



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Agreed-Upon Procedures

Maricopa County

Local Government Financial Test

As of February 12, 2008



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



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Accountants' Report
on Applying Agreed-Upon Procedures**

Stephen A. Owens, Director
Department of Environmental Quality

Tom Manos, Chief Financial Officer
Maricopa County, Arizona

We have performed the procedures enumerated below, which were agreed to by the Department of Environmental Quality and Maricopa County, solely to assist users in evaluating Maricopa County's compliance with the local government financial test requirements under Municipal Solid Waste Landfill Criteria, 40 Code of Federal Regulations (CFR), Part 258, during the year ended June 30, 2006, included in the certification letter dated February 12, 2008, from Maricopa County's Chief Financial Officer. The County's management is responsible for the County's compliance with these requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The Department of Environmental Quality is solely responsible for the sufficiency of these procedures. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and the associated findings are as follows:

1. We determined that, as of and for the year ended June 30, 2006, Maricopa County's ratio of cash plus marketable securities to total expenditures was greater than or equal to 0.05, and its ratio of annual debt service to total expenditures was less than or equal to 0.20.
2. The financial statements of Maricopa County as of and for the year ended June 30, 2006, were audited by the Office of the Auditor General. We determined that Maricopa County prepared its financial statements, as of and for the year ended June 30, 2006, in conformity with U.S. generally accepted accounting principles for governments, except for two of the County's major enterprise funds (Maricopa Health Plan Fund and Arizona Long-Term Care System [ALTCS] Fund) and business-type activities, for which disclaimers of opinion were issued. However, as provided by paragraph §258.74(f)(1)(iii)(D) of 40 CFR, the Director of the Department of Environmental Quality deemed those financial statement opinion modifications insufficient to warrant the disallowance of the local government financial test to demonstrate the County's financial assurance for its solid waste landfill facilities in a letter to the County dated February 8, 2008.

3. We determined that the independent auditors' report issued on Maricopa County's financial statements, as of and for the year ended June 30, 2006, was unqualified for all opinion units except for two of the County's major enterprise funds (Maricopa Health Plan Fund and ALTCS Fund) and business-type activities, which were disclaimers of opinion. However, the Director of the Department of Environmental Quality deemed those financial statement opinion modifications insufficient to warrant the disallowance of the local government financial test as previously described in agreed-upon procedure 2.
4. We determined that Maricopa County has not had an operating deficit greater than or equal to 5 percent of its total annual revenues for each of the past 2 years ended June 30, 2006.
5. We determined that Maricopa County's costs to be assured do not exceed 43 percent of its total annual revenues for the year ended June 30, 2006.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the addressees 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.

Should you have any questions concerning the contents of this report, please let us know.

Sincerely,

Dennis L. Mattheisen, CPA
Financial Audit Director

February 12, 2008