

# Santa Cruz County

Annual Expenditure  
Limitation Report

Year Ended June 30, 2020

A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





The Arizona Auditor General’s mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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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  
Santa Cruz County, Arizona

We have examined the accompanying Annual Expenditure Limitation Report (report) of Santa Cruz 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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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.

*Stephanie Gerber*


Stephanie Gerber, CPA  
Director, Financial Audit Division

March 20, 2023

**Santa Cruz County**  
**Annual Expenditure Limitation Report—Part I**  
**Year ended June 30, 2020**

1. Economic Estimates Commission expenditure limitation	\$24,658,615
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>24,658,614</u>
3. Amount under the expenditure limitation	<u>\$ 1</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: Mauricio A. Chavez, Administrative Services Director

Telephone number: (520) 375-7820 Date: March 20, 2023

See accompanying notes to report.

**Santa Cruz County**  
**Annual Expenditure Limitation Report—Part II**  
**Year ended June 30, 2020**

Description	<u>Governmental funds</u>	<u>Enterprise fund</u>	<u>Fiduciary funds</u>	<u>Total</u>
A. Amounts reported on the reconciliation, line D	\$ 45,147,323	\$ 1,532,922	\$ 119,986,759	\$ 166,667,004
B. Less exclusions claimed:				
Debt service requirements (Note 2)	1,431,419	54,581		1,486,000
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	539,555	42,756		582,311
Trustee or custodian (Note 4)	561,640		119,986,759	120,548,399
Grants and aid from the federal government (Note 5)	6,130,852			6,130,852
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	84,605			84,605
Amounts received from the State of Arizona (Note 5)	4,805,404			4,805,404
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	4,220,365			4,220,365
Contracts with other political subdivisions (Note 5)	472,779			472,779
Refunds, reimbursements, and other recoveries (Note 7)	176,869			176,869
Prior years carryforward (Note 12)	<u>3,500,806</u>			<u>3,500,806</u>
Total exclusions claimed	<u>21,924,294</u>	<u>97,337</u>	<u>119,986,759</u>	<u>142,008,390</u>
C. Amounts subject to the expenditure limitation	<u>\$ 23,223,029</u>	<u>\$ 1,435,585</u>	<u>\$ -</u>	<u>\$ 24,658,614</u>

See accompanying notes to report.

**Santa Cruz County**  
**Annual Expenditure Limitation Report—Reconciliation**  
**Year ended June 30, 2020**

Description	<u>Governmental funds</u>	<u>Enterprise fund</u>	<u>Fiduciary funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 52,915,420	\$ 1,915,503	\$ 119,986,759	\$ 174,817,682
B. Subtractions:				
Items not requiring the use of current financial resources:				
Depreciation		306,078		306,078
Pension and other postemployment benefits (OPEB) expense (Note 11)		23,040		23,040
Landfill closure and postclosure care costs		130,651		130,651
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 8)	5,442,771			5,442,771
Long-term care contributions the State Treasurer withheld (Note 9)	2,266,800			2,266,800
Required fees/reimbursements made to Arizona State agencies (Note 10)	<u>58,526</u>			<u>58,526</u>
Total subtractions	<u>7,768,097</u>	<u>459,769</u>		<u>8,227,866</u>
C. Additions:				
Principal payments on long-term debt		43,312		43,312
Capital asset acquisitions		8,019		8,019
Pension and OPEB contributions paid in the current year (Note 11)		<u>25,857</u>		<u>25,857</u>
Total additions		<u>77,188</u>		<u>77,188</u>
D. Amounts reported on part II, line A	<u>\$ 45,147,323</u>	<u>\$ 1,532,922</u>	<u>\$ 119,986,759</u>	<u>\$ 166,667,004</u>

See accompanying notes to report.

# **Santa Cruz 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 §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, 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 fund; statement of cash flows for the proprietary fund; and the statement of changes in fiduciary net position for the fiduciary funds.

#### **Note 2**

The exclusion claimed for debt service requirements of \$1,431,419 in the governmental funds consists of principal retirement and interest and fiscal charges of \$970,442 and \$460,977, respectively.

#### **Note 3**

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$539,555 in the governmental funds includes interest on investments expended of \$136,139 and interest on delinquent taxes expended of \$403,416, which was recorded as tax revenue. Unspent revenues of \$4,133 which was recorded as miscellaneous revenue has been carried forward to future years.

#### **Note 4**

The exclusion claimed for trustee or custodian of \$561,640 in the governmental funds consists of \$558,979 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs and \$2,661 expended from the Anti-racketeering Fund, benefitting other jurisdictions, that were recorded as general government expenditures.

#### **Note 5**

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:



**Santa Cruz County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2020**

<b>Description</b>	
Grants and aid from the federal government	\$ 6,130,852
Amounts received from the State of Arizona	4,805,404
Highway user revenues in excess of those received in fiscal year 1979-80	4,220,365
Contracts with other political subdivisions	465,734
Amount carried forward	432,505
Other revenues (nonexcludable)	<u>9,605,259</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$25,660,119</u>

In addition, additional exclusions of \$7,045 claimed for contracts with other political subdivisions consists of miscellaneous revenues expended.

**Note 6**

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$84,605 in the governmental funds, consists of miscellaneous revenues expended.

**Note 7**

The exclusion claimed for refunds, reimbursements, and other recoveries of \$176,869 in the governmental funds, consists of forfeitures recorded as fines and forfeits and expended as part of county anti-racketeering efforts.

**Note 8**

The subtraction of \$5,442,771 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 funds category in the fund financial statements.

<b>Special assessment districts</b>	
Public safety	\$1,568,472
Health	319,531
Debt service—Principal retirement	2,165,000
Debt Service—Interest and fiscal charges	<u>1,389,768</u>
Total	<u>\$5,442,771</u>

**Note 9**

The subtraction of \$2,266,800 for long-term care contributions withheld by the State Treasurer consists of transaction privilege taxes withheld by the State Treasurer to meet the County's share of long-term care costs that was reported as a revenue and an offsetting expenditure in the County's governmental funds. Consequently, this expenditure has been subtracted on the reconciliation.

**Santa Cruz County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2020**

**Note 10**

The subtraction of \$58,526 for required fees/reimbursements paid to Arizona State agencies consists of \$29,911 paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs; and \$28,615 paid to the Arizona Department of Health Services pursuant to Laws 2019, Chapter 270, Section 19, for inpatient competency restoration, which were recorded as welfare expenditures.

**Note 11**

The subtraction of \$23,040 for pension and other post employment benefit (OPEB) expense consists of the changes in the net pension and OPEB assets and liabilities and changes in deferred inflows and outflows related to pensions and OPEB recognized in the current year in the enterprise fund. The addition of \$25,857 for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise fund. 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.

<b>Statement of cash flows</b>	<b>Enterprise Funds</b>
Change in net pension and OPEB asset	\$ 216
Change in deferred inflows related to pensions and OPEB	(9,977)
Change in deferred outflows related to pensions and OPEB	12,471
Change in net pension and OPEB liability	<u>(5,527)</u>
Total	<u>\$ (2,817)</u>
 <b>AELR – Reconciliation</b>	
Pension/OPEB contributions - addition	\$25,857
Pension/OPEB expense(income) - subtraction	<u>23,040</u>
Total	<u>\$ 2,817</u>

**Note 12**

Prior years carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year as follows:

<b>Description</b>	<b>Governmental Funds</b>
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 866,783
Grants and aid from the federal government	1,208,706
Amounts received from the State of Arizona	1,290,019
Refunds, reimbursements, and other recoveries	<u>135,298</u>
Total prior years carryforward expended	<u>\$3,500,806</u>

**Santa Cruz County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2020**

**Note 13**

Revenues that are constitutionally excludable and unexpended in the year of receipt may be accumulated and excluded in future years. A summary of the excludable revenue sources and the changes in those balances is shown in the table below. The reduction for grants and aid from the federal government and refunds, reimbursements, and other recoveries of \$1,667,595 and \$437,223, respectively, include prior year lost carryforward of \$458,889 and \$301,925, respectively that are no longer available for use.

<b>Description</b>	<b>Balance June 30, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2020</b>
Proceeds from other long-term obligations	\$ 96,309			\$ 96,309
Dividends, interest, and gains on the sale or redemption of investment securities	6,874,252	\$ 4,133	\$ 866,783	6,011,602
Grants and aid from federal government	1,667,595		1,667,595	
Amounts received from State of Arizona	3,508,705	432,505	1,290,019	2,651,191
Refunds, reimbursements, and other recoveries	<u>437,223</u>		<u>437,223</u>	
Total carryforward	<u>\$12,584,084</u>	<u>\$436,638</u>	<u>\$4,261,620</u>	<u>\$8,759,102</u>

