



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Maricopa County

Year Ended June 30, 2015



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.



The Auditor General's reports are available at:

www.azauditor.gov

Printed copies of our reports may be requested by contacting us at:

Office of the Auditor General

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

Maricopa County
Annual Expenditure Limitation Report
Year Ended June 30, 2015

Table of Contents	Page
Independent Accountants' Report	1
Annual Expenditure Limitation Report—Part I	3
Annual Expenditure Limitation Report—Part II	4
Annual Expenditure Limitation Report—Reconciliation	5
Notes to Annual Expenditure Limitation Report	6



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, 2015. The County's management is responsible for this report. 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 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

June 22, 2016

(This page is left intentionally blank)

Maricopa County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2015

1. Economic Estimates Commission expenditure limitation	\$1,208,311,398
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>1,186,466,432</u>
3. Amount under the expenditure limitation	<u>\$ 21,844,966</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: June 22, 2016

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2015

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	\$ 1,643,913,183	\$ 207,586,837	\$ 7,755,435,151	\$ 9,606,935,171
B. Less exclusions claimed:				
Debt service requirements on bonded indebtedness (Note 2)	16,753,180			16,753,180
Proceeds from other long-term obligations (Note 3)	80,737,345			80,737,345
Debt service requirements on other long-term obligations (Note 2)	2,141,659			2,141,659
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	8,584,122	430,834		9,014,956
Trustee or custodian (Note 5)	19,523,400		7,755,435,151	7,774,958,551
Grants and aid from the federal government (Note 6)	130,593,703			130,593,703
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	6,487,262			6,487,262
Amounts received from the State of Arizona (Note 8)	48,488,454			48,488,454
Quasi-external interfund transactions (Note 9)	42,674	185,522,244		185,564,918
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 10)	2,648,276			2,648,276
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 11)	60,758,770			60,758,770
Contracts with other political subdivisions (Note 12)	49,230,197			49,230,197
Refunds, reimbursements, and other recoveries (Note 13)	4,918,363	427,795		5,346,158
Amounts received for distribution to school districts (Note 14)	4,961,147			4,961,147
Prior years carryforward (Note 15)	<u>21,910,193</u>	<u>20,873,970</u>		<u>42,784,163</u>
Total exclusions claimed	<u>457,778,745</u>	<u>207,254,843</u>	<u>7,755,435,151</u>	<u>8,420,468,739</u>
C. Amounts subject to the expenditure limitation	<u>\$ 1,186,134,438</u>	<u>\$ 331,994</u>	<u>\$ -</u>	<u>\$ 1,186,466,432</u>

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2015

Description	Governmental Funds	Enterprise 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	\$ 1,914,790,775	\$ 23,952,229	\$ 216,122,953	\$ 7,755,435,151	\$ 9,910,301,108
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation			1,161,425		1,161,425
Loss on disposal of capital assets			649		649
Claims incurred but not reported (Note 16)			151,271,479		151,271,479
Pension Expense (Note 17)		250,639	1,128,974		1,379,613
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 18)	96,474,135	25,002,381			121,476,516
Long-term care contributions withheld by the State Treasurer (Note 19)	150,220,100				150,220,100
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	8,329,091				8,329,091
Involuntary court judgments (Note 20)	13,913,202		1,632,725		15,545,927
Payments made to reimburse the Arizona Department of Health Services (Note 21)	1,941,064				1,941,064
Total subtractions	<u>270,877,592</u>	<u>25,253,020</u>	<u>155,195,252</u>		<u>451,325,864</u>
C. Additions:					
Principal payments on long-term debt		53,570			53,570
Acquisition of capital assets		740,077	520,230		1,260,307
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 16)			145,112,194		145,112,194
Pension contributions paid in the current year (Note 17)		507,144	1,026,712		1,533,856
Total additions		<u>1,300,791</u>	<u>146,659,136</u>		<u>147,959,927</u>
D. Amounts reported on Part II, Line A	<u>\$ 1,643,913,183</u>	<u>\$ -</u>	<u>\$ 207,586,837</u>	<u>\$ 7,755,435,151</u>	<u>\$ 9,606,935,171</u>

See accompanying notes to report.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015

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, 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 exclusions claimed in the Governmental Funds for debt service requirements on bonded indebtedness of \$16,753,180 and debt service requirements on other long-term obligations of \$2,141,659 consists of principal retirement and interest expenditures.

Note 3 - The exclusion claimed for proceeds from other long-term obligations of \$80,737,345 consists of certificates of participation proceeds and the associated premium. Remaining proceeds of \$120,476,072 have been carried forward to future years.

Note 4 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$8,584,122 in the Governmental Funds includes interest income expended of \$5,357,001 and interest on delinquent taxes expended of \$3,227,121, which was recorded as tax revenue. Remaining interest income revenues of \$415,566 and tax revenue of \$8,608,655 have been carried forward to future years. The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$430,834 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 \$19,523,400 in county contributions to the Arizona Health Care Cost Containment System (AHCCCS) for acute care. In the Fiduciary Funds, the exclusion consists of \$7,755,435,151 in distributions to investment pool participants.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015

- Note 6 - The exclusion claimed for grants and aid from the federal government of \$130,593,703 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 \$6,487,262 in the Governmental Funds, consists of \$5,232,401, \$474,936, \$766,676, and \$13,249 reported as intergovernmental revenues, charges for services, fines and forfeits, and miscellaneous revenues, respectively.
- Note 8 - The exclusion claimed for amounts received from the State of Arizona of \$48,488,454 in the Governmental Funds consists of \$46,971,089, \$1,515,160, and \$2,205 reported as intergovernmental revenues, charges for services, and miscellaneous revenues, respectively. Remaining excludable revenues of \$1,453,378 and \$68,909 recorded 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 representing service billings in the Governmental Funds consists of \$42,674 reported as miscellaneous revenues. In the Internal Service Funds, the \$185,522,244 represents charges for services revenues paid from other county funds to the Internal Service Funds. Excludable Internal Service Funds charges for services revenues of \$505,355 were unexpended and have been carried forward to future years.
- Note 10 - The \$2,648,276 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 \$97,931,744, which was reported as intergovernmental revenues. Remaining excludable revenues of \$22,293,248 recorded as intergovernmental revenues have been carried forward to future years.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015

Note 12 - The exclusion claimed in the Governmental Funds for contracts with other political subdivisions of \$49,230,197 consists of \$4,357,184 and \$44,873,013 reported as intergovernmental revenues and charges for services, respectively. Remaining excludable revenues of \$346,766 and \$833,090 recorded as intergovernmental and charges for services, respectively, have been carried forward to future years.

Note 13 - The exclusion claimed for refunds, reimbursements, and other recoveries of \$4,918,363 in the Governmental Funds consists of various expenditure reimbursements of \$338,800, \$1,696,790, \$2,774,544, and \$108,229 reported as intergovernmental revenues, charges for services, fines and forfeits, and miscellaneous revenues, respectively. Remaining excludable revenues of \$139,255 recorded as fines and forfeits have been carried forward to future years. The exclusion claimed for refunds, reimbursements, and other recoveries of \$427,795 in the Internal Service Funds was reported as miscellaneous revenues.

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 \$4,961,147 recorded as education expenditures for operating accommodation schools.

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	\$19,444,878	
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	49,364	
Amounts received from the State of Arizona	474,972	
Quasi-external interfund transactions		\$20,873,970
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	1,451,219	
Contracts with other political subdivisions	254,679	
Amounts received for distribution to school districts	<u>235,081</u>	
Total prior years carryforward expended	<u>\$21,910,193</u>	<u>\$20,873,970</u>

Note 16 - The subtraction of \$151,271,479 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 \$145,112,194 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, 2015

Note 17 - The subtractions of \$250,639 and \$1,128,974 for pension expense consists of the change in the net pension liability recognized in the current year in the Enterprise and Internal Service Funds, respectively. The additions of \$507,144 and \$1,026,712 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the Enterprise and Internal Service Funds, respectively.

Note 18 - The subtraction of \$121,476,516 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 and Enterprise Funds categories in the fund financial statements:

Special Assessment Districts	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Public safety	\$32,052,930	
Culture and recreation	26,470,068	
Capital outlay	34,248,181	
Principal	3,254,738	
Interest	443,502	
Other expenses	4,716	
Housing authority		<u>\$25,002,381</u>
Total	<u>\$96,474,135</u>	<u>\$25,002,381</u>

Note 19 - The subtraction for long-term care contributions withheld by the State Treasurer consists of transaction privilege taxes the State Treasurer withheld 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 20 - The subtraction of \$13,913,202 in the Governmental Funds and \$1,632,725 in the Internal Service Funds consists of payments for involuntary court judgments against Maricopa County.

Note 21 - The subtraction of \$1,941,064 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 committing an individual the court determined to be sexually violent, as required by Laws 2014, Chapter 11, Sections 10 and 11, which were recorded as health, welfare, and sanitation expenditures.

Note 22 - 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, 2015

Description	<u>June 30, 2014 Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015 Balances</u>
Proceeds from other long-term obligations		\$120,476,072		\$120,476,072
Dividends, interest, and gains on the sale or redemption of investment securities	\$252,411,286	9,024,221	\$19,444,878	241,990,629
Grants and aid from the federal government	63,140,351			63,140,351
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	2,619,138		49,364	2,569,774
Amounts received from the State of Arizona	8,949,424	1,522,287	474,972	9,996,739
Quasi-external interfund transactions: Governmental Funds	48,426			48,426
Quasi-external interfund transactions: Internal Service Funds	91,752,501	505,355	20,873,970	71,383,886
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	233,713,372		1,451,219	232,262,153
Highway user revenues in excess of those received in fiscal year 1979-80	75,688,321	22,293,248		97,981,569
Contracts with other political subdivisions	64,840,409	1,179,856	254,679	65,765,586
Refunds, reimbursements, and other recoveries	4,199,322	139,255		4,338,577
Amounts received for distribution to school districts	<u>2,096,623</u>		<u>235,081</u>	<u>1,861,542</u>
Total carryforward	<u>\$799,459,173</u>	<u>\$155,140,294</u>	<u>\$42,784,163</u>	<u>\$911,815,304</u>

