

# Santa Cruz County

Annual Expenditure  
Limitation Report

Year Ended June 30, 2021

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, 2021, 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 other 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.

*Lindsey A. Perry*


Lindsey A. Perry, CPA, CFE  
Auditor General

August 17, 2023

**Santa Cruz County**  
**Annual Expenditure Limitation Report—Part I**  
**Year ended June 30, 2021**

1. Economic Estimates Commission expenditure limitation	\$25,203,237
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>25,203,236</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: August 17, 2023

See accompanying notes to report.

**Santa Cruz County**  
**Annual Expenditure Limitation Report—Part II**  
**Year ended June 30, 2021**

Description	<u>Governmental funds</u>	<u>Enterprise fund</u>	<u>Fiduciary funds</u>	<u>Total</u>
A. Amounts reported on the reconciliation, line D	\$ 41,852,394	\$ 1,958,003	\$ 122,052,858	\$ 165,863,255
B. Less exclusions claimed:				
Debt service requirements (Note 2)	1,446,773	54,579		1,501,352
Dividends, interest, and gains on the sale or redemption of investment securities		3,325		3,325
Trustee or custodian (Note 3)	561,529		122,052,858	122,614,387
Grants and aid from the federal government (Note 4)	7,734,804			7,734,804
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 5)	10,000			10,000
Amounts received from the State of Arizona (Note 4)	5,112,446			5,112,446
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 4)	3,070,178			3,070,178
Contracts with other political subdivisions (Note 4)	404,747			404,747
Refunds, reimbursements, and other recoveries (Note 6)	<u>208,780</u>			<u>208,780</u>
Total exclusions claimed	<u>18,549,257</u>	<u>57,904</u>	<u>122,052,858</u>	<u>140,660,019</u>
C. Amounts subject to the expenditure limitation	<u>\$ 23,303,137</u>	<u>\$ 1,900,099</u>	<u>\$ -</u>	<u>\$ 25,203,236</u>

See accompanying notes to report.

**Santa Cruz County**  
**Annual Expenditure Limitation Report—Reconciliation**  
**Year ended June 30, 2021**

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	\$ 55,499,564	\$ 2,268,251	\$ 122,052,858	\$ 179,820,673
B. Subtractions:				
Items not requiring the use of current financial resources:				
Depreciation		244,392		244,392
Pension and other postemployment benefits (OPEB) expense (Note 10)		21,501		21,501
Landfill closure and postclosure care costs		117,972		117,972
Total expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 7)	14,981,940			14,981,940
Long-term care contributions the State Treasurer withheld (Note 8)	2,402,000			2,402,000
Fees/reimbursements State law required the County to pay (Note 9)	48,889			48,889
Total subtractions	<u>17,432,829</u>	<u>383,865</u>		<u>17,816,694</u>
C. Additions:				
Principal payments on long-term debt		45,131		45,131
Pension and OPEB contributions paid in the current year (Note 10)		28,486		28,486
County transfer to separate legal entities (Note 7)	3,785,659			3,785,659
Total additions	<u>3,785,659</u>	<u>73,617</u>		<u>3,859,276</u>
D. Amounts reported on part II, line A	<u>\$ 41,852,394</u>	<u>\$ 1,958,003</u>	<u>\$ 122,052,858</u>	<u>\$ 165,863,255</u>

See accompanying notes to report.

**Santa Cruz County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2021**

**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 \$1,446,773 in the governmental funds consists of principal retirement and interest and fiscal charges of \$1,011,594 and \$435,179, respectively.

**Note 3**

The \$561,529 exclusion claimed for trustee or custodian in the governmental funds consists of county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs.

**Note 4**

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:

<b>Description</b>	
Grants and aid from the federal government	\$ 7,734,804
Amounts received from the State of Arizona	5,112,446
Highway user revenues in excess of those received in fiscal year 1979-80	3,070,178
Contracts with other political subdivisions	401,960
Other revenues (nonexcludable)	10,188,608
Unspent, excludable revenues carried forward	<u>1,717,237</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$28,225,233</u>

In addition, additional exclusions of \$2,787 claimed for contracts with other political subdivisions consists of miscellaneous revenues expended.



**Santa Cruz County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2021**

**Note 5**

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$10,000 in the governmental funds, consists of miscellaneous revenues expended.

**Note 6**

The exclusion claimed for refunds, reimbursements, and other recoveries of \$208,780 in the governmental funds, consists of forfeitures recorded as fines and forfeits and expended as part of county anti-racketeering efforts.

**Note 7**

The \$14,981,940 subtraction 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 that are reported in the governmental funds:

<b>Special assessment districts</b>	
Public safety	\$ 6,266,988
Health	380,804
Principal	2,350,000
Interest and other charges	1,331,441
Payment to debt refinancing escrow agent	<u>4,652,707</u>
Total	<u>\$14,981,940</u>

The \$3,785,659 addition for county monies transferred to separate legal entities consists of the County's required \$3,785,303 maintenance of effort payment to the jail district and \$356 reported as transfers in to these separate legal entities.

**Note 8**

The \$2,402,000 subtraction for long-term care contributions withheld by the State Treasurer consists of transaction privilege taxes withheld by the State Treasurer withheld 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.

**Note 9**

The \$48,889 subtraction for required fees/reimbursements State law required the County to pay that are excluded from the county expenditure limitation consists of \$29,829 paid to the Arizona Department of Revenue pursuant to A.R.S §42-5041 for administrative, program, and operating costs; and \$19,060 paid to the Arizona Department of Health Services pursuant to A.R.S §13-4512, for inpatient competency restoration treatment, which were recorded as welfare expenditures.

**Santa Cruz County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2021**

**Note 10**

The subtraction of \$21,501 for pension and other post employment benefit (OPEB) expense consists of 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 \$28,486 addition 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	\$ (918)
Change in deferred inflows related to pensions and OPEB	(25,692)
Change in deferred outflows related to pensions and OPEB	(33,268)
Change in net pension and OPEB liability	<u>52,893</u>
Total	<u>\$ (6,985)</u>
 <b>AELR – Reconciliation</b>	
Pension/OPEB contributions - addition	\$ 28,486
Pension/OPEB expense(income) - subtraction	<u>21,501</u>
Total	<u>\$ 6,985</u>

**Note 11**

Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. The addition of \$627,730 in dividends, interest, and gains on the sale or redemption of investment securities is composed of \$9,406 reported as investment earnings and \$615,643 of interest and penalties on delinquent taxes reported as taxes in the governmental funds, and \$2,681 of investment earnings reported as miscellaneous revenues in the other governmental funds that were not spent. A summary of the revenue sources and the changes in their balances is shown in the table below:

<b>Description</b>	<b>Balance June 30, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2021</b>
Proceeds from other long-term obligations	\$ 96,309			\$ 96,309
Dividends, interest, and gains on the sale or redemption of investment securities	6,011,602	\$ 627,730		6,639,332
Amounts received from State of Arizona	2,651,191	613,536		3,264,727
HURF revenues in excess of those received in FY 1980		<u>1,103,701</u>		<u>1,103,701</u>
Total carryforward	<u>\$8,759,102</u>	<u>\$2,344,967</u>		<u>\$11,104,069</u>

