



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Santa Cruz County

Year Ended June 30, 2003



Debra K. Davenport
Auditor General

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Santa Cruz County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2003

Table of Contents	Page
Independent Auditors' 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
Appendices	
Governor's Declaration of Emergency	a-i
Santa Cruz County Resolution #2000-23 Declaration of Emergency	b-i



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, 2003. 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, 2003, 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 13, 2004

Santa Cruz County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2003

1. Economic Estimates Commission expenditure limitation		\$14,218,940
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	\$14,271,572	
3. Board-authorized expenditures necessitated by a disaster declared by the Governor (Article IX, §20[2][a], Arizona Constitution)	<u>52,633</u>	
4. Total adjusted amount subject to the expenditure limitation		<u>14,218,939</u>
5. 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, Director of Administrative Services

Telephone Number: (520) 375-7800 Date: February 13, 2004

See accompanying notes to report.

Santa Cruz County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2003

Description	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line C	\$ 25,740,837	\$ 88,508,937	\$ 114,249,774
B. Less exclusions claimed:			
Debt service requirements on bonded indebtedness (Note 2)	562,631		562,631
Debt service requirements on other long-term obligations (Note 3)	496,179		496,179
Trustee or custodian (Note 4)	518,595	88,508,937	89,027,532
Grants and aid from the federal government (Note 6)	3,291,314		3,291,314
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 5)	104,498		104,498
Amounts received from the State of Arizona (Note 6)	1,984,525		1,984,525
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	3,065,239		3,065,239
Contracts with other political subdivisions (Note 6)	1,084,854		1,084,854
Refunds, reimbursements, and other recoveries (Note 6)	141,695		141,695
Prior years carryforward (Note 7)	<u>219,735</u>		<u>219,735</u>
Total exclusions claimed	<u>11,469,265</u>	<u>88,508,937</u>	<u>99,978,202</u>
C. Amounts subject to the expenditure limitation	<u>\$ 14,271,572</u>	<u>\$ -</u>	<u>\$ 14,271,572</u>

See accompanying notes to report.

Santa Cruz County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2003

Description	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Total expenditures or deductions reported within the fund financial statements	\$ 30,062,636	\$ 88,508,937	\$ 118,571,573
B. Subtractions:			
Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 8)	684,703		684,703
Community college reimbursement payments pursuant to A.R.S. §15-1469.01 (Note 9)	819,812		819,812
Long-term care contributions withheld by the State Treasurer (Note 10)	1,795,611		1,795,611
Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	<u>1,021,673</u>		<u>1,021,673</u>
Total subtractions	<u>4,321,799</u>	<u> </u>	<u>4,321,799</u>
C. Amounts reported on Part II, Line A	<u>\$ 25,740,837</u>	<u>\$ 88,508,937</u>	<u>\$ 114,249,774</u>

See accompanying notes to report.

Santa Cruz County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2003

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 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 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 consist of \$148,227 of general government, \$89,860 of highways and streets, and \$258,092 of health, welfare, and sanitation expenditures in the Governmental Funds.

Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$482,865 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, and \$35,730 for purchases made on behalf of various law enforcement agencies. In the Fiduciary Funds, the exclusion consists of \$88,508,937 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 \$104,498 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.

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, contracts with other political subdivisions, and refunds, reimbursements, and other recoveries in the Governmental Funds:

Santa Cruz County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2003

Description	
Grants and aid from the federal government	\$ 3,291,314
Amounts received from the State of Arizona	1,984,525
Highway user revenues in excess of those received in fiscal year 1979-80	3,065,239
Contracts with other political subdivisions	1,084,854
Refunds, reimbursements, and other recoveries	141,695
Other revenues—(nonexcludable)	3,835,566
Amount carried forward	<u>3,324,151</u>
 Total intergovernmental revenues as reported in the fund financial statements	 <u>\$16,727,344</u>

Note 7 - 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 in the Governmental Funds as follows:

Description	
Grants and aid from the federal government	\$ 84,976
Amounts received from the State of Arizona	<u>134,759</u>
 Total prior years carryforward expended	 <u>\$219,735</u>

Note 8 - The subtraction of \$684,703 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 are reported as highways and streets expenditures in the Governmental Funds in the fund financial statements.

Note 9 - The subtraction of \$819,812 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.

Note 11 - The adjustment to expenditures subject to the expenditure limitation of \$52,633 in the Annual Expenditure Limitation Report—Part I consists of board-authorized expenditures necessitated by a disaster declared by the Governor. These expenditures are reported as highways and street expenditures in the Governmental Funds in the fund financial statements. See appendices.

Appendix I

*** IN ACCORDANCE WITH ESTABLISHED EMERGENCY PROCEDURES ***

WHEREAS, on October 17, 2000 the Santa Cruz County Board of Supervisors declared an emergency for the severe rains originating from remnants of Hurricane Olivia that caused damage to the County's infrastructure including roads, drainage channels, and utilities; and

WHEREAS, the severe rains caused excessive flow in Nogales Wash, the Santa Cruz River and its tributaries, and adjacent areas in Santa Cruz County, and caused a high level of erosion and infrastructure damage in these areas; and

WHEREAS, Santa Cruz County provided emergency protective measures; and

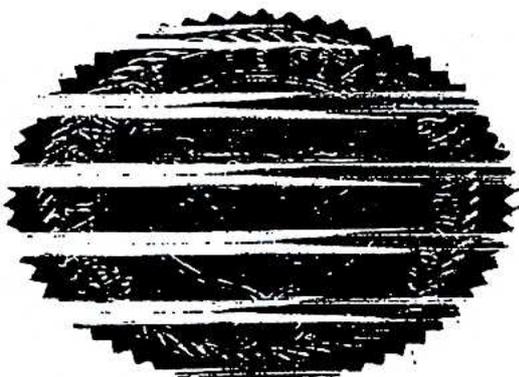
WHEREAS, recovery from the storm event is above and beyond the capabilities of Santa Cruz County; and

WHEREAS, the Governor is authorized to declare an emergency pursuant to A.R.S. §26.303.d; and

WHEREAS, the Legislature has authorized the expenditure of funds in the event of an emergency pursuant to A.R.S. §35-192, as amended;

NOW, THEREFORE I, Jane Dee Hull, Governor of the State of Arizona, by virtue of the authority vested in me by the Constitution and Laws of the State, do hereby determine the excessive rains and flooding due to the remnants of Hurricane Olivia in Santa Cruz County justifies a declaration of a State of Emergency, pursuant to A.R.S. §26.303.d, and I do hereby:

- a. Declare that a State of Emergency exists in Santa Cruz County due to heavy rains from the remnants of Hurricane Olivia causing the Nogales Wash, Santa Cruz River and its tributaries' to flood, effective October 10 through 11, 2000; and
- b. Direct that the sum of \$200,000 from the General Fund be made available to the Director of the State Division of Emergency Management to be expended in accordance with A.R.S. §35-192, A.A.C. R8-2-301 to 321, Executive Order 79-4; and
- c. Direct that the State Emergency Operations Plan be used to direct and control state and other assets; and direct that the Director of the Division of Emergency Management is authorized to coordinate State assets.



IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Arizona

DONE at the Capitol in Phoenix on this the seventeenth day of October in the Year Two thousand and of the Independence of the United States of America the Two Hundred and Twenty-fourth.

ATTEST:

Appendix II
**SANTA CRUZ COUNTY
RESOLUTION #2000-23
DECLARATION OF EMERGENCY**

WHEREAS, October 10 and 11, 2000, severe rains originating with Hurricane Olivia struck the City of Nogales, Mexico, the City of Nogales, Arizona, and Santa Cruz County, Arizona; and

WHEREAS, the severe rains caused excessive flow in Nogales Wash, the Santa Cruz River and its tributaries, and adjacent areas in Santa Cruz County, and caused a high level of erosion damage at various locations along the Nogales Wash, the Santa Cruz River and its tributaries, and adjacent areas in Santa Cruz County; and

WHEREAS, the excessive flow in Santa Cruz County resulted in heavy damage to public (County) infrastructure, including, but not limited to, the following:

- a. damage to embankment protection structures in Nogales Wash south of the Nogales Wash Bridge at Chula Vista. The embankment protection structures protect the Old Tucson Road that provides access/egress to over 800 area residents and a number of produce and other businesses,
- b. destruction of embankment in Nogales Wash adjacent to Old Tucson Road south of Potrero Bridge, threatening loss of a portion of the Old Tucson Road that provides sole access/egress for commercial/truck traffic between Interstate Highway 19 and area produce businesses,
- c. destruction of a portion of South River Road and a City of Nogales water line approximately 1.3 miles northwest of the road's intersection with SR 82. The road is classed as a major collector, carries up to 800 vehicles per day and is the sole connection between SR 82 and Rio Rico/I-19 outside the City of Nogales. The water line transmits water from a well field to the Nogales pump station on SR 82,
- d. damage to a portion on Nogales International Airport land in the form of excessive erosion south of the Main Runway. The airport and the Main Runway are the General Aviation Airport Facility that serve Santa Cruz County,
- e. destruction of embankment in Harshaw Creek adjacent to the Patagonia-Harshaw Road north of the Coronado Forest Boundary, threatening loss of a portion of the Patagonia-Harshaw Road which provides access/egress for traffic between SR 82 and Lochiel and the San Rafael Valley (including the new San Rafael State Park); and

WHEREAS, the severe rains and resultant damage has resulted in a condition of peril to health and safety of many citizens.

NOW, THEREFORE, it is hereby declared that an emergency now exists in Santa Cruz County, Arizona and assistance from the State of Arizona is hereby requested.

Appendix II

PASSED AND ADOPTED this 17th day of October, 2000.

Santa Cruz County, Arizona
Board of Supervisors

Ronald R. Morriss, Chairman

Robert Damon, Vice-Chairman

Robert Rojas, Member

ATTEST:

APPROVED AS TO FORM:

Melinda Meek
Clerk of the Board

Holly Hawn
Deputy County Attorney