

**CITY OF SIERRA VISTA, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT  
YEAR ENDED JUNE 30, 2025**

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## Independent Accountants' Report

The Auditor General of the State of Arizona and  
The Honorable Mayor and City Council  
of the City of Sierra Vista, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the City of Sierra Vista, Arizona for the year ended June 30, 2025. The City'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. We have presented the results of our examination in the accompanying schedules.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA). 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. 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.

We are required to be independent of the City of Sierra Vista and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the Annual Expenditure Limitation Report of the City of Sierra Vista, Arizona is fairly presented in accordance with the Uniform Expenditure Reporting System as described in Note 1, in all material respects.

*Baker Tilly US, LLP*

Tempe, Arizona  
March 27, 2026



**CITY OF SIERRA VISTA, ARIZONA  
ANNUAL EXPENDITURE LIMITATION REPORT - PART II  
YEAR ENDED JUNE 30, 2025**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 75,440,113	\$ 9,951,411	\$ 6,190,870	\$ 492,818	\$ 92,075,212
B. Less exclusions claimed:					
1. Debt proceeds					-
2. Debt service requirements on bonded indebtedness (Note 3)	3,239,195	576,504			3,815,699
Debt service requirements on other long-term obligations (Note 3)		122,700			122,700
3. Quasi-external interfund transactions (Note 4)	2,696,889		3,547,355		6,244,244
4. Custodial				492,818	492,818
5. Grants and aid from the Federal government (Note 7)	4,102,370				4,102,370
6. Grants, aid, contributions or gifts from a private agency, organization, or individual except amounts received in lieu of taxes (Note 7)	1,231,319				1,231,319
7. Amounts received from the State of Arizona (Note 7)	547,705				547,705
8. Contracts with other political subdivisions (Note 7)	5,715,441				5,715,441
9. Highway user revenues in excess of those received in fiscal year 1979-1980 (Note 6)	-				-
10. Reimbursements, refunds and other recoveries (Note 10)	35,843		1,066,153		1,101,996
11. Prior years carryforward used	<u>1,494,360</u>		<u>693,595</u>		<u>2,187,955</u>
12. Total exclusions claimed	<u>19,063,122</u>	<u>699,204</u>	<u>5,307,103</u>	<u>492,818</u>	<u>25,562,247</u>
C. Amount subject to the expenditure limitation	<u>\$ 56,376,991</u>	<u>\$ 9,252,207</u>	<u>\$ 883,767</u>	<u>\$ -</u>	<u>\$ 66,512,965</u>

See accompanying notes to report

**CITY OF SIERRA VISTA, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION**  
**YEAR ENDED JUNE 30, 2025**

<u>Description</u>	<u>Governmental</u> <u>Funds</u>	<u>Enterprise</u> <u>Funds</u>	<u>Internal</u> <u>Service</u> <u>Funds</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Total</u>
A. Total expenditures/expenses and applicable other financing uses reported within the financial statements (Note 2)	\$ 75,440,113	\$ 10,520,546	\$ 6,422,861	\$ 492,818	\$ 92,876,338
B. Subtractions					
1. Items not requiring use of current financial resources:					
Depreciation		1,845,079			1,845,079
Bad debt expense (Note 9)					-
Pension & OPEB expense (Note 8)		333,991			333,991
Claims incurred but not reported (Note 5)			5,214,287		5,214,287
2. Total subtractions		<u>2,179,070</u>	<u>5,214,287</u>		<u>7,393,357</u>
C. Additions					
1. Principal payments on long-term debt		655,092			655,092
2. Acquisition of capital assets		788,036			788,036
3. Amounts paid in current year but reported as expenses in previous years:					
Claims previously recognized as incurred but not reported (Note 5)			4,982,296		4,982,296
4. Pension & OPEB contributions (Note 8)		166,807			166,807
5. Total additions		<u>1,609,935</u>	<u>4,982,296</u>		<u>6,592,231</u>
D. Amounts reported on Part II, Line A	<u>\$ 75,440,113</u>	<u>\$ 9,951,411</u>	<u>\$ 6,190,870</u>	<u>\$ 492,818</u>	<u>\$ 92,075,212</u>

See accompanying notes to report.

**CITY OF SIERRA VISTA, ARIZONA  
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT  
YEAR ENDED JUNE 30, 2025**

**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 (A.R.S.) §41-1279.07. The ALER excludes expenditures or expenses of certain revenues specified in the Arizona Constitution, Article IX, §20 from the total expenditures or expenses 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 - Governmental Funds, the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds, the Statement of Cash Flows - Proprietary Funds, and the Statement of Changes in Fiduciary Net Position.

**NOTE 2 -** Total expenses reported within the financial statements for the Enterprise Funds consists of the following:

Total operating expenses	\$10,476,435
Interest expense	<u>44,111</u>
Total	<u>\$10,520,546</u>

**NOTE 3 -** The exclusions claimed under debt service requirements consist of bonded indebtedness of \$3,239,195 (\$2,379,000 principal and \$860,195 interest) in the Debt Service Fund and \$561,136 (\$535,000 principal and \$41,504 interest) in the Sewer Fund. Other long-term obligations consist of \$120,092 principal and \$2,607 interest in Enterprise Funds (Refuse Fund).

**NOTE 4 -** The exclusion shown for quasi-external interfund transactions are the contributions paid to internal service funds for employee health, accident and dental, the charges for services paid to the General fund for fleet, engineering and administrative services and the City’s contribution to the SEACOM fund.

**NOTE 5 -** The subtraction for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Internal Service Funds. The addition for claims paid in the current year, but reported as expenses incurred but not reported in previous years consists of cash payments in the current year for claims recognized as expense in previous years in the Internal Service Funds. The amount is included in the cash paid to suppliers for goods and services in the statement of cash flows – proprietary funds.

**CITY OF SIERRA VISTA, ARIZONA  
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT  
YEAR ENDED JUNE 30, 2025**

**NOTE 6** – \$1,494,360 of HURF reserves were used during the fiscal year. Therefore, no HURF exemption is claimed on Part II, line 9.

HURF revenues received in FY24/25	\$ 4,727,949
HURF revenues received in FY79/80	<u>(464,624)</u>
Revenue available for exclusion	<u>\$ 4,263,325</u>
Actual FY24/25 HURF expenditures (including transfers out)	\$ 9,361,368
Less expenditures of other revenues and carryforward	<u>(3,139,059)</u>
Net 24/25 HURF expenditures	6,222,309
Amount equal to FY79/80 revenues expended in FY24/25	<u>(464,624)</u>
Excludable revenues expended in FY24/25	<u>\$ 5,757,685</u>
Excludable revenues and carryforward expended in FY24/25	\$ 5,757,685
Revenues available for exclusion	<u>(4,263,685)</u>
Expenditures in excess of revenues	<u>\$ (1,494,360)</u>

**NOTE 7** – The exclusions for grants and aid from the federal government, amounts received from the state, contracts with other political subdivisions, public agencies, organizations and individuals are included in intergovernmental revenues and contributions. The following schedule breaks out these revenues:

Grants from the Federal Government reported on the SEFA	\$ 2,967,947
Unavailable revenue included in SEFA expenditures	(607,592)
Contracts with Ft Huachuca	1,134,423
Amounts received from the State of Arizona	547,705
Contributions received and expended	1,231,319
Contributions received and not expended	306,218
SVMPO revenue received and not expended	41,197
Contracts with other political subdivisions	5,715,441
City Contribution to SEACOM	964,076
Prior year SEACOM revenues expended	(370,821)
Other state shared, intergovernmental and contributions	<u>23,897,909</u>
Total Intergovernmental and Contribution Revenues	<u>\$35,827,822</u>

**NOTE 8** – The subtractions of pension and other post employment benefit (OPEB) expenses consist of changes in the pension and OPEB liabilities, and changes in deferred outflows and inflows related to pensions and OPEB, recognized in the current year in the enterprise funds. The additions for pension and OPEB contributions paid in the current year consist of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise funds.

**NOTE 9** – Bad debt expense is included in the increase (decrease) in provisions for uncollectable account line in the Statement of Cash Flows.

**CITY OF SIERRA VISTA, ARIZONA  
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT  
YEAR ENDED JUNE 30, 2025**

**NOTE 10** – Refunds, reimbursements and other recoveries includes stop-loss and insurance reimbursements as well as prescription and purchasing card rebates.

**NOTE 11** – Carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated for exemption in future years:

Total internal service fund operating revenue	\$5,388,438
Less total internal service fund operating expenses	(6,422,861)
Investment income	<u>340,828</u>
Expenses in excess of revenues	\$ (693,595)
HURF reserves used during FY24/25	\$(1,494,360)
Unspent investment income available for carryforward FY24/25	1,165,556
Internal service fund reserves used during FY24/25	(693,595)
Carryforward balance from FY23/24	<u>18,699,767</u>
Total carryforward	<u><u>\$17,677,368</u></u>
Total HURF carryforward (Fund balance)	\$5,860,808
Total internal service fund carryforward (Fund balance)	\$6,653,174
Total investment income carryforward (Governmental funds)	<u>\$5,163,386</u>
Total carryforward	<u><u>\$17,677,368</u></u>