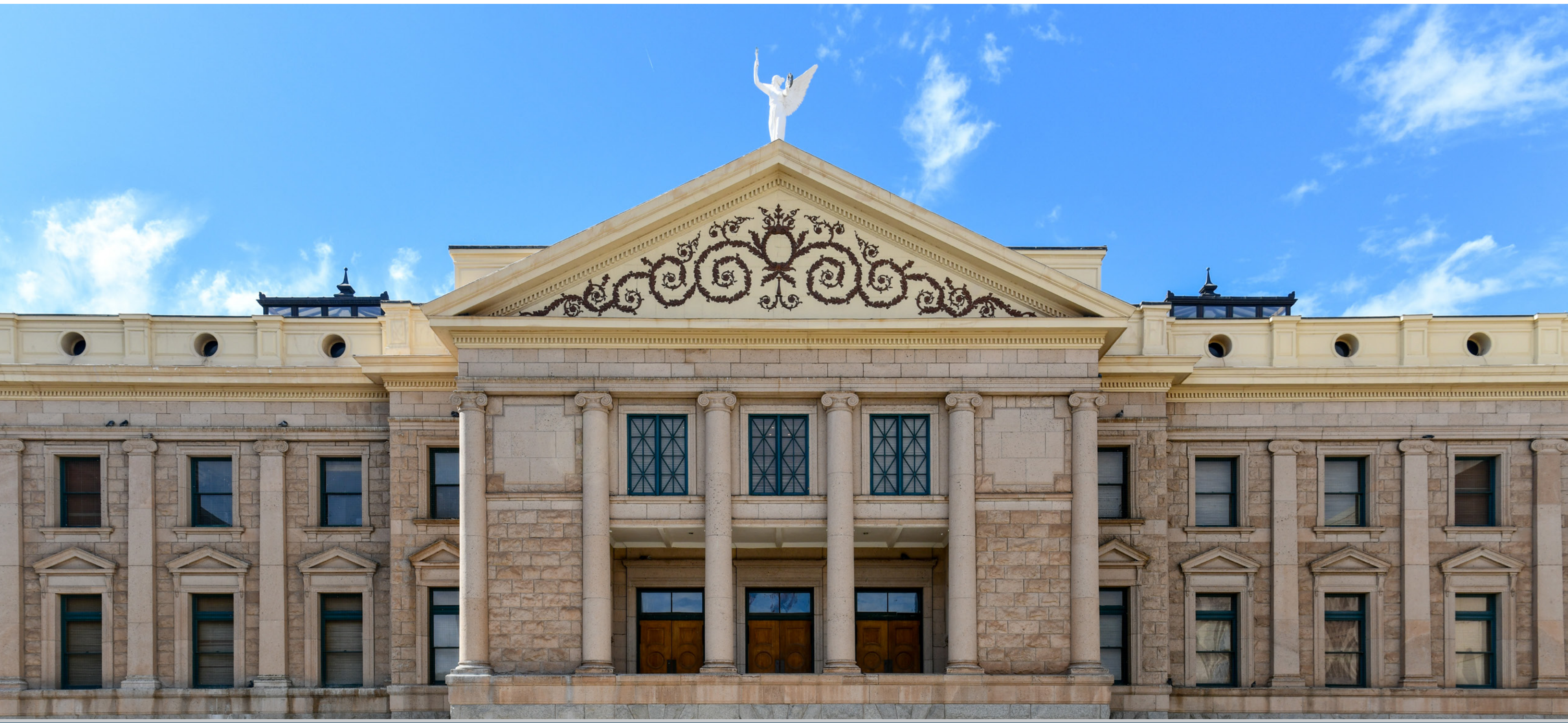
# Annual Expenditure Limitation Report
# Year Ended June 30, 2025

## Pima County



**Lindsey A. Perry**
Auditor General

# Arizona Auditor General's mission

The Arizona Auditor General's mission is to provide independent and impartial information, impactful recommendations, and stakeholder education to improve Arizona government for its citizens. To this end, the Office conducts financial statement audits and provides certain accounting services to the State and political subdivisions, investigates possible criminal violations involving public officials and public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

## The Joint Legislative Audit Committee

The Joint Legislative Audit Committee consists of 5 Senate members appointed by the Senate President and 5 House members appointed by the House Speaker. The Committee is responsible for overseeing the Office, including (1) overseeing all audit functions of the Legislature and State agencies, including sunset, performance, special, and financial audits; special research requests; and the preparation and introduction of legislation resulting from audit report findings; (2) requiring State agencies to comply with audit findings and recommendations; (3) receiving status reports regarding the progress of school districts to implement recommendations; and (4) scheduling hearings to review the status of State agencies and school districts.

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Representative **Steve Montenegro** (ex officio)

## Audit staff

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## Independent accountants' report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have examined the accompanying Annual Expenditure Limitation Report (report) of Pima County for the year ended June 30, 2025, and the related notes to the report. The County'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 conducted our examination 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.

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 referred to above is presented in accordance with the Uniform Expenditure Reporting System as described in Note 1 in all material respects.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

August 26, 2026

# The County prepared the subsequent pages of this document.

## Annual Expenditure Limitation Report (AELR):

### Part I

In Part I, the County compares its expenditure limitation amount—determined by the Economic Estimates Commission in accordance with Arizona Revised Statutes (A.R.S.) §41-563—to the total amount subject to the expenditure limitation to determine whether the County exceeded its expenditure limitation.

### Part II

In Part II, the County identifies its payments made from revenues that are not considered to be local revenues as defined by the Arizona Constitution, Article IX, §20(3) (exclusions), to determine the amount subject to the expenditure limitation reported on Part I because the Arizona Constitution, Article IX, §20, limits the spending of local revenues only.

### Reconciliation

The reconciliation of total expenditures reported within the annual financial statements to total expenditures stated within the AELR is required by A.R.S. §41-1279.07. To perform this reconciliation, the County uses the total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported in its annual financial statements and makes adjustments (i.e., subtractions and additions) for certain generally accepted accounting principle requirements and statutory and other provisions to arrive at the total amounts reported on Part II.

### Notes to the AELR

In the Notes to the AELR, the County describes its significant accounting policies used in preparing the AELR and includes a note for any exclusion, subtraction, and addition included on Part II and the Reconciliation that cannot be agreed directly to an amount reported in its annual financial statements as prescribed by the Uniform Expenditure Reporting System.

The results of our examination procedures on the AELR are described in the independent accountants' report.

# Pima County
## Annual Expenditure Limitation Report—Part I
## Year ended June 30, 2025

| | | | |
|---|---|---|---|
| 1. | Economic Estimates Commission expenditure limitation | $ | 739,592 |
| 2. | Total amount subject to the limitation (from Part II, line C) | | 739,591 |
| 3. | Amount under the expenditure limitation | $ | 1 |

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: Art Cuaron

Name and title: Art Cuaron, Department of Finance and Risk Management, Director

Telephone number: (520) 724-3138 Date: August 26, 2026

# Pima County
## Annual Expenditure Limitation Report—Part II
## Year ended June 30, 2025

| Description | Governmental funds | Enterprise funds | Internal service funds | Fiduciary funds | Total |
|---|---|---|---|---|---|
| A. Amounts reported on the Reconciliation, line D | $ 1,081,362 | $ 274,630 | $ 174,358 | $ 4,324,740 | $ 5,855,090 |
| B. Less exclusions claimed: | | | | | |
| Debt proceeds (Note 2) | 10,645 | 20,750 | | | 31,395 |
| Debt service requirements (Note 3) | 121,735 | 109,925 | | | 231,660 |
| Dividends, interest, and gains on the sale or redemption of investment securities (Note 4) | 26,165 | 11,368 | 6,711 | | 44,244 |
| Trustee or custodian (Note 5) | 20,298 | | | 4,324,740 | 4,345,038 |
| Grants and aid from the federal government (Note 6) | 88,353 | 2 | | | 88,355 |
| Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 7) | 4,342 | 846 | | | 5,188 |
| Amounts received from the State of Arizona (Note 6) | 56,591 | | | | 56,591 |
| Quasi-external interfund transactions (Note 8) | 24,133 | 356 | 147,361 | | 171,850 |
| Amounts accumulated for the purchase for land, buildings, or improvements (Note 6) | 7,868 | | | | 7,868 |
| Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6) | 43,108 | | | | 43,108 |
| Contracts with other political subdivisions (Note 6 and 9) | 11,643 | | 995 | | 12,638 |
| Refunds, reimbursements, and other recoveries (Note 10) | 508 | 1 | 9,028 | | 9,537 |
| Prior years carryforward (Note 11) | 25,465 | 42,329 | 233 | | 68,027 |
| Total exclusions claimed | 440,854 | 185,577 | 164,328 | 4,324,740 | 5,115,499 |
| C. Amounts subject to the expenditure limitation | $ 640,508 | $ 89,053 | $ 10,030 | $ | $ 739,591 |

See accompanying notes to report.

# Pima County
## Annual Expenditure Limitation Report—Reconciliation
## Year ended June 30, 2025

| Description | Governmental funds | Enterprise funds | Internal service funds | Fiduciary funds | Total |
|---|---|---|---|---|---|
| A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements | $ 1,282,580 | $ 195,158 | $ 172,982 | $ 4,324,740 | $ 5,975,460 |
| B. Subtractions: | | | | | |
| Items not requiring use of current financial resources: | | | | | |
| Depreciation and amortization | | 55,877 | 17,712 | | 73,589 |
| Loss on disposal of capital assets | | 536 | 202 | | 738 |
| Bad debt expense (Note 12) | | 587 | | | 587 |
| Pension and other postemployment benefits (OPEB) expense (Note 13) | | 2,746 | 911 | | 3,657 |
| Claims incurred but not reported (IBNR) (Note 14) | | | 88,885 | | 88,885 |
| Compensated absences (Note 15) | | 1,378 | 405 | | 1,783 |
| Total expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 17) | 106,125 | | | | 106,125 |
| Long-term care contributions the State Treasurer withheld (Note 18) | 62,976 | | | | 62,976 |
| Present value of net minimum lease, financed purchase, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception (Note 19) | 33,374 | | | | 33,374 |
| Total subtractions | 202,475 | 61,124 | 108,115 | | 371,714 |

See accompanying notes to report.

# Pima County
## Annual Expenditure Limitation Report—Reconciliation (continued)
## Year ended June 30, 2025

| Description | Governmental funds | Enterprise funds | Internal service funds | Fiduciary funds | Total |
|---|---|---|---|---|---|
| C. Additions: | | | | | |
| Principal payments on long-term debt | | 82,715 | | | 82,715 |
| Amortization of bond premiums (Note 16) | | 7,554 | | | 7,554 |
| Capital asset acquisitions | | 46,952 | 19,186 | | 66,138 |
| Amounts paid in the current year but reported as expenses in previous years: | | | | | |
| Claims previously recognized as IBNR (Note 14) | | | 89,113 | | 89,113 |
| Pension and OPEB contributions paid in the current year (Note 13) | | 3,375 | 1,192 | | 4,567 |
| County transfers to separate legal entities (Note 17) | 1,257 | | | | 1,257 |
| Total additions | 1,257 | 140,596 | 109,491 | | 251,344 |
| D. Amounts reported on part II, line A | $ 1,081,362 | $ 274,630 | $ 174,358 | $ 4,324,740 | $ 5,855,090 |

See accompanying notes to report.

# Pima County
## 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 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 funds; statement of cash flows for the proprietary funds; and the statement of changes in fiduciary net position for the fiduciary funds.

### Note 2

The $10,645 exclusion claimed for debt proceeds in the governmental funds consists of expenditures made from certificates of participation proceeds of $27,125 and premium of $4,107. Remaining unspent, excludable amounts of $20,587 have been carried forward to future years.

The $20,750 exclusion claimed for debt proceeds in the enterprise funds consists of expenditures made from sewer revenue obligation proceeds of $45,525 and premium of $5,910. Remaining unspent, excludable amounts of $30,685 have been carried forward to future years.

### Note 3

The $121,735 exclusion claimed for debt service requirements consists of $84,772 principal retirement, $18,715 interest expenditures, $18,179 refunding of debt, and $69 miscellaneous charges in the governmental funds.

The $109,925 exclusion claimed for debt service requirements consists of $82,715 principal retirement, $17,597 refunding of debt, $9,581 interest expenditures, and $32 issuance cost in the enterprise funds on Regional Wastewater Reclamation Department sewer revenue obligations. The $17,597 refunding of debt was included in the total expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements.

### Note 4

The $26,165 exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the governmental funds includes investment earnings expended and interest on delinquent taxes. Of the total investment revenues of $25,757 in the governmental funds, $21,166 was excluded and $2,623 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities. Interest on delinquent taxes expended of $4,999 was recorded as tax revenue. Remaining unspent, excludable investment earnings revenues of $1,968 have been carried forward to future years.

Of the total investment earnings revenues of $7,758 in the internal service funds, $6,711 was excluded and $1,047 was carried forward to future years.

**Reconciliation of investment earnings**

| | Governmental funds | Enterprise funds | Internal service funds |
|---|---|---|---|
| **Financial statements** | | | |
| Investment earnings | $ 25,757 | $ 11,368 | $ 7,758 |
| Total investment earnings as reported in the financial statements | $ 25,757 | $ 11,368 | $ 7,758 |
| **AELR—Part II** | | | |
| Investment earnings | $ 25,757 | $ 11,368 | $ 7,758 |
| Interest on delinquent taxes | 4,999 | | |
| Separate legal entities | (2,623) | | |
| Subtotal of allowable exclusion | 28,133 | 11,368 | 7,758 |
| Actual exclusion taken | 26,165 | 11,368 | 6,711 |
| Carryforward to future years | $ 1,968 | $ | $ 1,047 |

### Note 5

The $20,298 exclusion claimed for trustee or custodian in the governmental funds consists of $17,024 in county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; $1,811 in sheriff commissary revenues, and $1,463 in antiracketeering revenues.

## 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 amounts accumulated for the purchase for land, buildings, or improvements in the governmental funds. The amounts excluded do not exceed expenditures of such revenues.

| Description | Governmental funds | Enterprise funds | Total |
|---|---|---|---|
| Grants and aid from the federal government | $ 109,136 | $ 2 | $ 109,138 |
| Amounts received from the State of Arizona | 61,295 | | 61,295 |
| Highway user revenues in excess of those received in fiscal year 1979-80 | 74,032 | | 74,032 |
| Contracts with other political subdivisions | 11,761 | | 11,761 |
| Amounts accumulated for the purchase for land, buildings, or improvements | 7,868 | | 7,868 |
| Nonexcludable revenues | 221,841 | | 221,841 |
| Total intergovernmental revenues as reported in the fund financial statements | $ 485,933 | $ 2 | $ 485,935 |

Of the $109,138 for grants and aid from the federal government, $2 was excluded in the enterprise funds and in the governmental funds $88,353 was excluded, $66 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities, and $20,717 was carried forward to future years. Of the $61,295 amount received from the State of Arizona, $56,591 was excluded, $1,405 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities, and $3,299 was carried forward to future years. Of the $74,032 of highway user revenues, $43,108 was excluded and $30,924 was transferred, spent, and excluded as debt service requirements on bonded indebtedness. Of the total amount of $11,761 for contracts with other political subdivisions, $11,643 was excluded, and $118 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities. Of the $7,868 accumulated for the purchase of land, buildings, or improvements, $7,868 was excluded.

**Note 7**

The $4,342 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 expended miscellaneous revenues.

The $846 exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes in the enterprise funds consists of expended other revenues.

**Note 8**

The $24,133 exclusion claimed for quasi-external interfund transactions in the governmental funds consists of expenditures of charges for services revenues of $25,945. The remaining excludable revenues of $1,812 have been carried forward to future years.

The $356 exclusion claimed for quasi-external interfund transactions in the enterprise funds consists of expenditures of charges for services revenues.

The $147,361 exclusion claimed for quasi-external interfund transactions in the internal service funds consists of the expended portion of charges for services revenues of $166,595, of which $147,361 is excludable as quasi-external interfund transactions and $11,065 was included in the amounts deducted on the reconciliation as expenditures of separate legal entities, and $1,026 was no longer excludable. The remaining excludable revenues of $7,143 have been carried forward to future years.

**Note 9**

The $995 exclusion claimed for contracts with other political subdivisions in the internal service funds consists of expended charges for services revenues.

**Note 10**

The $508 exclusion claimed for refunds, reimbursements, and other recoveries in the governmental funds consists of expended miscellaneous revenues resulting from stale dated warrant recoveries, refunds from court ordered services, and credit card rebates.

The $1 exclusion claimed for refunds, reimbursements, and other recoveries in the enterprise funds consists of expended other revenues resulting from stale dated warrant recoveries.

The $9,028 exclusion claimed for refunds, reimbursements, and other recoveries in the internal service funds consists of expended other revenues resulting from stale dated warrant recoveries and pharmacy rebates.

**Note 11**

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 as follows:

| Description | Governmental funds | Enterprise funds | Internal service fund | Total |
|---|---|---|---|---|
| Debt Proceeds | $ 15,688 | $ 42,329 | | $ 58,017 |
| Quasi-external interfund transactions | | | $ 233 | 233 |
| Highway user revenues in excess of those received in fiscal year 1979-80 | 9,777 | | | 9,777 |
| Total prior year carryforward expended | $ 25,465 | $ 42,329 | $ 233 | $ 68,027 |

**Note 12**

The $587 subtraction for bad debt expense in the enterprise funds is reported under the general and administrative expenses.

**Note 13**

The $3,657 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 and internal service funds.

The $4,567 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 funds and internal service funds. 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.

| | Enterprise funds | Internal service funds |
|---|---|---|
| **Statement of cash flows** | | |
| Change in net pension and OPEB asset | $ (171) | $ (59) |
| Change in deferred outflows related to pensions and OPEB | (1,819) | (632) |
| Change in net pension and OPEB liability | 761 | 202 |
| Change in deferred inflows related to pensions and OPEB | 600 | 208 |
| Total | $ (629) | $ (281) |
| | | |
| **AELR—Reconciliation** | | |
| Pension/OPEB contributions—addition | $ 3,375 | $ 1,192 |
| Pension/OPEB expense(income)—subtraction | (2,746) | (911) |
| Total | $ 629 | $ 281 |

### Note 14

The $88,885 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 $89,113 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 an expense in previous years in the internal service funds.

### Note 15

The $1,378 subtraction for compensated absences in the enterprise funds consists of the estimated costs of compensated absences incurred and expensed in the current year but not yet paid.

The $405 subtraction for compensated absences in internal service funds consists of the estimated costs of compensated absences incurred and expensed in the current year but not yet paid.

### Note 16

The $7,554 addition for amortization of bond premiums consists of the amount of bond premium amortized in the current year.

### Note 17

The subtraction for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the County's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the governmental funds:

| Description | Regional flood control district | Stadium district | Library district | Improvement & other districts | Community facilities districts | Total |
|---|---|---|---|---|---|---|
| Public safety | $ 17,225 | | | | | $ 17,225 |
| General government | | | | $ 301 | | 301 |
| Culture and recreation | | $ 8,433 | $ 47,273 | | | 55,706 |
| Education and economic opportunity | | | | | $ 5 | 5 |
| Interest and other charges | | | 88 | | 340 | 428 |
| Capital projects fund: | | | | | | |
| Capital outlay | 21,831 | 5,254 | 5,375 | | | 32,460 |
| Total | $ 39,056 | $ 13,687 | $ 52,736 | $ 301 | $ 345 | $ 106,125 |

The capital outlay amounts represent revenues of separate legal entities that have been transferred to the capital projects fund in the current year or a prior year, but were spent on Regional flood control district, Stadium district, and Library district projects in the current year.

The $1,257 addition for county monies transferred to separate legal entities consists of the County's required maintenance of effort payment of $1,257 to the Stadium district.

### Note 18

The $62,976 subtraction for long-term care contributions the State Treasurer withheld consists of transaction privilege taxes the State Treasurer withheld to meet the County's share of long-term care costs that was reported as a revenue and an offsetting expenditure in the County's governmental funds. Consequently, this expenditure has been subtracted on the reconciliation.

# Pima County
## Notes to Annual Expenditure Limitation Report
## Year ended June 30, 2025

**Note 19**

The $33,374 subtraction for the present value of net minimum lease, financed purchased, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception, consists of new leases and SBITAs recorded in the governmental funds.

**Note 20**

Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. The reduction in carryforward amounts from the Quasi-external interfund transactions includes $1,026 of amounts that are no longer available for exclusion by the County. A summary of the accumulated revenue sources and their balances is shown in the table below:

| Description | Balance June 30, 2024 | Carryforward added | Carryforward used | Balance June 30, 2025 |
|---|---|---|---|---|
| Debt Proceeds | $ 101,243 | $ 51,272 | $ 58,017 | $ 94,499 |
| Dividends, interest, and gains on the sale or redemption of investment securities | 46,290 | 3,015 | | 49,305 |
| Trustee or custodian | 12,109 | | | 12,109 |
| Grants and aid from federal government | 60,928 | 20,717 | | 81,645 |
| Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes | 2,300 | | | 2,300 |
| Amounts received from the State of Arizona | 25,046 | 3,299 | | 28,345 |
| Quasi-external interfund transactions | 74,238 | 8,955 | 1,259 | 81,934 |
| Amounts accumulated for the purchase for land, and the purchase of construction of buildings or improvements | 10,037 | | | 10,037 |
| Highway user revenues in excess of those received in fiscal year 1979-80 | 23,892 | | 9,777 | 14,115 |
| Contracts with other political subdivisions | 5,509 | | | 5,509 |
| Total carryforward | $ 361,592 | $ 87,258 | $ 69,053 | $ 379,798 |