

Santa Cruz County

**Report on Audit of
Annual Expenditure Limitation Report**

Year Ended June 30, 2007

Santa Cruz County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2007

Table of Contents

Independent Auditor's Report..... 1

Annual Expenditure Limitation Report - Part I 2

Annual Expenditure Limitation Report - Part II 3

Annual Expenditure Limitation Report - Reconciliation..... 4

Notes to Annual Expenditure Limitation Report..... 5

Independent Auditor's Report

The Auditor General of the State of Arizona

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, 2007. 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, 2007, 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.

Miller, Allen & Co., P.C.

January 23, 2008

Santa Cruz County
Annual Expenditure Limitation Report - Part I
Year Ended June 30, 2007

1. Economic Estimates Commission expenditure limitation	\$ 19,190,943
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	19,190,942
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: Jennifer K. St. John, CPA, Administrative Services Director

Telephone Number: (520) 375-7820

Date: January 23, 2008

See accompanying notes to report.

Santa Cruz County
Annual Expenditure Limitation Report - Part II
Year Ended June 30, 2007

Description	Governmental Funds	Enterprise Fund	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 40,421,565	\$ 1,582,457	\$ 109,446,241	\$ 151,450,263
B. Less exclusions claimed:				
Debt service requirements on other long-term obligations (Note 2)	143,102	286,591		429,693
Trustee or custodian (Note 3)	531,807		109,446,241	109,978,048
Grants and aid from the federal government (Note 4)	9,546,513			9,546,513
Amounts received from the State of Arizona (Note 4)	6,505,007			6,505,007
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 4)	3,739,712			3,739,712
Contracts with other political subdivisions (Notes 4 and 5)	694,012	649,735		1,343,747
Prior years carryforward (Note 9)	716,601			716,601
Total exclusions claimed	<u>21,876,754</u>	<u>936,326</u>	<u>109,446,241</u>	<u>132,259,321</u>
C. Amounts subject to the expenditure limitation	<u>\$ 18,544,811</u>	<u>\$ 646,131</u>	<u>\$ -</u>	<u>\$ 19,190,942</u>

See accompanying notes to report.

Santa Cruz County
Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2007

<u>Description</u>	<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 (Note 8)	<u>\$ 49,287,070</u>	<u>\$ 1,823,515</u>	<u>\$ 109,446,241</u>	<u>\$ 160,556,826</u>
B. Subtractions:				
Items not requiring the use of working capital				
Depreciation		288,294		288,294
Landfill closure and postclosure care costs		447,737		447,737
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 6)	5,655,798			5,655,798
Community college reimbursement payments pursuant to A.R.S. 15-1469.01 (Note 7)	557,259			557,259
Long-term care contributions withheld by the State Treasurer (Note 8)	1,912,400			1,912,400
Present value of net minimum capital lease payments recorded as expenditures at inception of the agreement	740,048			740,048
Total subtractions	<u>8,865,505</u>	<u>736,031</u>		<u>9,601,536</u>
C. Additions:				
Principal payments on long-term debt		277,130		277,130
Acquisition of capital assets		212,438		212,438
Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years		5,405		5,405
Total additions		<u>494,973</u>		<u>494,973</u>
D. Amounts reported on Part II, Line A	<u>\$ 40,421,565</u>	<u>\$ 1,582,457</u>	<u>\$ 109,446,241</u>	<u>\$ 151,450,263</u>

See accompanying notes to report.

Santa Cruz County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007

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 other long-term obligations consists of \$143,102 reported as principal and interest payments on capital leases and long-term notes payable in the Governmental Funds. The exclusion in the Enterprise Fund consists of \$286,591 reported as principal and interest paid on capital leases.

Note 3 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$482,800 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, and \$49,007 for purchases made on behalf of various law enforcement agencies. In the Fiduciary Funds, the exclusion consists of \$109,446,241 in distributions to external investment pool and individual investment account participants.

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 and Enterprise Fund:

Description	Governmental Funds	Enterprise Fund
Grants and aid from the federal government	\$ 9,546,513	
Amounts received from the State of Arizona	6,505,007	
Highway user revenues in excess of those received in fiscal year 1979-80	3,739,712	
Contracts with other political subdivisions	694,012	
Other revenues – (nonexcludable)	9,516,196	
Amount carried forward	734,734	\$ 3,256
Total intergovernmental revenues as reported in the fund financial statements	<u>\$ 30,736,174</u>	<u>\$ 3,256</u>

Santa Cruz County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2007

Note 5 - The exclusion claimed for contracts with other political subdivisions of \$649,735 in the Enterprise Fund consists of landfill fees revenues expended.

Note 6- The subtraction of \$5,655,798 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.

Special Assessment Districts	
Public safety	\$ 1,765,188
Highways and streets	<u>3,890,610</u>
Total	<u>\$ 5,655,798</u>

Note 7 - The subtraction of \$557,259 for community college reimbursement payments is reported as education and economic opportunity expenditures in the Governmental Funds in the fund financial statements.

Note 8 - Expenditures of the Governmental Funds reported in the County's fiscal year 2007 financial statements did not reflect the reduction in long-term care contributions withheld by the State Treasurer from transaction privilege taxes of \$383,000 as provided by Laws 2006, Chapter 365. To properly report expenditures in the reconciliation, expenditures of the Governmental Funds were reduced by \$383,000 to agree with the actual amount of long-term care contributions withheld by the State Treasurer for the County during fiscal year 2007.

The subtraction of \$1,912,400 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.

Note 9 - Prior year carryforwards consist of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year as follows:

Description	Governmental Funds
Proceeds from other long-term obligations	\$ 716,601