

A E L R



**ANNUAL EXPENDITURE LIMITATION REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**



2022

Town of Sahuarita, Arizona

Report on Examination of Annual Expenditure Limitation Report
Fiscal Year Ended June 30, 2022

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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, 2022, 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* (UERS) 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 UERS 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 judgement, 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 of the Town of Sahuarita, Arizona, referred to above is presented in accordance with the *Uniform Expenditure Reporting System* as described in Note 1, in all material respects.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
December 27, 2022

Town of Sahuarita, Arizona

Annual Expenditure Limitation Report—Part I Fiscal Year Ended June 30, 2022

1. Economic Estimates Commission expenditure limitation	<u>\$ 44,753,376</u>
2. Voter-approved alternative expenditure limitation	<u>-</u>
3. Enter applicable amount from line 1 or 2	<u>\$ 44,753,376</u>
4. Amount subject to expenditure limitation (total amount from Part II, Line C)	<u>\$ 23,790,388</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>\$ 23,790,388</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>\$ 23,790,388</u>
11. Amount under (in excess of) the expenditure limitation	<u><u>\$ 20,962,988</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: December 27, 2022

Town of Sahuarita, Arizona

Annual Expenditure Limitation Report—Part II

Fiscal Year Ended June 30, 2022

	Governmental Funds	Enterprise Fund	Total
A. Amounts reported on the Reconciliation, Line D	\$ 33,207,529	\$ 4,188,539	\$37,396,068
B. Less exclusions claimed:			
1. Debt proceeds (Note 2)	3,957,178	-	3,957,178
2. Debt service requirements (Note 3)	2,781,789	1,495,187	4,276,976
3. Dividends, interest and gains on sale or redemption of investment securities (Note 4)	-	-	-
4. Trustee or custodian	-	-	-
5. Grants and aid from the federal government (Note 5)	663,387	600,207	1,263,594
6. Grants, aid, contributions or gifts from a private agency, organization or individual, except amounts received in lieu of taxes (Note 6)	37,480	-	37,480
7. Amounts received from the State of Arizona (Note 7)	246,188	-	246,188
8. Quasi-external interfund transactions (Note 8)	852,000	23,695	875,695
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 9)	2,739,084	-	2,739,084
11. Contracts with other political subdivisions	-	-	-
12. Refunds, reimbursements, and other recoveries (Note 10)	-	-	-
13. Voter-approved exclusions not identified above	-	-	-
14. Prior years carryforward (Note 11)	209,485	-	209,485
15. Qualifying capital improvement expenditures repaid in accordance with A.R.S. §41-1279.07	-	-	-
16. Total exclusions claimed	11,486,591	2,119,089	13,605,680
C. Amounts subject to the expenditure limitation	\$ 21,720,938	\$ 2,069,450	\$23,790,388

Town of Sahuarita, Arizona

Annual Expenditure Limitation Report—Reconciliation

Fiscal Year Ended June 30, 2022

	<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	\$ 38,858,737	\$ 3,513,477	\$ 42,372,214
B. Subtractions:			
1. Items not requiring use of current financial resources:			
a. Depreciation	-	1,095,023	1,095,023
b. Loss on disposal of capital assets	-	-	-
c. Bad debt expense (Note 12)	-	5,845	5,845
d. Pension and other postemployment benefits (OPEB) expense (Note 13)	-	60,338	60,338
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 14)	4,978,104	-	4,978,104
3. Required fees paid to the Industrial Commission of Arizona (Note 15)	81,382	-	81,382
4. Present value of net minimum lease, financed purchase, and subscription-based technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception	591,722	-	591,722
5. Involuntary court judgments	-	-	-
Total subtractions	<u>5,651,208</u>	<u>1,161,206</u>	<u>6,812,414</u>
C. Additions:			
1. Principal payments on long-term debt	-	1,180,747	1,180,747
2. Capital asset acquisitions	-	576,260	576,260
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 13)	-	79,261	79,261
5. Transfers to separate legal entities	-	-	-
Total additions	<u>-</u>	<u>1,836,268</u>	<u>1,836,268</u>
D. Amounts reported on Part II, Line A	<u>\$ 33,207,529</u>	<u>\$ 4,188,539</u>	<u>\$ 37,396,068</u>

Town of Sahuarita, Arizona

Notes to Annual Expenditure Limitation Report Fiscal Year Ended June 30, 2022

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 proceeds in the Governmental Funds consists of \$3,957,178 expended from the face amount of long-term debt sources. Remaining proceeds of \$2,420,822 have been carried forward to future years.

Note 3 The exclusion claimed for debt service requirements on other long-term obligations in the Governmental Funds consists of \$2,513,871 for principal and \$267,918 for interest expenditures.

The exclusion claimed for debt service requirements on other long-term obligations in the Enterprise Fund consists of \$1,180,747 for principal retirement and \$314,440 for interest expense.

Note 4 There were no exclusions claimed for dividends, interest, and gains on the sale or redemption of investment securities but \$448 has been carried forward to future years.

Note 5 The exclusion claimed for grants and aid from the federal government in the Governmental Funds consists of expended intergovernmental revenues. Remaining federal forfeitures in the amount of \$7,546 have been carried forward to future years.

Note 6 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 \$37,480 expended from miscellaneous revenues (for private grants and donations received). Remaining local intergovernmental revenues of \$75,750 have been carried forward to future years.

Town of Sahuarita, Arizona

Notes to Annual Expenditure Limitation Report Fiscal Year Ended June 30, 2022

- Note 7** The exclusion claimed for amounts received from the State of Arizona in the Governmental Funds consists of expended from intergovernmental revenues. Remaining revenues of \$117,785 have been carried forward to future years.
- Note 8** 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 \$6,435 expended from charges for services revenues and \$17,260 expended from miscellaneous revenues.
- Note 9** 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 10** No exclusions were claimed for refunds, reimbursements, and other recoveries but \$58,459 has been carried forward to future years.
- Note 11** The exclusion for prior years carry-forwards claimed consists of \$171,712 of highway user revenues in excess of fiscal year 1979-80, \$9,309 of state forfeitures, and \$28,464 of private grant revenues received in prior years that were spent in the current year.
- Note 12** The subtraction for bad debt expense consists of expenditures reported as general and administrative costs in the Wastewater Enterprise Fund.

Town of Sahuarita, Arizona

Notes to Annual Expenditure Limitation Report Fiscal Year Ended June 30, 2022

Note 13 The \$60,338 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 \$79,261 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	\$ (22,882)
Change in deferred inflows related to pensions and OPEB	248,649
Change in deferred outflows related to pensions and OPEB	6,028
Change in net pension and OPEB liability	<u>(250,718)</u>
Total	<u><u>\$ (18,923)</u></u>
<u>AELR-Reconciliation</u>	
Pension/OPEB contributions - addition	\$ 79,261
Pension/OPEB expense - subtraction	<u>(60,338)</u>
Total	<u><u>\$ 18,923</u></u>

Note 14 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	\$ 692	\$ 562	\$ 1,254
Culture and recreation	72,745	-	72,745
Highways and streets	14,837	6,760	21,597
Capital outlay	-	2,972,159	2,972,159
Debt service-principal	725,000	226,654	951,654
Interest and other charges	229,063	384,368	613,431
Debt issuance costs	-	345,264	345,264
Total	<u><u>\$ 1,042,337</u></u>	<u><u>\$ 3,935,767</u></u>	<u><u>\$ 4,978,104</u></u>

Note 15 The subtraction for fees required by law to be paid to Arizona state agencies consist of payments to the Industrial Commission of Arizona as required by A.R.S. §23-1703, which were reported as general government expenditures in the fund financial statements.

Town of Sahuarita, Arizona

Notes to Annual Expenditure Limitation Report Fiscal Year Ended June 30, 2022

Note 16 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, 2021	Additions	Reductions	Balance June 30, 2022
Debt proceeds	\$ -	\$ 2,420,822	\$ -	\$ 2,420,822
Dividends, interest, and gains on the sale or redemption of investment securities (Note 17)	2,649,807	-	-	2,649,807
Grants and aid from the federal government	79,007	7,546	-	86,553
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	195,158	75,750	(28,464)	242,444
Amounts received from the State of Arizona (Note 17)	139,737	118,233	(9,309)	248,661
Highway user revenues in excess of those received in fiscal year 1979-80	692,787	-	(171,712)	521,075
Refunds, reimbursements, and other recoveries	664,991	58,459	-	723,450
Total carryforward	<u>\$ 4,421,487</u>	<u>\$ 2,680,810</u>	<u>\$ (209,485)</u>	<u>\$ 6,892,812</u>

Note 17 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:

	Additions	Reclassification	Adjusted Additions
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 448	\$ (448)	\$ -
Amounts received from the State of Arizona	117,785	448	118,233
Total	<u>\$ 118,233</u>	<u>\$ -</u>	<u>\$ 118,233</u>