



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Expenditure Limitation Report

# Maricopa County

Year Ended June 30, 2013

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**Debra K. Davenport**  
Auditor General

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Maricopa County  
Annual Expenditure Limitation Report  
Year Ended June 30, 2013

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**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**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 of Maricopa County for the year ended June 30, 2013. This report is the responsibility of the County's management. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of Maricopa County referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Jay Zsorey, CPA  
Financial Audit Director

May 15, 2014

Maricopa County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2013

1. Economic Estimates Commission expenditure limitation	\$1,168,698,529
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>1,168,698,528</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 15, 2014

See accompanying notes to report.

Maricopa County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2013

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	\$ 1,533,340,740	\$ 237,434,850	\$ 10,355,368,572	\$ 12,126,144,162
B. Less exclusions claimed:				
Debt service requirements on bonded indebtedness (Note 2)	16,736,830			16,736,830
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	19,831,330	444,664		20,275,994
Trustee or custodian (Note 4)	20,225,200		10,355,368,572	10,375,593,772
Grants and aid from the federal government (Note 5)	149,851,124			149,851,124
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	8,472,438			8,472,438
Amounts received from the State of Arizona (Note 7)	41,863,097			41,863,097
Quasi-external interfund transactions (Note 8)	71,219	184,350,417		184,421,636
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 9)	13,948,208			13,948,208
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 10)	55,583,986			55,583,986
Contracts with other political subdivisions (Note 11)	44,160,651			44,160,651
Refunds, reimbursements, and other recoveries (Note 12)	5,888,629			5,888,629
Amounts received for distribution to school districts (Note 13)	4,686,970			4,686,970
Prior years carryforward (Note 14)	<u>21,452,263</u>	<u>14,510,036</u>		<u>35,962,299</u>
Total exclusions claimed	<u>402,771,945</u>	<u>199,305,117</u>	<u>10,355,368,572</u>	<u>10,957,445,634</u>
C. Amounts subject to the expenditure limitation	<u>\$ 1,130,568,795</u>	<u>\$ 38,129,733</u>	<u>\$ -</u>	<u>\$ 1,168,698,528</u>

See accompanying notes to report.

Maricopa County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2013

Description	<u>Governmental 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	\$ 1,852,721,669	\$ 183,527,047	\$ 10,355,368,572	\$ 12,391,617,288
B. Subtractions:				
Items not requiring use of working capital:				
Depreciation		1,158,988		1,158,988
Loss on disposal of capital assets		64,244		64,244
Claims incurred but not reported (Note 15)		111,466,605		111,466,605
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 16)	167,101,000			167,101,000
Long-term care contributions withheld by the State Treasurer (Note 17)	148,533,600			148,533,600
Involuntary court judgments (Note 18)		444,480		444,480
Payments made to reimburse the Arizona Department of Health Services (Note 19)	<u>3,746,329</u>			<u>3,746,329</u>
Total subtractions	<u>319,380,929</u>	<u>113,134,317</u>		<u>432,515,246</u>
C. Additions:				
Acquisition of capital assets		711,983		711,983
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 15)		<u>166,330,137</u>		<u>166,330,137</u>
Total additions		<u>167,042,120</u>		<u>167,042,120</u>
D. Amounts reported on Part II, Line A	<u>\$ 1,533,340,740</u>	<u>\$ 237,434,850</u>	<u>\$ 10,355,368,572</u>	<u>\$ 12,126,144,162</u>

See accompanying notes to report.

Maricopa County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2013

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 §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 bonded indebtedness of \$16,736,830 in the Governmental Funds consists of principal and interest expenditures.

Note 3 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$19,831,330 in the Governmental Funds includes interest income expended of \$1,366,380 and interest on delinquent taxes expended of \$18,464,950, which was recorded as tax revenue. Remaining interest income revenues of \$4,315,190 have been carried forward to future years. The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$444,664 in the Internal Service Funds consists of interest on investments, which was reported as investment income.

Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$20,225,200 in contributions by the County to the Arizona Health Care Cost Containment System (AHCCCS) for acute care. In the Fiduciary Funds, the exclusion consists of \$10,355,368,572 in distributions to investment pool participants.

Note 5 - The exclusion claimed for grants and aid from the federal government of \$149,851,124 consists of federal grants reported as intergovernmental revenues. Remaining excludable revenues of \$1,281,403 recorded as intergovernmental revenues have been carried forward to future years.

Maricopa County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2013

- 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 \$8,472,438 in the Governmental Funds consists of \$5,056,511, \$314,086, \$1,677,729, and \$1,424,112 reported as intergovernmental revenues, charges for services, fines and forfeits, and miscellaneous revenues, respectively. Remaining excludable revenues of \$390 and \$100,029 recorded as fines and forfeits and miscellaneous revenues, respectively, have been carried forward to future years.
- Note 7 - The exclusion claimed for amounts received from the State of Arizona of \$41,863,097 in the Governmental Funds consists of \$40,196,287 and \$1,666,810, reported as intergovernmental revenues and charges for services, respectively. Remaining excludable revenues of \$1,444,736 recorded as intergovernmental revenues have been carried forward to future years.
- Note 8 - The exclusion claimed for quasi-external interfund transactions representing service billings in the Governmental Funds consists of \$71,219 reported as miscellaneous revenues. In the Internal Service Funds, the \$184,350,417 represents charges for services revenues paid from other County funds to the Internal Service Funds. Excludable Internal Service Funds charges for services revenues of \$524,749 were unexpended and have been carried forward to future years.
- Note 9 - The \$13,948,208 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 10 - 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 \$86,815,139, which was reported as intergovernmental revenues. Remaining excludable revenues of \$16,351,427 recorded as intergovernmental revenues have been carried forward to future years.
- Note 11 - The exclusion claimed in the Governmental Funds for contracts with other political subdivisions of \$44,160,651 consists of \$2,494,007 and \$41,666,644 reported as intergovernmental revenues and charges for services, respectively. Remaining excludable revenues of \$2,756,713 and \$48,115 recorded as intergovernmental revenues and charges for services, respectively, have been carried forward to future years.

Maricopa County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2013

Note 12 - The exclusion claimed for refunds, reimbursements, and other recoveries of \$5,888,629 in the Governmental Funds consists of various expenditure reimbursements of \$417,200, \$945,115, \$4,381,970, and \$144,344 reported as intergovernmental revenues, charges for services, fines and forfeitures, and miscellaneous revenues, respectively. Remaining excludable revenues of \$45,259 recorded as charges for services revenues have been carried forward to future years.

Note 13 - The exclusion claimed in the Governmental Funds for amounts received for distribution to school districts consists of federal, state, and county revenues of \$4,686,970 recorded as education expenditures for operating accommodation schools.

Note 14 - 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	\$ 15,644	
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	89,719	
Amounts received from the State of Arizona	343,102	
Quasi-external interfund transactions		\$14,510,036
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	14,946,810	
Contracts with other political subdivisions	5,854,493	
Refunds, reimbursements, and other recoveries	<u>202,495</u>	
Total prior years carryforward expended	<u>\$21,452,263</u>	<u>\$14,510,036</u>

Note 15 - The subtraction of \$111,466,605 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 \$166,330,137 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, 2013

Note 16 - The subtraction of \$167,101,000 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:

<b>Special Assessment Districts</b>	
Public safety	\$ 32,391,541
Health, welfare, and sanitation	22,320,669
Culture and recreation	25,269,130
Principal	3,915,371
Interest	482,811
Other expenses	132,718
Payment to escrow agent	31,379,304
Capital outlay	<u>51,209,456</u>
Total	<u>\$167,101,000</u>

Note 17 - 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 revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.

Note 18 - The subtraction of \$444,480 for involuntary court judgments in the Internal Service Funds consists of payments made for court judgments against Maricopa County.

Note 19 - The subtraction of \$3,746,329 for payments made to reimburse the Arizona Department of Health Services consists of county payments to reimburse the State for the cost of inpatient competency restoration treatment and part of the cost of commitment of an individual determined to be sexually violent by the court, as required by Laws 2012, Chapter 299, Sections 10 and 11, which were recorded as health, welfare and sanitation expenditures.

Note 20 - Revenue that is constitutionally excludable and unexpended in the year of receipt may be accumulated and expended in future years. A summary of the revenue balances to be expended in future years is as follows:

Maricopa County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2013

Description	June 30, 2012 Balances	Additions	Reductions	June 30, 2013 Balances
Dividends, interest, and gains on the sale or redemption of investment securities	\$247,927,666	\$ 4,315,190	\$ 15,644	\$252,227,212
Grants and aid from the federal government	72,208,202	1,281,403		73,489,605
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	3,478,608	100,419	89,719	3,489,308
Amounts received from the State of Arizona	8,086,451	1,444,736	343,102	9,188,085
Quasi-external interfund transactions: Governmental Funds	48,426			48,426
Quasi-external interfund transactions: Internal Service Funds	109,638,634	524,749	14,510,036	95,653,347
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	260,514,433		14,946,810	245,567,623
Highway user revenues in excess of those received in fiscal year 1979-80	49,158,313	16,351,427		65,509,740
Contracts with other political subdivisions	76,148,542	2,804,828	5,854,493	73,098,877
Refunds, reimbursements, and other recoveries	4,864,332	45,259	202,495	4,707,096
Total carryforward	<u>\$832,073,607</u>	<u>\$26,868,011</u>	<u>\$35,962,299</u>	<u>\$822,979,319</u>

