



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Expenditure Limitation Report

# Santa Cruz County

Year Ended June 30, 2004

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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, 2004

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

**DEBRA K. DAVENPORT, CPA**  
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, 2004. 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, 2004, 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 8, 2005

Santa Cruz County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2004

|  |                     |
|--|---------------------|
| 1. Economic Estimates Commission expenditure limitation                                | \$17,923,762        |
| 2. Amount subject to the expenditure limitation (total amount from<br>Part II, Line C) | <u>15,439,056</u>   |
| 3. Amount under the expenditure limitation   | <u>\$ 2,484,706</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 8, 2005

See accompanying notes to report.

Santa Cruz County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2004

| Description   | <u>Governmental<br/>Funds</u> | <u>Enterprise<br/>Fund</u> | <u>Fiduciary<br/>Funds</u> | <u>Total</u>         |
|---|-------------------------------|----------------------------|----------------------------|----------------------|
| A. Amounts reported on the Reconciliation, Line D   | \$ 32,265,654                 | \$ 1,580,466               | \$ 105,926,310             | \$ 139,772,430       |
| B. Less exclusions claimed:   |                               |                            |                            |                      |
| Debt service requirements on bonded indebtedness (Note 2)   | 564,270                       |                            |                            | 564,270              |
| Debt service requirements on other long-term obligations (Note 3)   | 288,308                       | 339,709                    |                            | 628,017              |
| Trustee or custodian (Note 4)   | 543,646                       |                            | 105,926,310                | 106,469,956          |
| Grants and aid from the federal government (Note 6)   | 8,505,469                     |                            |                            | 8,505,469            |
| Grants, aid, contributions, or gifts from a private agency, organization,<br>or individual, except amounts received in lieu of taxes (Note 5) | 168,340                       |                            |                            | 168,340              |
| Amounts received from the State of Arizona (Note 6)   | 3,608,399                     |                            |                            | 3,608,399            |
| Highway user revenues in excess of those received in fiscal year<br>1979-80 (Note 6)  | 3,236,893                     |                            |                            | 3,236,893            |
| Contracts with other political subdivisions (Notes 6 and 8)   | 506,478                       | 529,148                    |                            | 1,035,626            |
| Prior years carryforward (Note 7)   | <u>116,404</u>                |                            |                            | <u>116,404</u>       |
| Total exclusions claimed  | <u>17,538,207</u>             | <u>868,857</u>             | <u>105,926,310</u>         | <u>124,333,374</u>   |
| C. Amounts subject to the expenditure limitation  | <u>\$ 14,727,447</u>          | <u>\$ 711,609</u>          | <u>\$ -</u>                | <u>\$ 15,439,056</u> |

See accompanying notes to report.

Santa Cruz County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2004

| Description  | <u>Governmental<br/>Funds</u> | <u>Enterprise<br/>Fund</u> | <u>Fiduciary<br/>Funds</u> | <u>Total</u>          |
|--|-------------------------------|----------------------------|----------------------------|-----------------------|
| A. Total expenditures, expenses, or deductions reported within the fund financial statements                 | \$ 35,399,944                 | \$ 1,350,304               | \$ 105,926,310             | \$ 142,676,558        |
| B. Subtractions:   |                               |                            |                            |                       |
| Items not requiring use of working capital:  |                               |                            |                            |                       |
| Depreciation   |                               | 204,354                    |                            | 204,354               |
| Landfill closure and postclosure care costs  |                               | 164,694                    |                            | 164,694               |
| Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 9)         | 796,885                       |                            |                            | 796,885               |
| Community college reimbursement payments pursuant to A.R.S. §15-1469.01 (Note 10)                            | 627,837                       |                            |                            | 627,837               |
| Long-term care contributions withheld by the State Treasurer (Note 11)                                       | 1,658,436                     |                            |                            | 1,658,436             |
| Present value of net minimum capital leases payments recorded as expenditures at inception of the agreements | <u>51,132</u>                 |                            |                            | <u>51,132</u>         |
| Total subtractions   | <u>3,134,290</u>              | <u>369,048</u>             |                            | <u>3,503,338</u>      |
| C. Additions:  |                               |                            |                            |                       |
| Principal payments on long-term debt   |                               | 308,704                    |                            | 308,704               |
| Acquisition of capital assets  |                               | 290,506                    |                            | 290,506               |
| Total additions  |                               | <u>599,210</u>             |                            | <u>599,210</u>        |
| D. Amounts reported on Part II, Line A   | <u>\$ 32,265,654</u>          | <u>\$ 1,580,466</u>        | <u>\$ 105,926,310</u>      | <u>\$ 139,772,430</u> |

See accompanying notes to report.

Santa Cruz County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2004

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 \$131,275 of general government, \$11,615 of public safety, \$144,014 of highways and streets, and \$1,404 of health, welfare, and sanitation expenditures in the Governmental Funds. The exclusion in the Enterprise Fund consists of \$339,709 reported as principal and interest paid on capital leases.

Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$534,432 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, and \$9,214 for purchases made on behalf of various law enforcement agencies. In the Fiduciary Funds, the exclusion consists of \$105,926,310 in distributions to investment pool participants.

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 \$168,340 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, 2004

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:

| Description  |                     |
|--|---------------------|
| Grants and aid from the federal government                                       | \$ 8,505,469        |
| Amounts received from the State of Arizona                                       | 3,608,399           |
| Highway user revenues in excess of those<br>received in fiscal year 1979-80      | 3,236,893           |
| Contracts with other political subdivisions                                      | 506,478             |
| Other revenues—(nonexcludable)   | 4,616,552           |
| Amount carried forward   | <u>849,936</u>      |
| Total intergovernmental revenues as reported<br>in the fund financial statements | <u>\$21,323,727</u> |

Note 7 - Prior years carryforward of \$116,404 consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year in the Governmental Funds as grants and aid from the federal government.

Note 8 - The exclusion claimed for contracts with other political subdivisions of \$529,148 in the Enterprise Fund consists of landfill fees revenues expended.

Note 9 - The subtraction of \$796,885 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 10 - The subtraction of \$627,837 for community college reimbursement payments is reported as education and economic opportunity expenditures in the Governmental Funds in the fund financial statements.

Note 11 - 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.