



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

---

Expenditure Limitation Report

# Maricopa County

Year Ended June 30, 2009

---



**Debra K. Davenport**  
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.  
You may request them by contacting us at:

**Office of the Auditor General**

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

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

Maricopa County  
Report on Audit of Annual Expenditure Limitation Report  
Year Ended June 30, 2009

Table of Contents	Page
Independent Auditors' Report	1
Annual Expenditure Limitation Report—Part I	2
Annual Expenditure Limitation Report—Part II	3
Annual Expenditure Limitation Report—Reconciliation	4
Notes to Annual Expenditure Limitation Report	5



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

**DEBRA K. DAVENPORT, CPA**  
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, 2009. 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, 2009, 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

May 19, 2010

Maricopa County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2009

1. Economic Estimates Commission expenditure limitation	\$1,099,442,729
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>1,099,442,728</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: May 19, 2010

See accompanying notes to report.

Maricopa County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2009

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	\$ 1,529,285,034	\$ 187,631,136	\$ 14,634,695,419	\$ 16,351,611,589
B. Less exclusions claimed:				
Proceeds from other long-term obligations (Note 2)	20,121,941			20,121,941
Debt service requirements on other long-term obligations (Note 3)	23,389,371			23,389,371
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	4,579,963	2,652,705		7,232,668
Trustee or custodian (Note 5)	45,721,100		14,634,695,419	14,680,416,519
Grants and aid from the federal government (Note 6)	95,028,044			95,028,044
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	3,667,341			3,667,341
Amounts received from the State of Arizona (Note 8)	42,754,020			42,754,020
Quasi-external interfund transactions (Note 9)	4,327,970	184,750,576		189,078,546
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 10)	951,000			951,000
Highway user revenues in excess of those received in fiscal year 1980 (Note 11)	58,488,257			58,488,257
Contracts with other political subdivisions (Note 12)	77,788,119			77,788,119
Refunds, reimbursements, and other recoveries (Note 13)	8,059,447			8,059,447
Amounts received for distribution to school districts (Note 14)	5,806,023			5,806,023
Prior years carryforward (Note 15)	<u>39,387,565</u>			<u>39,387,565</u>
Total exclusions claimed	<u>430,070,161</u>	<u>187,403,281</u>	<u>14,634,695,419</u>	<u>15,252,168,861</u>
C. Amounts subject to the expenditure limitation	<u>\$ 1,099,214,873</u>	<u>\$ 227,855</u>	<u>\$ -</u>	<u>\$ 1,099,442,728</u>

See accompanying notes to report.

Maricopa County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2009

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	\$ 1,815,405,004	\$ 193,710,758	\$ 14,634,695,419	\$ 16,643,811,181
B. Subtractions:				
Items not requiring use of working capital:				
Depreciation		941,573		941,573
Loss on disposal of capital assets		1,628		1,628
Claims incurred but not reported (Note 16)		112,693,066		112,693,066
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 17)	125,375,170			125,375,170
Long-term care contributions withheld by the State Treasurer (Note 18)	<u>160,744,800</u>			<u>160,744,800</u>
Total subtractions	<u>286,119,970</u>	<u>113,636,267</u>		<u>399,756,237</u>
C. Additions:				
Acquisition of capital assets		171,655		171,655
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 16)		<u>107,384,990</u>		<u>107,384,990</u>
Total additions		<u>107,556,645</u>		<u>107,556,645</u>
D. Amounts reported on Part II, Line A	<u>\$ 1,529,285,034</u>	<u>\$ 187,631,136</u>	<u>\$ 14,634,695,419</u>	<u>\$ 16,351,611,589</u>

See accompanying notes to report.

Maricopa County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2009

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 \$20,121,941 consists of capital lease proceeds.

Note 3 - The exclusion claimed for debt service requirements on other long-term obligations consists of principal retirement and interest expense of \$15,692,000 and \$7,697,371, respectively, in the Governmental Funds.

Note 4 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$4,579,963 in the Governmental Funds consists of interest on investments, which was reported as miscellaneous revenues. Remaining excludable amounts of \$26,222,166 and \$17,842,932 reported as miscellaneous revenues and tax revenues, respectively, 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 \$2,652,705 in the Internal Service Funds consists 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 \$21,552,700 in contributions by the County to the Arizona Health Care Cost Containment System (AHCCCS) for acute care, \$24,168,400 in contributions to AHCCCS for the State Budget Neutrality Compliance Fund, and \$14,634,695,419 in distributions to investment pool participants in the Fiduciary Funds.

Maricopa County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2009

- Note 6 - The exclusion claimed for grants and aid from the federal government of \$95,028,044 consists of federal grants reported as intergovernmental revenues. Remaining excludable revenues of \$2,530,441 reported as intergovernmental revenues have been carried forward to future years.
- 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 \$3,667,341 in the Governmental Funds consists of \$1,800,005 and \$1,867,336 reported as intergovernmental revenues and miscellaneous revenues, respectively. Remaining excludable revenues of \$244,271 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 \$42,754,020 in the Governmental Funds consists of \$39,918,251, \$2,418,147, and \$417,622 reported as intergovernmental revenues, charges for services, and miscellaneous revenues, respectively. Remaining excludable revenues of \$18,989 and \$17,570 reported as intergovernmental revenues and charges for services, respectively, have been carried forward to future years.
- Note 9 - The exclusion claimed for quasi-external interfund transactions of \$4,327,970 in the Governmental Funds represents service billings of \$4,227,290 and \$100,680 reported as charges for services and miscellaneous revenues, respectively. In the Internal Service Funds, the \$184,750,576 represents charges for services revenues paid from other county funds to the Internal Service Funds. Excludable Internal Service Funds charges for services revenues of \$20,174,946 were unexpended and have been carried forward to future years.
- Note 10 - The \$951,000 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 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 \$90,419,237, which was reported as intergovernmental revenues. Remaining excludable revenues of \$17,051,254 were unexpended and have been carried forward to future years.
- Note 12 - The exclusions claimed in the Governmental Funds for contracts with other political subdivisions of \$77,788,119 consist of \$4,150,141, \$69,108,632, and \$4,529,346 reported as intergovernmental revenues, charges for services, and miscellaneous revenues, respectively. Remaining excludable revenues of \$6,722 and \$716,819 reported as intergovernmental revenues and charges for services revenues, respectively, have been carried forward to future years.

Maricopa County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2009

Note 13 - The exclusion claimed for refunds, reimbursements, and other recoveries of \$8,059,447 in the Governmental Funds consists of various expenditure reimbursements of \$3,997, \$1,285,979, \$3,598,272, and \$3,171,199 reported as intergovernmental revenues, charges for services, fines and forfeitures, and miscellaneous revenues, respectively. Remaining excludable revenues of \$384,253 reported as fines and forfeitures revenues have been carried forward to future years.

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 \$5,806,023 reported as education expenditures for the operation of accommodation schools and the small schools service program.

Note 15 - Prior years carryforward in the Governmental 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>
Proceeds from other long-term obligations	\$37,073,729
Amounts received from the State of Arizona	1,970,485
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	<u>343,351</u>
Total prior years carryforward expended	<u>\$39,387,565</u>

Note 16 - The subtraction of \$112,693,066 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 \$107,384,990 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 17 - The subtraction of \$125,375,170 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:

Maricopa County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2009

<b>Special Assessment Districts</b>	
Public safety	\$ 37,254,803
Culture and recreation	23,613,417
Principal	3,141,968
Interest	2,328,739
Other expenditures	3,188
Capital outlay	<u>59,033,055</u>
Total	<u>\$125,375,170</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 were reported as a revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.