	\$ 189,931,191	\$ 14,538,403,352	\$ 16,569,144,198
B. Subtractions:				
Items not requiring use of working capital:				
Depreciation		1,014,028		1,014,028
Loss on disposal of capital assets		21,818		21,818
Claims incurred but not reported (Note 16)		109,393,936		109,393,936
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 17)	135,022,882			135,022,882
Long-term care contributions withheld by the State Treasurer (Note 18)	<u>152,779,700</u>			<u>152,779,700</u>
Total subtractions	<u>287,802,582</u>	<u>110,429,782</u>		<u>398,232,364</u>
C. Additions:				
Principal payments on long-term debt (Note 19)		54,501		54,501
Acquisition of capital assets		1,063,543		1,063,543
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 16)		<u>100,711,278</u>		<u>100,711,278</u>
Total additions		<u>101,829,322</u>		<u>101,829,322</u>
D. Amounts reported on Part II, Line A	<u>\$ 1,553,007,073</u>	<u>\$ 181,330,731</u>	<u>\$ 14,538,403,352</u>	<u>\$ 16,272,741,156</u>

See accompanying notes to report.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2008

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 proceeds from other long-term obligations of \$29,953,944 consists of capital lease proceeds.

Note 3 - The exclusion claimed for debt service requirements on other long-term obligations consists of principal retirement, interest expense, and other expenditures of \$12,620,765, \$8,972,450, and \$4,000, respectively, in the Governmental Funds; and \$54,501 and \$436 reported as capital lease payments and interest expense, respectively, in the Internal Service Funds.

Note 4 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$51,613,621 in the Governmental Funds consists of interest on investments of \$37,601,440, which was reported as miscellaneous revenues, and interest on delinquent taxes of \$14,012,181, which was reported as tax revenues. Remaining excludable revenues of \$26,033,768 reported as miscellaneous 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 \$4,675,893 in the Internal Service Funds consist of interest on investments, which was reported as investment income.

Note 5 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$22,175,500 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, and in the Fiduciary Funds, the exclusion consists of \$14,538,403,352 in distributions to investment pool participants.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2008

- Note 6 - The exclusion claimed for grants and aid from the federal government of \$91,053,847 consists of federal grants reported as intergovernmental revenues.
- Note 7 - The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes of \$3,571,922 in the Governmental Funds consists of \$2,206,161 and \$1,365,761 reported as intergovernmental revenues and miscellaneous revenues, respectively. Remaining excludable amounts of \$104,771 reported as miscellaneous revenues have been carried forward to future years.
- Note 8 - The exclusion claimed for amounts received from the State of Arizona of \$46,951,541 in the Governmental Funds consists of \$43,514,356, \$3,102,950, and \$334,235 reported as intergovernmental revenues, charges for services, and miscellaneous revenues, respectively. Remaining excludable amounts of \$1,083,444, \$38,572, and \$308,291 reported as intergovernmental revenues, charges for services, and miscellaneous revenues, respectively, have been carried forward to future years.
- Note 9 - The exclusion claimed for quasi-external interfund transactions of \$5,292,073 in the Governmental Funds represents service billings of \$5,134,359 and \$157,714 reported as charges for services and miscellaneous revenues, respectively. In the Internal Service Funds, the \$175,613,917 represents charges for services revenues paid from other county funds to the Internal Service Funds. Excludable Internal Service Funds' charges for services revenues of \$26,225,316 were unexpended and have been carried forward to future years.
- Note 10 - The \$73,053 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. Remaining excludable amounts of \$32,039,743 have been carried forward to future years.
- Note 11 - 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 \$102,751,593, which was reported as intergovernmental revenues.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2008

- Note 12 - The exclusions claimed in the Governmental Funds for contracts with other political subdivisions of \$51,653,558 consists of \$26,606,427, \$24,997,131, and \$50,000 reported as intergovernmental revenues, charges for services, and miscellaneous revenues, respectively. Remaining excludable amounts of \$22,249 and \$30,451,181 reported as intergovernmental revenues and charges for services revenues, respectively, have been carried forward to future years.
- Note 13 - The exclusion claimed for refunds, reimbursements, and other recoveries of \$5,705,949 in the Governmental Funds consists of various expenditure reimbursements of \$139,102, \$2,097,751, \$2,746,973, and \$722,123 reported as intergovernmental revenues, charges for services, fines and forfeitures, and miscellaneous revenues, respectively.
- Note 14 - The exclusion claimed in the Governmental Funds for amounts received for distribution to school districts consists of federal, state, and county revenues of \$11,846,110 reported as education expenditures for the operation of accommodation schools and the small schools service program.
- Note 15 - 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	\$38,722,543	
Grants and aid from the federal government	49,806,850	
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	52,982	
Quasi-external interfund transactions		\$887,759
Refunds, reimbursements, and other recoveries	<u>472,791</u>	
Total prior years carryforward expended	<u>\$89,055,166</u>	<u>\$887,759</u>

- Note 16 - The subtraction of \$109,393,936 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 \$100,711,278 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, 2008

Note 17 - The subtraction of \$135,022,882 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	\$ 36,993,150
Culture and recreation	23,334,834
Principal	2,986,711
Interest	2,468,956
Other expenditures	1,250
Capital outlay	<u>69,237,981</u>
Total	<u>\$135,022,882</u>

Note 18 - 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.

Note 19 - The addition of \$54,501 for principal payments on long-term debt in the Internal Service Funds consists of capital lease payments.