CITIZENS FINANCIAL CONDITION REPORT

MARICOPA COUNTY

FISCAL YEAR ENDED JUNE 30, 2012

February 13, 2013

Maricopa County Internal Audit
301 W. Jefferson, Suite 660
Phoenix, AZ 85003
(602) 506-1585
www.maricopa.gov/internal_audit

In This Issue

Maricopa County Shows Consistent Fiscal Strength in FY 2012

Financial Highlights

Our Fiscal Year (FY) 2012 Citizens Financial Condition Report highlights the financial strength of the County's General Fund within the context of the financial challenges currently facing national and local economies.

Report highlights include:

- FY 2012 governmental fund revenues fell below expenditures.
- The General Fund unrestricted fund balance has declined steadily over the past five years. In relation to operating revenues, the FY 2012 balance was still at an acceptable level.
- Key County financial indicators compared favorably to national benchmarks.
- County net assets, an indicator of long-term financial health, increased slightly.
- State retirement plans covering County employees saw funding deficits continue to increase, bringing funding levels to their lowest point in years.

About the Financial Condition Report

The FY 2012 edition of the Maricopa County Citizens Financial Condition Report is based primarily on the County's FY 2012 Comprehensive Annual Financial Report issued December 2012 by the Department of Finance.

This work provides information, trends, and comparisons on County financial topics including:

- Revenues and Expenditures
- Cash and Investments
- Liquidity and Long Term Debt

MESSAGE FROM THE COUNTY AUDITOR

February 13, 2013

Andrew Kunasek, Chairman, Board of Supervisors
Denny Barney, Supervisor, District I
Steve Chucri, Supervisor, District II
Max Wilson, Supervisor, District IV
Mary Rose Wilcox, Supervisor, District V

We have completed the Fiscal Year (FY) 2012 edition of the Maricopa County Citizens Financial Condition Report based primarily on the County's FY 2012 Comprehensive Annual Financial Report issued in December 2012. This work, which is part of our Board-approved audit plan, provides important information on current and historical County financial trends.

For FY 2012, we again highlight the financial strength of the County's General Fund. While national and local economies encountered financial challenges, the County (due to conservative fiscal policies) acted to maintain strong reserves. As a result, the General Fund's unrestricted fund balance meets the governmental experts' recommended reserve level. This reserve level allows the County to keep long term debt low and utilize "pay-as-you-go" capital financing. Key financial indicators compared favorably to national benchmarks.

In addition, we provide updated information on the State pension plans covering County employees. Public pension funds are experiencing 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 County's strong financial condition highlighted throughout this report.

Sincerely,

Ross L. Tate

Ross L. Tate
County Auditor

The **County Auditor** reports directly to the Maricopa County Board of Supervisors, with an advisory reporting relationship to the Citizen's Audit Advisory Committee.

The **Mission of the Internal Audit Department** is to provide objective information on the County's system of internal controls to the Board of Supervisors so they can make informed decisions and protect the interests of County citizens.

Project Team Members

Eve Murillo, CPA, MBA, CFE, ITIL, Deputy County Auditor

Stella Fusaro, CIA, CGAP, CFE, CLEA, Audit Supervisor

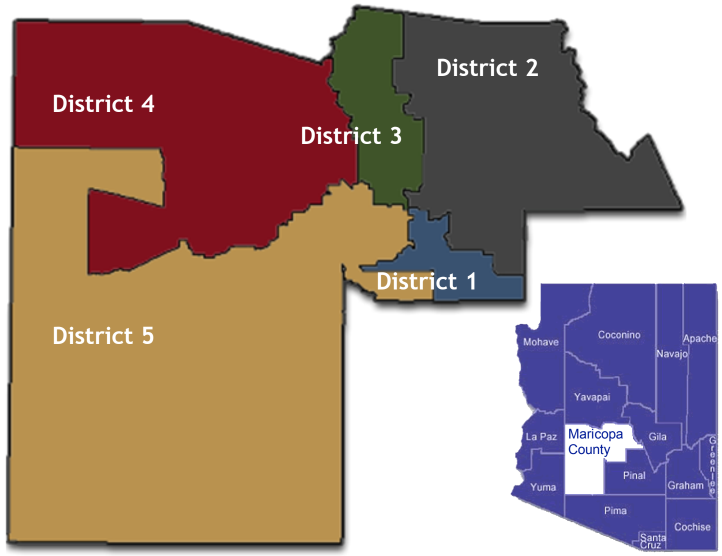
Richard Chard, CPA

MARICOPA COUNTY PROFILE

Maricopa County

Maricopa County is located in the south-central area of the State of Arizona. Approximately 60% of the state's total population resides within the County, which includes the cities of Phoenix, Mesa, Tempe, Glendale, and Scottsdale.

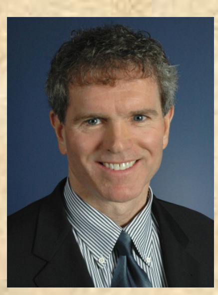
Maricopa County operates under a five member elected Board of Supervisors representing five districts divided geographically and by population to include a mix of urban and rural constituencies.



Board of Supervisors

2012

Fulton Brock, Dist. 1



Don Stapley, Dist. 2

Andrew Kunasek, Dist. 3

Max Wilson, Dist. 4

Mary Rose Wilcox, Dist. 5

2013

Denny Barney, Dist. 1

Steve Chucri, Dist. 2

The 2012 Board of Supervisors, pictured above, were in office during the period covered by this Financial Condition Report.

Denny Barney (District 1) and Steve Chucri (District 2), pictured at left, were elected and began their terms of office in January 2013.

History (Source: Maricopa County website)

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

Size (Source: Maricopa County FY 2012 CAFR and Budget)

At 9,225 square miles, Maricopa County is larger than several states, including Connecticut, Delaware, Hawaii, Massachusetts, New Hampshire, New Jersey, and Rhode Island.

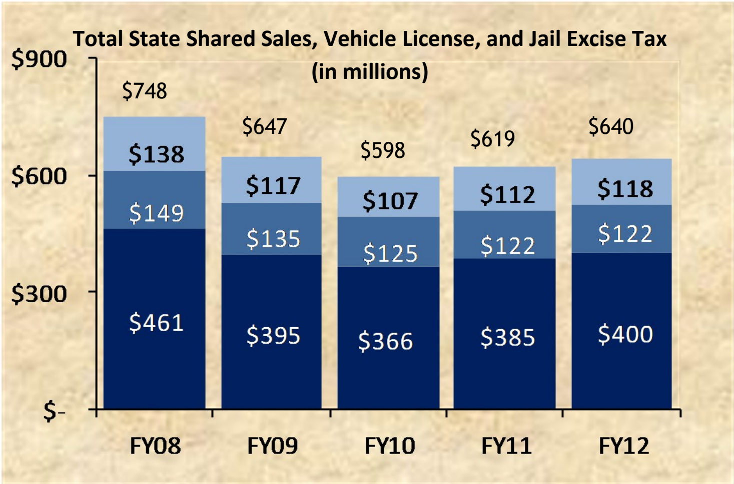
Population (Source: U.S. Census Bureau Reports)

Maricopa County is home to 3.9 million people, the 4th largest population in the nation after Los Angeles County (CA), Cook County (Chicago, IL), and Harris County (Houston, TX).

Although population growth has slowed in recent years, Maricopa County still continues to add new citizens at a healthy pace. From 2010 to 2011, the County's population grew by 63 thousand (2012 data unavailable).

ECONOMIC TRENDS

Sales Tax Begins to Trend Upward



SOURCE: "Tax Revenues by Source" (Statistical Section Maricopa County CAFRs)
(Vehicle License Tax includes General and Transportation Fund amounts)

In FY 2012 the County saw an increase in two of its major revenue sources (state shared sales tax and jail excise tax). This increased total revenues over the prior year, but under levels experienced in FY 2008 and FY 2009.

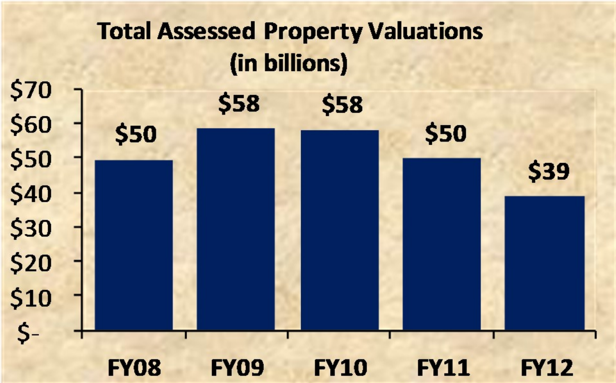
Dollar & Percentage Decline from FY 2008

Jail Excise:	$ 20 million (14%)
Vehicle License:	$ 27 million (18%)
State Shared Sales:	$ 61 million (13%)
Total decline:	$108 million (14%)

Assessed Property Valuation Has Declined in Recent Years

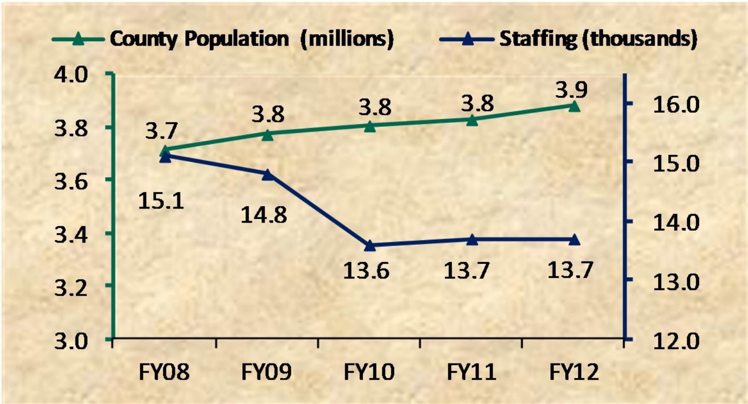
Property taxes assessed (billed) are derived from a combination of tax rates and assessed property valuations. Any changes in these factors has a direct impact on property tax revenue. Property tax valuations have declined approximately $19 billion from 2009 to 2012.

Page 11 of this report highlights the impact of lower property valuations on tax revenues.



SOURCE: Maricopa County Annual Business Strategies—FY 2012 Adopted Budget

Budgeted Staffing Levels Remain Flat



SOURCE: Maricopa County CAFRs & U.S. Census Bureau Reports

Conservative budget strategies kept the County financially healthy despite Arizona's economic challenges. The County maintained a hiring freeze for non-critical positions, and budgeted staffing levels remained steady from the prior fiscal year. However, total budgeted staffing levels have dropped approximately 9% from FY 2008.

GENERAL FUND KEY INDICATORS

General Fund Spendable Fund Balance Decreased

SOURCE: "Governmental Funds Balance Sheet" (Maricopa County CAFRs)

The General Fund is the primary operating fund used for all amounts not required to be accounted for in other funds. General Fund balance is classified as either:

Nonspendable – amounts not in spendable form, such as inventory, or amounts that legally must remain intact

Spendable:

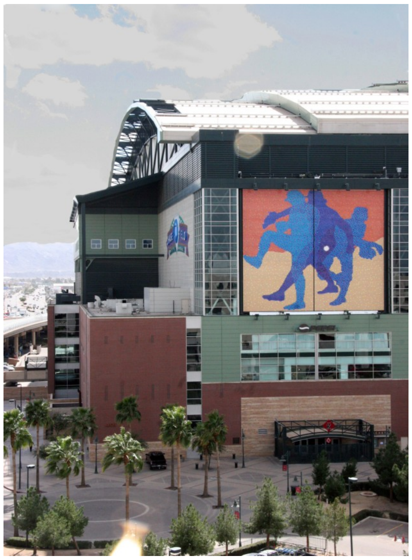
- *Restricted – amounts restricted for a specific purpose by laws, regulations, grants, or contractual agreements*
- *Committed – amounts limited for specific purposes by formal Board of Supervisor action such as capital projects*
- *Assigned – amounts intended to be used for specific purposes, but are neither restricted or committed*
- *Unassigned – remaining balance not assigned to other categories and without spending constraints*

Source: Governmental Accounting Standards Board (GASB 54)

General Fund Spendable Fund Balance

Spendable does not imply there are no constraints on funds. The General Fund spendable fund balance represents restricted, committed, assigned, and unassigned amounts available to meet current and future needs. $19 million of the $302 million General Fund balance is nonspendable.

The spendable balance decreased by 31% to $283 million in FY 2012. While revenues stayed relatively flat in comparison with FY 2011, budgeted pay-as-you-go financing for capital assets and transfers to capital funds were largely responsible for the decrease. Of the total spendable fund balance, 13% was unassigned and 56% was committed to budget stabilization as authorized by the Board of Supervisors. According to the Office of Management and Budget, all but the unassigned category ($35.6 million) was budgeted to be spent in FY 2013.

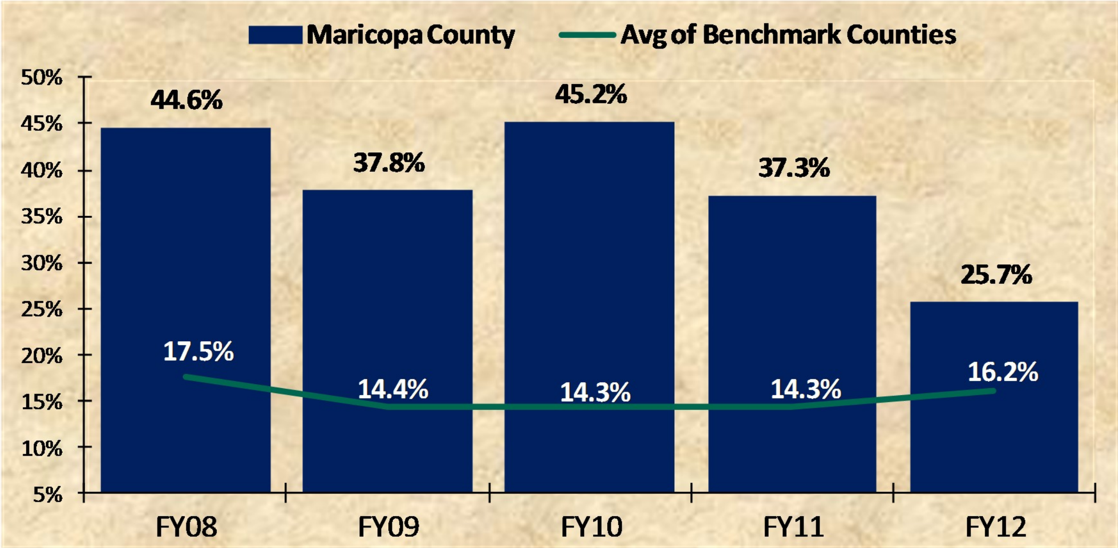


Chase Field, Downtown Phoenix

General Fund Spendable Fund Balance as a Percent of Revenues

For many years, Maricopa County's General Fund has maintained a strong spendable fund balance in relation to revenues, as compared to national benchmark averages (see page 17 for a list of benchmark counties). The graph below reflects the FY 2012 spendable fund balance (total of restricted, committed, assigned, and unassigned amounts).

Fund Balance Compares Favorably with Benchmarks



SOURCE: "Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund

Credit rating agencies review the stability of the spendable fund balance when assessing credit worthiness. Fitch and Standard & Poor's AAA ratings for the County's general obligation bonds are the highest ratings possible. They denote the lowest expectation of default and extremely strong capacity to meet financial commitments. Maricopa County's strong General Fund spendable fund balance, when compared to revenues, could lower the County's cost of borrowing money.

General Obligation Bonds Credit Ratings (Source: FY 2012 CAFR)	Fitch	AAA (April 2011)
	Standard & Poor's	AAA (March 2011)

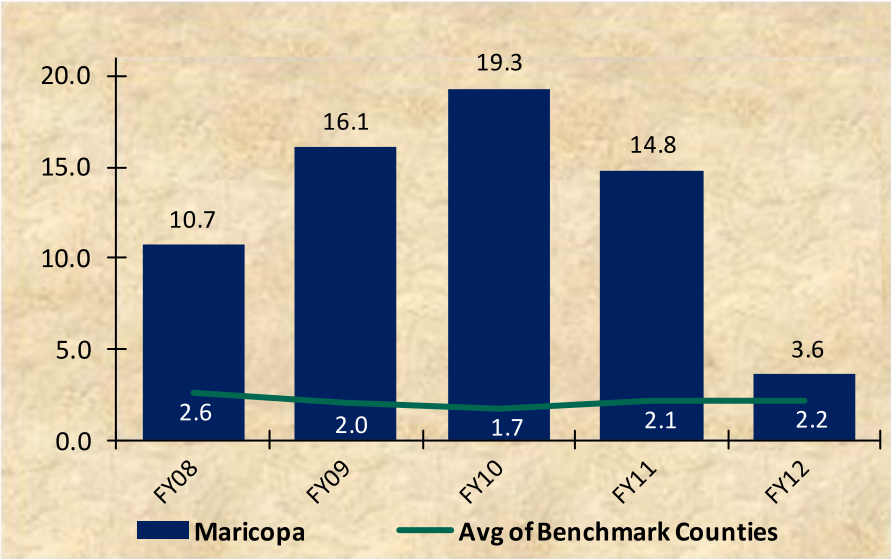
General Fund Operating Reserves

The Government Finance Officers Association (GFOA) recommends that governments have an unrestricted (committed, assigned, and unassigned) fund balance to cover at least two months of general fund operating revenues or general fund operating expenditures in the event of drastic revenue shortfalls.

Although the General Fund unrestricted fund balance has declined steadily over the past five years, in relation to operating revenues, the total unrestricted balance was still within a range recommended by GFOA as a best practice. However, the County's Office of Management and Budget reported that at the end of FY 2012, the committed and assigned amounts ($247 million) were re-appropriated in the FY 2013 budget and therefore were not available as reserves.

LIQUIDITY & LONG TERM DEBT

Liquidity Decreased in Accordance With Planned Expenditures



SOURCE: Audit Analysis of "Governmental Funds Balance Sheet" (Maricopa & Benchmark CAFRs)

General Fund Liquidity Ratio

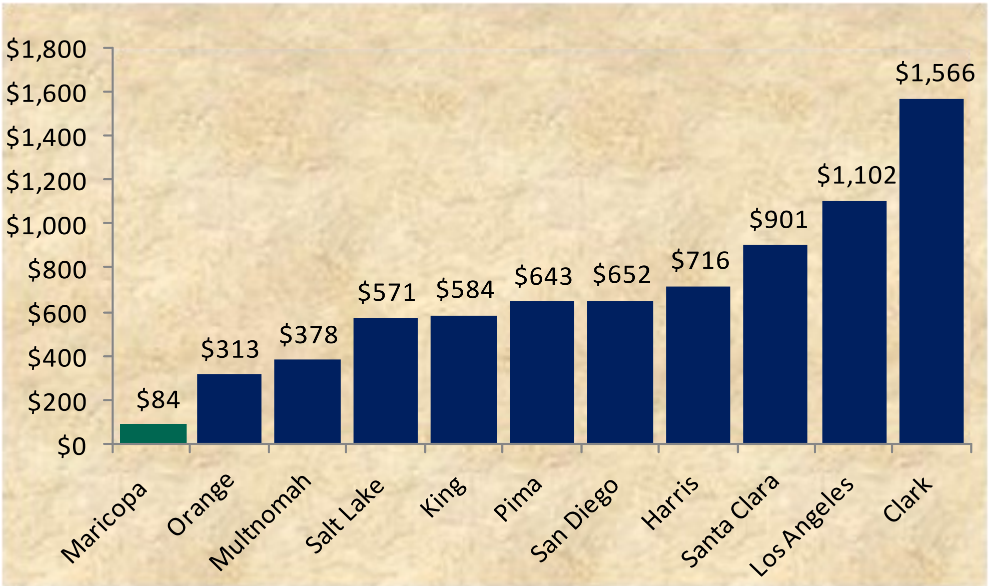
The liquidity ratio, which compares assets to liabilities, is a measure of the County's ability to pay current obligations.

Maricopa County continues to maintain a healthy liquidity ratio of almost $4 to $1. This means that $3.60 is available in cash for every $1 in current liabilities.

Planned long-term capital expenditures were paid in FY 2012 without incurring long term debt.

Long Term Debt Per Person Is Low Compared With Benchmark Counties

Maricopa County has low debt levels compared to the national benchmark average. The County's low debt is the result of a conservative "pay-as-you-go" policy. The FY 2012 County long-term debt was $84 per person. Comparisons are difficult because entities may offer different services that are included in their debt (such as airports, schools, and hospitals), and may report debt in different funds.



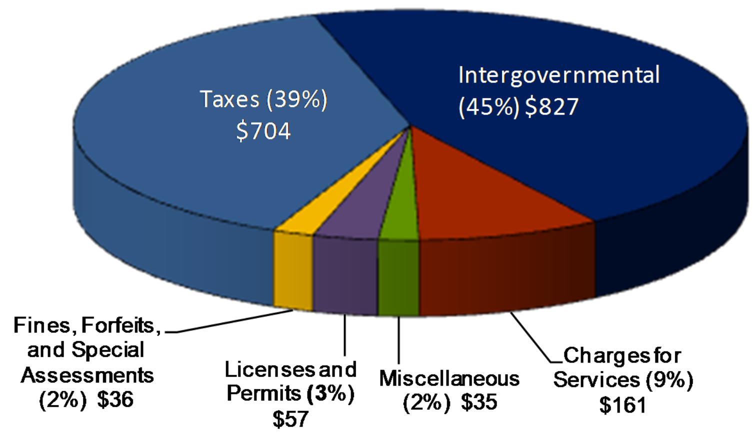
SOURCE: Maricopa County LTD for Governmental Activities "Note 14— Long Term Liabilities" (Benchmark CAFRs & Internal Audit Analysis)

REVENUES & EXPENDITURES

Sources of County Funds

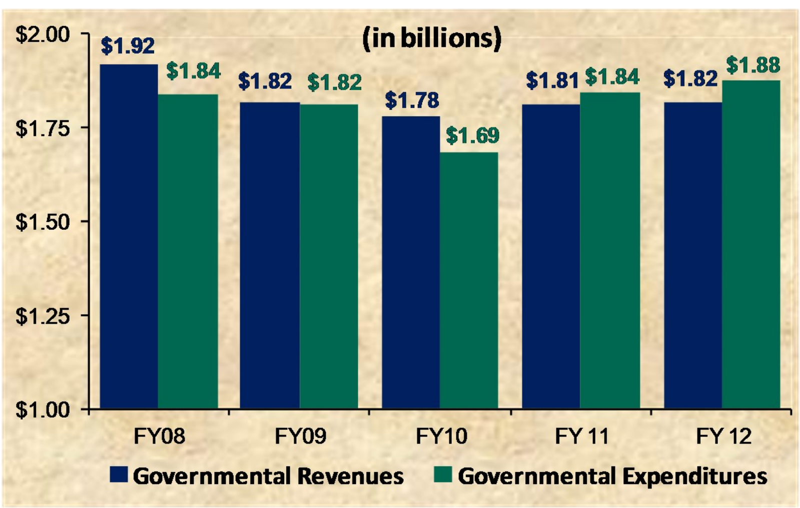
Most of the County's Governmental Fund revenues come from intergovernmental sources (45%) and taxes (39%). Intergovernmental revenues are received from federal, state, and other local governments in the form of shared revenues, grants, and payments in lieu of taxes. County-generated tax revenues such as property, jail excise, and other small tax sources, accounted for 39% of the County's total governmental revenue.

(in millions)



SOURCE: "Statement of Revenues, Expenditures, & Changes in Fund Balances Governmental Funds" (Maricopa County FY 2012 CAFR)

Expenditures Exceed Revenues As Planned



SOURCE: "Statement of Revenues, Expenditures, & Changes in Fund Balances Governmental Funds" (Maricopa County CAFRs)

In FY 2012, governmental revenues increased by $5.9 million to $1.82 billion; however, expenditures increased by $31.7 million to $1.88 billion. The increase in expenditures includes an increase in total Arizona Long Term Care System (ALTCS) contributions of $35.9 million due to reduced federal subsidies. In addition, the County spent $52.7 million to complete the Criminal Court Tower Project. Other significant expenditure changes included public safety ($46.9 increase), transportation ($44.5 decrease) and sanitation ($53.8 million increase).

SOURCE: FY 2012 CAFR Management's Discussion and Analysis

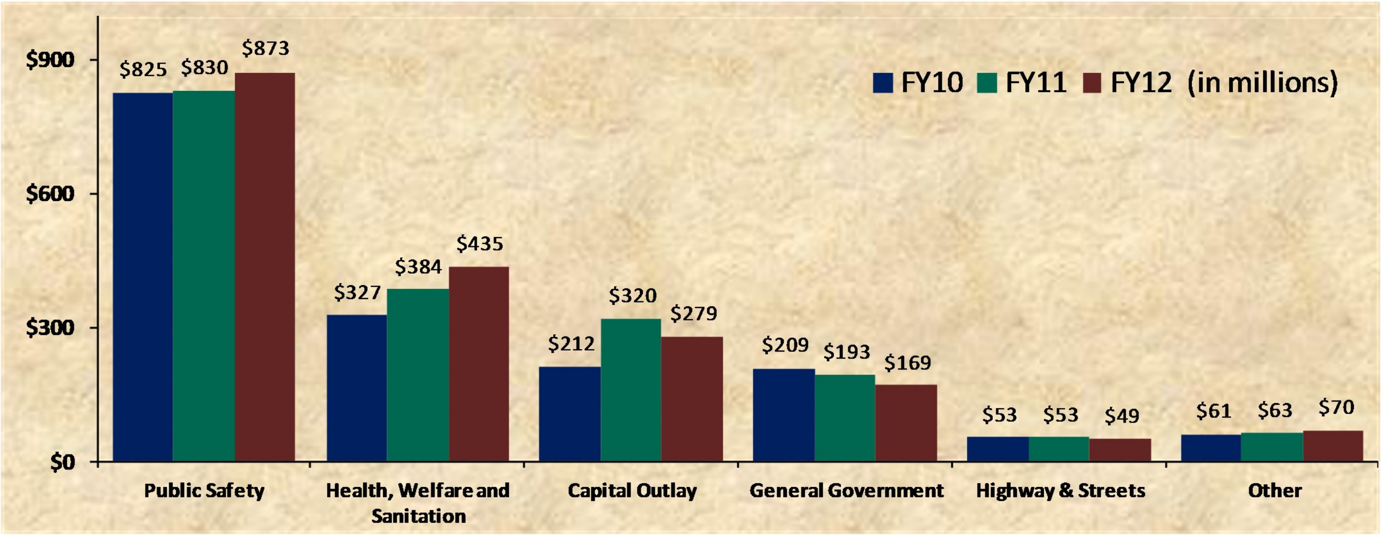
State Budget Crisis Impact

Due to the State budget crisis in recent years, the State shifted costs and reduced revenue streams to counties. In the past three fiscal years, Maricopa County paid over $74 million in mandated cash contributions to the State. However, with the State's FY 2013 budget, some cash transfer demands from the State have been eliminated or reversed. Highlights include:

- Contributions that cost $26.4 million in FY 2012 will no longer be required.
- A law that required the County to house inmates sentenced to less than one year has been reversed.
- The State will continue to require the County to pay 100% of Judges salaries (about $9 million) and certain prisoner costs (about $4 million) that were shifted from the State.

SOURCE: County Financial System & Annual Budget Strategies and Office of Management and Budget

Changes in Expenditures by Category



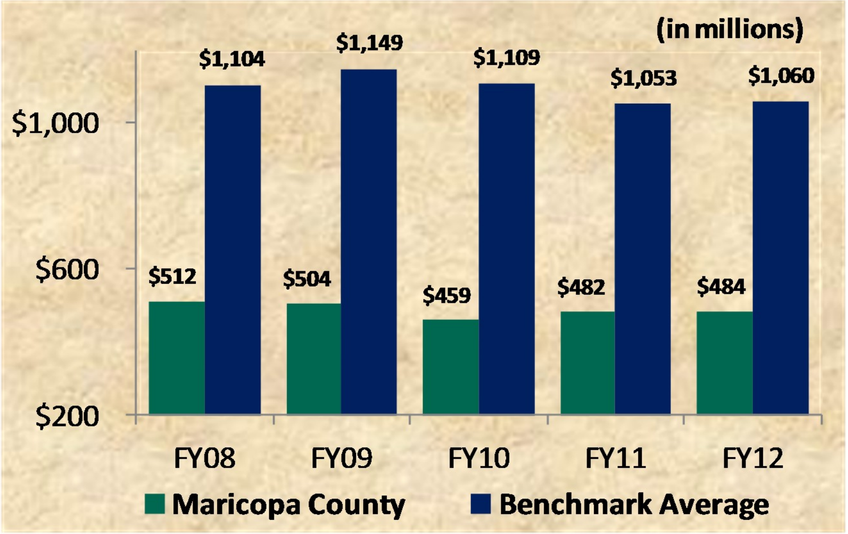
SOURCE: "Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds" (Maricopa County CAFRs)

<u>Public Safety and Health, Welfare and Sanitation Expenditures Increase</u>

The increase in public safety is primarily attributed to an increased mandated payment to the State for $26.4 million, 90% of which was paid by public safety departments. The increase also reflects $10.4 million that was previously paid by general government. The increase in health, welfare, and sanitation is primarily due to an increase in the total ALTCS contributions of $35.9 million. Capital outlay included $52.7 million to complete the Criminal Court Tower Project, a decrease from the prior year capital outlay.

SOURCE: 2012 CAFR Management's Discussion and Analysis

Expenditures Per Person Remain Low



SOURCE: Audit Analysis of "Changes in Fund Balances, Governmental Funds" & "Population statistics" (Statistical Section Maricopa County & Benchmark CAFRs)

<u>Expenditures Per Person</u>

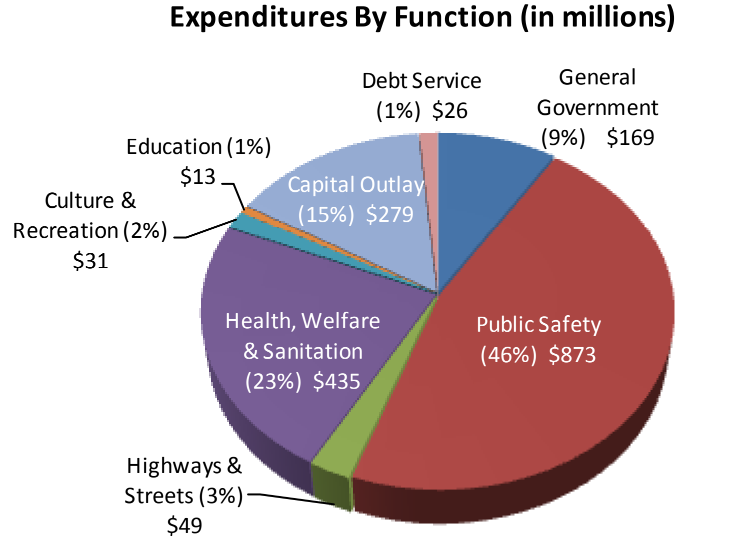
Expenditures per person increased in FY 2012 due to critical capital outlay expenditures.

However, FY 2012 expenditures per person of $484 were approximately $4 dollars (1%) below the County's five-year average of $488 per person and $28 below expenditures per person in FY 2008.

<u>Governmental Funds</u> are comprised of general, special revenue (legally restricted for specified purposes), debt service (restricted for the repayment of debt), and capital project funds (restricted for capital activities).

Uses of County Funds

About 70% of FY 2012 Governmental Fund expenditures were for public safety (46%) and health and welfare (23%), with the remaining amount for capital outlay (15%), general government (9%), highways (3%), and other uses (2%). General government consists of a broad range of legally mandated services including elections, property assessment, revenue and expenditure accountability, and legal representation for the County.



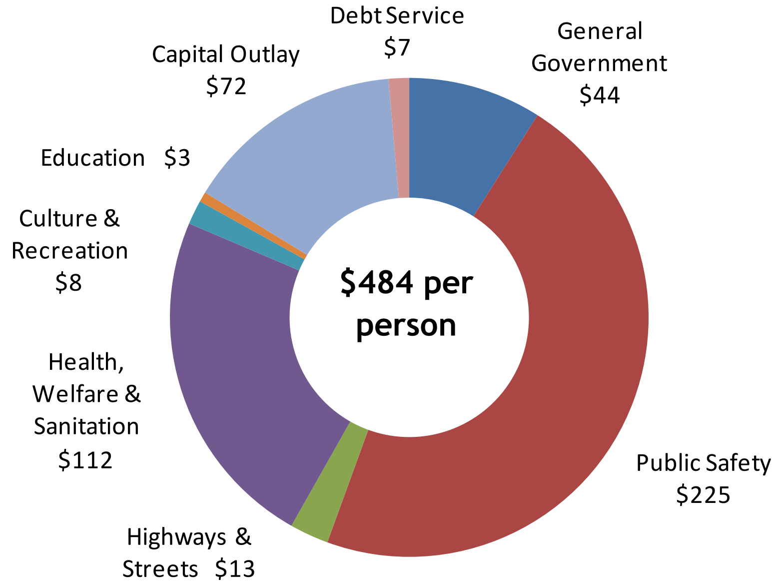
SOURCE: "Statement of Revenues, Expenditures, & Changes in Fund Balances Governmental Funds" (Maricopa County FY 2012 CAFR)

Animal Care & Control Facility

Equipment Services
(Fleet and Heavy Equipment Needs of General Government, Public Safety, and Other County Services)

Expenditures Per Citizen—By Function

In FY 2012, the County spent $484 per citizen for all services. Approximately $225 per citizen was spent on public safety, followed by health, welfare and sanitation at $112. Capital outlay accounted for $72 and general government $44. The remaining functions accounted for $31.

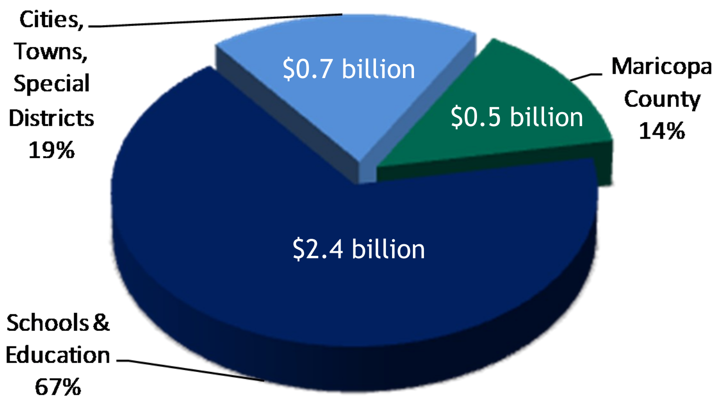


SOURCE: "Statement of Revenues, Expenditures, & Changes in Fund Balances Governmental Funds" (Maricopa County FY2012 CAFR)

PROPERTY TAXES

Most Property Tax Dollars Go to Schools

Property taxes are a major source of revenue for local governments in Maricopa County. The total FY 2012 allocation of property taxes for Maricopa County, school districts, cities and towns, and special districts, was $3.6 billion.



For every $1 in property tax revenue, the County only received 14 cents

How the typical Maricopa County FY 2012 property tax dollar was spent:

Schools	$ 0.67
Cities and Towns	0.12
County Controlled	**0.14**
Special Districts	0.07
Total	$ 1.00

SOURCE: Department of Finance Property Tax Levy Reports

Average Homeowner Assessed Valuation and Property Tax Bill Decreases

The Maricopa County portion of the average homeowners property tax bill remained the same from FY 2011 and decreased almost 12% from FY 2010. The decrease is due to a decline in assessed property values. From FY 2010 to FY 2012, the median residential value fell by $67,500 (35%).

	2010	2011	2012
Average Homeowner Property Value	$192,000	$148,800	$124,500
Average Homeowner Property Tax (County Portion)	$ 208	$ 183	$ 183

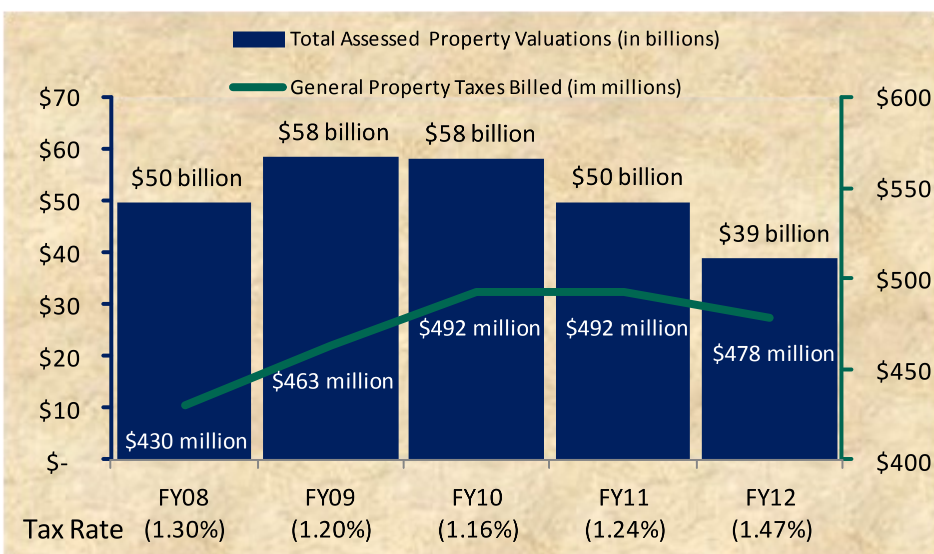
SOURCE: OMB FY 2012 Property Tax Adoption Presentation

Property Values and Taxes Have Declined

Property taxes billed declined $14 million from the prior year.

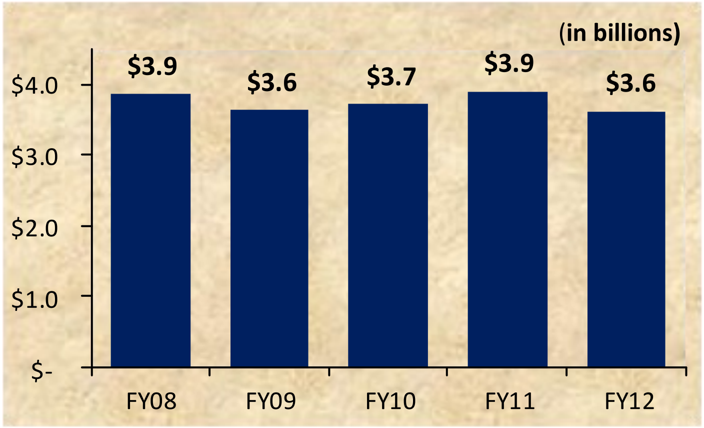
Significantly lower property values impacted tax revenues.

Tax rate increases have reduced the impact of lower property assessments on property tax revenues.



SOURCE: "Assessed Value & Estimated Market Value of Taxable Property" (Statistical Section Maricopa County CAFRs)

Cash and Investments Decreased Slightly

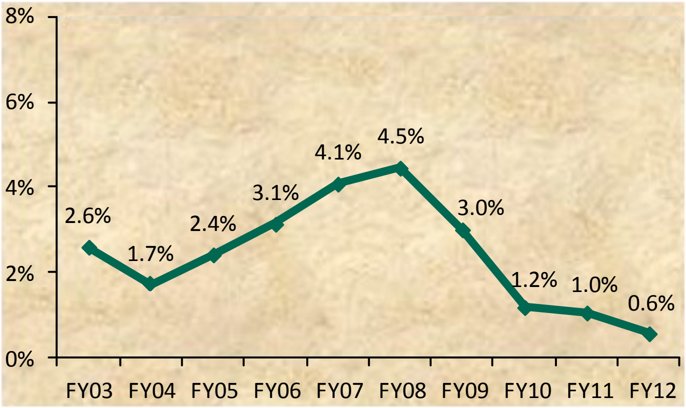


SOURCE: “Deposit and Investments” Note (Maricopa County CAFRs)

Cash and Investments

The County Treasurer pools deposits for the County, school districts, and special districts. Total cash and investments held by the Treasurer has had little fluctuation over recent years.

Investment Returns Remain Low



SOURCE: Maricopa County Treasurer

Investment Strategy and Returns

Cash is invested under a strategy giving highest priority to:

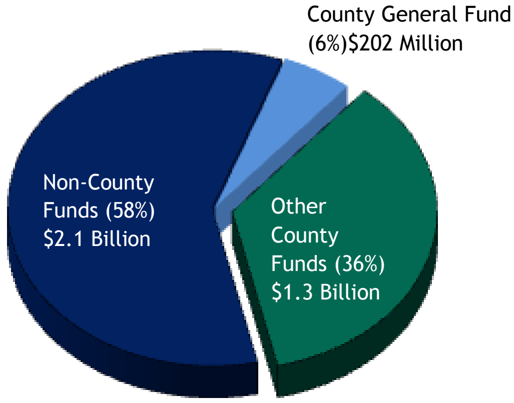
- Safety of principal
- Sufficient liquidity to meet County obligations
- Return on investment

Investment returns fell to .06% in FY 2012 due to historically low interest yields. U.S. Government securities are the County’s primary investments.

Most Cash Is Non-County

Non-County Funds: Arizona Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. These deposits represent 58% of the total funds held with the Treasurer.

County Funds: $1.5 billion, or 42% of the $3.6 billion held by the Treasurer as of June 30, 2012, were County funds.

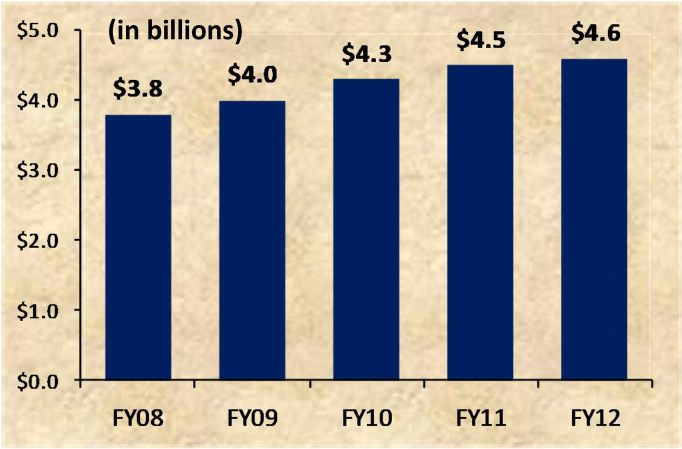


SOURCE: “Balance Sheet”“Note 7—Deposit and Investments” (Maricopa County FY 2012 CAFR), & Internal Audit Analysis

COUNTY WIDE OPERATIONS

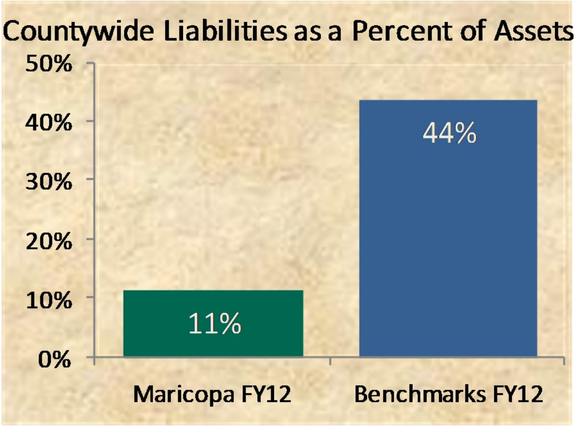
As of June 30, 2012, the County's assets exceeded liabilities by almost $4.6 billion (net assets). The increase in total net assets over time indicates the County's financial condition improved. Total net assets increased 21% from FY 2008 to FY 2012.

Total Net Assets Continued to Increase



SOURCE: "Statement of Net Assets" (Maricopa County CAFRs)

Debt Used Sparingly at the County



Only 11% of the County's assets are purchased using debt financing, significantly lower than the benchmark's FY 2012 average of 44%. The County's "pay-as-you-go" capital financing policy reduces the burden of future payments and helps conservatively manage the County's resources.

Net Asset Composition

Net assets have three components:

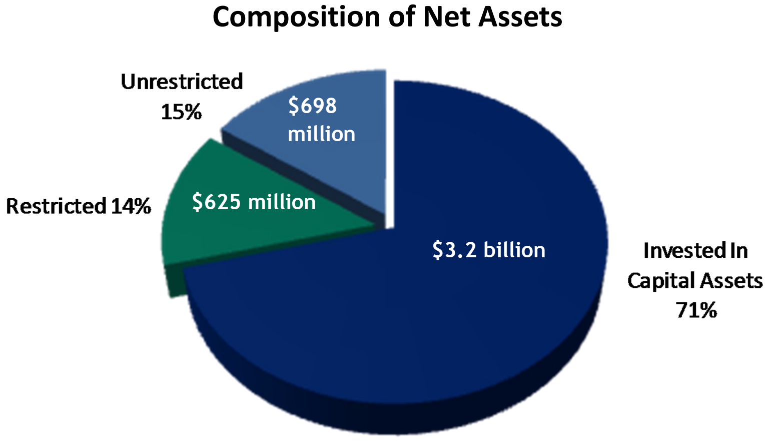
(1) Invested in capital assets, net of related debt (such as land, building, machinery, and equipment)

(2) Restricted net assets (assets that are subject to external restrictions on how they may be used)

(3) Unrestricted net assets (assets not subject to external restrictions on how they may be used)

Over 71% of the County's FY 2012 net assets are invested in capital assets (net of related debt), 14% are restricted (primarily for public safety and highways & streets), and 15% are unrestricted (can be used to meet the County's ongoing obligations).

Copper Dome, State of Arizona



SOURCE: "Statement of Net Assets" (Maricopa County FY2012 CAFR)

RETIREMENT PLANS

The County contributes to four retirement plans, the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS), the Correction Officers Retirement Plan (CORP), and the Elected Officials Retirement Plan (EORP). This section focuses on the financial health of these plans.

Funded Status Defined

A key measure of a retirement plan's health is its funding ratio, derived by comparing assets to liabilities. 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 or in a deficit position.

ASRS Retirement Funding Status

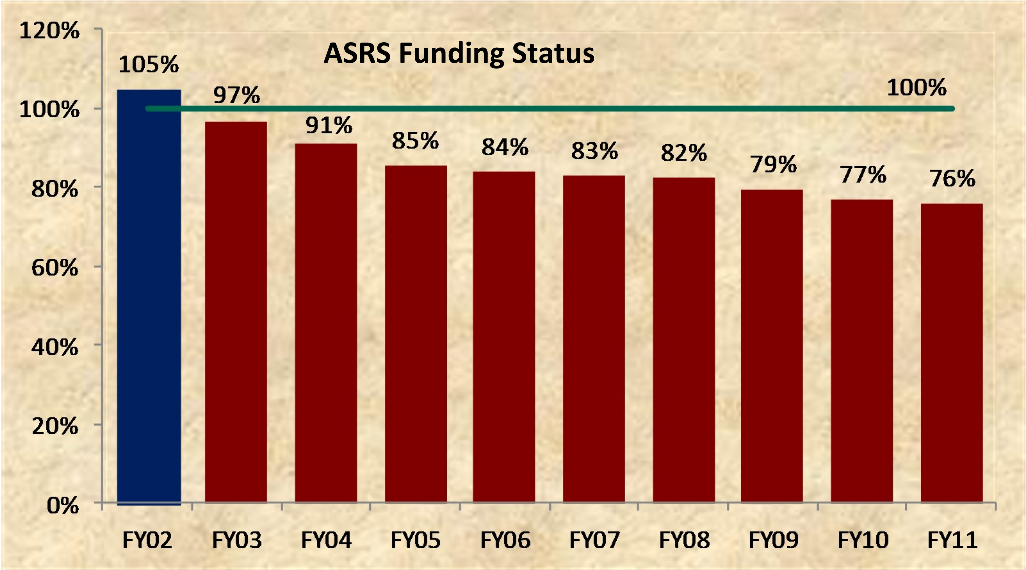
The ASRS is the largest retirement plan used by the County, with over 10,000 (71%) County employees contributing in FY 2012.

Based on the FY 2011 ASRS actuarial report, the plan deficit grew over $590 million, or 6.8%, to $9.3 billion, as of June 30, 2011. The actuarial report for FY 2012 was not available.

This increase was largely due to a delayed recognition of losses that occurred in FYs 2002, 2003, 2008, and 2009. As a result, the funded status of the total plan decreased from 76.7% in FY 2010 to 75.8% in FY 2011.

Retirement Plan Remains Underfunded

According to a 2008 U.S. Government Accountability Office report on government pension plans, many experts believe an 80% funding ratio is sufficient.



SOURCE: ASRS CAFRs and annual actuarial reports

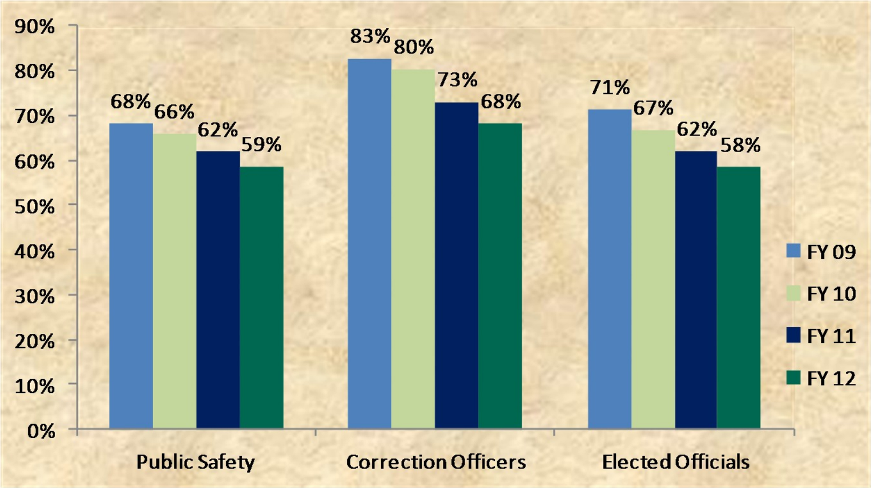
PSPRS, CORP, EORP Retirement Funding Status

The CORP is the second largest retirement plan used by the County, with over 3,400 (23%) of County employees contributing, followed by PSPRS with over 600 County participants (4%), and EORP with 220 County participants (2%).

Based on FY 2012 actuarial reports for each plan, the combined plan deficits grew to over $5.2 billion in FY 2012, a $2.3 million, or 77% increase over FY 2009.

This increase was largely due to the delayed recognition of losses that occurred in prior years, as well as lower than expected pay increases. At year end, the three plans had over $1.3 billion in unrecognized losses that are to be realized over a 7-year trend period. In the absence of other gains, contribution rates will need to increase over the next several years to compensate for these losses.

Funding Status Weakens for All Plans



SOURCE: PSPRS, CORP, and EORP CAFRs and annual Actuarial Reports FY12

Retirement Plan Comparison FY 2012					
Retirement Plan	Funding Status	Unfunded Liability	County Employees	Contribution Rates Employee	Employer
Arizona State Retirement System	75.8%	$9.3 Billion	10,442	10.74%	10.74%
Public Safety Personnel Retirement System	58.6%	$4.3 Billion	640	8.65%	22.68%
Correctional Officers Retirement Plan	67.8%	$719 Million	3,431	8.41%	9.5%
Elected Officials Retirement Plan	58.4%	$254 Million	220	10.0%	32.99%

SOURCE: FY12 PSPRS, CORP, & EORP CAFRs and Actuarial Reports, FY11 ASRS Actuarial and CAFR Reports (Funding & Liability Status)

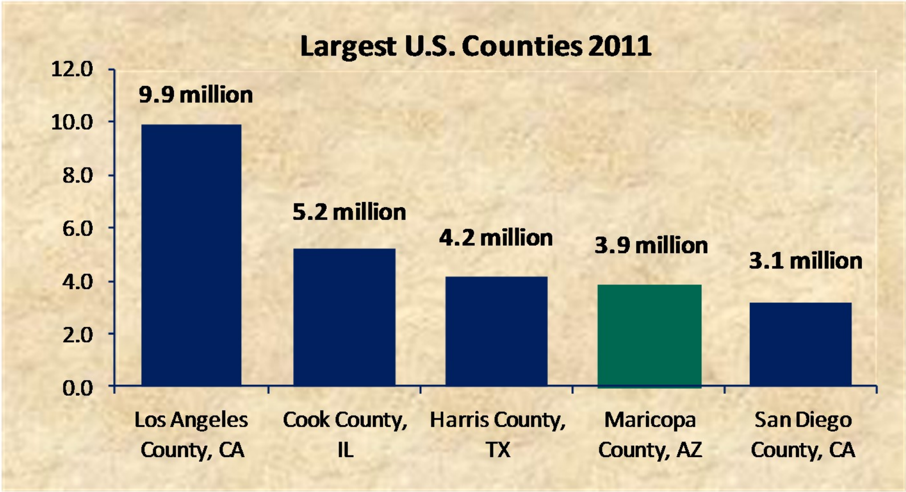
POPULATION & UNEMPLOYMENT

Population Rank

Maricopa County has been ranked the fourth most populous of all 3,143 counties in the nation.

SOURCE (Top and Middle Graphs): 2011 Estimated U.S. Census Bureau Reports

Maricopa County's Population is 4th Largest in Nation

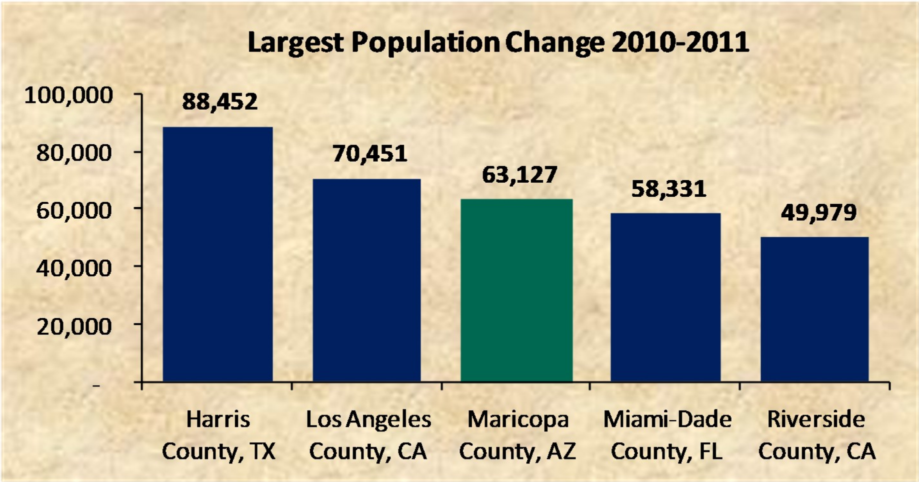


Population Growth

Maricopa County added over 63,000 people from July 2010 to July 2011, which was the third largest numerical gain among counties.

From April 2000 to July 2011, Maricopa County gained nearly 800,000 new residents, which was at the top of numerical growth among counties.

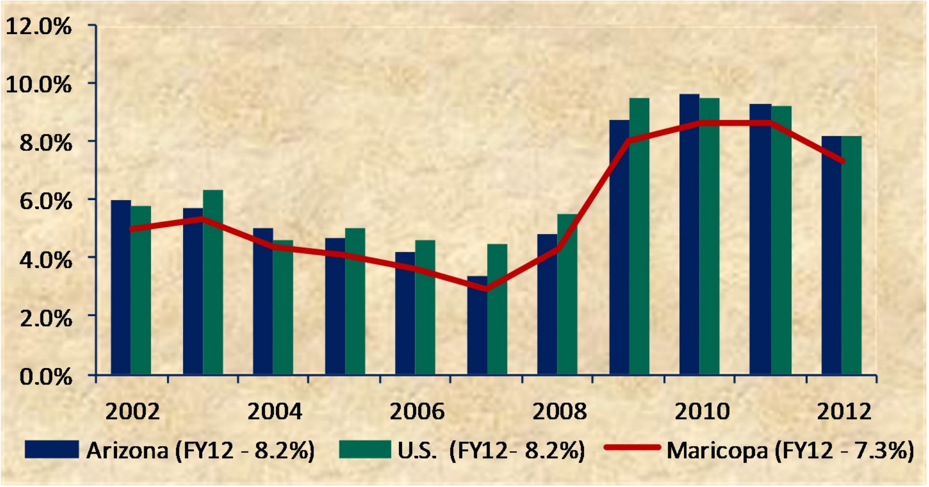
Maricopa County's Population Growth is Fastest in Nation



Unemployment

Maricopa County's unemployment rate has consistently remained below national and Arizona rates. In 2008, the unemployment rates increased significantly. In 2012, Maricopa County's unemployment rate was 7.3%, continuing a gradual reversal from Maricopa's high rate of 8.6% in 2010 and 2011.

Maricopa's Unemployment Rate Beats Arizona and U.S. Rates



SOURCE: Maricopa County CAFR (Demographic and Economic Statistics)

METHODOLOGY & SOURCES

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.

Objective, Scope, and Methodology

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

Our primary information sources were the audited Comprehensive Annual Financial Reports (CAFR) issued by ten national benchmark counties and Maricopa County. Our analysis did not include the non-major governmental funds. Below are the benchmark counties that were used in this report.

National Benchmarks

County	Population	Major Metro Area
➢ Clark	1,972,514	Las Vegas
➢ Harris	4,178,574	Houston
➢ King	1,942,600	Seattle
➢ Los Angeles	9,960,000	Los Angeles
➢ Multnomah	741,925	Portland
➢ Orange	3,055,792	Santa Ana/Anaheim
➢ Pima	1,113,749	Tucson
➢ Salt Lake	1,048,985	Salt Lake City
➢ San Diego	3,143,429	San Diego
➢ Santa Clara	1,816,486	San Jose

SOURCE: 2011 Estimates Reported in CAFR Statistical Sections

Other sources included: the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Correction Officers Retirement Plan, and the Elected Official Retirement Plan CAFRs and actuarial reports; U.S. Census Bureau; Governmental Accounting Standards Board; International City/County Managers Association; Government Finance Officers Association; Maricopa County's Strategic Plans (budgetary documents); and correspondence with internal and external staff.

Trend analyses are 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."

Maricopa County CAFR

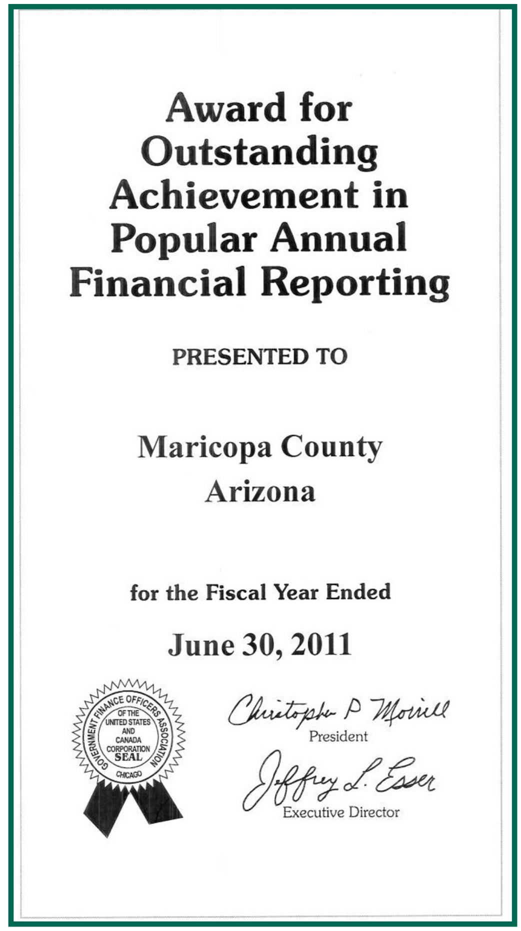
Maricopa County's FY 2012 CAFR and prior year CAFRs are available by visiting the Maricopa County Department of Finance website at: http://www.maricopa.gov/Finance/CAFR.aspx. These CAFRs will provide additional detail on the content presented in this report.

Outstanding Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Maricopa County for its Popular Annual Financial Report (PAFR) for the fiscal year ended June, 30, 2011. The Award for Outstanding Achievement in Popular Annual Financial reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial reporting requirements, and we are submitting it to GFOA.



Award for Outstanding Achievement in Popular Annual Financial Reporting

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Maricopa County
Arizona

for the Fiscal Year Ended

June 30, 2011

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Christopher P Morrill
President

Jeffrey L. Esser
Executive Director

County Administration Building

Credits

Photography (photos have been cropped and resized for this report)

Front Cover: White Tank Library and Nature Center (Barbra Hart); Century Plant (Marcus Reinkensmeyer)

Page 5: Chase Field, Downtown Phoenix (Barbra Hart)

Page 10: Animal Care & Control; Equipment Services (Internal Audit Staff)

Page 13: Dome, State of Arizona Historic Capitol Building (Barbra Hart)

Immediate Left: Maricopa County Administration Building (Barbra Hart)

Review

We appreciate the review and feedback generously provided by the Maricopa County Department of Finance, Office of Management and Budget, County Treasurer, and the retirement systems.