

A E L R



ANNUAL EXPENDITURE LIMITATION REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021



2021

Town of Sahuarita, Arizona

Report on Examination of Annual Expenditure Limitation Report
Fiscal Year Ended June 30, 2021

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INDEPENDENT ACCOUNTANTS' REPORT

Auditor General of the State of Arizona
Honorable Mayor and the Town Council
Town of Sahuarita, Arizona
Sahuarita, Arizona

We have examined the accompanying annual expenditure limitation report of the Town of Sahuarita, Arizona (Town) for the year ended June 30, 2021, and the related notes to the report. The Town'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.

Our examination was conducted 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.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
November 22, 2021

Town of Sahuarita, Arizona

Annual Expenditure Limitation Report—Part I

Fiscal Year Ended June 30, 2021

1. Economic Estimates Commission expenditure limitation	<u>\$ 43,244,793</u>
2. Voter-approved alternative expenditure limitation	<u>-</u>
3. Enter applicable amount from line 1 or 2	<u>\$ 43,244,793</u>
4. Amount subject to expenditure limitation (total amount from Part II, Line C)	<u>\$ 23,795,404</u>
5. Board-authorized expenditures necessitated by a disaster the Governor declared	<u>-</u>
6. Board-authorized expenditures necessitated by a disaster the Governor did not declare	<u>-</u>
7. Prior-year voter approved expenditures to exceed the expenditure limitation for reporting fiscal year	<u>-</u>
8. Subtotal	<u>\$ 23,795,404</u>
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare and the voters did not approve	<u>+ -</u>
10. Total adjusted amount subject to the expenditure limitation	<u>\$ 23,795,404</u>
11. Amount under (in excess of) the expenditure limitation	<u><u>\$ 19,449,389</u></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: A.C. Marriotti

Name and Title: A.C. Marriotti, Finance Director

Telephone Number: (520) 822-8838

Date: November 22, 2021

Town of Sahuarita, Arizona

Annual Expenditure Limitation Report—Part II Fiscal Year Ended June 30, 2021

	Governmental Funds	Enterprise Fund	Total
A. Amounts reported on the Reconciliation, Line D	\$ 30,324,879	\$ 3,846,673	\$ 34,171,552
B. Less exclusions claimed:			
1. Debt proceeds	-	-	-
2. Debt service requirements (Note 2)	2,309,240	1,636,350	3,945,590
3. Dividends, interest and gains on sale or redemption of investment securities (Note 3)	4,642	-	4,642
4. Trustee or custodian	-	-	-
5. Grants and aid from the federal government (Note 4)	2,749,943	-	2,749,943
6. Grants, aid, contributions or gifts from a private agency, organization or individual, except amounts received in lieu of taxes (Note 5)	60,374	-	60,374
7. Amounts received from the State of Arizona (Note 6)	186,522	-	186,522
8. Quasi-external interfund transactions (Note 7)	686,800	24,455	711,255
9. Voter-approved amounts accumulated for purchase of land, and the purchase or construction of buildings or improvements	-	-	-
10. Highway user revenues in excess of fiscal year 1979-80 (Note 8)	2,536,068	-	2,536,068
11. Contracts with other political subdivisions	-	-	-
12. Refunds, reimbursements, and other recoveries (Note 9)	668	-	668
13. Voter-approved exclusions not identified above	-	-	-
14. Prior years carryforward (Note 10)	181,086	-	181,086
15. Qualifying capital improvement expenditures repaid in accordance with A.R.S. §41-1279.07	-	-	-
16. Total exclusions claimed	<u>8,715,343</u>	<u>1,660,805</u>	<u>10,376,148</u>
C. Amounts subject to the expenditure limitation	<u>\$ 21,609,536</u>	<u>\$ 2,185,868</u>	<u>\$ 23,795,404</u>

Town of Sahuarita, Arizona

Annual Expenditure Limitation Report—Reconciliation

Fiscal Year Ended June 30, 2021

	<u>Governmental Funds</u>	<u>Enterprise Fund</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	\$ 32,487,589	\$ 3,581,554	\$36,069,143
B. Subtractions:			
1. Items not requiring use of current financial resources:			
a. Depreciation	-	1,082,713	1,082,713
b. Loss on disposal of capital assets	-	-	-
c. Bad debt expense	-	-	-
d. Pension and other postemployment benefits (OPEB) expense (Note 11)	-	100,845	100,845
e. Claims incurred but not reported (IBNR)	-	-	-
f. Landfill closure and postclosure care costs under Arizona Revised Statutes	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes (Note 12)	1,661,845	-	1,661,845
3. Required fees paid to the Arizona Department of Revenue (Note 13)	80,907	-	80,907
4. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	419,958	-	419,958
5. Involuntary court judgments	-	-	-
Total subtractions	<u>2,162,710</u>	<u>1,183,558</u>	<u>3,346,268</u>
C. Additions:			
1. Principal payments on long-term debt	-	1,292,296	1,292,296
2. Capital asset acquisitions	-	82,086	82,086
3. Amounts paid in the current year but reported as expenses in previous years:			
a. Claims previously recognized as IBNR	-	-	-
b. Landfill closure and postclosure care costs and pollution remediation	-	-	-
4. Pension and OPEB contributions paid in the current year (Note 14)	-	74,295	74,295
5. Transfers to separate legal entities	-	-	-
Total additions	<u>-</u>	<u>1,448,677</u>	<u>1,448,677</u>
D. Amounts reported on Part II, Line A	<u>\$ 30,324,879</u>	<u>\$ 3,846,673</u>	<u>\$34,171,552</u>

Town of Sahuarita, Arizona

Notes to Annual Expenditure Limitation Report Fiscal 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; and the Statement of Cash flows for the Proprietary Fund.

Note 2 The exclusion claimed for debt service requirements on other long-term obligations in the Governmental Funds consists of \$2,046,350 for principal and \$262,890 for interest expenditures.

The exclusion claimed for debt service requirements on other long-term obligations in the Enterprise Fund consists of \$1,292,296 for principal retirement and \$344,054 for interest expense.

Note 3 The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the Governmental Funds represents investment earnings that were expended by non-separate legal entities. Remaining revenues of \$99,361 have been carried forward to future years.

Note 4 The exclusion claimed for grants and aid from the federal government in the Governmental Funds consists of \$2,749,943 in expended intergovernmental revenues. Remaining federal forfeiture revenues of \$78,842 have been carried forward to future years.

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 in the Governmental Funds consists of \$32,587 expended from intergovernmental revenues, \$27,787 expended from miscellaneous revenues (for private grants and donations received).

Note 6 The exclusion claimed for amounts received from the State of Arizona in the Governmental Funds consists of \$207,734 expended from intergovernmental revenues. Remaining revenues of \$21,212 have been carried forward to future years. Remaining intergovernmental revenues of \$21,212 and state forfeiture revenues of \$10,206 have been carried forward to future years.

Town of Sahuarita, Arizona

Notes to Annual Expenditure Limitation Report Fiscal Year Ended June 30, 2021

Note 7 The exclusion claimed for quasi-external interfund transactions in the Governmental Funds consists of expended charges for services revenues.

The exclusion claimed for quasi-external interfund transaction in the Enterprise Fund consists of \$7,195 expended from charges for services revenues and \$17,260 expended from miscellaneous revenues.

Note 8 The exclusion claimed for highway user revenues in excess of fiscal year 1979-80 in the Governmental Funds consists of expended intergovernmental revenues reported in the Highway User Revenue Fund.

Note 9 The exclusion claimed for refunds, reimbursements, and other recoveries were expended from miscellaneous revenues reported in the Governmental Funds. Revenues of \$167,059, for insurance recoveries and refunds, have been carried forward to future years.

Note 10 The exclusion for prior years carry-forwards claimed consists of \$149,529 of highway user revenues in excess of fiscal year 1979-80 and \$31,557 of private grant revenues received in prior years that were spent in the current year.

Note 11 The \$100,845 subtraction 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 \$74,296 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.

Statement of Cash Flows	Enterprise Fund
Change in net pension and OPEB asset	\$ (2,415)
Change in deferred inflows related to pensions and OPEB	(46,436)
Change in deferred outflows related to pensions and OPEB	(101,787)
Change in net pension and OPEB liability	177,187
Total	\$ 26,549
AELR-Reconciliation	
Pension/OPEB contributions - addition	\$ 100,845
Pension/OPEB expense (income) - subtraction	(74,296)
Total	\$ 26,549

Town of Sahuarita, Arizona

Notes to Annual Expenditure Limitation Report Fiscal Year Ended June 30, 2021

Note 12 The subtraction for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the Town'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:

	Quail Creek CFD	Rancho Sahuarita CFD	Total
General government	\$ 1,379	\$ 860	\$ 2,239
Culture and recreation	60,799	-	60,799
Highways and streets	11,395	3,367	14,762
Principal	705,000	201,000	906,000
Interest and other charges	250,213	427,832	678,045
Debt issuance costs	-	-	-
Total	\$ 1,028,786	\$ 633,059	\$ 1,661,845

Note 13 The subtraction for fees required by law to be paid to Arizona state agencies consist of payments to the Arizona Department of Revenues as required by Laws 2015, Chapter 323, HB2617, which were reported as general government expenditures in the fund financial statements.

Note 14 Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. A summary of the revenue sources and the changes in those balances is shown in the table below:

Description	Balance June 30, 2020	(Note 15)		Balance June 30, 2021
		Additions	Reductions	
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 2,553,744	\$ 99,361	\$ (3,298)	\$ 2,649,807
Grants and aid from the federal government	-	79,007	-	79,007
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	226,715	-	(31,557)	195,158
Amounts received from the State of Arizona	105,186	34,551	-	139,737
Highway user revenues in excess of those received in fiscal year 1979-80	842,316	-	(149,529)	692,787
Refunds, reimbursements, and other recoveries	497,932	167,059	-	664,991
Total carryforward	\$ 4,225,893	\$ 379,978	\$ (184,384)	\$ 4,421,487

Town of Sahuarita, Arizona

Notes to Annual Expenditure Limitation Report Fiscal Year Ended June 30, 2021

Note 15 Interest earned on certain grants and programs, when spent, are classified as federal or state expenditures. The carryforward associated with these earnings were reclassified as follows:

	<u>Additions</u>	<u>Reductions</u>
Dividends, interest, and gains on the sale or redemption of investment securities		\$ (3,298)
Grants and aid from the federal government	\$ 165	
Amounts received from the State of Arizona	3,133	
Total carryforward reclassification	<u>\$ 3,298</u>	<u>\$ (3,298)</u>