

Maricopa County

Annual Expenditure
Limitation Report

Year Ended June 30, 2020



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
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 (report) of Maricopa County for the year ended June 30, 2020, and the related notes to the report. The County's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the Uniform Expenditure Reporting System in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report referred to above is presented in accordance with the Uniform Expenditure Reporting system as described in Note 1 in all material respects.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

June 28, 2021

Maricopa County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2020

1. Economic Estimates Commission expenditure limitation	\$1,434,809,425
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>1,408,093,550</u>
3. Amount under the expenditure limitation	<u>\$ 26,715,875</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: *Cynthia Goelz*

Name and title: Cynthia A. Goelz, Chief Financial Officer

Telephone number: (602) 506-4010 Date: June 28, 2021

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2020

Description	Governmental funds	Internal service funds	Fiduciary funds	Total
A. Amounts reported on the reconciliation, line D	\$ 1,969,948,186	\$ 241,960,753	\$ 9,348,381,377	\$ 11,560,290,316
B. Less exclusions claimed:				
Debt proceeds (Note 2)	5,118,088			5,118,088
Debt service requirements (Note 3)	73,225,917			73,225,917
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	4,330,852	1,515,059		5,845,911
Trustee or custodian (Note 5)	18,131,400		9,348,381,377	9,366,512,777
Grants and aid from the federal government (Note 6)	235,580,191			235,580,191
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7)	5,107,186			5,107,186
Amounts received from the State of Arizona (Note 8)	46,764,167			46,764,167
Quasi-external interfund transactions (Note 9)	60,943	236,202,794		236,263,737
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	8,198,895			8,198,895
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 10)	100,746,961			100,746,961
Contracts with other political subdivisions (Note 11)	10,228,593	258,268		10,486,861
Refunds, reimbursements, and other recoveries (Note 12)	791,005	168,285		959,290
Amounts received for distribution to school districts (Note 13)	6,812,853			6,812,853
Prior years carryforward (Note 14)	47,506,032	3,067,900		50,573,932
Total exclusions claimed	<u>562,603,083</u>	<u>241,212,306</u>	<u>9,348,381,377</u>	<u>10,152,196,766</u>
C. Amounts subject to the expenditure limitation	<u>\$ 1,407,345,103</u>	<u>\$ 748,447</u>	<u>\$ -</u>	<u>\$ 1,408,093,550</u>

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2020

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	\$ 2,322,413,486	\$ 27,826,939	\$ 259,845,071	\$ 9,348,381,377	\$ 11,958,466,873
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation			6,776,818		6,776,818
Loss on disposal of capital assets			3,413		3,413
Pension and other postemployment benefits (OPEB) expense (Note 16)		81,590	1,526,803		1,608,393
Claims incurred but not reported (IBNR) (Note 15)			180,816,605		180,816,605
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 17)	114,550,989	46,444,670			160,995,659
Long-term care contributions the State Treasurer withheld (Note 18)	185,791,300				185,791,300
Required fees/reimbursements made to Arizona state agencies (Note 20)	2,407,713				2,407,713
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	20,397,791				20,397,791
Involuntary court judgments (Note 19)	29,317,507		4,563,718		33,881,225
Total subtractions	<u>352,465,300</u>	<u>46,526,260</u>	<u>193,687,357</u>		<u>592,678,917</u>
C. Additions:					
Principal payments on long-term debt		717,625			717,625
Acquisition of capital assets		17,718,913	347,226		18,066,139
Amounts paid in the current year but reported as expenses in previous years:					
Claims previously recognized as IBNR (Note 15)			173,998,460		173,998,460
Pension and OPEB contributions paid in the current year (Note 16)		262,783	1,457,353		1,720,136
Total additions		<u>18,699,321</u>	<u>175,803,039</u>		<u>194,502,360</u>
D. Amounts reported on part II, line A	<u>\$ 1,969,948,186</u>	<u>\$ -</u>	<u>\$ 241,960,753</u>	<u>\$ 9,348,381,377</u>	<u>\$ 11,560,290,316</u>

See accompanying notes to report.

Maricopa County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2020

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 (A.R.S.) §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 proceeds of \$5,118,088 in the governmental funds consists of expenditures made from certificate of participation proceeds of \$133,440,000 and premium of \$7,397,084. Remaining unspent amounts of \$135,718,996 have been carried forward to future years.

Note 3

The exclusions claimed for debt service requirements on other long-term obligations of \$73,225,917 in the governmental funds consists of principal and interest.

Note 4

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$4,330,852 in the governmental funds consists of expended interest income. Remaining unspent interest income and interest on delinquent taxes of \$41,005,331, and \$13,289,334, respectively, have been carried forward to future years. The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$1,515,059 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 \$18,131,400 in county contributions to the Arizona Health Care Cost Containment System (AHCCCS) for acute care, uncompensated care, and administrative costs; and in the fiduciary funds, the exclusion consists of \$9,348,381,377 in distributions to investment pool participants.

Note 6

The exclusion claimed for grants and aid from the federal government of \$235,580,191 consists of expenditures of federal grants reported as intergovernmental revenues.

Maricopa County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2020

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 \$5,107,186 in the governmental funds, consists of expenditures of \$4,926,619 and \$180,567 of revenues reported as intergovernmental revenues and charges for services, respectively.

Note 8

The exclusion claimed for amounts received from the State of Arizona of \$46,764,167 in the governmental funds consists of expenditures of \$41,905,500 and \$4,858,667 of revenues reported as intergovernmental revenues and charges for services, respectively. Remaining unspent excludable revenues of \$597,725 and \$164,259 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 in the internal service funds of \$236,202,794 consists of charges for services revenues paid from other county funds to the internal service funds. Excludable internal service fund charges for services revenues of \$4,171,486 were unexpended and have been carried forward to future years. The exclusion claimed for quasi-external interfund transactions in the governmental funds of \$60,943 consists of expended miscellaneous revenues.

Note 10

The exclusion 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 \$115,626,687 claimed in the governmental funds, which was reported as intergovernmental revenues. The exclusion claimed totaled \$100,746,961.

Note 11

The exclusion claimed for contracts with other political subdivisions of \$10,228,593 in the governmental funds consists of charges for services revenues. Remaining excludable charges for services and intergovernmental revenues of \$46,748,592 and \$156,800, respectively, were unexpended and have been carried forward to future years. The exclusion claimed for contracts with other political subdivisions of \$258,268 in the internal service funds consists of charges for services revenues.

Note 12

The exclusion claimed for refunds, reimbursements, and other recoveries of \$791,005 in the governmental funds consists of various expenditure reimbursements of \$766,124 and \$24,881 reported as fines and forfeits and miscellaneous revenues, respectively. Remaining unspent excludable revenues of \$729,775, \$764,339, \$73,273, \$366, and \$455,163 recorded as charges for services, fines and forfeits, intergovernmental revenues, license & permits, and miscellaneous, respectively, have been carried forward

Maricopa County
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2020

to future years. The exclusion claimed for refunds, reimbursements, and other recoveries of \$168,285 in the internal service funds consists of miscellaneous revenues.

Note 13

The exclusion claimed for amounts received for distribution to school districts in the governmental funds consists of federal, state, and county revenues of \$6,812,853 recorded as education expenditures for operating accommodation schools. Remaining excludable revenues of \$44,291 recorded as intergovernmental revenues have been carried forward to future years.

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	Governmental funds	Internal service funds
Proceeds from other long-term obligations	\$21,979,536	
Dividends, interest, and gains on the sale or redemption of investment securities	49,470	
Grants, aid, contributions, or gifts, from a private agency, organization, or individual, except amounts received in lieu of taxes	119,556	
Amounts received from the State of Arizona	1,270,071	
Quasi-external interfund transactions		\$3,067,900
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	21,182,270	
Highway user revenues in excess of those received in fiscal year 1979-80	1,787,172	
Contracts with other political subdivisions	<u>1,117,957</u>	
Total prior years carryforward expended	<u>\$47,506,032</u>	<u>\$3,067,900</u>

Note 15

The subtraction of \$180,816,605 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 \$173,998,460 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 16

The subtraction of \$81,590 and \$1,526,803 for pension expense and other post-employment benefits (OPEB) consist of the change in the net pension liability recognized in the current year in the enterprise and internal service funds, respectively. The addition of \$262,783 and \$1,457,353 for pension and OPEB

Maricopa County
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Year ended June 30, 2020

contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise and internal service funds, respectively. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
<u>Statement of cash flows</u>		
Change in deferred inflows related to pensions and OPEB	\$(242,917)	\$(1,076,167)
Change in deferred outflows related to pensions and OPEB	50,050	(8,845)
Change in net pension and OPEB liability	<u>11,674</u>	<u>1,154,462</u>
Total	<u>\$(181,193)</u>	<u>\$ 69,450</u>
<u>AELR – Reconciliation</u>		
Pension/OPEB contributions – addition	\$(262,783)	\$(1,457,353)
Pension/OPEB expense– subtraction	<u>81,590</u>	<u>1,526,803</u>
Total	<u>\$(181,193)</u>	<u>\$ 69,450</u>

Note 17

The subtraction of \$160,995,659 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	\$ 35,109,254	
Culture and recreation	32,036,643	
Capital outlay	47,405,092	
Housing Authority		\$46,444,670
Total	<u>\$114,550,989</u>	<u>\$46,444,670</u>

Note 18

The subtraction of \$185,791,300 for long-term care contributions the State Treasurer withheld 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 19

The subtraction of \$29,317,507 in the governmental funds and \$4,563,718 in the internal service funds consists of payments for involuntary court judgments against Maricopa County.

Maricopa County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2020

Note 20

The subtraction of \$2,407,713 for required fees/reimbursements paid to Arizona state agencies consists of general government expenditures paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs.

Note 21

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 and the changes in those balances is shown in the table below. The reduction for "Amounts received from State of Arizona" and "Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements" includes prior year lost carryforward of \$4,847 and \$3,277,140, respectively, as a result of expenditures that are not excludable.

Description	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>
Debt proceeds	\$ 42,497,627	\$135,718,996	\$21,979,536	\$156,237,087
Dividends, interest, and gains on the sale or redemption of investment securities	315,465,933	54,294,665	49,470	369,711,128
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	2,689,330		119,556	2,569,774
Amounts received from the State of Arizona	17,480,943	761,984	1,274,918	16,968,009
Quasi-external interfund transactions: Governmental funds	48,426			48,426
Quasi-external interfund transactions: Internal service funds	69,703,037	4,171,486	3,067,900	70,806,623
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	88,760,064		24,459,410	64,300,654
Highway user revenues in excess of those received in fiscal year 1979-80	109,124,576		1,787,172	107,337,404
Contracts with other political subdivisions	83,731,478	46,905,392	1,117,957	129,518,913
Refunds, reimbursements, and other recoveries	7,100,261	2,022,916		9,123,177
Amounts received for distribution to school districts	252,780	44,291		297,071
Total carryforward	<u>\$736,854,455</u>	<u>\$243,919,730</u>	<u>\$53,855,919</u>	<u>\$926,918,266</u>

