Financial Condition Report

Fiscal Year 2008

Internal Audit Department

Maricopa County Arizona

The **County Auditor** is appointed by the Board of Supervisors. The mission of the Internal Audit Department is to provide objective, accurate, and meaningful information about County operations so the Board of Supervisors can make informed decisions to better serve County citizens.

The mission of Maricopa County is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.

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Special Thanks to the Department of Finance's Financial Reporting Division
and
Marcus Reinkensmeyer,
photographer of front cover photographs,
upper left (saguaro sunset) and bottom left (mountain landscape)

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Maricopa County

Internal Audit Department

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July 20, 2009

Max Wilson, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
Andrew Kunasek, Supervisor, District III
Mary Rose Wilcox, Supervisor, District V

We have completed the Fiscal Year (FY) 2008 edition of the Maricopa County Financial Condition Report based primarily on the County's FY 2008 Comprehensive Annual Financial Report issued in March 2009 by the County's Department of Finance. This work, which is part of our Board-approved audit plan, provides information on County financial trends.

For FY 2008, we again highlight the financial strength of the County's General Fund within the context of population growth that led the nation. The nation and local economies are encountering severe financial challenges. The County, because of conservative fiscal polices, has been able to ensure expenditures did not exceed revenues. The General Fund unreserved fund balance continued to grow, and long-term debt levels decreased. Key financial indicators compare very favorably to national and local benchmarks.

This year, we again include a benchmark comparison of investment portfolios yields between the County Treasurer and the Arizona State Treasurer.

We also provide updated information about County employee pension plans. Public pension funds are experiencing severe fiscal challenges due to recent investment losses, high benefit payments, actuarial methods used in longevity projections, and insufficient employee and employer contribution rates.

We would like to commend the Board of Supervisors and County leadership for the conservative fiscal policies that have led to the strong financial condition highlighted throughout this report. The foresight and restraint applied in prior years will significantly help soften the impact of the current economic downturn.

Sincerely,

Ross L. Tate

Ross L. Tate
County Auditor

MARICOPA COUNTY BASICS

"Maricopa County is a recognized leader in local government innovation. We take pride in our ability to think creatively to develop new ways of delivering results for our tax payers. Maricopa County continues to lower the tax rate and use a "pay as you go" capital improvement plan. I want to thank the Board for their continued leadership, as well as elected and appointed officials of Maricopa County. I am recommending a budget that I believe will sustain the County during this revenue slowdown and allow us to achieve excellent results for our County residents."

David Smith, County Manager
FY 2007 – 2008 Annual Business Strategies

Population *(Source: U.S. Census Bureau)*

3.95 million people call Maricopa County home, the 4th largest population in the nation behind Los Angeles County (California), Cook County (Chicago, Illinois), and Harris County (Houston, Texas).

The County's Population increased by 89,550 from July 2007 to July 2008, the biggest county population increase in the nation.

The County's population grew by 882,449 from July 2000 to July 2009.

Size *(Source: Maricopa County website)*

At 9,226 square miles, Maricopa County is larger than several states, including Connecticut, Delaware, Hawaii, Massachusetts, New Hampshire, New Jersey, Rhode Island, as well as the District of Colombia.

Financial *(Source: Maricopa County FY08 CAFR)*

As of June 30, 2008, **the County Treasurer held $3.9 billion in cash and investments**, which includes special districts and school districts along with County funds.

The County received **$1.9 billion in revenue** during FY 2008.

The Unreserved General Fund Balance exceeded $512 million in FY 2008, up $67 million from the previous year.

History *(Source: Maricopa County website)*

Established in 1871, Maricopa was the fifth county to be formed in what was then the Arizona Territory.

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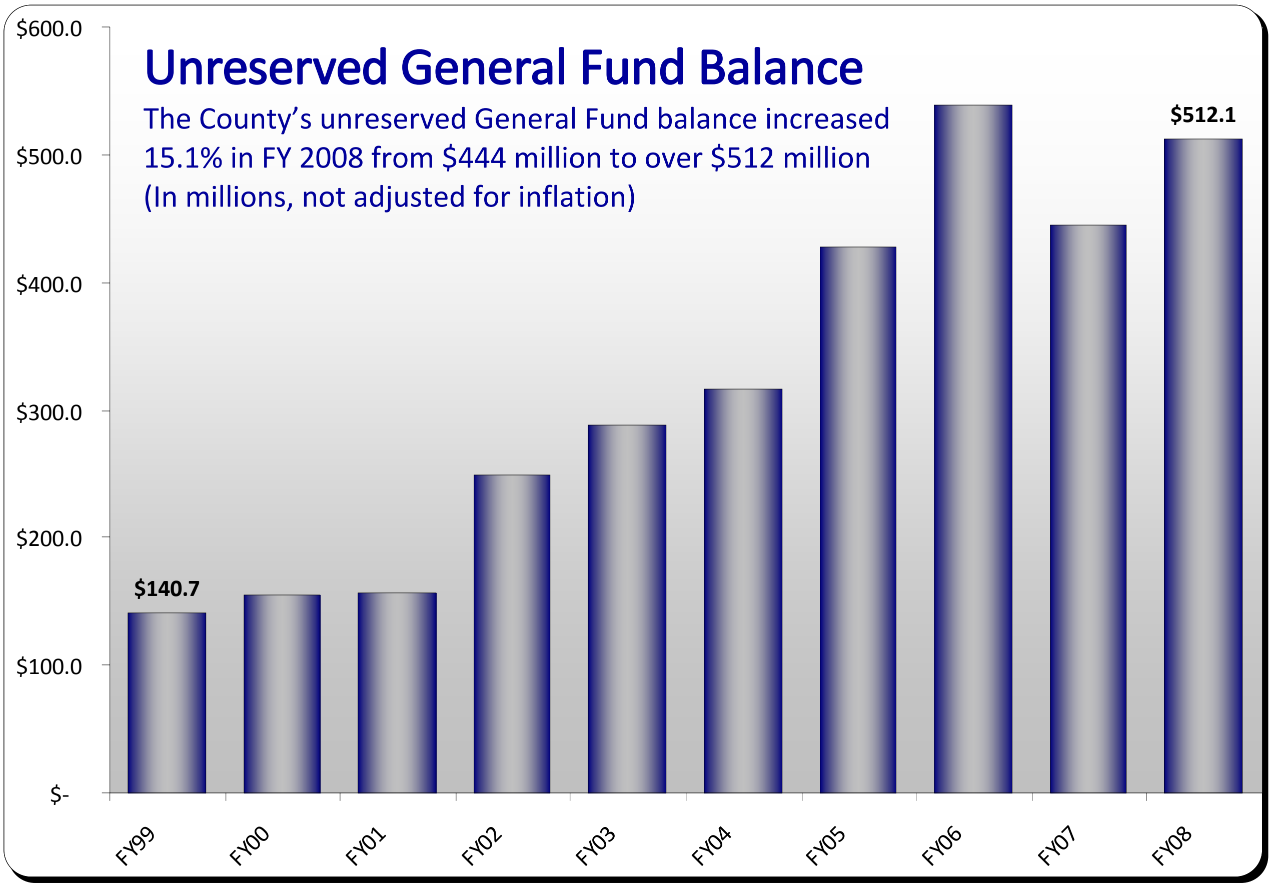
General Fund Key Financial Indicators

The General Fund is the County's primary operating fund.

The General Fund accounts for all financial resources of the general government, except for those required to be accounted for separately in a different fund (such as transportation, jail operations, etc.). Separate funds may be used for legal requirements (federal and state) and for financial administration purposes.

Unreserved General Fund Balance

The unreserved fund balance represents the funds available to meet the County's current and future financial needs. It is a useful measure of a government's liquidity. Conservative budget strategies, combined with conservative revenue estimates, have resulted in General Fund balance increases. Large amounts of the unreserved balance are designated for various purposes including funds for the self-insured benefit program and cash flow to cover tax collection cycles.



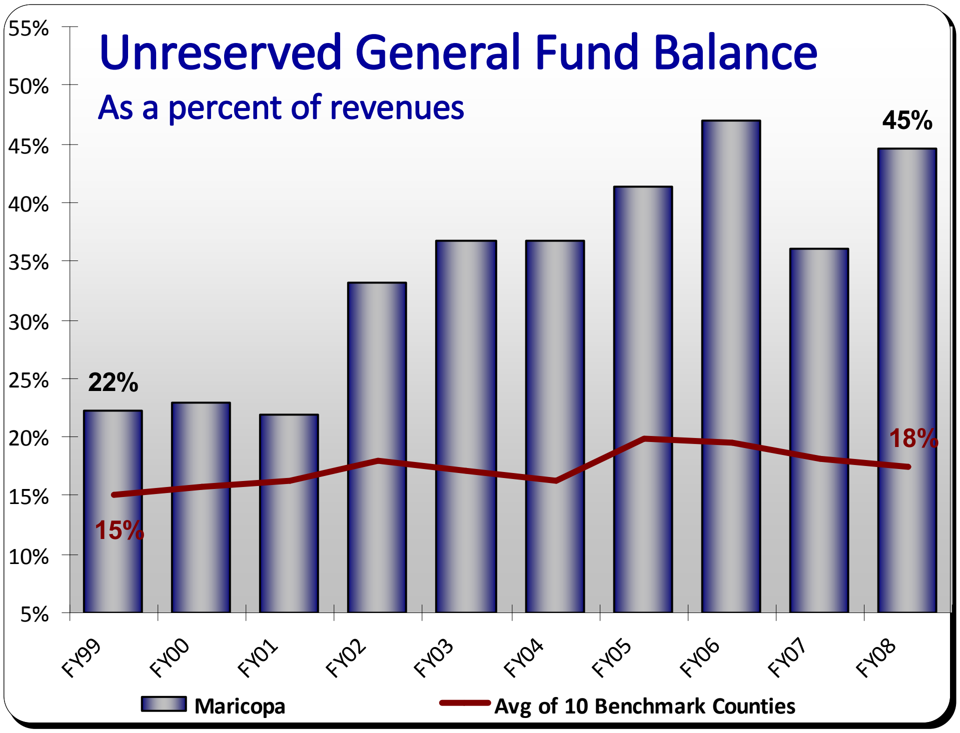
SOURCE: Maricopa County Comprehensive Annual Financial Reports (CAFRs)

As of June 30, 2008, the unreserved General Fund balance rose to $512 million, an increase of 15.1% from the prior year. Due to the economic downturn, the County collected less revenue than the prior year; however was able to ensure expenditures did not exceed revenues by employing a conservative approach to forecasting and budgeting. The County utilized budget balancing tactics which included: hiring freeze, overtime restrictions, capital purchase freeze, and administrative budget reductions of 5 percent.

The decrease in the FY 2007 fund balance was primarily due to operating transfers to fund capital projects.

General Fund Balance as a Percent of Revenues

For more than ten years, Maricopa County's General Fund has maintained a healthy fund balance in relation to its revenues. Maricopa has significantly surpassed the national benchmark average for this financial measure for the past 10 years (see page 31 for a list of national benchmark counties).



SOURCE: Maricopa County CAFRs

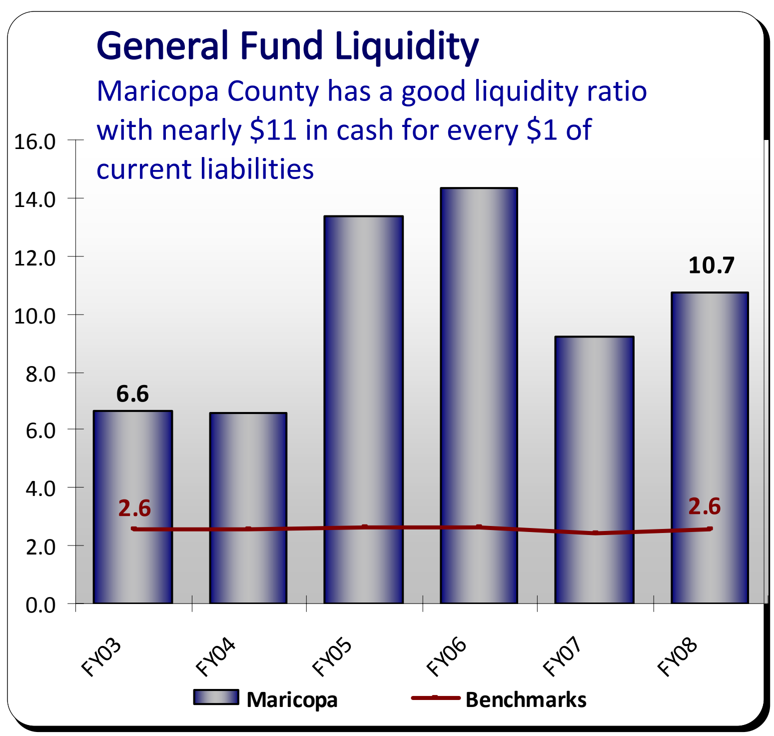
This measure reflects the availability of financial reserves to meet unforeseen needs.

Credit rating agencies review a government's unreserved fund balance when assessing credit worthiness. Maricopa County's high percentage of unreserved General Fund balance, when compared to revenues, could lower the County's cost of borrowing money.

Liquidity Ratio

The liquidity ratio is a measure of the County's ability to pay current obligations, and is measured by dividing fund assets by fund liabilities.

Maricopa continues to significantly outperform the national benchmark average with a liquidity ratio of over 10-to-1. This means that there are ample funds ($10.70) available in cash or equivalents to pay every $1 in current liabilities.

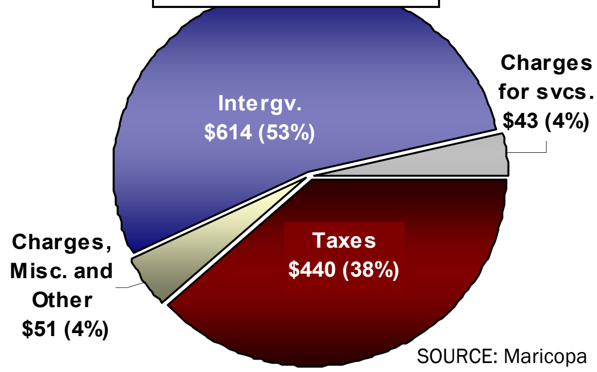


SOURCE: Maricopa County CAFRs

Where the Money Comes From (In millions)

The majority of the County's General Fund revenues come from intergovernmental sources (53%) and taxes (38%). Intergovernmental revenues are funds received from federal, state and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes. Page 7 shows a detailed breakdown of intergovernmental revenue sources.

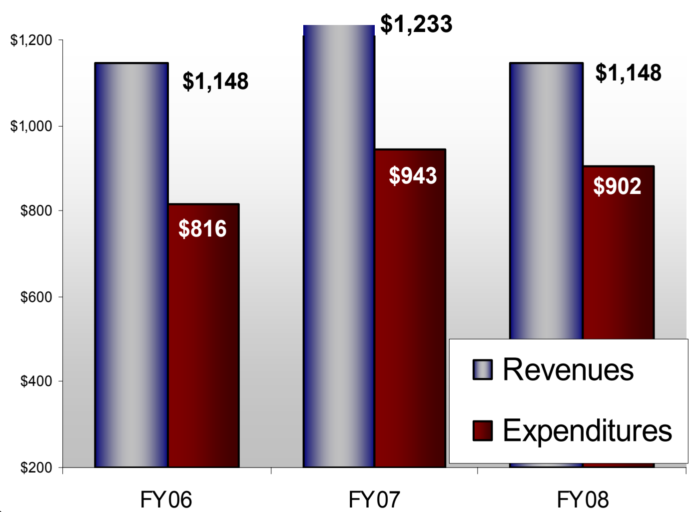
REVENUES



SOURCE: Maricopa County CAFRs

Revenues vs. Expenditures

Since FY 2006 General Fund revenues have exceeded expenditures by $868 million (In millions)



SOURCE: Maricopa County CAFRs

Three Year Trend

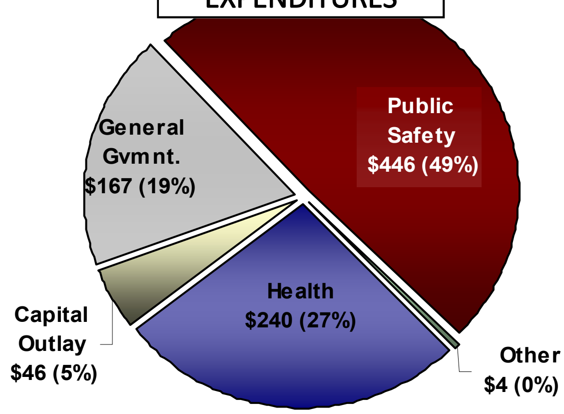
In FY 2008, General Fund revenues decreased by $85 million, or 7.4%, to $1,148 billion.

Much of this revenue decrease was due to a decrease in distributions from the State of Arizona for shared sales tax and the elimination of revenue that now goes directly to the Maricopa County Special Health Care District, a separate legal entity. FY 2008 property tax increases offset some of these revenue decreases. Property taxes increased primarily due to new home construction.

Where the Money Goes (In millions)

Nearly 80% of the County General Fund expenditures are for public safety (49%) and health (27%), with the remaining used for general government (19%) and capital outlay (5%). General Government consists of a broad range of mandated services, which include elections, property assessment, revenue and expenditure accountability, and legal representation for the County.

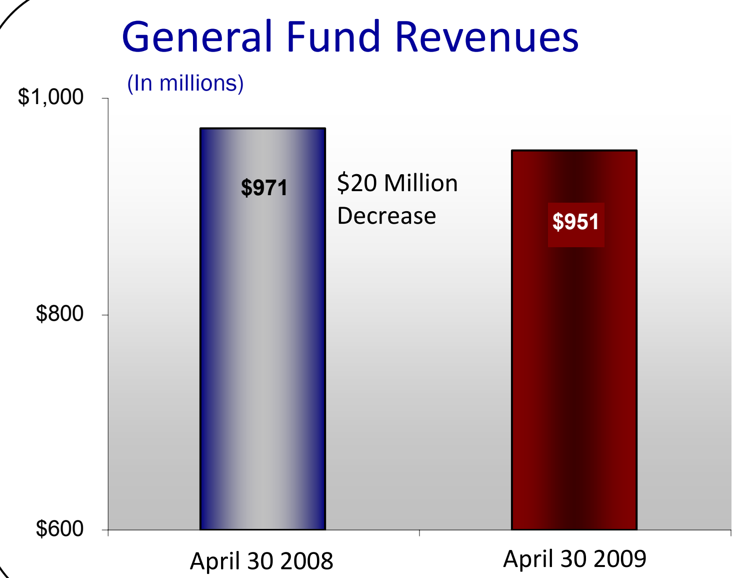
EXPENDITURES



SOURCE: Maricopa County CAFRs

FY 2009 — Economic Downturn

Arizona and Maricopa County's economy has experienced, and is projected to continue to experience, economic turmoil. The County's primary General Fund revenue sources come from intergovernmental (state-shared sales and vehicle license taxes) and property taxes. All three have declined since the end of FY 2008 as the nation's, state's, and County's economies experience recessionary pressures. The following charts compare, unaudited, General Fund revenues and expenditures from April 30, 2008 to April 30, 2009.



Major Revenues Source Variances
April 2008 vs. April 2009

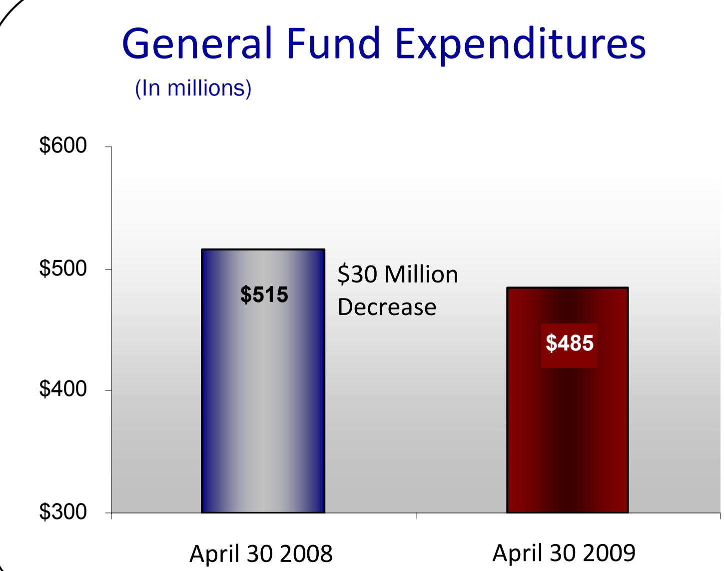
Property Tax $31.8 Million Increase

Sales Tax $45.9 Million Decrease

VLT Tax $10.1 Million Decrease

FY 2009 year-to-date total revenues decreased more than $20 million compared with the same period during 2008.

SOURCE: May 2008 and 2009 Maricopa County Department of Finance Executive Variance Report



Major Operational Expenditure Variances (Personnel, Services, and Supplies)
April 2008 vs. April 2009

Personnel $22.7 Million Decrease

Services $7.2 Million Decrease

Supplies $0.6 Million Decrease

The County implemented hiring and capital purchase freezes, and budget reductions to keep expenditures in line with revenues.

SOURCE: May 2008 and 2009 Maricopa County Department of Finance Executive Variance Report

Governmental Funds

The focus of the preceding pages was on the County's primary operating fund, the General Fund. The following pages provide a more comprehensive look at County financial trends by focusing on *all* Governmental Funds, which include the:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds

Governmental funds are used to account for activities that are principally supported by taxes and intergovernmental revenues (governmental activities), as opposed to other business-type activities that are supported primarily by user fees.

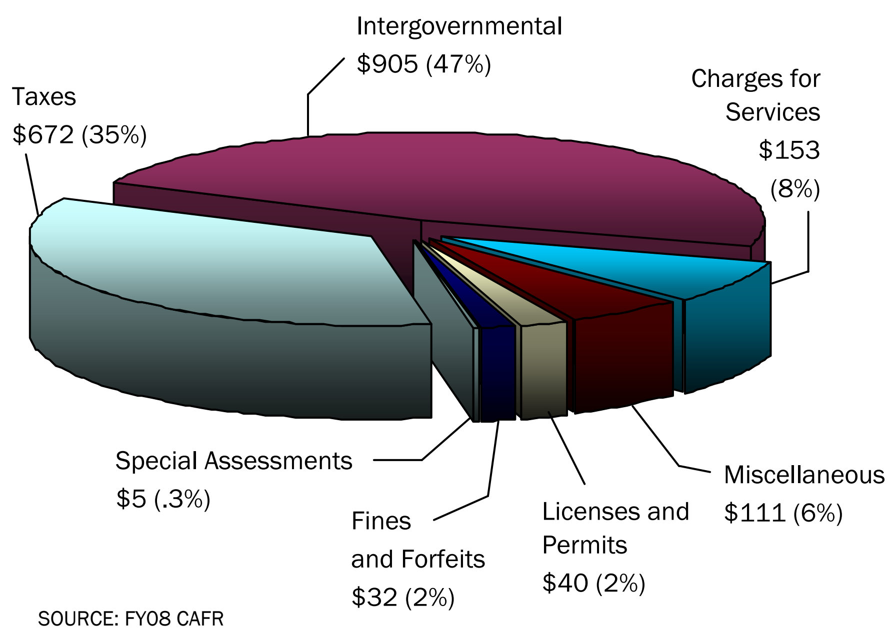
Revenues (millions):

Nearly 83% of County Governmental Fund revenues consist of intergovernmental and tax revenues.

Intergovernmental Revenues are shared taxes and grants passed through to the County from other government entities. In FY 2008 these revenues accounted for nearly 47% of County Governmental Fund revenues and include:

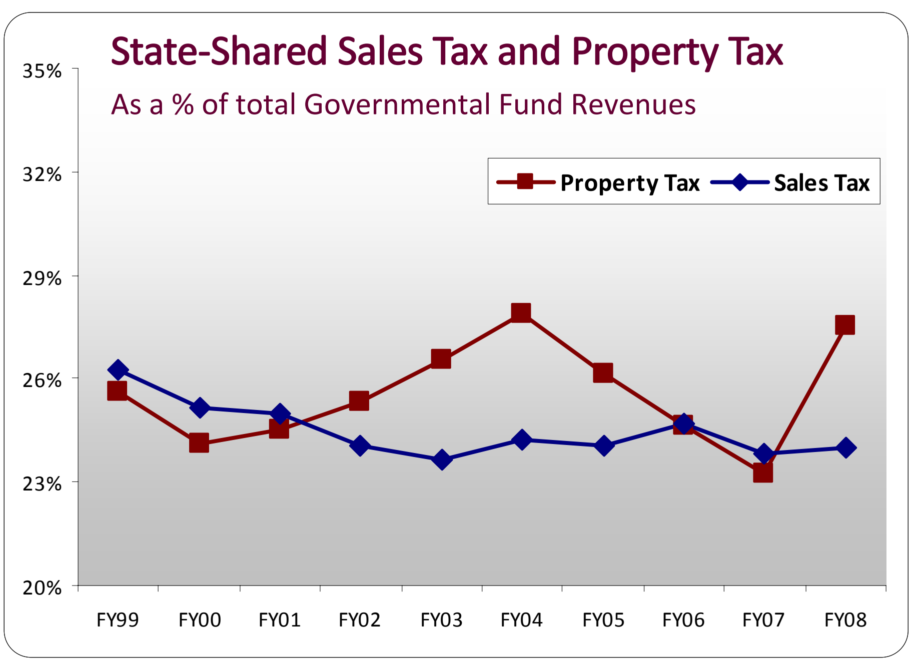
- State-shared sales tax - $461
- Vehicle license tax - $149
- Highway user fuel tax - $103
- Grants (State and Federal) and other payments - $192

FY 2008 Total Governmental Fund Revenues by Source (In millions)



SOURCE: FY08 CAFR

Tax Revenues are County generated taxes used to support County operations. Tax revenues accounted for nearly 35% of the County's total Governmental Fund revenue and include: County Property Tax - $528, Jail Excise Tax - $138, other small tax sources - $6.

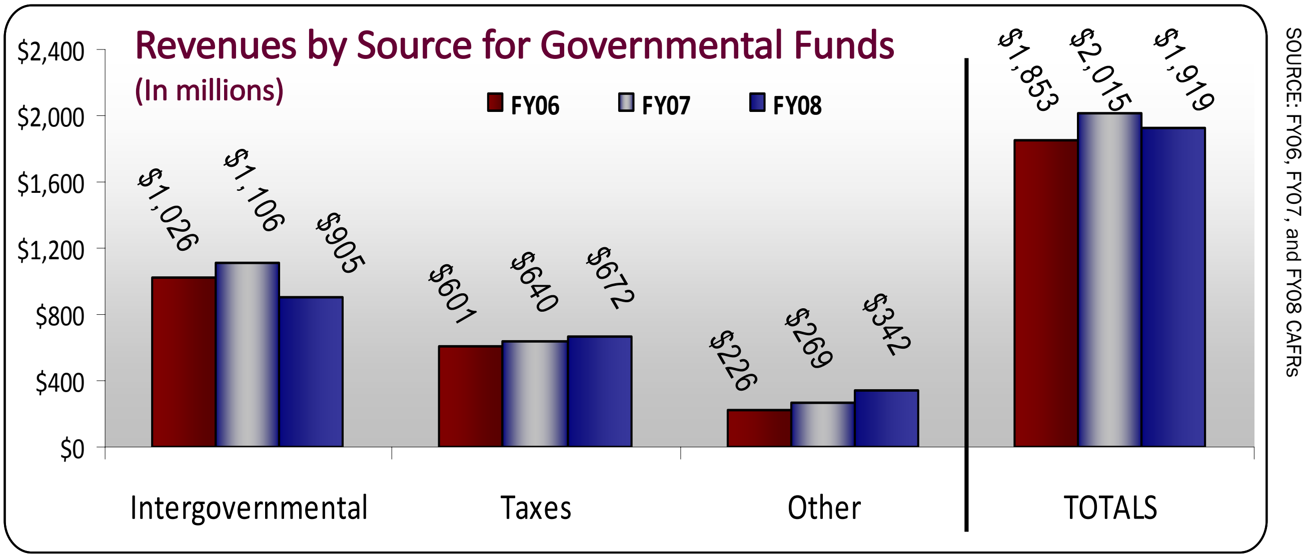


SOURCE: FY08 CAFR

State-Shared Sales Tax and Property Tax as a <u>Percent of Total Revenues</u>

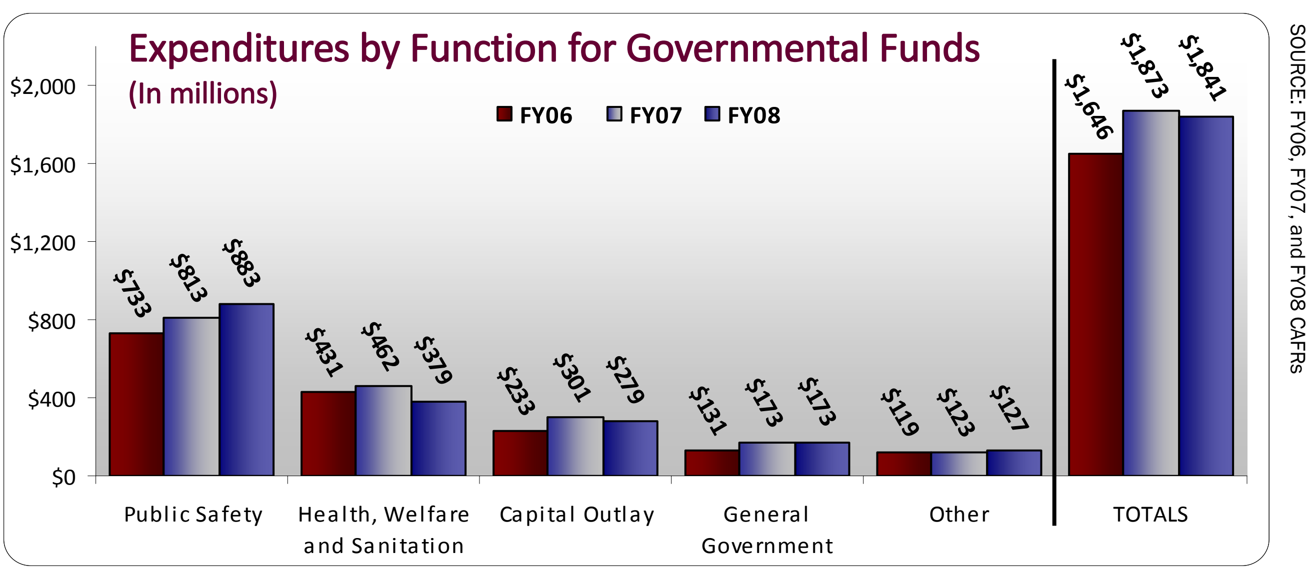
The County's two primary revenue sources are state-shared sales tax (24%) and the general property tax (28%), which account for over 50% of all governmental fund revenue.

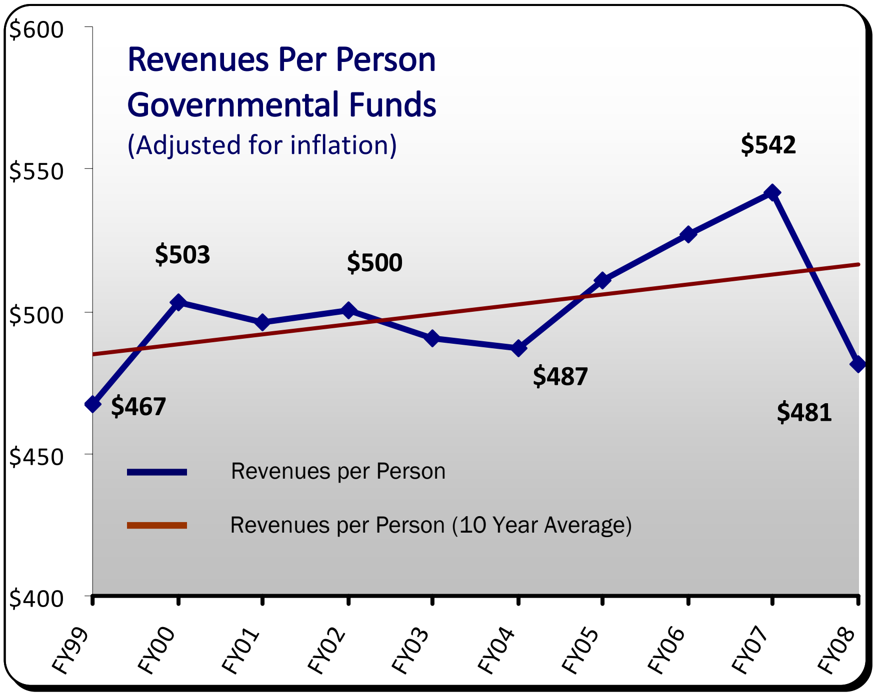
REVENUES & EXPENDITURES



Revenues for Governmental Funds decreased nearly 5% in FY 2008 mainly due to the elimination of $84.7 million in state disproportionate share revenue, which now goes directly to the Maricopa County Special Health Care District, a separate legal entity. Disproportionate share revenues previously were passed through the County to compensate the special health care district for medical costs incurred to treat low income populations. Other factors include reduced state-shared sales tax of over $19.5 million and a $17.1 million decrease in capital project cost-sharing revenue in the Transportation Capital Projects Fund.

Expenditures from Governmental Funds for FY 2008 decreased by $32 million (1.7%). The most significant decreases were for capital outlay and health, welfare, and sanitation expenditures. Capital outlay decreases were attributed to the reduction or postponement of capital projects for transportation and justice related improvements. The decrease in health, welfare, and sanitation expenditures was due to the elimination of the disproportionate share revenues used to operate the Special Health Care District mentioned above.



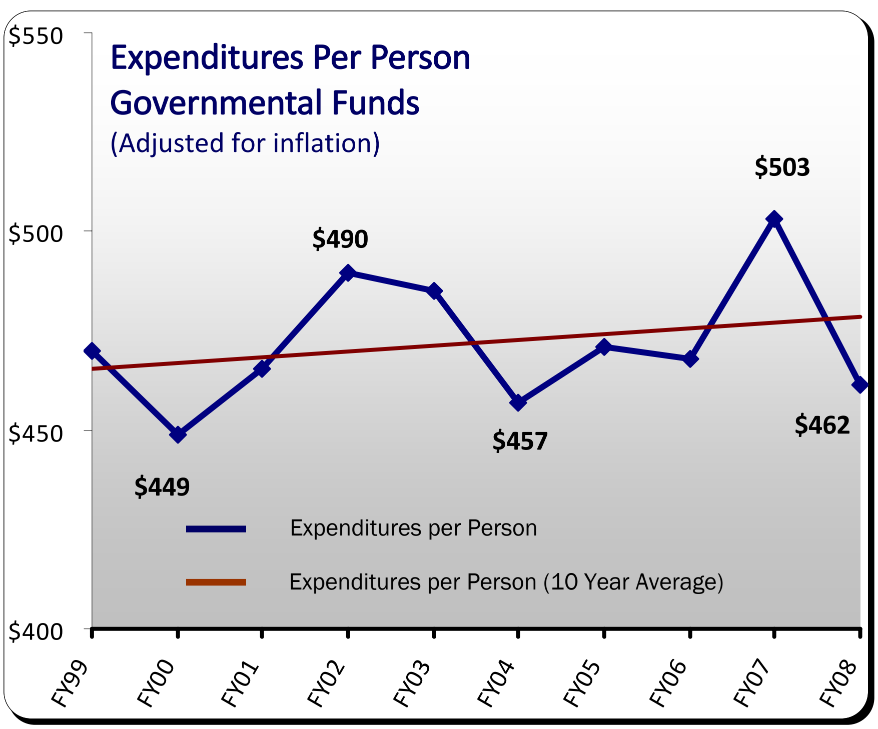


SOURCE: Maricopa County CAFRs

Revenues Per Person

Revenues per person dropped over 11% to $481 per person, nearly the lowest level in the last decade. This drop is a reversal of the average 1.5% percent increase in revenues per year since FY 1999.

Governmental Funds' revenues include taxes, intergovernmental revenues, and other sources.

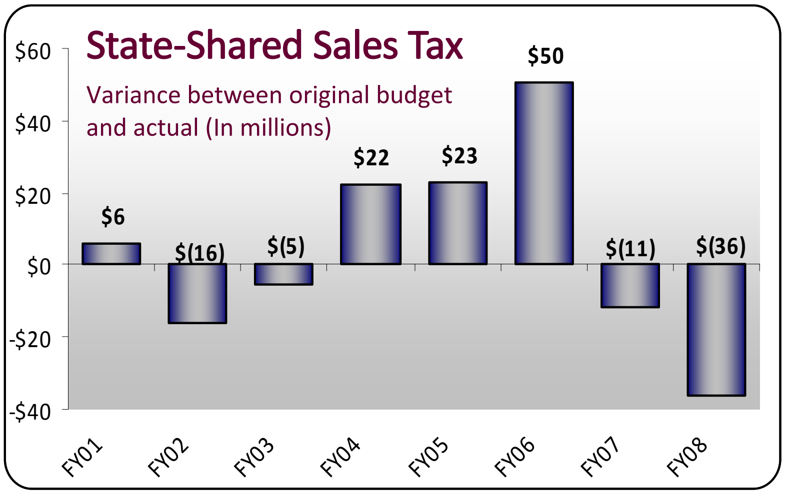


SOURCE: Maricopa County CAFRs

Expenditures Per Person

Although the 10-year trend shows slightly increasing expenditures, expenditures per person decreased more than 8% over the last year to $462 per person, and were down from the 10-year average of $472.

REVENUES BUDGET TO ACTUAL

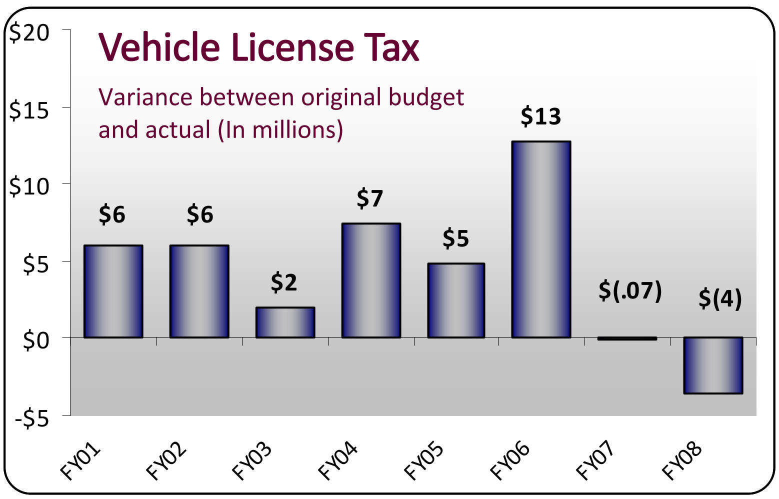


SOURCE: Maricopa County CAFRs and Annual Business Strategy (Budget) Books

State-Shared Sales Tax

Sales tax revenues can be difficult to predict, as they are subject to volatile economic forces.

Actual sales tax revenues fell below budgeted amounts by $11 million in FY 2007, and $36 million in FY 2008, despite a modest budget projection for a 1.1% increase in state-shared sales tax for FY 2008. The previous 8 years averaged 7.5% increases.

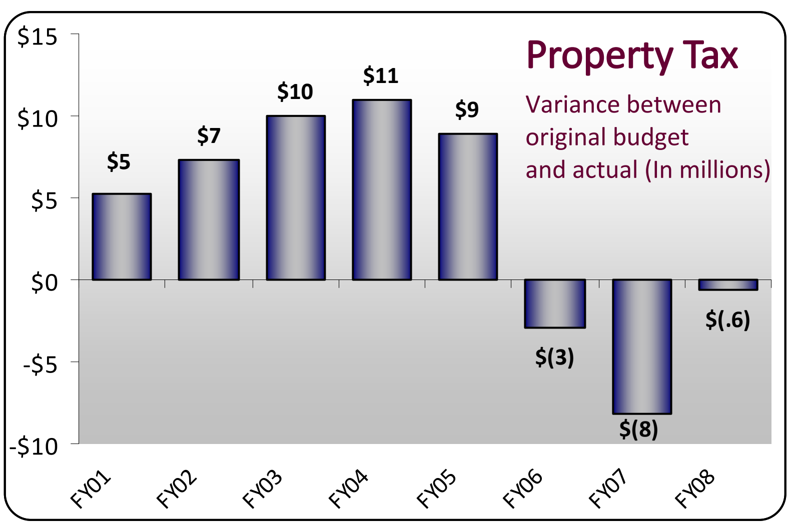


SOURCE: Maricopa County CAFRs and Annual Business Strategy (Budget) Books

Vehicle License Tax (VLT)

VLT revenues can be difficult to predict since citizens can prepay for one or two years and volatile economic forces affect VLT.

In FY 2008, actual VLT revenues fell short of the original budget by nearly $4 million, or 2.3%, despite conservative projections of a 0.05% decrease in VLT revenues for FY 2008. The previous eight years averaged 8.9% increases.

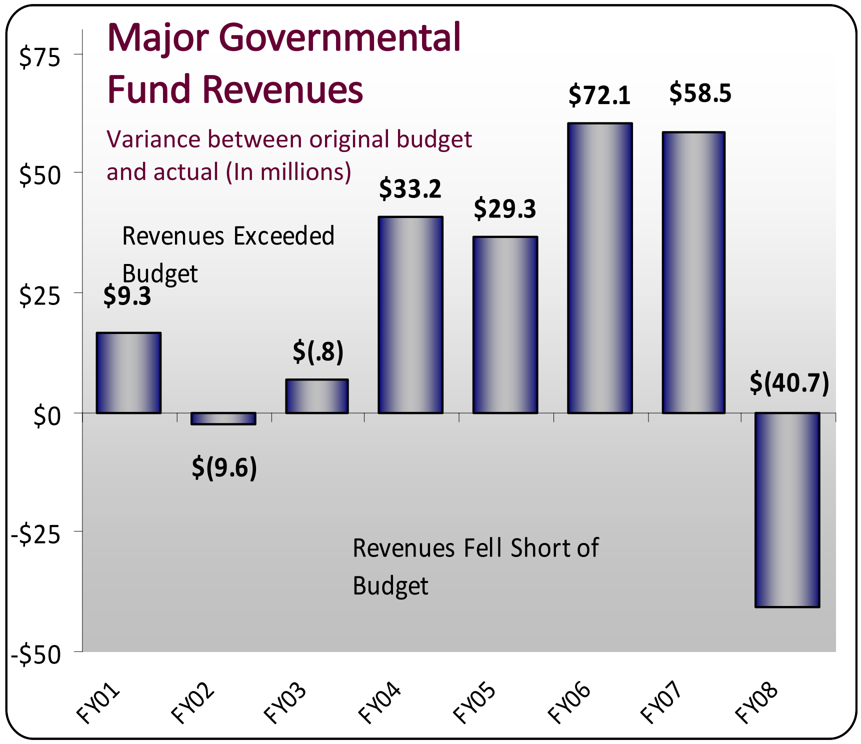


SOURCE: Maricopa County CAFRs and Annual Business Strategy (Budget) Books

Property Tax

Property tax revenues are typically more predictable and are therefore easier to budget than state-shared sales and vehicle license taxes.

Despite a history of conservative budgeting, revenue shortfalls outpaced budgeted estimates since FY 2006. In FY 2007, actual property tax revenues fell short of budgeted levels by over $8 million or 1.7%. In FY 2008 property taxes also fell short of budget by $640 thousand or 0.1%.



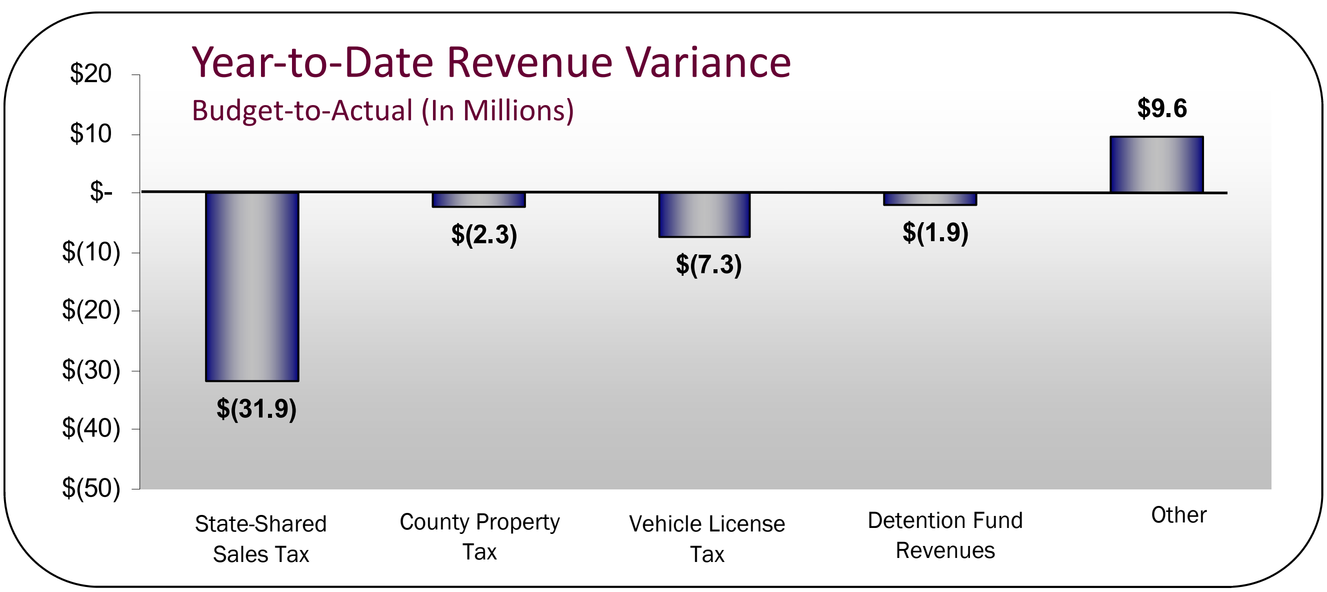
SOURCE: Maricopa County CAFRs and Annual Business Strategy (Budget) Books

Major Revenues Combined

FY 2008 actual revenues for combined state-shared sales tax, property tax, and vehicle license tax fell short of projections by $40.7 million. Due to the economic downturn, the County has experienced a period of revenue declines.

2009 Budget Update

As of March 2009, the Maricopa County Department of Finance reported that year-to-date revenues were below budgeted amounts by nearly $34 million. This shortfall was primarily due to continuing decreases in state-shared sales, property taxes, and vehicle license tax, the three largest sources of funding for the County's General Fund. The projected variances are shown in the chart below.



SOURCE: Unaudited April 2009 Maricopa County Department of Finance Executive Variance Report

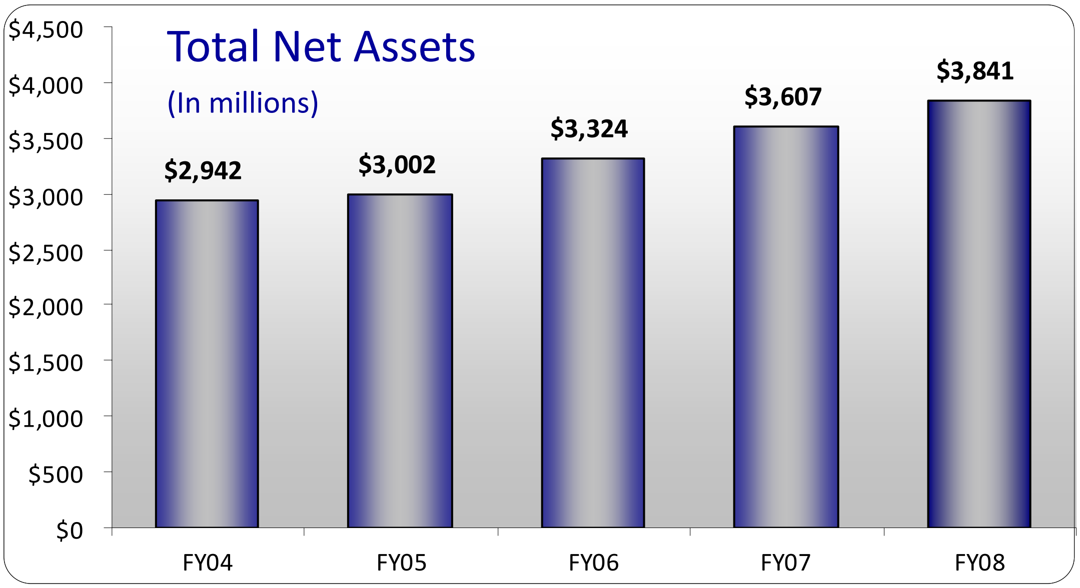
Primary Government

The preceding pages reviewed the County's general and governmental and funds, which are used to account for short-term assets and liabilities.

The County's long term assets and liabilities are accounted for under Primary government. Primary government is a term used to represent both Governmental Activities and Business Type Activities, which includes hospitals, airports, water facilities, and other activities that are primarily supported by service fees. The following Primary Government financial indicators are reviewed in the next section:

- Net Assets
- Long Term Debt

The County's assets for the Primary Government exceeded liabilities at year-end by over $3.8 billion (net assets). Over time, total net assets serve as a useful indicator of whether the financial condition of the County is improving or deteriorating. Total net assets increased 30.6% from FY 2004 to FY 2008.

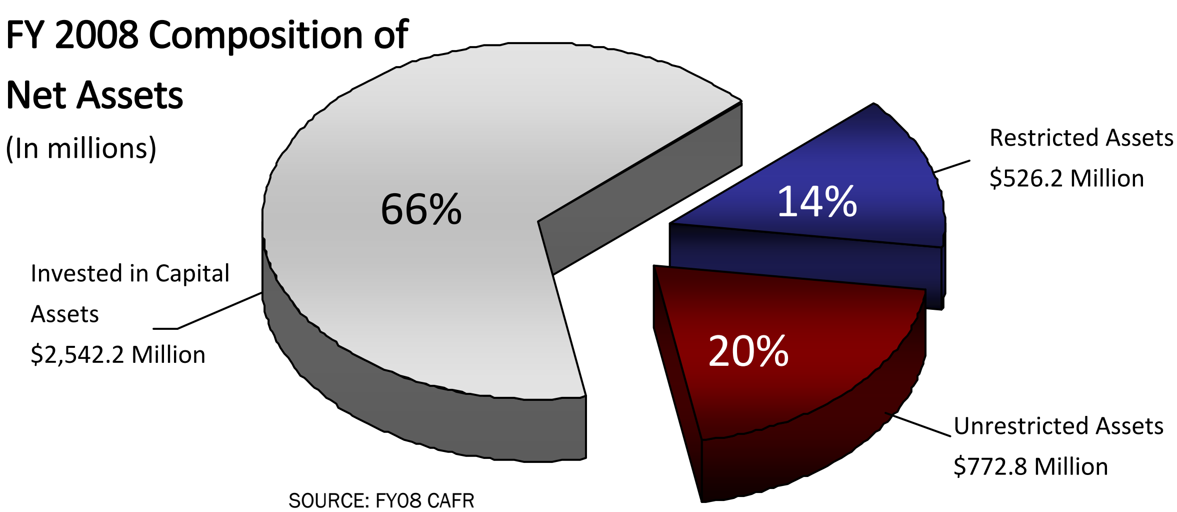


SOURCE: Maricopa County CAFRs

<u>Net Asset Composition</u>

Net assets have three components: (1) Investments in capital assets, net of related debt (such as land, building, machinery, and equipment); (2) Restricted Net Assets (assets that are subject to external restrictions on how they may be used); and (3) Unrestricted net assets (assets not subject to external restrictions on how they may be used).

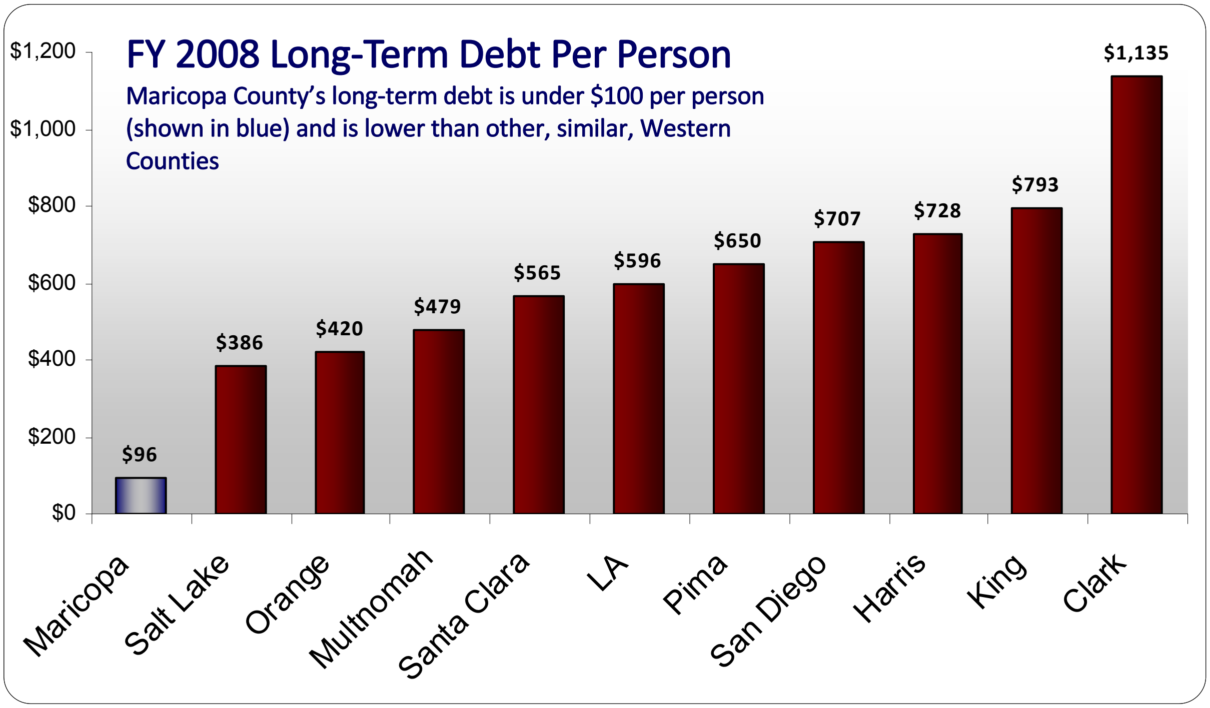
Just under 66% of net assets are invested in capital assets (net of related debt), 14% are restricted (primarily for public safety and highways and streets functions), and 20% are unrestricted (these assets can be used to meet the County's ongoing obligations).



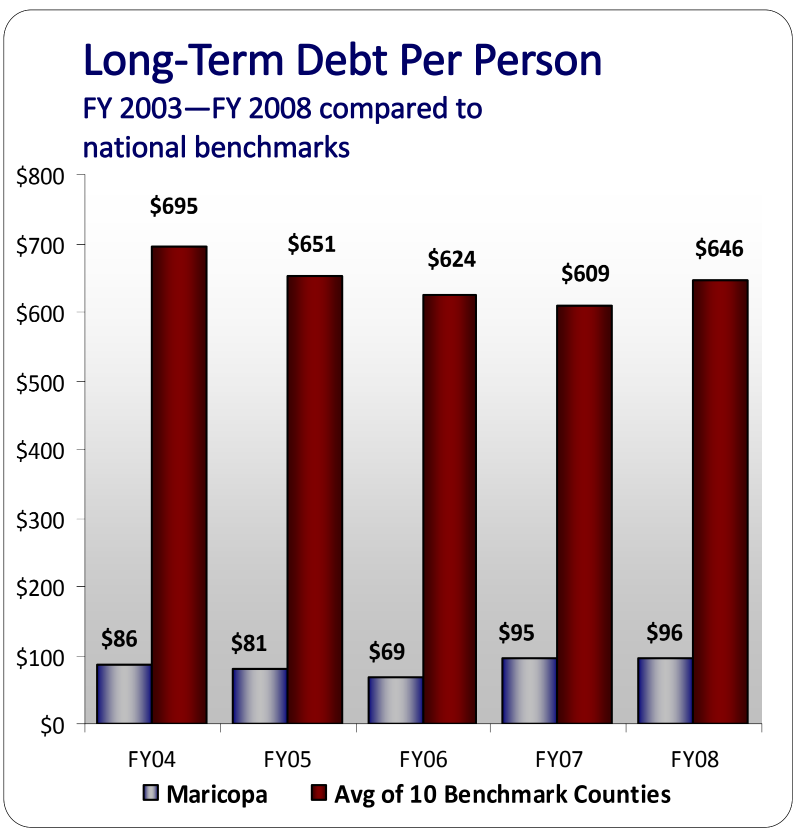
SOURCE: FY08 CAFR

LONG TERM DEBT

Maricopa County has extremely low debt levels compared to the national benchmark average. The County's low debt level is the result of a conservative "pay as you go" policy. In FY 2008 the County's long-term debt per person was under $100.



SOURCE: Maricopa County CAFRs



SOURCE: Maricopa County CAFRs

FY 2004 was the last year of the County's 1986 voter-approved General Obligation debt financing for capital projects. On July 1, 2004, Maricopa County paid off all remaining General Obligation debt.

This long-term debt comparison includes only Governmental Activities' debt, not Business type activities.

Some national benchmarks operate business activities, such as hospitals, airports, water facilities, or others, which may increase their debt levels. Business activities are primarily supported by user fees. Maricopa County did not have any business activities during FY 2008.

County Treasurer

The County Treasurer pools deposits of the County, school districts, and special districts. Cash not required for liquidity is invested in accordance with State law and under a strategy that gives highest priority to:

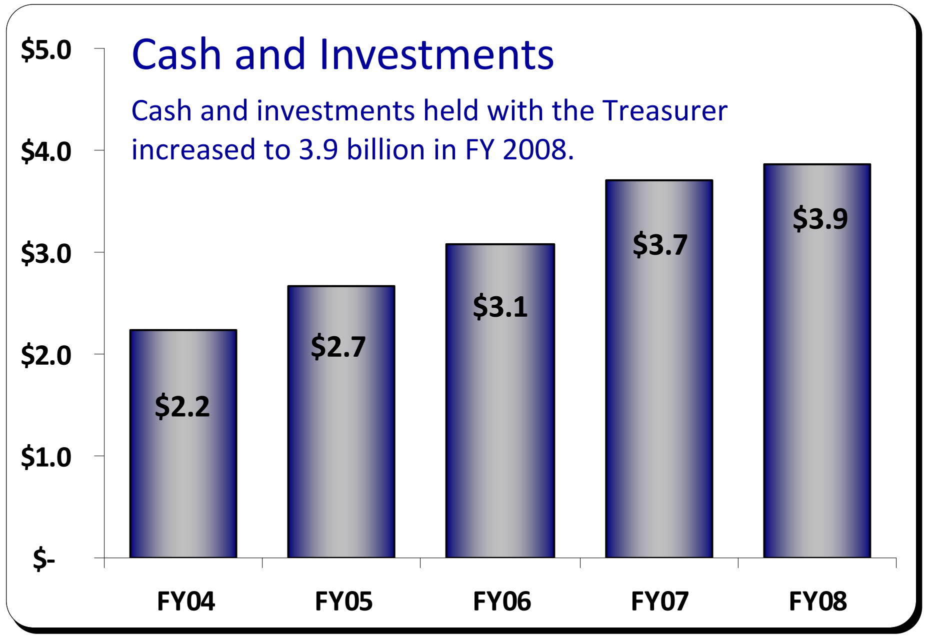
- Safety of principal
- Sufficient liquidity to meet the needs of the County and its subdivisions
- Return on investment

CASH & INVESTMENTS

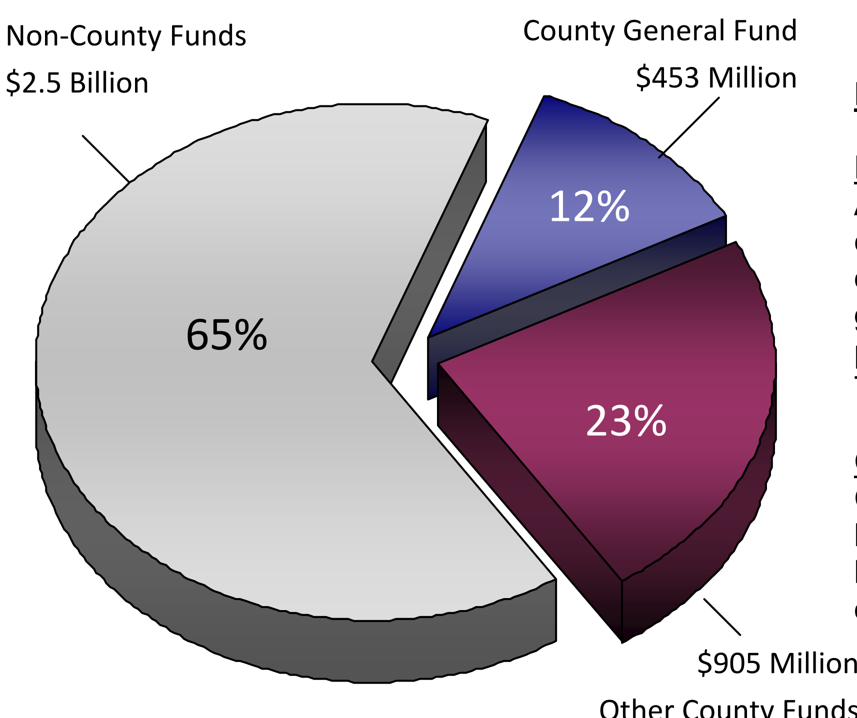
Treasurer

Cash and Investments Held with the County Treasurer

Total cash and investments held by the Treasurer increased to $3.9 billion in FY 2008.



SOURCE: Maricopa County CAFRs



SOURCE: FY08 CAFR

Fund Ownership

Non-County Funds
Arizona Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer.

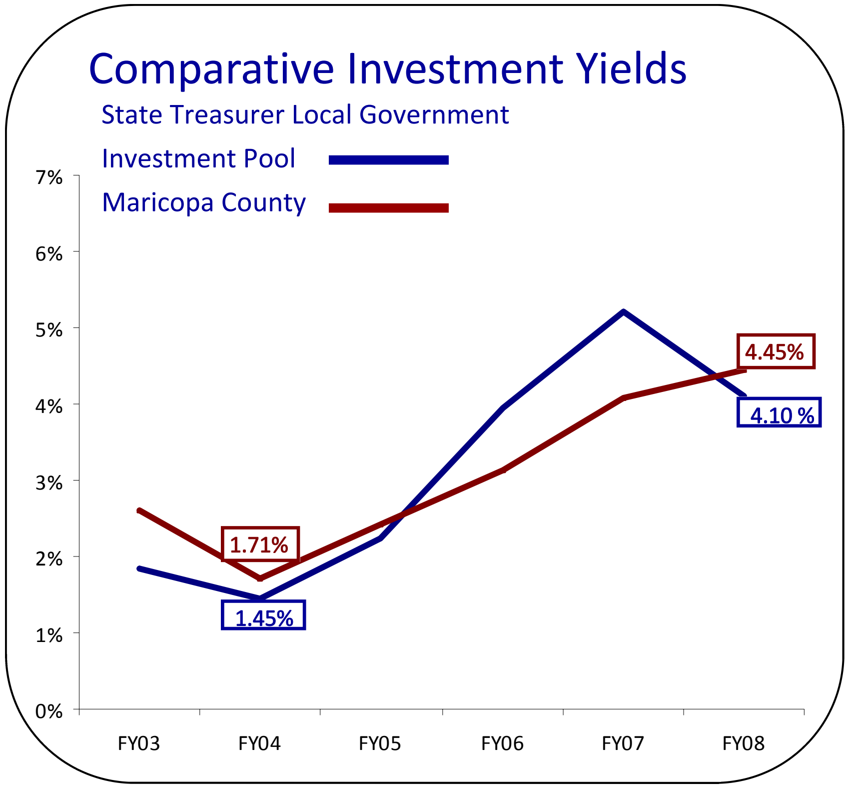
County Funds
County funds totaled $1.4 billion, or 35% of the $3.9 billion held by the Treasurer as of June 30, 2008.

Investment Yields

The Arizona State Treasurer's Office manages $12.5 billion in total, $3.2 billion of which is invested in a Local Government Investment Pool (LGIP). The LGIP provides professional, short-term investment services for a wide array of public entities.

The County Treasurer operates an investment pool of $3.9 billion, comparable in function to the state's LGIP fund.

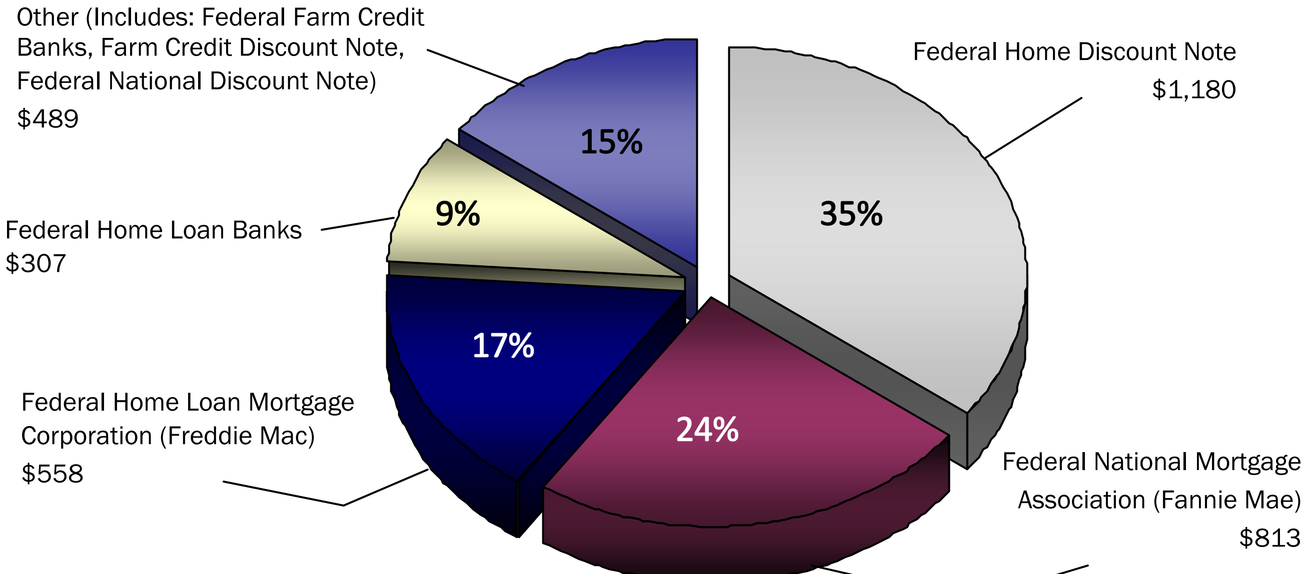
Over the past four years, the County's return on investment has steadily increased from 1.71% in FY 2004 to 4.45% in FY 2008.



SOURCES: State Treasurer historical yield reports; County Treasurer Investment Officer

Investment Composition

As of March 31, 2009, the majority of the Treasurer's investments were held in U. S. Agency Securities issued or guaranteed by a government sponsored enterprise (GSE). Examples of GSEs include Fannie May, Freddie Mac, Sallie May, and the Federal Home Loan Banks. Maricopa County's investment composition as shown by the Treasurer's March Summary Report in these entities is shown below (in millions).



SOURCE: Maricopa County Treasurer's Investment Summary for March 2009

Arizona County Benchmarks

To provide local context for Maricopa County's performance, the Financial Condition Report includes comparisons to other Arizona counties. This information is presented on the following three pages. (National benchmark comparisons were presented earlier in the report.)

AZ BENCHMARKS & GENERAL FUND BALANCE

Arizona Benchmarks

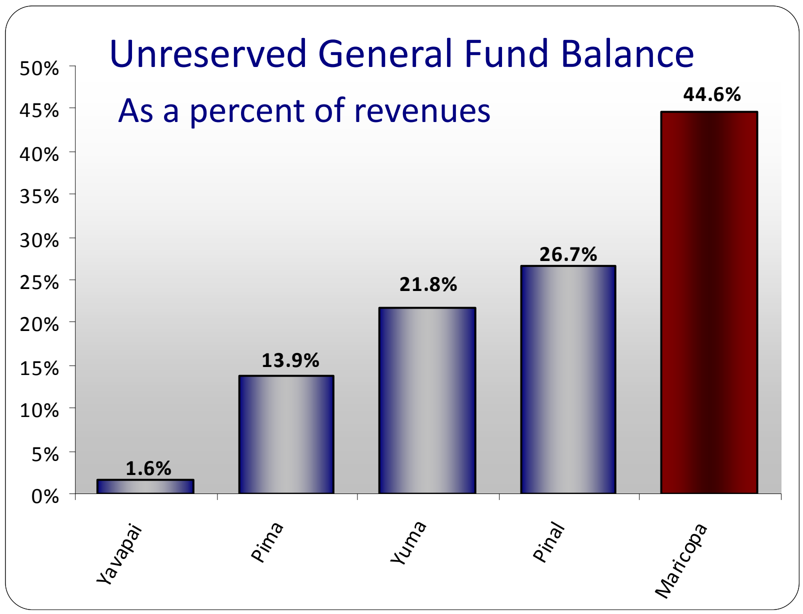
This year, Maricopa County data was compared with four benchmark Arizona counties. In previous years, Cochise and Mohave Counties were shown in this analysis, but at the time of this report their audited year-end financial statements were not available.

County	Population (in thousands)
Pima	1,014
Pinal	351
Yavapai	227
Yuma	204

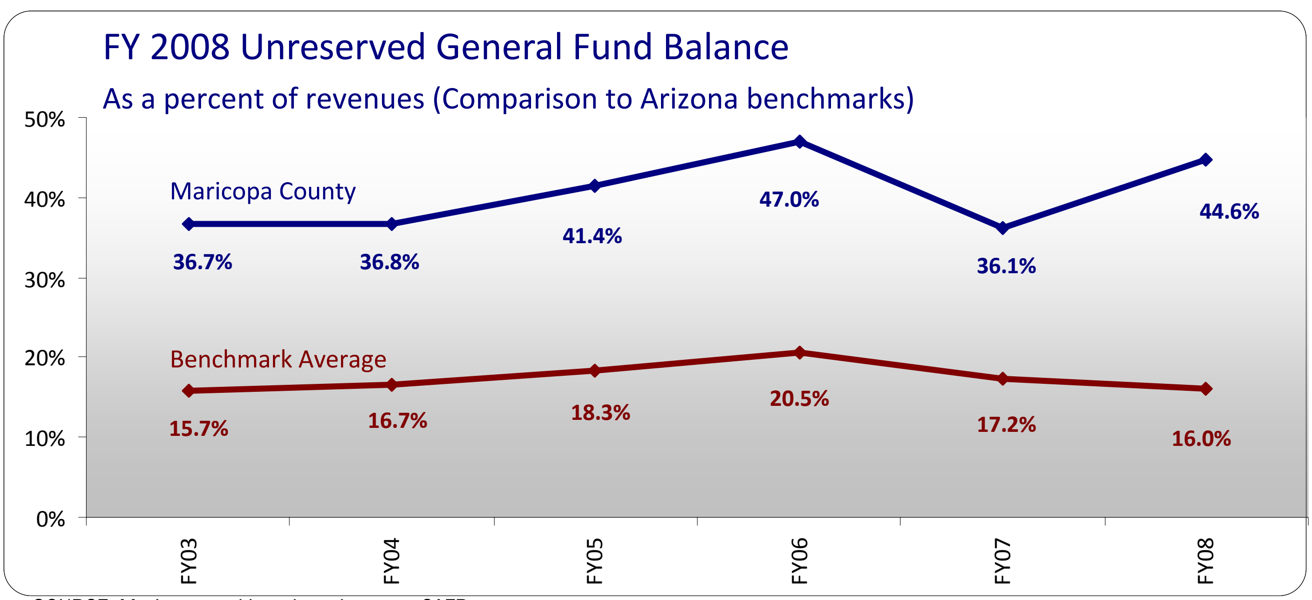
SOURCE: State of Arizona Department of Economic Security, 7/1/2008

Unreserved Fund Balance

Unreserved fund balances represent the monies available to meet the County's current and future needs. Maricopa County continued to significantly outperform each of the benchmark counties in FY 2008 (right), as well as the benchmark average for this financial measure from FY 2003 to FY 2008 (bottom).



SOURCE: FY08 Maricopa and benchmark county CAFRs

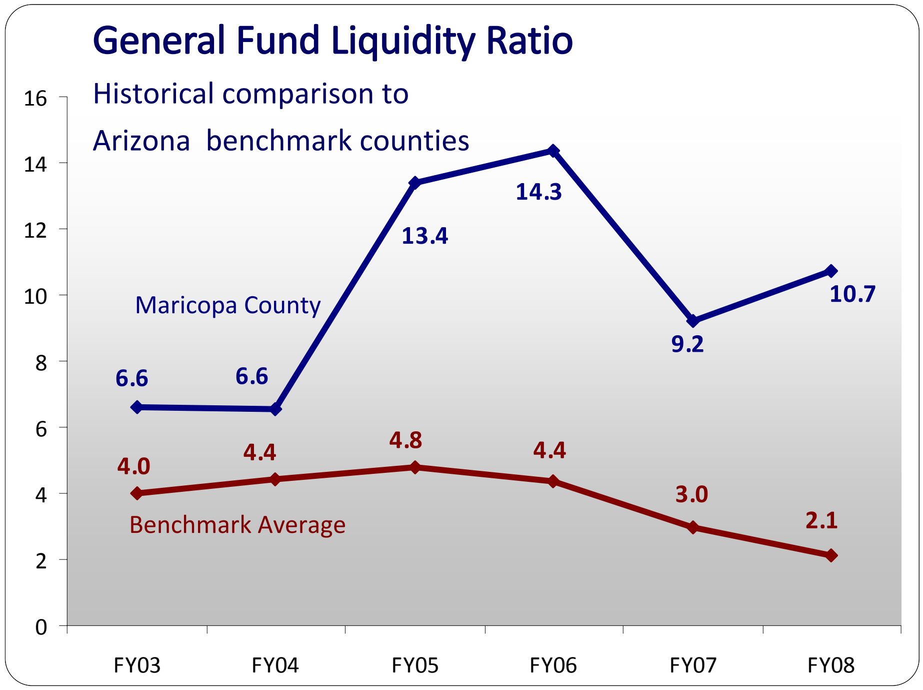


SOURCE: Maricopa and benchmark county CAFRs

LIQUIDITY RATIO

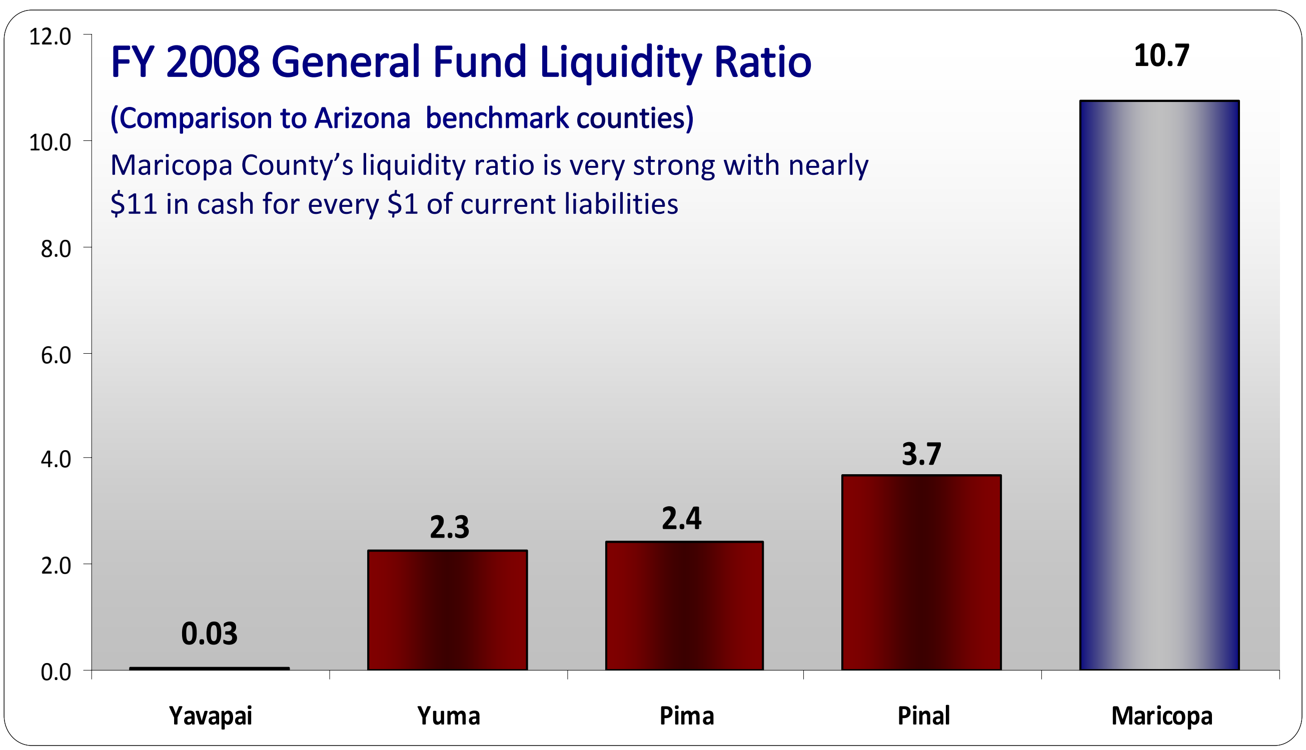
In FY 2008, Maricopa County's liquidity ratio was very strong at 10.7-to-1, meaning that there were $10.70 in cash and equivalents for every $1.00 in current liabilities.

Maricopa's liquidity ratio continues to surpass the benchmark average.



SOURCE: Maricopa and benchmark county CAFRs

Maricopa County's liquidity significantly surpasses the Arizona benchmark counties. FY 2008 individual liquidity ratios for Maricopa County and the Arizona benchmark counties are shown below. Having a ratio of more than 1 to 1 is considered prudent.

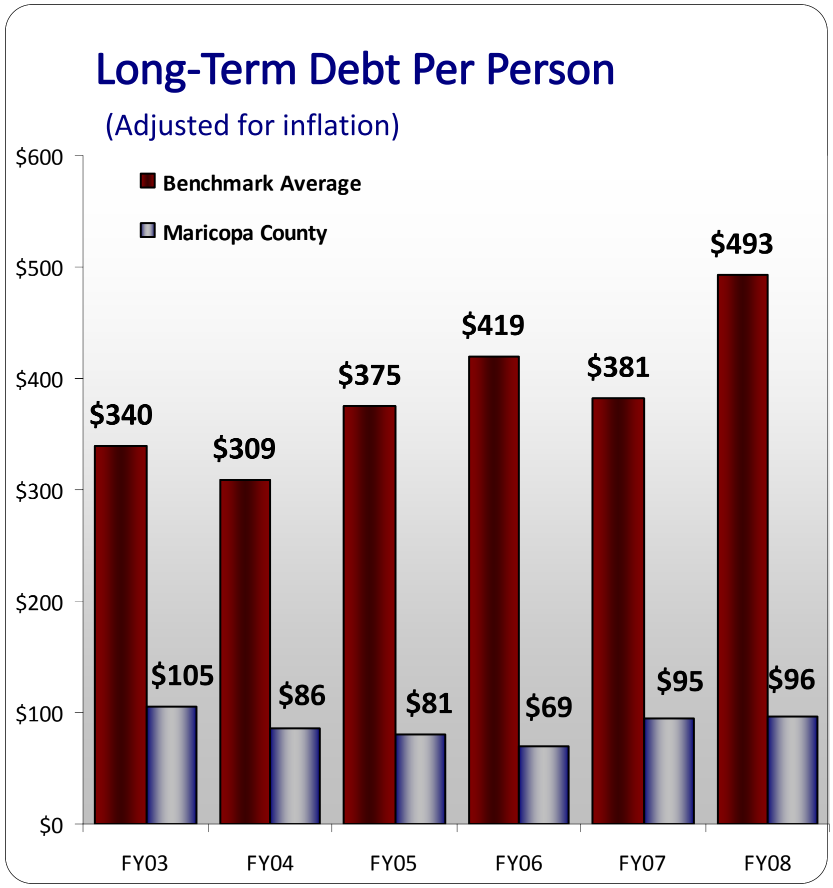


SOURCE: FY08 Maricopa and benchmark county CAFRs

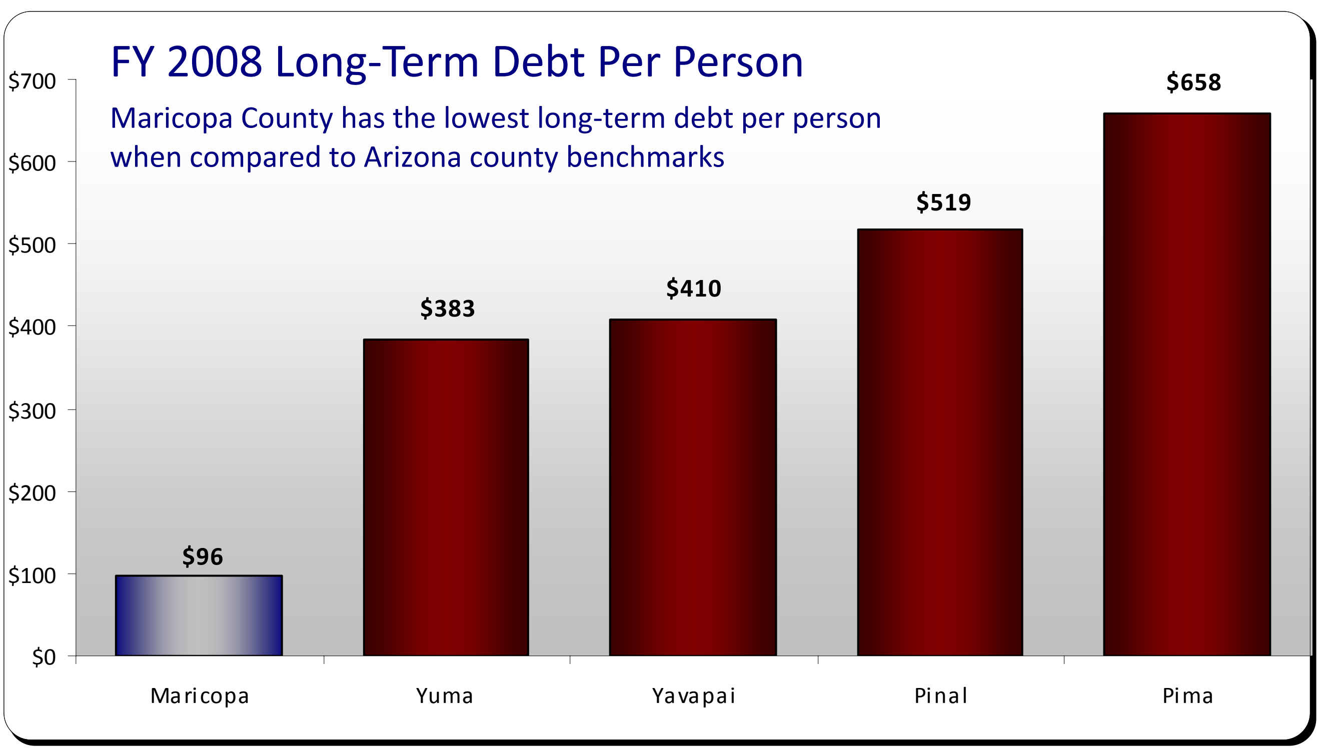
LONG TERM DEBT

Maricopa County has a very low level of debt per person compared to Arizona county benchmarks.

Maricopa County's long-term debt per person has remained below $100 per person since FY 2004 when the County paid the last of the voter-approved General Obligation debt (financing for capital projects).



SOURCE: Maricopa and benchmark county CAFRs



SOURCE: FY08 Maricopa and benchmark county CAFRs

Maricopa County Retirement Plans

County pension information is included in this report due to deteriorating local and national financial trends impacting retirement plans. The County participates in two state retirement systems:

- Approximately 9,000 County employees participate in the Arizona State Retirement System (ASRS)
- Approximately 4,000 County employees participate in the Public Safety Personnel Retirement System (PSPRS): Elected Officials, Corrections Officers, and Public Safety Personnel

Information contained in the following section is based on FY 2008 Comprehensive Annual Financial Reports (CAFRs) for Maricopa County, the Arizona State Retirement System, and the Public Safety Personnel Retirement System. Information for FY 2009 was obtained from other sources cited on the following pages.

ASRS FUNDING STATUS

Funded Status Defined

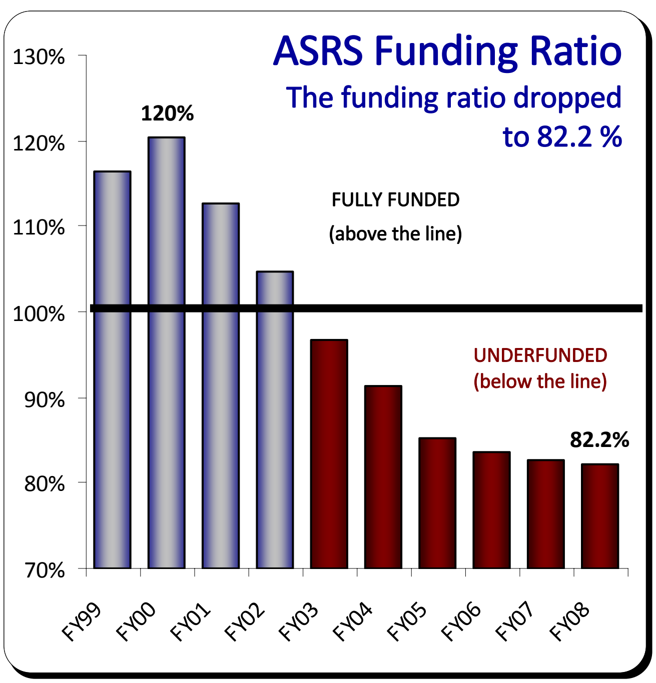
The most recognized measure of a retirement plan's health is its funding ratio, derived by dividing the actuarial value of plan net assets by the present value of accrued liabilities (projected future retirement payments). A pension plan whose assets equal its liabilities is 100% funded, or fully funded. A plan with assets that are less than its liabilities is considered to be underfunded.

The dollar difference between plan assets and accrued liabilities is the unfunded actuarial accrued liability (UAAL), which is a common measure of a pension plan's financial condition.

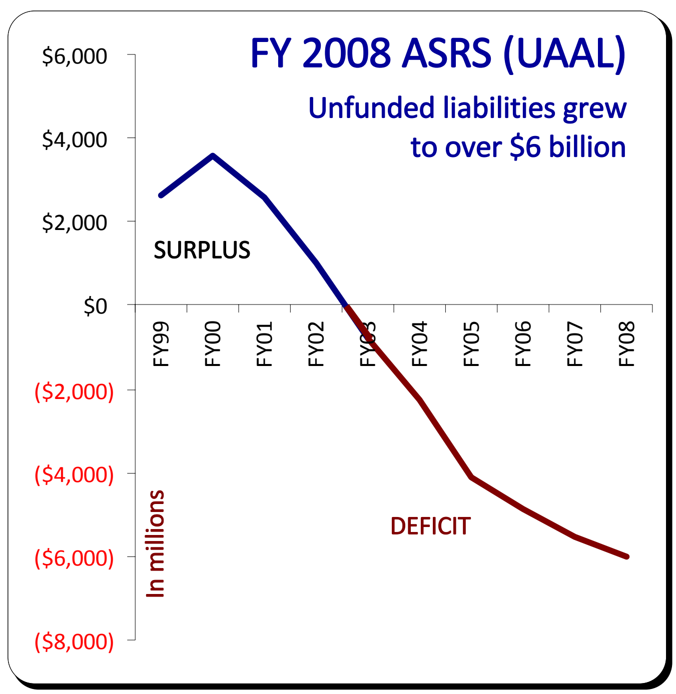
Methods used to value assets and liabilities can be complex and vary from plan to plan, making direct comparisons among plans difficult or impossible. This report shows the funding ratios based on the actuarial value of assets. The amount of accrued liabilities depends on the assumptions and cost method. Actual calculations are very technical in nature and are outside the scope of this report. It is noted, however, that ASRS discounts future benefits at 8.0% per year.

ASRS Funding Status

ASRS reported a strong 17.8% rate of return on the total ASRS fund in FY 2007, as shown on page 25, and was named a top performer in a nationwide pension plan study performed by an independent nonprofit charitable trust. However, the unfunded actuarial accrued liability (UAAL) has grown by over $500 million, or 9%, to $6 billion in FY 2008. This was largely due to a 7.6% loss on investments in FY 2008 and increases in projected future retirement payments. As a result the funded status of the total plan decreased from 82.8% in FY 2007 to 82.2% in FY 2008.



SOURCE: ASRS CAFRs and annual actuarial reports

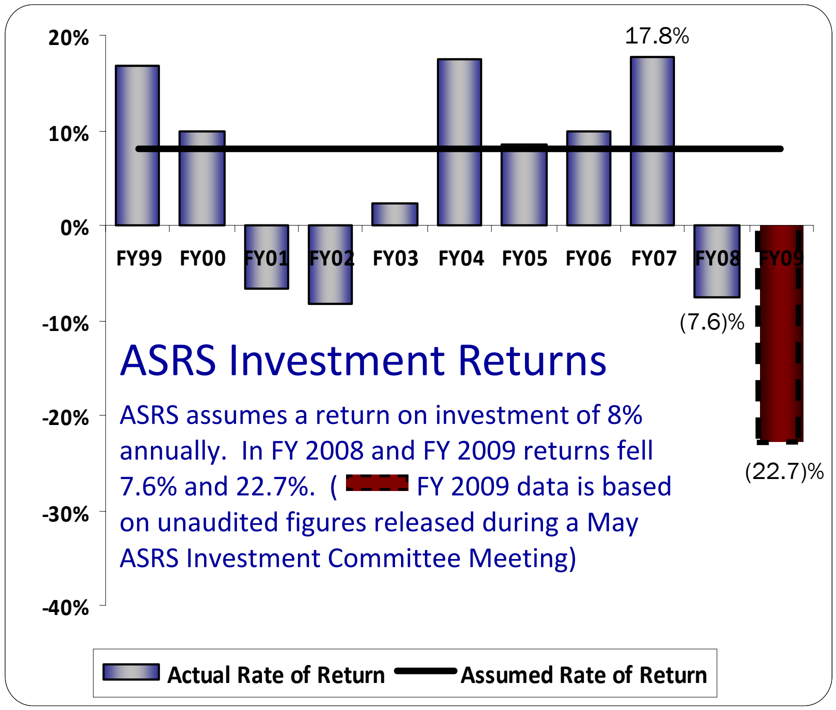


SOURCE: ASRS CAFRs and annual actuarial reports

ASRS Investment Returns

During FY 2008, and as of March 09, 2009, ASRS experienced significant investment losses. ASRS attributes these losses to the general downturn in the financial markets. The total loss will not be immediately evident in fund performance because ASRS smoothes gains and losses over a 10 - year period.

Losses in FY 2008 and 2009 are offset by gains carried forward from prior years.

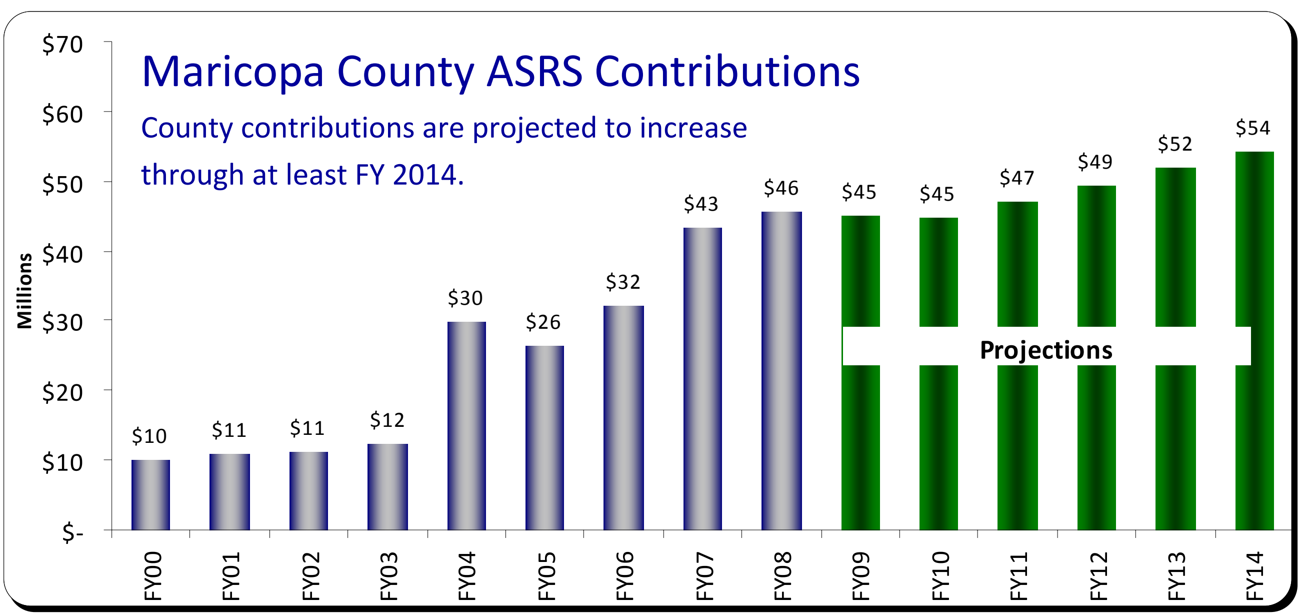


SOURCE: ASRS Investment Committee Meeting, CAFRs and annual ASRS CAFR reports

County Contributions

Since FY 2000, total County pension plan contributions to ASRS have increased 360%, from $10 million in FY 2000 to $46 million in FY 2008, as shown on the graph below.

County contributions are expected to rise because of recent poor investment performance (shown above) and projected increases in future retirement payments. Projections for FY 2009 through FY 2014 are based on current employment levels and half percent increases per year as projected by ASRS. (The chart below does not include employee contributions.)



SOURCE: ASRS CAFRs and ASRS's Directors comments reported on AZCENTRAL on 3/3/09.

Public Safety Personnel Retirement System

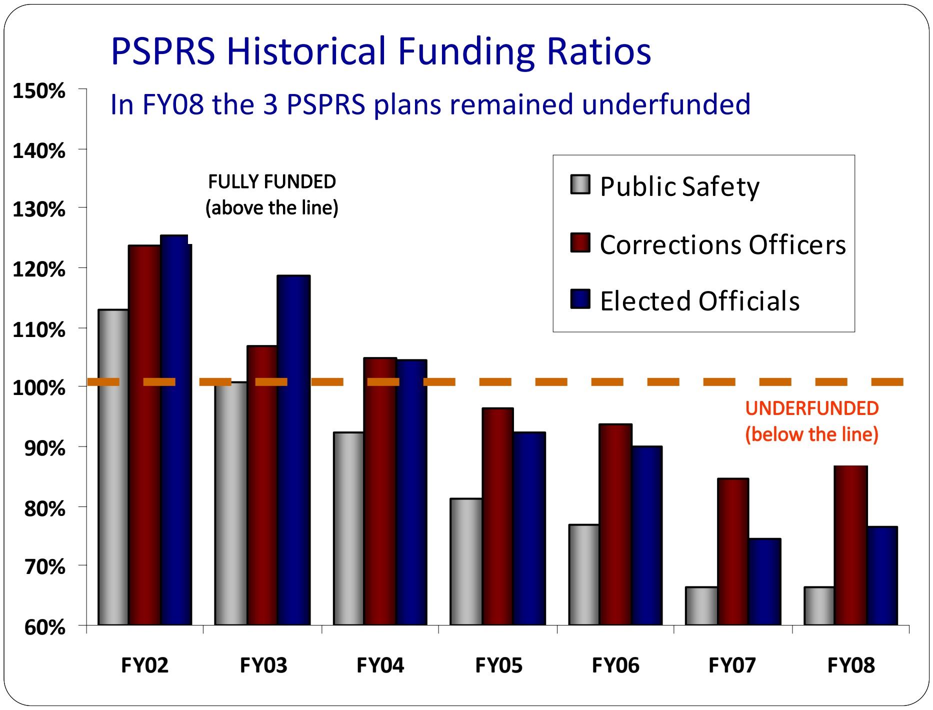
(includes PSPRS, CORP, and EORP)

PSPRS Funding Status

The funding ratios of the three PSPRS plans have declined significantly since FY 2002. However, the funding ratio for both the Correction Officers and the Elected Officials increased slightly in FY 2008.

Funding ratios as of 6/30/08 were:

66.5% - Public Safety
86.8% - Corrections Officers
76.6% - Elected Officials

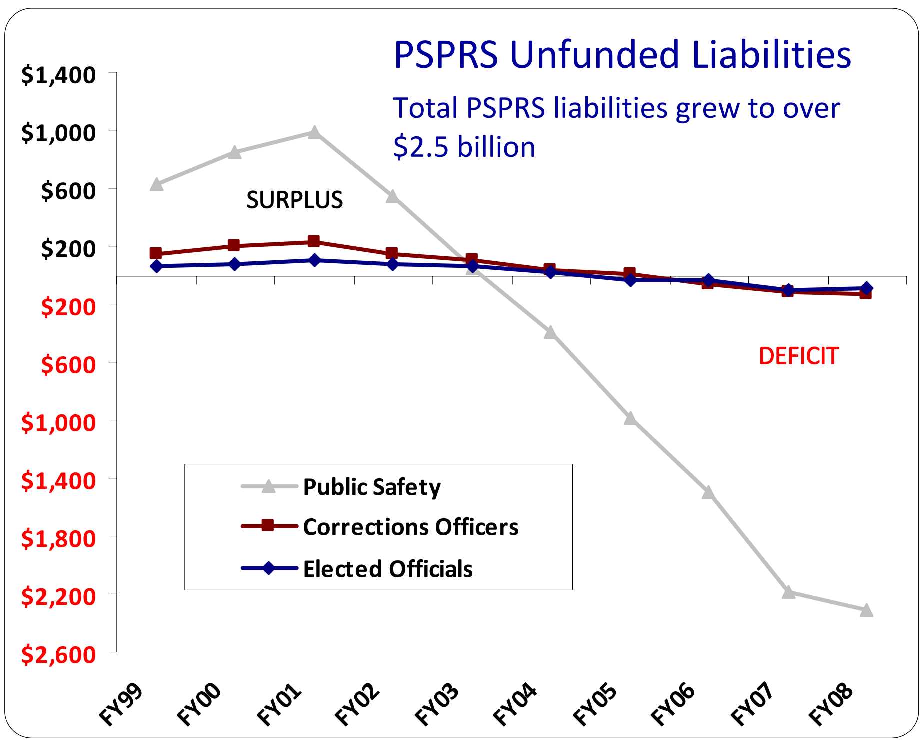


SOURCE: FY07 PSPRS CAFR

Unfunded Liability

The UAAL (unfunded liability) for each of the three PSPRS plans as of 6/30/08 was:

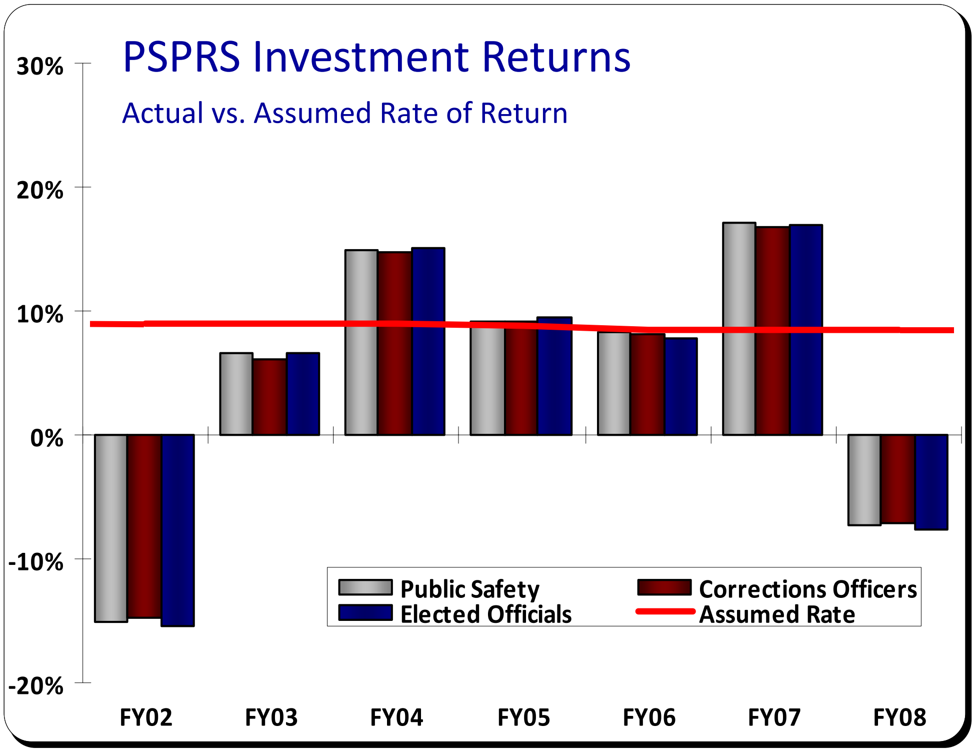
$2,310 - Public Safety
$130 - Corrections Officers
$94 - Elected Officials



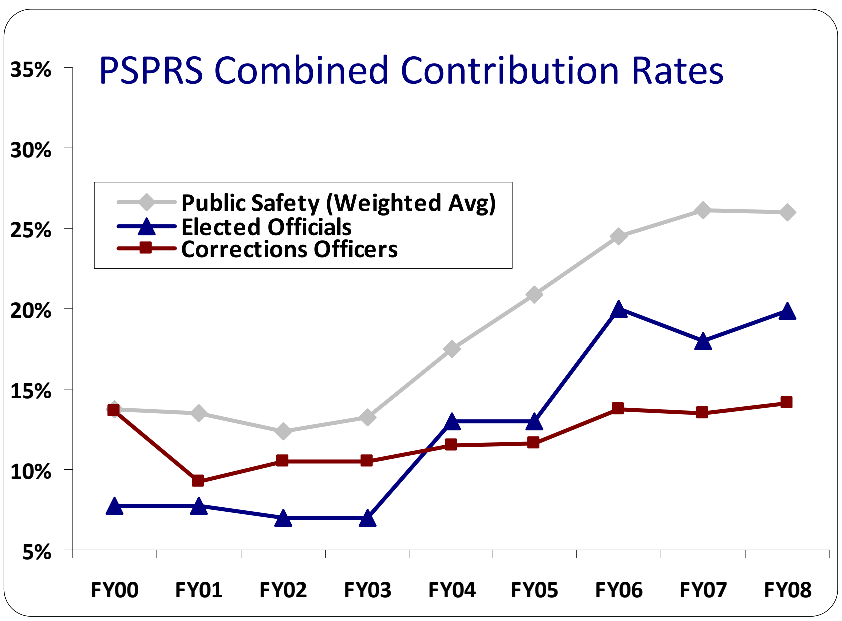
SOURCE: PSPRS CAFRs

PSPRS Investment Returns

During FY 2008, all three PSPRS plans had investment losses exceeding 7%. These losses will not be immediately evident in fund performance because PSPRS smoothes gains and losses over a 10 year period. Losses in FY 2008 are offset by gains carried forward from prior years.



SOURCE: FY08 PSPRS CAFR



SOURCE: Maricopa County Human Resources; PSPRS staff

PSPRS Contribution Rates

Employee contribution rates are fixed by statute, and based upon a percentage of employee compensation; changes require legislation. Thus, employee contribution rates for the three plans remain relatively stable. However, employer contribution rates have increased significantly since 2003. The FY 2008 combined contribution rates (employee + employer) for all three PSPRS Plans are shown below:

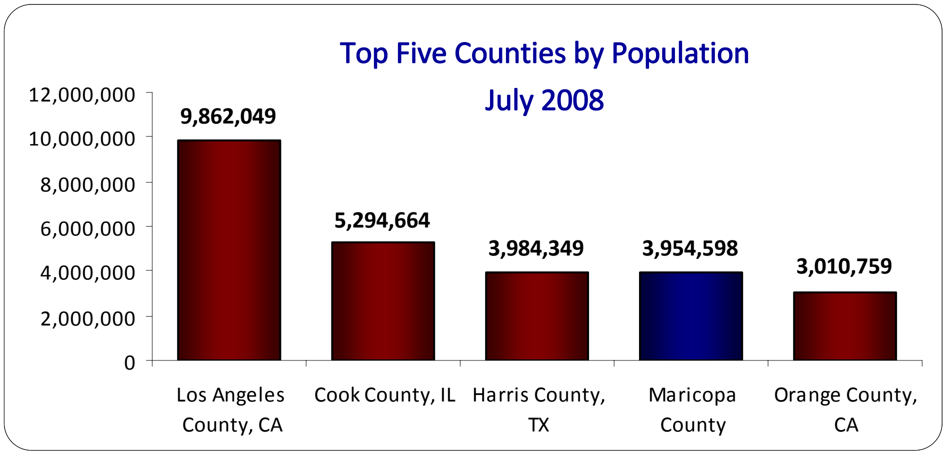
Plan	Employee %	Employer %
Public Safety Personnel	7.65%	18.32%*
Elected Officials	7.00%	12.84%
Corrections Officers	7.96%	6.14%

*Weighted average

Population Growth and Employment Rates

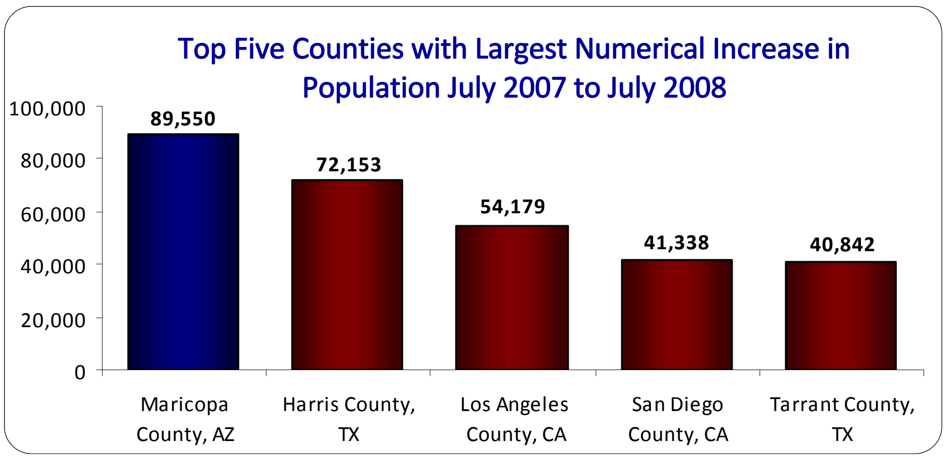
POPULATION AND EMPLOYMENT DATA

In 2008, Maricopa County was ranked the fourth most populous of all 3,141 counties in the nation.



SOURCE: 2008 U.S. Census Bureau reports

In addition to having the largest numerical increase in population from July 2007 to July 2008, Maricopa County's population increased by 882,449 people from July 2000 to July 2008, more than any other county in the nation.



SOURCE: 2008 U.S. Census Bureau reports

Maricopa County continues to enjoy unemployment rates below national and Arizona averages. However, in FY 2008 and FY 2009 unemployment for all three increased due to a downturn in the national and local economies.

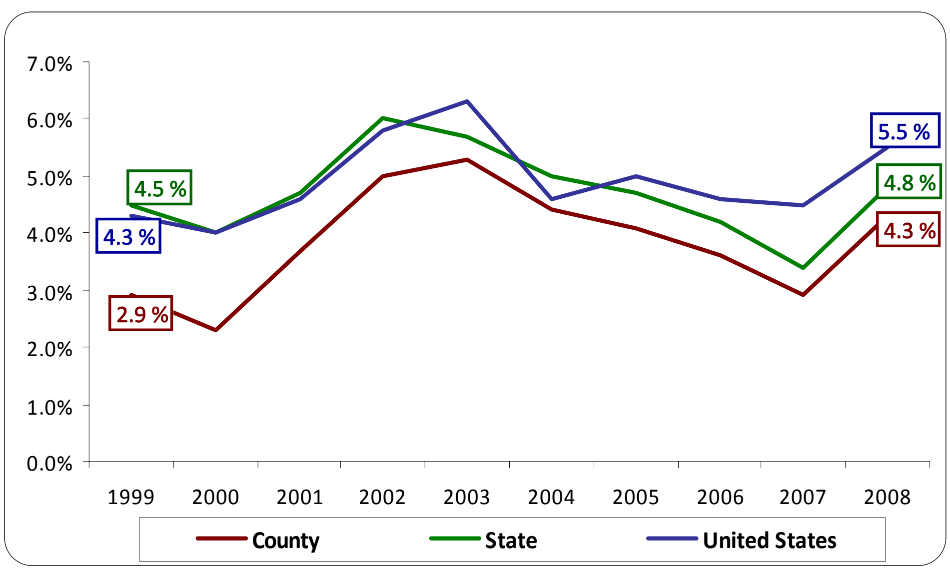
March 2009 UPDATE

National — 8.5%

State — 7.7%

County — 7.0%

2009 Update SOURCE: Arizona Department of Economic Security and Bureau of Labor Statistics



SOURCE: Maricopa County CAFRs

Report Methodology

REPORT METHODOLOGY

Definition

Financial Condition is defined as a local government's ability to finance services on a continuing basis. A county in good financial condition can sustain existing services to the public, withstand economic downturns, and meet the demands of changing service needs.

Objectives, Scope, and Methodology

The objective of this report is to evaluate Maricopa County's financial condition using key financial indicators. Indicators were selected from authoritative sources on evaluating governmental entity financial condition, and were judged to be the most indicative of a county's overall financial health.

Our primary information sources were the audited Comprehensive Annual Financial Reports (CAFR) issued by the Arizona State Retirement System, Public Safety Personnel Retirement System, ten national benchmark counties, four Arizona counties, and Maricopa County. The benchmark counties are:

National Benchmarks (in millions)

County	Population	Major Metro Area
Clark	1.9	Las Vegas, NV
Harris	4.0	Houston, TX
King	1.9	Seattle, WA
Los Angeles	9.9	Los Angeles, CA
Multnomah	0.7	Portland, OR
Orange	3.0	Santa Ana/Anaheim, CA
Pima	1.0	Tucson, AZ
Salt Lake	1.0	Salt Lake City, UT
San Diego	3.0	San Diego, CA
Santa Clara	1.8	San Jose, CA

SOURCE: U. S. Census Bureau

Arizona Benchmarks (in thousands)

County	Population
Pima	1,014
Pinal	351
Yavapai	227
Yuma	204

SOURCE: State of Arizona Department of Economic Security, 7/1/2008

Other sources include actuarial reports, the U.S. Census Bureau, Governmental Accounting Standards Board, the International City/County Managers Association, Arizona Department of Economic Security Research Administration, Maricopa County's Strategic Plans (budgetary documents), ASRS investment committee documents, Auditor General Reports and correspondence with internal and external staff.

Trend analysis is used in this report. Trend analysis involves examining historical data. Adjustments for inflation were made according to the "U.S. Consumer Price Index—All Items."

A picture of the Security building in the 1940s, taken from the corner of Van Buren and Central Ave. Built in 1928, the building was purchased by the County in 2001 and is currently undergoing historical renovations.

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