



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Maricopa County

Year Ended June 30, 2007



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

Maricopa County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2007

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, 2007. 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, 2007, 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

August 26, 2009

Maricopa County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2007

1. Economic Estimates Commission expenditure limitation	\$961,010,065
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>961,010,064</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: August 26, 2009

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2007

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 1,641,945,121	\$ 2,660,787	\$ 85,812,516	\$ 13,917,381,548	\$ 15,647,799,972
B. Less exclusions claimed:					
Proceeds from other long-term obligations (Note 2)	91,513,402				91,513,402
Debt service requirements on other long-term obligations (Note 3)	14,861,300	6,976	101,729		14,970,005
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	55,255,191	684,104	3,328,890		59,268,185
Trustee or custodian (Note 5)	23,756,800			13,917,381,548	13,941,138,348
Grants and aid from the federal government (Note 6)	193,057,983				193,057,983
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	5,980,677				5,980,677
Amounts received from the State of Arizona (Note 8)	49,285,729				49,285,729
Quasi-external interfund transactions (Note 9)	9,356,377		78,362,233		87,718,610
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 10)	9,239,169				9,239,169
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 11)	92,713,390				92,713,390
Contracts with other political subdivisions (Note 12)	82,356,377	503,994			82,860,371
Refunds, reimbursements, and other recoveries (Note 13)	5,984,968				5,984,968
Amounts received for distribution to school districts (Note 14)	12,359,636				12,359,636
Prior years carryforward (Note 15)	40,421,612		277,823		40,699,435
Total exclusions claimed	<u>686,142,611</u>	<u>1,195,074</u>	<u>82,070,675</u>	<u>13,917,381,548</u>	<u>14,686,789,908</u>
C. Amounts subject to the expenditure limitation	<u>\$ 955,802,510</u>	<u>\$ 1,465,713</u>	<u>\$ 3,741,841</u>	<u>\$ -</u>	<u>\$ 961,010,064</u>

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2007

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, special items, and extraordinary items reported within the fund financial statements	\$ 1,907,262,643	\$ 925,826	\$ 86,289,729	\$ 13,917,381,548	\$ 15,911,859,746
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		85,381	950,639		1,036,020
Claims incurred but not reported (Note 16)			32,353,435		32,353,435
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 17)	123,262,107				123,262,107
Long-term care contributions withheld by the State Treasurer (Note 18)	<u>142,055,415</u>				<u>142,055,415</u>
Total subtractions	<u>265,317,522</u>	<u>85,381</u>	<u>33,304,074</u>		<u>298,706,977</u>
C. Additions:					
Principal payments on long-term debt (Note 19)		6,976	98,929		105,905
Acquisition of capital assets		672,920	1,622,206		2,295,126
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 16)			31,105,726		31,105,726
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years (Note 20)		<u>1,140,446</u>			<u>1,140,446</u>
Total additions		<u>1,820,342</u>	<u>32,826,861</u>		<u>34,647,203</u>
D. Amounts reported on Part II, Line A	<u>\$ 1,641,945,121</u>	<u>\$ 2,660,787</u>	<u>\$ 85,812,516</u>	<u>\$ 13,917,381,548</u>	<u>\$ 15,647,799,972</u>

See accompanying notes to report.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007

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 \$91,513,412 consists of lease revenue bond proceeds and the associated premium of \$65,793,158 and capital lease proceeds of \$25,720,244. Remaining revenues of \$76,733,043 have been carried forward to future years.

Note 3 - The exclusion claimed for debt service requirements on other long-term obligations consists of principal retirement, interest expense, and escrow payments of \$10,758,187, \$3,243,113, and \$860,000, respectively, in the Governmental Funds; \$6,976 reported as lease revenue bond payments in the Enterprise Funds; and \$98,929 and \$2,800 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 \$55,255,191 in the Governmental Funds consists of interest on investments expended of \$42,096,281, which was reported as miscellaneous revenues, and interest on delinquent taxes expended of \$13,158,910, which was reported as tax revenues. Remaining excludable revenues of \$6,558,889 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 \$684,104 and \$3,328,890 in the Enterprise Funds and Internal Service Funds, respectively, 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 \$23,756,800 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 \$13,917,381,548 in distributions to investment pool participants.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007

- Note 6 - The exclusion claimed for grants and aid from the federal government of \$193,057,983 consists of federal grants of \$108,405,583 and disproportionate share settlements of \$84,652,400 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 \$5,980,677 in the Governmental Funds consists of \$3,122,997, \$242,022, and \$2,615,658 reported as intergovernmental revenues, charges for services, and miscellaneous revenues, respectively. Remaining excludable amounts of \$15,067 reported as intergovernmental revenues and \$54,229 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 \$49,285,729 in the Governmental Funds consists of \$48,087,967, \$218,961, and \$978,801 reported as intergovernmental revenues, charges for services, and miscellaneous revenues, respectively. Remaining excludable amounts of \$1,012,444, \$74,481, and \$138,119 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 \$9,356,377 in the Governmental Funds represents service billings of \$4,123,283 and \$5,233,094 reported as intergovernmental revenues and charges for services, respectively. In the Internal Service Funds, the \$78,362,233 represents charges for services revenues paid from other county funds to the Internal Service Funds. Excludable Internal Service Funds' charges for services revenues of \$9,363,364 were unexpended and have been carried forward to future years.
- Note 10 - The \$9,239,169 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 amounts of \$29,431,306 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 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 received of \$107,593,116, which was reported as intergovernmental revenues.
- Note 12 - The exclusion claimed for contracts with other political subdivisions of \$82,860,371 consists of the following:

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007

Governmental Funds—\$82,356,377. This amount consists of \$76,540,315, \$139,065, and \$5,676,997 reported as intergovernmental revenues, charges for services, and miscellaneous revenues, respectively. Remaining excludable amounts of \$138,785 reported as intergovernmental revenues and \$19,876 reported as miscellaneous revenues have been carried forward to future years.

Enterprise Funds—\$503,994. This amount consists of \$503,994 reported as charges for services revenues.

Note 13 - The exclusion claimed for refunds, reimbursements, and other recoveries of \$5,984,968 in the Governmental Funds consists of various expenditure reimbursements of \$3,765,330, \$2,131,081, and \$88,557 reported as intergovernmental revenues, fines and forfeits, and miscellaneous revenues, respectively. Remaining excludable amounts of \$1,177,801 reported as fines and forfeits 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 \$12,359,636 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>
Dividends, interest, and gains on the sale or redemption of investment securities	\$28,449,428	
Grants and aid from the federal government	10,182,227	
Quasi-external interfund transactions		\$277,823
Contracts with other political subdivisions	<u>1,789,957</u>	
Total prior years carryforward expended	<u>\$40,421,612</u>	<u>\$277,823</u>

Note 16 - The subtraction of \$32,353,435 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 \$31,105,726 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, 2007

Note 17 - The subtraction of \$123,262,107 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	\$ 34,278,259
Culture and recreation	21,977,466
Principal	5,539,331
Interest	2,787,125
Other expenditures	1,030
Capital outlay	<u>58,678,896</u>
Total	<u>\$123,262,107</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 \$6,976 for principal payments on long-term debt in the Enterprise Funds consists of lease revenue bond payments. The addition of \$98,929 for principal payments on long-term debt in the Internal Service Funds consists of capital lease payments.

Note 20 - The addition of \$1,140,446 for landfill closure and postclosure care costs paid in the current year, but reported as expenses in previous years, consists of cash payments in the current year for those costs reported as expenses in previous years in the Enterprise Funds.