



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Expenditure Limitation Report

# Santa Cruz County

Year Ended June 30, 2005

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**Debra K. Davenport**  
Auditor General

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Santa Cruz County  
Report on Audit of Annual Expenditure Limitation Report  
Year Ended June 30, 2005

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DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

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

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report**

Members of the Arizona State Legislature

The Board of Supervisors of  
Santa Cruz County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Santa Cruz County for the year ended June 30, 2005. This report is the responsibility of the County's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Expenditure Limitation Report of Santa Cruz County for the year ended June 30, 2005, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the members of the Arizona State Legislature and the Board of Supervisors, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA  
Financial Audit Director

February 10, 2006

Santa Cruz County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2005

1. Economic Estimates Commission expenditure limitation	\$17,042,610
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>16,263,934</u>
3. Amount under the expenditure limitation	<u>\$ 778,676</u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: \_\_\_\_\_

Name and Title: Jennifer K. St. John, Director of Administrative Services

Telephone Number: (520) 375 – 7800 Date: February 10, 2006

See accompanying notes to report.

Santa Cruz County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2005

Description	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 32,624,217	\$ 1,464,431	\$ 100,008,911	\$ 134,097,559
B. Less exclusions claimed:				
Debt service requirements on bonded indebtedness (Note 2)	1,099,220			1,099,220
Debt service requirements on other long-term obligations (Note 3)	478,340	277,826		756,166
Trustee or custodian (Note 4)	504,366		100,008,911	100,513,277
Grants and aid from the federal government (Note 6)	7,150,722			7,150,722
Amounts received from the State of Arizona (Note 6)	3,623,181	1,851		3,625,032
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	3,739,505			3,739,505
Contracts with other political subdivisions (Notes 6 and 7)	451,272	389,092		840,364
Refunds, reimbursements, and other recoveries (Note 5)	109,339			109,339
Total exclusions claimed	<u>17,155,945</u>	<u>668,769</u>	<u>100,008,911</u>	<u>117,833,625</u>
C. Amounts subject to the expenditure limitation	<u>\$ 15,468,272</u>	<u>\$ 795,662</u>	<u>\$ -</u>	<u>\$ 16,263,934</u>

See accompanying notes to report.

Santa Cruz County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2005

Description	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Total expenditures, expenses, or deductions reported within the fund financial statements	\$ 36,178,472	\$ 1,625,732	\$ 100,008,911	\$ 137,813,115
B. Subtractions:				
Items not requiring use of working capital:				
Depreciation		222,087		222,087
Landfill closure and postclosure care costs		206,997		206,997
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 8)	1,049,279			1,049,279
Community college reimbursement payments pursuant to A.R.S. §15-1469.01 (Note 9)	580,076			580,076
Long-term care contributions withheld by the State Treasurer (Note 10)	<u>1,924,900</u>			<u>1,924,900</u>
Total subtractions	<u>3,554,255</u>	<u>429,084</u>		<u>3,983,339</u>
C. Additions:				
Principal payments on long-term debt		241,750		241,750
Acquisition of capital assets		26,033		26,033
Total additions		<u>267,783</u>		<u>267,783</u>
D. Amounts reported on Part II, Line A	<u>\$ 32,624,217</u>	<u>\$ 1,464,431</u>	<u>\$ 100,008,911</u>	<u>\$ 134,097,559</u>

See accompanying notes to report.

Santa Cruz County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2005

Note 1 - Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the uniform expenditure reporting system (UERS), as required by Arizona Revised Statutes §41-1279.07, which 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 Assets for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds.

- Note 2 - The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental Funds consists of principal retirement and interest expense.
- Note 3 - The exclusion claimed for debt service requirements on other long-term obligations consists of principal and interest payments for capital leases. These payments are reported as \$176,242 of general government, \$25,851 of public safety, and \$276,247 of highways and streets expenditures in the Governmental Funds. The exclusion in the Enterprise Fund consists of \$277,826 reported as principal and interest paid on capital leases.
- Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$494,461 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, and \$9,905 for purchases made on behalf of various law enforcement agencies. In the Fiduciary Funds, the exclusion consists of \$100,008,911 in distributions to external investment pool and individual investment account participants.
- Note 5 - The exclusion claimed for refunds, reimbursements, and other recoveries of \$109,339 in the Governmental Funds consists of expenditures for salaries that were reimbursed by the Literacy Volunteers of America. These expenditures are reported as education and economic opportunity expenditures in the Governmental Funds.

Santa Cruz County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2005

Note 6 - The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, highway user revenues, and contracts with other political subdivisions in the Governmental Funds and Enterprise Funds:

Description	<u>Governmental</u>	<u>Enterprise</u>
Grants and aid from the federal government	\$ 7,150,722	
Amounts received from the State of Arizona	3,623,181	\$1,851
Highway user revenues in excess of those received in fiscal year 1979-80	3,739,505	
Contracts with other political subdivisions	451,272	
Other revenues—(nonexcludable)	5,499,641	4,149
Amount carried forward	<u>1,336,670</u>	<u>          </u>
 Total intergovernmental revenues as reported in the fund financial statements	 <u>\$21,800,991</u>	 <u>\$6,000</u>

Note 7 - The exclusion claimed for contracts with other political subdivisions of \$389,092 in the Enterprise Fund consists of landfill fees revenues expended.

Note 8 - The subtraction of \$1,049,279 for separate legal entities established under Arizona Revised Statutes consists of expenditures of the Flood Control District included within the County's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and is reported as highways and streets expenditures in the Governmental Funds category in the fund financial statements.

Note 9 - The subtraction of \$580,076 for community college reimbursement payments is reported as education and economic opportunity expenditures in the Governmental Funds in the fund financial statements.

Note 10 - The amount of transaction privilege taxes withheld by the State Treasurer to meet the County's share of long-term care costs was reported as a revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.