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Town of Sahuarita, Arizona

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2012



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Prepared by: Finance Department



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Town of Sahuarita, Arizona



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30,2012

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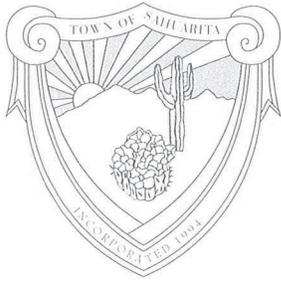
Introductory Section



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Letter of Transmittal

Town of Sahuarita

Office of the Town Manager

September 25, 2012

To the Honorable Mayor, Members of the Council,
and Citizens of the Town of Sahuarita, Arizona (Town):

State law §9-481 requires that towns have an audit performed on their financial statements at least once for every two fiscal years and shall include all financial transactions during that period. The audit shall be completed and the final audit report shall be submitted within six months after the close of the fiscal year or years audited. The Town exceeds the State mandated requirement by issuing an audited report annually. This report is published to fulfill that requirement for the fiscal year ended June 30, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

CliftonLarsonAllen LLP, Certified Public Accountants, have issued an unqualified opinion on the Town of Sahuarita's financials statements for the year ended June 30, 2012. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

GOVERNMENT PROFILE

BASIC INFORMATION

The Town of Sahuarita is one of Arizona's fastest growing municipalities and after visiting the Town, you will see why so many people have chosen to call Sahuarita home. Sahuarita is known as the "Gem of the Desert" because of the beauty of the mountains that surround the Town, the Sonoran desert landscape and the lush Santa Cruz River valley.

Sahuarita officially incorporated as a Town in 1994, but the area's rich history dates back much further as a mining and ranching community. In fact, many of the Town's streets and landmarks are named after the mines for which the area was well known. Today, people move to Sahuarita for the small-town atmosphere and scenic beauty. The Town's population is estimated to be 26,297. The Town's boundaries encompass a 31 square-mile area and include rural settings such as the pecan groves on the Town's east side as well as many housing opportunities.

The Sahuarita Town Council is committed to moving the Town forward through collaboration, openness and partnerships within the community, while preserving and enhancing the area's beauty and history. With the area's high rate of growth, the Town's recent policy decisions have involved the need to balance growth and the area's traditional small community atmosphere.

The Town uses the Council-Manager form of government, which means that residents elect a Town Council, who in turn, select a Town Manager to oversee the operations of the Town, including managing most of the Town's departments. The Sahuarita Mayor and Town Council are responsible for the policy decisions in the Town, while the Town Manager implements the policy and oversees the day-to-day operations. The Town of Sahuarita provides a full range of services, including police protection, the construction and maintenance of highways, streets, and other infrastructure, recreational and cultural activities, and to a portion of the Town, provides treatment of wastewater.

There are seven members of the Town Council, who are elected at-large to staggered four-year terms. Elections are held in the spring of odd-numbered years. The positions of Mayor and Vice Mayor are chosen by the Council members after each election. The Town Council Members also act as the Quail Creek Community Facilities District, a legally separate entity but blended component unit of the Town, Board of Directors. We typically hold Town Council meetings every second and fourth Monday of the month at 6:30 pm at the Town Hall Council Chambers. The District Board meets as necessary.

BUDGET

The Council is required to adopt a final budget on or before the third Monday in August. This annual budget serves as the foundation for the Town of Sahuarita's financial planning and control. The budget is prepared by fund, function, and department.

Department heads may transfer appropriations within a department. Transfers of appropriations reserves or between funds and departments, however, require the approval of the Town Council.

ECONOMIC CONDITION

Throughout the economic downturn, now well into its fifth year but with signs of recovery, the Town of Sahuarita has continued to see growth, moderate to be certain, but growth. Our population count is healthy as we see families, both young and those moving into retirement, embrace the Sahuarita community. New businesses are opening their doors with the hope of success; our schools are flourishing and growing with increased enrollments and state-of-the-art facilities being built. New roadways are being constructed to prepare our future generation s for better mobility, transportation choices, and linkage to our larger sister city, Tucson, and beyond.

We would be remiss if we didn't acknowledge that, yes, we still have reason for concern with unacceptable levels of unemployment, higher gas prices, increased food costs, underwater mortgages and foreclosures; however, recent indicators send the message that consumers are relaxing the tight controls on their wallets by beginning to spend again and the banks are following suit, albeit, much slower than a few years ago.

The Mayor and Town Council work tirelessly to promote our fine community locally, regionally, and sometimes nationally. Our experienced staff provides the highest levels of customer service to ensure the policies and priorities of the Council are carried through with efficiency, effectiveness and excellence in order to be held to the highest form of public scrutiny. The recommended budget for fiscal year 2013 offers our citizens a transparent, realistic look at the health of their local government; not just from a financial point of view , but with a view towards the future and how we are working to greet that future with responsibility and prudence.

The budget for fiscal year 2013 is larger than the adopted budget for 2012. This budget increase accounts for higher revenues and more construction activity. The revenues which the Town uses to fund operations primarily come from the State and the predicted increases come from an improving economic outlook—lower unemployment, higher wages, and more consumer spending. Accordingly, the budget for fiscal year 2013 and the

five-year budget plan call for general fund surpluses each year. The construction activity of the Town is part of the *Capital Improvement Plan* developed in collaboration with the state, regional and local partners. Construction activity is accounted for in the capital improvement infrastructure fund and requires the depletion of the fund balance to leverage the contributions of our partners. While this type of spending is commonly referred to as deficit spending, it does not require any new debt, nor does it imply an ongoing over-commitment. It is simply the use of money set aside in prior years for completion of desired projects. This budget recommendation does not change our established priorities, it provides funding for them.

The first priority is the payment of debt. Paying off our debt is critical to our long-term financial health. The Town owes three types of debt: general debt; wastewater specific debt; and community facility district debt. The general debt payments are made from construction sales tax. The wastewater fund specific debt is paid to the Water Infrastructure Finance Authority or WIFA, from a combination of connection fees, user fees, and short-term borrowing from unrestricted cash reserves of the Town. The community facility district debt payments come from two sources of money: a self-imposed property tax and a developer contribution agreement.

The second priority for the Town is the same as it has been in past years; it is our personnel. The quality services provided by the Town to its residents is a result of individual employees doing the right thing, for the right reason, at the right time. This budget allows employees to earn merit based pay increases for the first time in years. Based on the financial condition of the Town, and the overall economy, Council wisely, agreed to accommodate the reinstatement of merit based pay raises. The employees are dedicated to providing excellent service to the Town and this allows supervisors the opportunity to recognize that commitment. This recommended budget and the five-year budget plan also anticipate, as well as demonstrate, our ability to manage increasing retirement and health care costs.

The strategic goals of the Town are not substantially different from past years either. The Town collects taxes and fees in order to provide for the current and future needs of the community which include:

- **Public safety and court**
- **Roadway maintenance and improvement**
- **Parks maintenance and recreation services**
- **Sanitary sewage system**
- **Development services**

In order to ensure progress is being made towards these goals, a system of performance measurement has been implemented. These performance measurements will allow the Town to gauge its performance year after year, and will also allow for comparison to other municipalities throughout the country to track our progress through time. Progress reports will highlight ways staff can improve its performance in ways that are objective and measurable.

No town or city in today's economy is immune from challenges. We face our share of them too. The most significant challenge is the wastewater fund deficit. Things change, yet they remain the same. The construction project which helped the Town build its new wastewater treatment facility is ending; however, the deficit still remains. The financial plan to repay this deficit is unchanged: Modest fee increases over time and maximizing the efficiencies gained from the new treatment plant.

The second most significant, long-range challenge we face, is the repair and maintenance of our roadways and bridges. The majority of our infrastructure is relatively new but continues to age. We must ensure our roadway maintenance is completed to the highest of standards. Currently, roadway maintenance is funded by State gasoline taxes that are distributed to the Town. However, the gasoline tax, which has not been changed since the early 1990s, is not a tax rate; it is essentially a flat fee which does not adjust for inflation. Therefore, even

though the cost of roadway maintenance increases over time, the funding does not. In order for the Town to address this, it must continue to actively pursue external sources of funding in an attempt to maximize the use of resources. One such way the Town accomplishes this is by staying on top of maintenance, fixing small issues before they become large problems.

To summarize, the Town of Sahuarita has a growing population; increasing revenues; increasing costs; on-going construction projects; and a financially responsible plan. Life changes daily, and so does our Town. Our financial position is good and all future indicators say it will get better. Going from good to better is always a welcome beginning to a new fiscal year.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Sahuarita for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the tenth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance department and to the many members of other departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and Council for their leadership and support.

Respectfully submitted,



James R. Stahle
Town Manager



A.C. Marriotti, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Sahuarita
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

Mayor & Council

Set public policy and provide staff with direction to meet community needs

The Town Council is comprised of seven elected officials. Council Members serve overlapping four-year terms with elections held in the spring of odd-numbered years, with a Mayor and Vice Mayor selected by the Council after each election. As the Town's governing body, the Council establishes goals and objectives, adopts public policies, and approves the annual budget to meet the community's needs. All powers of the Council are exercised by ordinance, resolution, order, or motion.



Bill Bracco, Melissa Smith, Josh Matthews, Duane Blumberg, Gil Lusk, Kara Egbert, and Lynne Skelton.

Mayor Duane Blumberg

Blumberg came to Sahuarita in 2005; he was elected to Town Council in 2009 and was elected Mayor in 2011.

Vice-Mayor Lynne Skelton

Skelton was first elected to Town Council in 1999. She served as Mayor from 2007 until 2011.

Kara Egbert

Egbert was elected to Town Council in 2009. Egbert has lived in Sahuarita since 2005.

Bill Bracco

Bracco was elected to Town Council in 2011, he has lived in Sahuarita since 2005.

Melissa Smith

Smith was elected to Town Council in 2011 and has lived in the area since 1999.

Gil Lusk

Lusk was appointed to Town Council in 2012.

Josh Matthews

Matthews was appointed to Town Council in 2012.

Organization



Citizens

Mayor & Council

**Boards
& Commissions**

Municipal Court

Town Manager

Department of Law

Town Clerk

Planning & Building

Finance

Parks & Recreation

Human Resources

Police

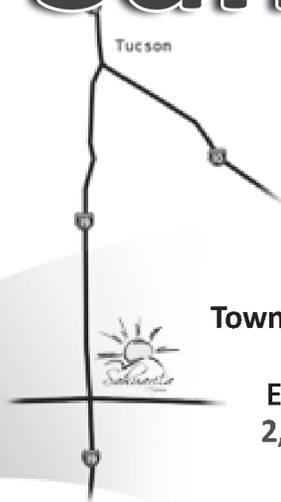
Public Works

Streets

Wastewater

About Sahuarita

LOCATION



Town Hall to Tucson City Hall
19.5 miles
Town limits to Tucson City limits
3,721 feet at closest point
Town Hall to Nogales, Mexico Port of Entry
48.2 miles

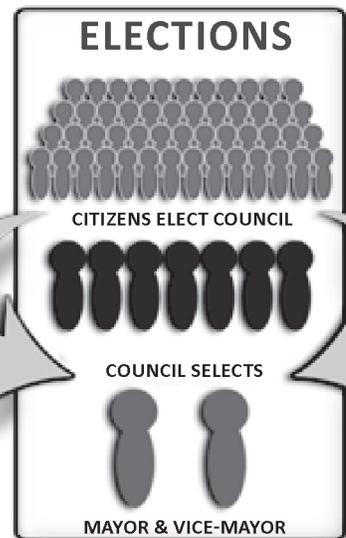
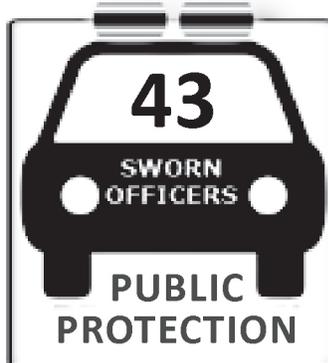
Elevation
2,844 feet

Land Area
30 square miles

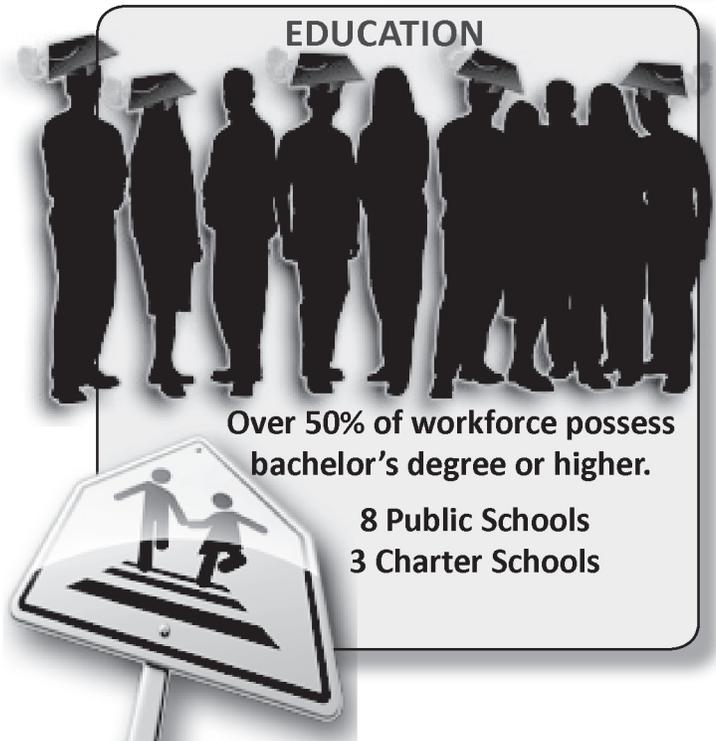


HISTORY

The Town of Sahuarita was officially incorporated in 1994.



EDUCATION



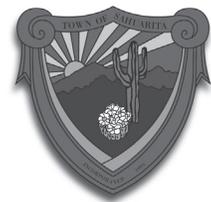
Over 50% of workforce possess bachelor's degree or higher.

8 Public Schools
3 Charter Schools

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Financial Section



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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and the Town Council
Town of Sahuarita, Arizona
Sahuarita, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Sahuarita, Arizona (Town), as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Sahuarita, Arizona, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison schedule of the General Fund and HURF Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2012, which represents a change in accounting principle. The prior year financial statements were restated to comply with GASB Statement No. 63 and 65. A summary of the restatement is presented in Note 13.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of agent retirement plan's funding progress on pages 15 through 26 and page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sahuarita, Arizona's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sahuarita, Arizona's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Mesa, Arizona
September 25, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

As management of the Town of Sahuarita, Arizona (Town), we are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2012. This overview is presented with all amounts rounded to thousands in order to make it more reader friendly and to focus on significant changes. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which can be found on pages 3-6 of this report.

FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities at the close of the most recent fiscal year by \$145,734 (*net position*). Of this amount, \$23,857 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Capital asset balances totaled \$178,057, a decrease of \$2,501 (-1.4%) compared to last year. Construction in progress accounted for \$10,318, approximately 6%, of the total balance.
- New Governmental Accounting Standards Board standards were implemented causing a restatement of the governmental activities net position downward by \$850 when compared to last year's financial report.
- Total net position increased by \$1,170. Capital asset contributions accounted for \$706 of the net increase.
- As of the close of the current fiscal year, the governmental funds combined ending fund balances had increased \$3,145 to a new balance of \$26,203. Of this amount, \$4,243 is in a nonspendable form, \$821 is restricted for specific purposes due to agreements or laws, and \$9,387 is assigned by the Town Council for capital acquisition and maintenance or to development in the Town Center.
- Unassigned fund balances in the General Fund were \$12,155 at year end. This amount is equivalent to 104% of General Fund expenditures for the year.
- At year end, the Wastewater Enterprise Fund had a deficit unrestricted net position of \$4,253, which was less negative than the prior year by \$349.
- The Wastewater Enterprise Fund borrowed \$431 from the Water Infrastructure Financing Authority to improve and expand its wastewater treatment plant.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, and culture and recreation. The business-type activities of the Town include a sewer treatment operation. The government-wide financial statements can be found on pages 28-29 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories, governmental funds and a proprietary fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains five individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund, and for the Capital Infrastructure Improvement Fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town adopts an annual appropriated budget for its funds. Budgetary comparison statements and schedules have been provided for the governmental funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 30-35 of this report.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its wastewater treatment operation, which is considered to be a major fund of the Town. The basic proprietary fund financial statements can be found on pages 36-38 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-55 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's progress in funding its obligation to provide pension benefits to its employees enrolled in the Public Safety Personnel Retirement System. Required supplementary information can be found on page 58 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 61-65 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$145,734 at the close of the most recent fiscal year.

NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u> <i>(restated)</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u> <i>(restated)</i>
Current and other assets	\$ 32,095	\$ 31,629	\$ (1,906)	\$ (2,632)	\$ 30,189	\$ 28,997
Capital assets	126,099	127,842	51,958	52,716	178,057	180,558
Total assets	<u>158,194</u>	<u>159,471</u>	<u>50,052</u>	<u>50,084</u>	<u>208,246</u>	<u>209,555</u>
Current liabilities	2,417	2,753	1,939	1,939	4,356	4,692
Long-term liabilities	30,577	31,846	27,579	28,453	58,156	60,299
Total liabilities	<u>32,994</u>	<u>34,599</u>	<u>29,518</u>	<u>30,392</u>	<u>62,512</u>	<u>64,991</u>
Net position:						
Net investment in capital assets	96,270	96,701	23,100	23,029	119,370	119,730
Restricted	822	522	1,686	1,265	2,508	1,787
Unrestricted	28,108	27,649	(4,252)	(4,602)	23,856	23,047
Total net position	<u>\$125,200</u>	<u>\$124,872</u>	<u>\$20,534</u>	<u>\$19,692</u>	<u>\$145,734</u>	<u>\$144,564</u>

The largest portion of the Town's net position (82%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, vehicles, and equipment), less any related outstanding debt that was used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$23,856 is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities, except for the deficit reported in unrestricted net position of the business-type activities. The same situation held true for the prior fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

CHANGES IN NET POSITION

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u> <u>(restated)</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u> <u>(restated)</u>
REVENUES						
Program revenues:						
Charges for services	\$ 1,747	\$ 1,675	\$4,409	\$ 2,637	\$ 6,156	\$ 4,312
Operating grants and contributions	2,135	1,722	-	-	2,135	1,722
Capital grants and contributions	4,857	9,251	-	417	4,857	9,668
General revenues:						
Property taxes	290	292	-	-	290	292
Sales taxes	6,280	6,456	-	-	6,280	6,456
Franchise taxes	313	309	-	-	313	309
Share of state income tax	2,132	1,362	-	-	2,132	1,362
Share of state sales tax	1,974	1,145	-	-	1,974	1,145
Share of state vehicle license tax	911	545	-	-	911	545
Investment earnings (losses)	337	233	(46)	(22)	291	211
Miscellaneous	779	852	42	-	821	852
Total revenues	<u>21,755</u>	<u>23,842</u>	<u>4,405</u>	<u>3,032</u>	<u>26,160</u>	<u>26,874</u>
EXPENSES						
Program expenses:						
Governmental activities:						
General government	4,127	4,245	-	-	4,127	4,245
Public safety	6,428	6,659	-	-	6,428	6,659
Highways and streets	7,401	6,760	-	-	7,401	6,760
Culture and recreation	1,972	1,830	-	-	1,972	1,830
Interest and amortization on long-term debt	1,499	1,548	-	-	1,499	1,548
Business-type activities:						
Sewer	-	-	3,563	3,073	3,563	3,073
Total expenses	<u>21,427</u>	<u>21,042</u>	<u>3,563</u>	<u>3,073</u>	<u>24,990</u>	<u>24,115</u>
Special item	-	-	-	(1,288)	-	(1,288)
Transfers	-	(142)	-	142	-	-
Change in net position	328	2,658	842	(1,187)	1,170	1,471
Net position at beginning of year	124,872	122,214	19,692	20,879	144,564	143,093
Net position at end of year	<u>\$125,200</u>	<u>\$124,872</u>	<u>\$20,534</u>	<u>\$19,692</u>	<u>\$145,734</u>	<u>\$144,564</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Governmental Activities

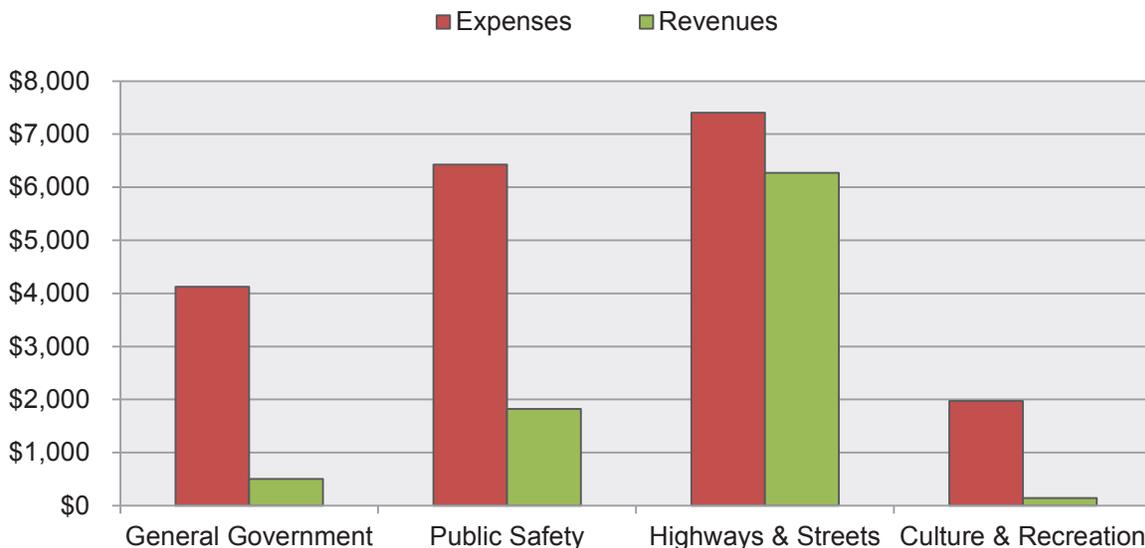
During the year, net position for governmental activities increased \$328 from the prior fiscal year, which was \$2,330 less (-88%) than the change in net position last year.

Significant variances between fiscal year 2012 and 2011 program revenues are explained below:

- Capital grants and contributions were \$4,394 less (-47%) than last year. The majority of the Town's construction projects are financed from intergovernmental revenue sources, and the projects were moving forward at a slower pace in 2012 when compared to the pace of construction in the prior year. The Town incurred \$2,643 less in capital outlay costs than last year, most of which was grant funded. Also, in fiscal year 2012 there were \$1,110 less in developer contributions and donations of capital assets than in the prior year. This type of fluctuation is a result of normal variability within the development community.
- Expenses were fairly stable when compared to last year. Only the highways and streets functional costs increased with any significance, increasing by \$641 (+9%) due mostly to higher depreciation expenses on capital assets.

As shown on the chart below, all functions had greater program expenses than program revenues. Accordingly, general revenues were used to fund each of these functions.

Governmental Activities Program Revenues and Expenses

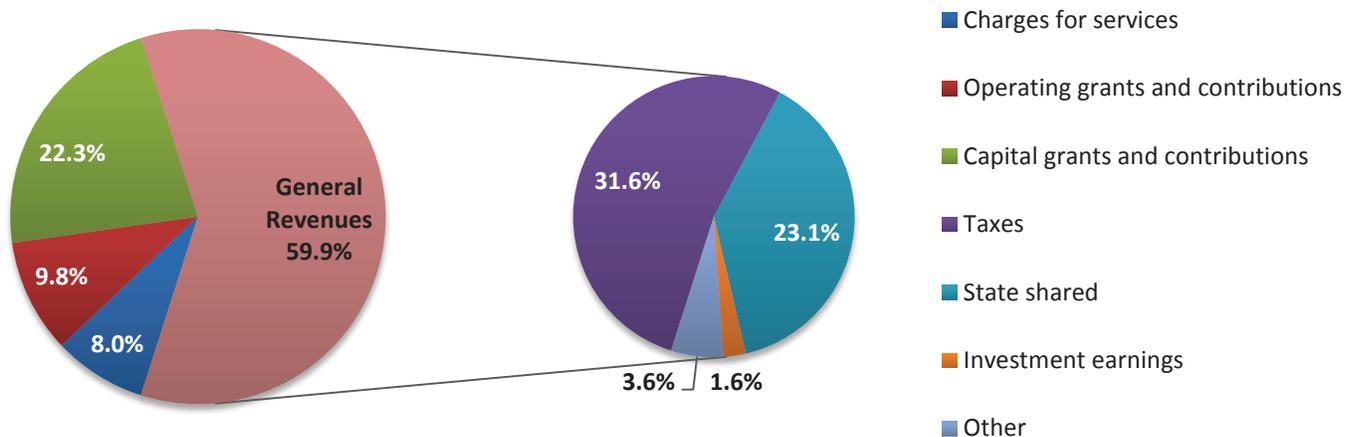


MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

- General revenues (\$13,016), which comprised 60% of all governmental activities revenue sources, were \$1,822 more (+16%) than last year. Explanations for the primary impacts follow:
 - Sales taxes were \$176 less (-3%) less than last year. The decrease was primarily attributable to a decline in commercial development resulting in less construction sales tax collections.
 - State shared revenues were \$1,965 more (+64%) than last year. The State distributes these revenues based upon proportional population figures, adjusted every five years. The population figures were revised for fiscal year 2012 distributions. Over the past five years the Town grew at a faster pace than the rest of the State, resulting in significantly more revenues than in fiscal year 2011 (when the old population figures were used).
 - Investment earnings increased by \$104 (+45%). Average investment balances and the rate of return on the investment portfolio were higher than last year.

Governmental Activities Revenues by Source



MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

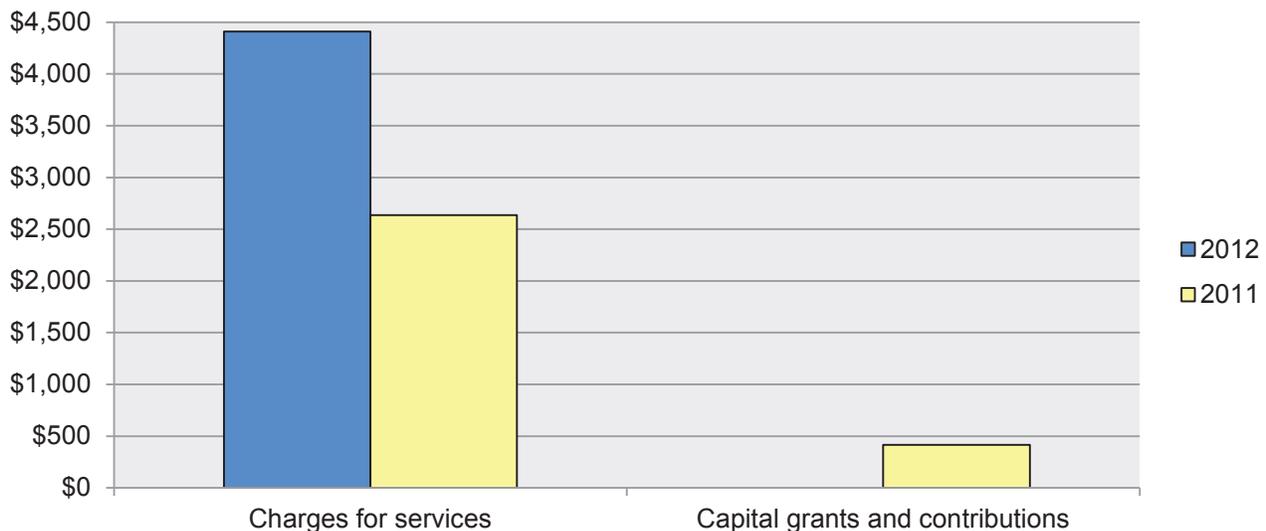
Business-type Activities

Business-type activities increased the Town's net position by \$842 in fiscal year 2012. Last year, the change in net position was -\$1,187 (deficit), a difference of \$2,029 when compared to the current year change.

Significant variances between fiscal year 2012 and 2011 are explained below:

- Charges for services were \$1,772 more (+67%) than last year. The increase in revenues was attributable to several factors:
 - Previously approved rate increases took effect at the beginning of the year
 - Sewer user rates were increased 8.9% for the average user
 - Sewer connection fees were increased by 6.5%
 - More customers were added to the system during the year
 - The Sahuarita Unified School District paid \$978 in fees to connect new and existing facilities to the Town's wastewater system.
- Capital grants and contributions were zero in 2012 as there were no conveyances of developer-built sewer lines. In fiscal year 2011, however, there was \$417 worth of these contributions.

Business-type Activities Revenues by Source



- Expenses were \$490 more (+16%) than last year. \$363 of this is due to increasing depreciation expenses. The remaining increase stems from higher operating costs associated with serving more customers.
- Miscellaneous revenues of \$42 were received to pay for water recharge credits that were provided to the Parks & Recreation to offset excess water usage on the Lake Park. Last year, a one-time catch-up transfer was used to account for several years' worth of this activity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

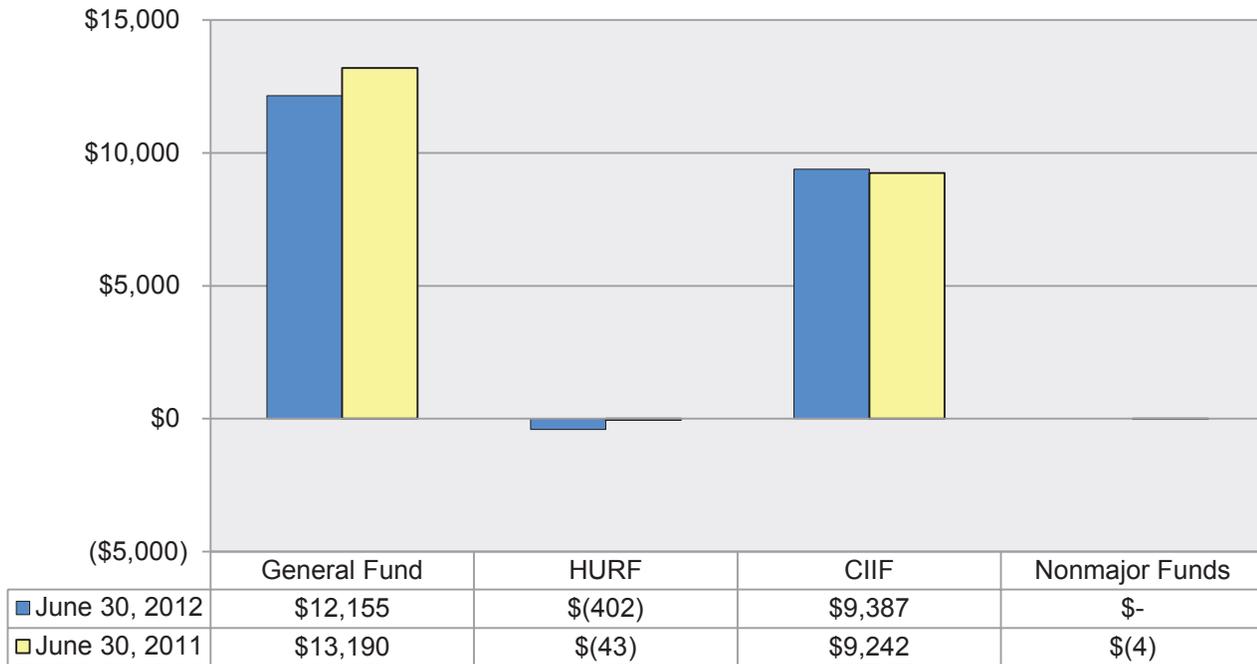
(dollar amounts in thousands)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, discretionary (i.e., unassigned and assigned) fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$26,203, an increase of \$3,145 (+14%) in comparison with the prior year. Most of the amount (\$21,140) constitutes discretionary fund balances. The remaining fund balance is either non-spendable (\$4,243) to indicate that it is not available because it has already been spent on prepaid items or associated with long-term notes receivable and advances to other funds, or restricted (\$820) through agreements with other entities or by enabling legislation.

Governmental Funds Discretionary Fund Balances



The General Fund is the chief operating fund of the Town. As a measure of the General Fund's liquidity, it may be useful to compare discretionary fund balance to total fund expenditures. Discretionary fund balances represented 104% of total General Fund expenditures. These fund balances decreased by \$1,035 (-8%) primarily because the amount (\$2,018) needed to cover the Wastewater Enterprise Fund deficit was reported as a component of nonspendable fund balance in 2012, which was not the case last year. This decrease was partially offset by positive fund balance impacts resulting from increased state shared revenues.

The Highway User Revenue Fund (HURF) fund balance ended in a \$402 deficit position, which is required to be reported as unassigned fund balance. The decrease (i.e., larger deficit) in discretionary fund balance was \$359. Of this amount, \$616 related to revenues that were deferred as they were not available in the current period. Associated transfers—for this same amount—however, were made to the CIIF to finance transportation project costs. The fund balance decrease was partially offset by positive impacts resulting from increased state shared HURF revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

The Capital Infrastructure Improvement Fund (CIIF) discretionary fund balances increased by \$145 (+2%). This change is the net result of higher collections on intergovernmental grants, resulting in increased revenues, and reporting the amount (\$2,018) needed to cover the Wastewater Enterprise Fund deficit as nonspendable fund balance in 2012, which was not the case in last year.

The nonmajor funds consist of two funds, the Quail Creek Community Facilities District (QC CFD) Fund and the Racketeer Influenced and Corrupt Organizations (RICO) Fund. The entire fund balance of the RICO fund is restricted and, therefore, no amounts are considered discretionary. The QC CFD received a General Fund subsidy sufficient to bring its fund balance to \$0 at year end.

Proprietary fund. The Town's Wastewater Enterprise Fund provides the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the wastewater treatment operation at the end of the year amounted to a deficit (negative) balance of \$4,253, which is an increase (less deficit) of \$349 compared to last year. At June 30, 2012, restricted net position was \$1,686 and represent debt service reserves set aside to comply with loan agreements. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Wastewater Enterprise Fund Net Position



GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year there were no significant amendments to increase either the original estimated revenues or original budget appropriations. Minor amendments were made, however, to accommodate the revenues and costs associated with new grant programs (\$111), and to spend resources previously accumulated (\$62) to complete a project that was not contemplated when the original budget was developed. Additionally, there was a need to make minor amendments to reallocate appropriations between the nondepartmental appropriation and other departments when it became clearer which departments would actually have a need for operating capital replacement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Final budget compared to actual results. Total actual revenues exceeded the estimated revenues \$478. The most significant differences were as follows:

<u>Revenue source</u>	<u>Budgeted Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Licenses and permits	\$721	\$1,033	\$312
Charges for services	826	997	171
Investment earnings	132	175	43

Licenses and permits were more than budgeted because building permit activity exceeded expectations. The budget figure was derived under the assumption there would be 170 new residential permits issued during the year. The Town actually issued 247 for the year. Charges for services were more than budgeted due to a change in how the cost allocation plan was implemented, resulting in higher indirect cost recoveries in the General Fund. Investment earnings were more than anticipated as it was possible to investment a larger proportion of the Town's investment portfolio for longer periods. This yielded higher returns than what was anticipated in the budget.

Total actual expenditures were less than departmental appropriations by \$622. The Public Works Department and the Police Department spent significantly less than what was budgeted. These departments' budget levels provided capacity to complete certain facility improvements and to purchase equipment. Ultimately, the capacity was not fully utilized resulting in positive budget variances of \$133 and \$388, respectively. There were, however, several departments with negative budget variances. The Mayor & Council, Town Manager, and Law departments ended the year by spending \$15, \$1, \$20, respectively, more than what was estimated. These budgets were exceeded because certain unforeseen actions and events occurred that were not anticipated when the budget was developed, including one-time staff appreciation bonuses and the need for specialized legal services. All negative budget variations were covered by expenditure savings in other areas of the General Fund. None of these budget variations have a significant effect on future service levels or liquidity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$178,058 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, sewer conveyance systems, machinery and equipment, vehicles, park facilities, roads, highways, and bridges.

CAPITAL ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 9,150	\$ 8,500	\$ 2,640	\$ 2,640	\$ 11,790	\$ 11,140
Buildings & improvements	19,723	20,141	-	-	19,723	20,141
Sewer conveyance system	-	-	48,608	21,739	48,608	21,739
Infrastructure	85,799	89,435	-	-	85,799	89,435
Vehicles	658	570	181	207	839	777
Equipment and software	961	1,315	21	29	982	1,344
Construction in progress	9,808	7,881	509	28,101	10,317	35,982
	<u>\$126,099</u>	<u>\$127,842</u>	<u>\$51,959</u>	<u>\$52,716</u>	<u>\$178,058</u>	<u>\$180,558</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

The Town's investment in capital assets decreased by \$2,500 (-1%) during the year, which is the net difference between new capital acquisition and depreciation.

Major capital asset events during the fiscal year included the following:

- The Town's governmental activities capitalized \$4,166 of project costs to acquire and improve capital assets. The major capital projects included the Sahuarita Road Improvement Project (\$2,148), the Sahuarita Road/Interstate 19 Traffic Interchange Project (\$895), and several intersection traffic signaling projects (\$573).
- During the year, capital assets valued at \$706 were acquired without cost to the Town. These came in the form of developer contributions, police seizures, and other donations.
- Completion of governmental and business-type activities projects, totaling \$1,887 and \$28,011, respectively, resulted in increases to infrastructure and the sewer system with corresponding decreases in construction in progress.

Additional information on the Town's capital assets can be found in note 5 on pages 45-46 of this report.

Long-term debt. At the end of the current fiscal year, the Town had total debt outstanding of \$57,380. Of this amount, \$11,285 comprises debt backed by the full faith and credit of the Quail Creek Community Facilities District. The remainder of the debt is secured by specific revenue sources. A summary of outstanding long-term debt follows.

LONG-TERM DEBT

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Quail Creek CFD general obligation bonds	\$11,285	\$11,655	\$ -	\$ -	\$11,285	\$11,655
Loans payable	18,544	19,486	27,551	28,427	46,095	47,913
	<u>\$29,829</u>	<u>\$31,141</u>	<u>\$27,551</u>	<u>\$28,427</u>	<u>\$57,380</u>	<u>\$59,568</u>

No additional debt was obtained by the governmental activities of the Town during fiscal year 2012. Principal payments and amortization of premiums and discounts, however, reduced the debt liability by \$1,312.

During 2012, the business-type activities of the Town obtained an additional \$431 in loan proceeds from the Water Infrastructure Financing Authority (WIFA) for the wastewater treatment plant expansion capital project. Principal payments of \$1,307 were also made during the year.

State statutes limit the amount of general obligation debt a governmental entity may issue. However, as the Quail Creek Community Facilities District is a legally separate entity, its general obligation debt does not apply against the Town's debt capacity, which is \$52,032.

Additional information on the Town's long-term debt can be found in note 6 on pages 46-49 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

- The current estimated population of 26,297 is 2.2% larger than last year's estimated population of 25,659 and more than eight times larger than the census population in 2000 which was 3,242. The Town uses a growth rate of 2.2% for planning purposes.
- The secondary assessed property valuation decreased 3.0%, to \$200,123, since last year. The total full cash property value decreased 3.1%, to \$1,856,862, during the same period.

The Town's budget for fiscal year 2013 totals \$74,362, 17.1% higher than the fiscal year 2012 budget. Additional state shared and grant revenues account for the increase. Budgeted expenditures (\$54,824) are \$7,696, or 16.3%, more than in fiscal year 2012. The increase in spending is associated with major street improvements in the Town. Unused contingency reserves (i.e., ending fund balances) are expected to be \$19,538 by the end of 2013.

The first year of the five-year Capital Improvement Plan is incorporated into the 2013 capital budget, which amounts to \$33,107, principally for the construction of the Sahuarita Road, design on the Sahuarita/Interstate 19 interchange, and reconstruction of the Pima Mine Road bridge. The Town intends to finance \$29,442 of the 2013 capital budget with grants and contributions from other entities, and \$502 with long-term debt proceeds. The remainder of the capital budget will be financed with Town revenues and beginning fund balances.

The Wastewater sewer user fees will be increased 8.9% in fiscal year 2013. Additionally, sewer connection fees will increase 6.5%. The fee increases are needed to cover the cost of providing sewer services to the developments served by the treatment facility, and, pursuant to a loan agreement, to ensure there is sufficient revenue coverage relative to debt service obligations.

All of these factors were considered in preparing the Town's budget for the 2013 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Sahuarita, Arizona's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 375 W. Sahuarita Center Way, Sahuarita, AZ 85629 or by visiting the Town's website at www.ci.sahuarita.az.us.

CAFR

Basic Financial Statements



2012
2012
2012

Town of Sahuarita, Arizona

Statement of Net Position

June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 21,951,543	\$ -	\$ 21,951,543
Receivables:			
Taxes, net of allowances	1,155,280	-	1,155,280
Accounts	38,924	442,669	481,593
Intergovernmental	3,942,315	-	3,942,315
Notes	9,870	-	9,870
Internal balances	4,035,124	(4,035,124)	-
Prepaid items	197,708	-	197,708
Restricted assets	764,872	1,686,448	2,451,320
Capital assets:			
Land and construction in progress	18,958,771	3,149,358	22,108,129
Other capital assets, net of depreciation	107,139,950	48,809,215	155,949,165
Total capital assets	<u>126,098,721</u>	<u>51,958,573</u>	<u>178,057,294</u>
Total assets	<u>158,194,357</u>	<u>50,052,566</u>	<u>208,246,923</u>
LIABILITIES			
Accrued payroll and benefits	354,628	22,251	376,879
Payables:			
Accounts	1,027,867	79,084	1,106,951
Bonds due and payable	370,000	1,307,188	1,677,188
Interest	318,801	530,365	849,166
Contract retention	71,214	-	71,214
Deposits	48,075	-	48,075
Unearned revenues	226,933	-	226,933
Noncurrent liabilities:			
Due within one year	1,869,696	1,376,087	3,245,783
Due in more than one year	28,707,314	30,238,158	58,945,472
Total liabilities	<u>32,994,528</u>	<u>33,553,133</u>	<u>66,547,661</u>
NET POSITION			
Net investment in capital assets	96,269,746	23,100,686	119,370,432
Restricted for:			
Municipal Court	52,182	-	52,182
Public safety	768,494	-	768,494
Quail Creek CFD	139	-	139
Debt service	1,385	1,686,448	1,687,833
Unrestricted	28,107,883	(4,252,577)	23,855,306
Total net position	<u>\$ 125,199,829</u>	<u>\$ 20,534,557</u>	<u>\$ 145,734,386</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Sahuarita, Arizona

Statement of Activities

For the Fiscal Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,127,397	\$ 348,701	\$ 153,120	\$ -	\$ (3,625,576)		\$ (3,625,576)
Public safety	6,428,351	1,294,328	421,605	104,100	(4,608,318)		(4,608,318)
Highways and streets	7,400,954	-	1,535,617	4,737,763	(1,127,574)		(1,127,574)
Culture and recreation	1,971,790	103,665	24,950	14,955	(1,828,220)		(1,828,220)
Interest and amortization on long-term debt	1,498,452	-	-	-	(1,498,452)		(1,498,452)
Total governmental activities	<u>21,426,944</u>	<u>1,746,694</u>	<u>2,135,292</u>	<u>4,856,818</u>	<u>(12,688,140)</u>		<u>(12,688,140)</u>
Business-type activities:							
Sewer	3,563,460	4,409,305	-	-		\$ 845,845	845,845
Total business-type activities	<u>3,563,460</u>	<u>4,409,305</u>	<u>-</u>	<u>-</u>		<u>845,845</u>	<u>845,845</u>
Total primary government	<u>\$ 24,990,404</u>	<u>\$ 6,155,999</u>	<u>\$ 2,135,292</u>	<u>\$ 4,856,818</u>	<u>(12,688,140)</u>	<u>845,845</u>	<u>(11,842,295)</u>
General revenues:							
Property taxes					289,751	-	289,751
Sales taxes					6,279,865	-	6,279,865
Franchise taxes					313,653	-	313,653
Share of state income tax					2,131,878	-	2,131,878
Share of state sales tax					1,973,746	-	1,973,746
Share of state vehicle license tax					911,007	-	911,007
Investment earnings (losses)					337,457	(45,978)	291,479
Miscellaneous					778,876	42,330	821,206
Net general revenues					<u>13,016,233</u>	<u>(3,648)</u>	<u>13,012,585</u>
Change in net position					328,093	842,197	1,170,290
Net position at beginning of year, as restated					124,871,736	19,692,360	144,564,096
Net position at end of year					<u>\$ 125,199,829</u>	<u>\$ 20,534,557</u>	<u>\$ 145,734,386</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Sahuarita, Arizona

Balance Sheet

Governmental Funds

June 30, 2012

	General Fund	Highway User Revenue Fund	Capital Infrastructure Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 11,536,874	\$ -	\$ 9,813,965	\$ 600,704	\$ 21,951,543
Receivables:					
Taxes, net of allowances	646,558	-	507,198	1,524	1,155,280
Accounts	15,018	8,370	-	15,536	38,924
Intergovernmental	308,570	1,014,900	2,617,009	1,836	3,942,315
Notes	9,870	-	-	-	9,870
Due from other funds	774,358	-	-	-	774,358
Prepaid items	197,708	-	-	-	197,708
Restricted assets	-	-	-	764,872	764,872
Advances to other funds	2,017,562	-	2,017,562	-	4,035,124
Total assets	<u>\$ 15,506,518</u>	<u>\$ 1,023,270</u>	<u>\$ 14,955,734</u>	<u>\$ 1,384,472</u>	<u>\$ 32,869,994</u>
Liabilities					
Accrued payroll and benefits	\$ 317,514	\$ 16,557	\$ 20,557	\$ -	\$ 354,628
Payables:					
Accounts	310,321	18,021	683,377	16,148	1,027,867
Bonds	-	-	-	370,000	370,000
Interest	-	-	-	318,801	318,801
Contract retention	-	-	71,214	-	71,214
Deposits	48,075	-	-	-	48,075
Due to other funds	-	774,358	-	-	774,358
Unearned revenues	202,952	-	-	23,981	226,933
Total liabilities	<u>878,862</u>	<u>808,936</u>	<u>775,148</u>	<u>728,930</u>	<u>3,191,876</u>
Deferred inflows of resources					
Unavailable revenues	81,245	616,334	2,775,699	1,524	3,474,802
Total deferred inflows of resources	<u>81,245</u>	<u>616,334</u>	<u>2,775,699</u>	<u>1,524</u>	<u>3,474,802</u>
Fund balances					
Nonspendable:					
Long-term notes receivable	9,870	-	-	-	9,870
Prepaid items	197,708	-	-	-	197,708
Long-term interfund advances	2,017,562	-	2,017,562	-	4,035,124
Restricted:					
Municipal Court	52,182	-	-	-	52,182
Public safety	114,476	-	-	654,018	768,494
Assigned:					
Town Center development	-	-	400,086	-	400,086
Capital projects	-	-	8,987,239	-	8,987,239
Unassigned	12,154,613	(402,000)	-	-	11,752,613
Total fund balances	<u>14,546,411</u>	<u>(402,000)</u>	<u>11,404,887</u>	<u>654,018</u>	<u>26,203,316</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,506,518</u>	<u>\$ 1,023,270</u>	<u>\$ 14,955,734</u>	<u>\$ 1,384,472</u>	<u>\$ 32,869,994</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Sahuarita, Arizona
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2012

Total fund balances—governmental funds \$ 26,203,316

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 9,150,468	
Construction in progress	9,808,303	
Buildings and improvements	22,103,283	
Infrastructure	109,772,721	
Vehicles	2,192,232	
Equipment and software	3,001,422	
Accumulated depreciation	<u>(29,929,708)</u>	
Total capital assets		126,098,721

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 3,474,802

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(11,285,000)	
Loans payable	(18,040,000)	
Unamortized premium on long-term debt	(543,253)	
Unamortized discount on long-term debt	39,278	
Compensated absences	<u>(748,035)</u>	
Total noncurrent liabilities		<u>(30,577,010)</u>

Net position of governmental activities \$ 125,199,829

The accompanying notes to financial statements are an integral part of this statement.

Town of Sahuarita, Arizona

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2012

	General Fund	Highway User Revenue Fund	Capital Infrastructure Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 4,417,838	\$ -	\$ 2,175,680	\$ 291,240	\$ 6,884,758
Licenses and permits	1,033,099	-	1,200	-	1,034,299
Intergovernmental	5,499,392	2,576,953	5,316,533	12,507	13,405,385
Charges for services	997,209	-	-	-	997,209
Fines and forfeitures	240,311	-	-	301,492	541,803
Investment earnings	174,906	5,188	151,612	5,751	337,457
Miscellaneous	140,203	2,849	6,468	728,347	877,867
Total revenues	<u>12,502,958</u>	<u>2,584,990</u>	<u>7,651,493</u>	<u>1,339,337</u>	<u>24,078,778</u>
Expenditures					
Current:					
General government	4,157,867	-	-	-	4,157,867
Public safety	6,296,926	-	-	71,738	6,368,664
Highways and streets	-	1,343,095	-	14,774	1,357,869
Culture and recreation	1,280,245	-	-	24,374	1,304,619
Capital outlay	-	-	4,934,050	-	4,934,050
Debt service:					
Principal	-	-	905,000	370,000	1,275,000
Interest	-	-	891,763	637,603	1,529,366
Fiscal charges	-	-	1,150	5,375	6,525
Total expenditures	<u>11,735,038</u>	<u>1,343,095</u>	<u>6,731,963</u>	<u>1,123,864</u>	<u>20,933,960</u>
Excess (deficiency) of revenues over (under) expenditures	<u>767,920</u>	<u>1,241,895</u>	<u>919,530</u>	<u>215,473</u>	<u>3,144,818</u>
Other financing sources (uses)					
Transfers in	358,993	-	1,602,732	21,884	1,983,609
Transfers out	(21,884)	(1,602,732)	(358,993)	-	(1,983,609)
Total other financing sources (uses)	<u>337,109</u>	<u>(1,602,732)</u>	<u>1,243,739</u>	<u>21,884</u>	<u>-</u>
Net change in fund balances	1,105,029	(360,837)	2,163,269	237,357	3,144,818
Fund balance at beginning of year	13,441,382	(41,163)	9,241,618	416,661	23,058,498
Fund balance at end of year	<u>\$ 14,546,411</u>	<u>\$ (402,000)</u>	<u>\$ 11,404,887</u>	<u>\$ 654,018</u>	<u>\$ 26,203,316</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Sahuarita, Arizona

Reconciliation of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities—Governmental Activities

For the Fiscal Year Ended June 30, 2012

Net change in fund balances—governmental funds \$ 3,144,818

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capitalized expenditures	\$ 4,166,368	
Depreciation expense	<u>(6,598,175)</u>	
Excess of depreciation expense over capitalized expenditures		(2,431,807)

Some capital additions were acquired during the year without cost to the Town. These assets are not recognized in governmental funds, but in the statement of activities, the fair market values are reported as revenues. 705,936

Some revenues reported in the statement of activities do not represent the collection of current financial resources and are not reported as revenues in the governmental funds. Conversely, some revenues reported in the governmental funds are collections of current financial resources that relate to other periods and are not reported as revenues in the statement of activities. These revenues consist of:

Decrease in unavailable deferred revenues	(2,341,731)
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The issuance of long term-debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumed the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt service - principal payments	\$ 1,275,000	
Net amortization of discounts and premiums	<u>37,439</u>	
Net effect of long-term debt and related items		1,312,439

Book value of disposed capital assets (17,591)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	<u>(43,971)</u>
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Change in net position of governmental activities \$ 328,093

The accompanying notes to financial statements are an integral part of this statement.

Town of Sahuarita, Arizona

Statement of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual General Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 4,373,920	\$ 4,373,920	\$ 4,417,838	\$ 43,918
Licenses and permits	720,880	720,880	1,033,099	312,219
Intergovernmental	5,542,310	5,572,310	5,499,392	(72,918)
Charges for services	826,470	826,470	997,209	170,739
Fines and forfeitures	267,800	267,800	240,311	(27,489)
Investment earnings	132,490	132,490	174,906	42,416
Miscellaneous	50,000	131,432	140,203	8,771
Total revenues	<u>11,913,870</u>	<u>12,025,302</u>	<u>12,502,958</u>	<u>477,656</u>
Expenditures				
General government:				
Mayor and Council	157,390	157,390	171,996	(14,606)
Town Manager	554,440	646,872	648,000	(1,128)
Law	438,030	438,030	458,487	(20,457)
Town Clerk	249,210	249,210	240,265	8,945
Finance	897,380	904,680	899,541	5,139
Human Resources	185,570	185,570	182,250	3,320
Municipal Court	502,750	502,750	494,128	8,622
Planning and Building-Zoning	394,390	394,390	395,875	(1,485)
Public Works-Facilities	505,630	591,130	472,249	118,881
Non-Departmental	338,960	246,160	195,076	51,084
Total general government	<u>4,223,750</u>	<u>4,316,182</u>	<u>4,157,867</u>	<u>158,315</u>
Public safety:				
Planning and Building-Building Safety	583,510	583,510	569,109	14,401
Public Works-Engineering	344,040	344,040	329,597	14,443
Police	5,725,250	5,786,250	5,398,220	388,030
Total public safety	<u>6,652,800</u>	<u>6,713,800</u>	<u>6,296,926</u>	<u>416,874</u>
Culture and recreation:				
Parks and Recreation	1,307,450	1,327,450	1,280,245	47,205
Total culture and recreation	<u>1,307,450</u>	<u>1,327,450</u>	<u>1,280,245</u>	<u>47,205</u>
Contingency reserves	13,342,930	13,280,930	-	13,280,930
Total expenditures	<u>25,526,930</u>	<u>25,638,362</u>	<u>11,735,038</u>	<u>13,903,324</u>
Excess (deficiency) of revenues over (under) expenditures	(13,613,060)	(13,613,060)	767,920	14,380,980
Other financing sources (uses)				
Transfers in	401,000	401,000	358,993	(42,007)
Transfers out	(23,090)	(23,090)	(21,884)	1,206
Total other financing sources (uses)	<u>377,910</u>	<u>377,910</u>	<u>337,109</u>	<u>(40,801)</u>
Net change in fund balance	(13,235,150)	(13,235,150)	1,105,029	14,340,179
Fund balance at beginning of year	13,235,150	13,235,150	13,441,382	206,232
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,546,411</u>	<u>\$ 14,546,411</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Sahuarita, Arizona

Statement of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual

Highway User Revenue Fund—Special Revenue Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 8,102,280	\$ 8,102,280	\$ 2,576,953	\$ (5,525,327)
Investment earnings	7,280	7,280	5,188	(2,092)
Miscellaneous	-	-	2,849	2,849
Total revenues	<u>8,109,560</u>	<u>8,109,560</u>	<u>2,584,990</u>	<u>(5,524,570)</u>
Expenditures				
Current:				
Highways and streets	1,365,430	1,365,430	1,343,095	22,335
Contingency reserves	8,050	8,050	-	8,050
Total expenditures	<u>1,373,480</u>	<u>1,373,480</u>	<u>1,343,095</u>	<u>30,385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,736,080</u>	<u>6,736,080</u>	<u>1,241,895</u>	<u>(5,494,185)</u>
Other financing sources (uses)				
Transfers out	(6,638,870)	(6,638,870)	(1,602,732)	5,036,138
Total other financing sources (uses)	<u>(6,638,870)</u>	<u>(6,638,870)</u>	<u>(1,602,732)</u>	<u>5,036,138</u>
Net change in fund balance	97,210	97,210	(360,837)	(458,047)
Fund balance at beginning of year	(97,210)	(97,210)	(41,163)	56,047
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (402,000)</u>	<u>\$ (402,000)</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Sahuarita, Arizona

Statement of Net Position

Proprietary Fund

June 30, 2012

	Wastewater Enterprise Fund
Assets	
Current:	
Accounts receivable (net of allowance for doubtful accounts of \$14,100)	\$ 442,669
Total current	<u>442,669</u>
Noncurrent assets:	
Restricted cash and cash equivalents	1,686,448
Capital assets:	
Land	2,640,000
Construction in progress	509,358
Sewage conveyance system	52,979,148
Vehicles and equipment	369,978
Accumulated depreciation	<u>(4,539,911)</u>
Capital assets, net of accumulated depreciation	<u>51,958,573</u>
Total noncurrent assets	<u>53,645,021</u>
Total assets	<u>54,087,690</u>
Liabilities	
Current:	
Accrued payroll and benefits	22,251
Accounts payable	79,084
Interest payable-current	530,365
Loan payable-current	1,307,188
Total current liabilities	<u>1,938,888</u>
Noncurrent liabilities:	
Accrued compensated absences	28,422
Advances from other funds	4,035,124
Loan payable	27,550,699
Total noncurrent liabilities	<u>31,614,245</u>
Total liabilities	<u>33,553,133</u>
Net position	
Net investment in capital assets	23,100,686
Restricted for debt service reserves	1,686,448
Unrestricted	<u>(4,252,577)</u>
Total net position	<u>\$ 20,534,557</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Sahuarita, Arizona
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	Wastewater Enterprise Fund
Operating revenues	
Charges for services	\$ 2,350,060
Total operating revenues	<u>2,350,060</u>
Operating expenses	
Personnel	581,476
Operating supplies and services	274,315
Utilities	264,735
General and administrative	206,013
Depreciation	1,177,396
Total operating expenses	<u>2,503,935</u>
Operating loss	<u>(153,875)</u>
Nonoperating revenues (expenses)	
Sewer connection fees	2,059,245
Investment earnings (losses)	(45,978)
Other	42,330
Interest and amortization expense	(1,059,525)
Total nonoperating revenues (expenses)	<u>996,072</u>
Change in net position	842,197
Net position at beginning of year	19,692,360
Net position at end of year	<u>\$ 20,534,557</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Sahuarita, Arizona
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	<u>Wastewater Enterprise Fund</u>
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 2,303,258
Payments to suppliers	(704,956)
Payments to employees	(573,861)
Miscellaneous receipts	42,330
Net cash provided by operating activities	<u>1,066,771</u>
Cash Flows from Noncapital Financing Activities	
Proceeds from interfund loans	4,035,124
Repayment of interfund loans	(4,299,409)
Net cash used for noncapital financing activities	<u>(264,285)</u>
Cash Flows From Capital and Related Financing Activities	
Sewer connection fees	2,059,245
Proceeds from capital debt	431,342
Acquisition and construction of capital assets	(496,138)
Principal payments on capital debt	(1,260,268)
Interest payments on capital debt	(1,075,174)
Net cash used for capital and related financing activities	<u>(340,993)</u>
Cash Flows From Investing Activities	
Interest paid on the investment of deficit balances	(45,978)
Net cash used for investing activities	<u>(45,978)</u>
Net increase in cash and cash equivalents	415,515
Cash and cash equivalents at beginning of year	<u>1,270,933</u>
Cash and cash equivalents at end of year	<u>\$ 1,686,448</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (153,875)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,177,396
Other nonoperating revenues	42,330
Changes in assets and liabilities:	
Increase in accounts receivable	(46,802)
Decrease in prepaid expenses	740
Increase in accrued payroll and benefits	7,615
Increase in accounts payable related to operations	39,367
Net cash provided by operating activities	<u>\$ 1,066,771</u>

The accompanying notes to financial statements are an integral part of this statement.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Sahuarita, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

During the year ended June 30, 2012, the Town adopted GASB Statements No. 61 through 63, 65, and 66. GASB 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No 34*, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. GASB 66, *Technical Correction—2012—an amendment of GASB Statements No. 10 and 62*, amends conflicting guidance that resulted from earlier pronouncements.

A. Reporting Entity

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

Blended Component Unit

On September 12, 2005, the Town Council approved Resolution No. 2005-86 which ordered and declared the formation of the Quail Creek Community Facilities District, a legally separate entity from the Town. The District encompasses an area of approximately 1,248 acres wholly within the corporate boundaries of the Town. The District was formed as a tax levying public improvement district for the purpose of financing public facilities. The Town Council acts as the District's Board of Directors and the management of the Town has operational responsibility for the District. Accordingly, the District is a blended component unit of the Town and is reported as a special revenue fund in the Town's financial statements. The District does not issue separate financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within two months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences, which are recorded only when payment is due.

Taxes, state shared revenues, grants submitted for reimbursement, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and revenue recognition in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The *Highway User Revenue Fund—Special Revenue Fund* accounts for the Town's share of the State's motor fuel tax revenues.

The *Capital Infrastructure Improvement Fund—Capital Projects Fund* accounts for the acquisition, construction, and maintenance of major capital facilities other than those financed by the Quail Creek Community Facilities District and the proprietary fund.

The Town reports the following major proprietary fund:

The *Wastewater Enterprise Fund* accounts for the operations and capital acquisition of the Town's sewer system.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Position or Fund Equity

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments held by the State Treasurer in short-term investment pools, and short-term investments with original maturities of three months or less from the date of acquisition.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Cash and investments are pooled except for funds required to be held by fiscal agents or are restricted. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, Town's or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pools. Investments are stated at fair value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Resources set aside for debt service and amounts held by fiduciary are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable debt covenants or enabling legislation.

Capital Assets

Capital assets, which include property, plant, equipment, and intangible assets are reported in the applicable governmental activities or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. If material, interest costs on wastewater construction projects are capitalized over a period beginning with project commencement to when they are substantially complete and ready for use. Other costs for repairs and maintenance are expensed as incurred.

General infrastructure assets acquired prior to July 1, 2004 are not reported in the basic financial statements.

Depreciation on the following assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and improvements	10 to 50 years
Sewage conveyance system	20 to 50 years
Infrastructure	10 to 20 years
Equipment / Vehicles	4 to 15 years

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary statements consists of unpaid, accumulated leave balances. Vacation leave may be accumulated up to a maximum of 240 hours and is payable upon termination of employment. Therefore, the full amount of vacation leave earned is recorded for each employee. In lieu of overtime pay, employees may elect to earn compensatory time. Police officers may accumulate up to a maximum of 100 hours and other employees up to a maximum of 60 hours. This time is payable upon termination of employment and the full amount of hours earned is recorded for each employee. Sick leave liability may be accumulated with no maximum, and has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Employees who have become vested are entitled to a payment based on one-third of the total number of sick leave accumulated at that time.

Long-Term Obligations

In the government-wide financial statements long-term debt is reported as a liability in the governmental activities statement of net position. Discount and premiums are deferred and amortized over the life of the bonds using the straight-line method. Debt is reported along with applicable unamortized amounts.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

In the fund financial statements, governmental fund types recognize debt premiums and issuance costs during the current period. The face amount of debt issued and premiums are reported as other financing sources. Issuance costs are reported as expenditures.

Net Position

In the government-wide and propriety fund financial statements, net position is reported in three categories: net investment in capital assets, restricted, and unrestricted. Investment in capital assets balances are separately reported because capital assets make up a significant portion of net position. Restricted balances account for the portion of net position restricted by external resource providers or through enabling legislation. Unrestricted balances are the remaining balances not included in the previous two categories.

Fund Equity

In the fund financial statements, governmental funds distinguish between spendable and nonspendable fund balances. Spendable balances are further classified as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. When permitted and available, the Town's policy is to use restricted resources first, followed by committed, assigned and unassigned fund balances.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by external resource providers or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council, the highest level of decision making authority within the Town. The purpose for which funds were committed by the Town Council can be removed or the changed only through formal action by the Town Council. Amounts in the *assigned* fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town requires that minimum fund balance reserves be maintained for its funds. Each fund should establish an operating reserve of 25% of its adopted operating budget for the year. The General Fund reserve will also include any operating reserve deficiencies of other funds. Each fund should also establish a capital reserve of its adopted capital outlay budget, adjusted for amounts not subjecting the Town to obligation, for the year. The Capital Infrastructure Improvement Fund reserve will also include any capital reserve deficiencies of other funds.

E. Property Tax Calendar

The Quail Creek Community Facilities District levies real and personal property taxes on or before the Third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next calendar year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

NOTE 2—CASH AND INVESTMENTS

Deposits—At June 30, 2011, the Town had cash on hand of \$11,943. The carrying amount of the Town's cash in bank was \$6,916,139 and the bank balance was \$7,123,941. Of this amount, \$1,984,559 was insured by the Federal Depository Insurance Corporation and the remaining \$5,139,382 was collateralized with securities valued at \$6,639,750 which were held by the Town's custodial bank in the Town's name. Additionally, the Town had deposits of \$52,090 held by Pima County in a fiduciary capacity.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Investments—At June 30, 2012, \$12,440,511 of the Town’s investment portfolio consisted of deposits in the State Treasurer’s Local Government Investment (LGI) Pools. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with Arizona Revised Statutes §35-311. The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the net asset value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. Those shares are not identified with specific investments, are not subject to custodial credit risk, and have no stated interest rate or maturity date. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Town mitigates exposure to declines in fair values by managing its composite portfolio to achieve a one year dollar-weighted average maturity. The following table summarized the Town’s interest rate risk based on maturity dates of its deposits and investments.

	Maturities (in Months)			Fair Value	%
	< 6	6 to < 12	12 to < 18		
Deposits:					
Cash on hand	\$ 11,943	\$ -	\$ -	\$ 11,943	0.0%
Cash in bank	6,916,137	-	-	6,916,137	28.3%
Cash held by fiduciary	52,090	-	-	52,090	0.2%
Investments:					
Government money market fund	719,906	-	-	719,906	3.0%
State Treasurer’s investment pools	190,771	1,290,352	10,959,388	12,440,511	51.0%
U.S. agency bonds	2,059,526	736,724	1,466,026	4,262,276	17.5%
Total composite portfolio	\$ 9,950,373	\$ 2,027,076	\$12,425,414	24,402,863	100.0%
Less:					
Restricted cash and investments				(2,451,320)	
Total non-restricted cash and investments				\$ 21,951,543	

Credit Risk. Credit risk is the risk that an issue or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The Town’s investment policy minimizes credit risk by limiting investments to a specific list of the safest types of securities. The State Treasurer’s LGI Pool 5 was rated AAAF/S1+ by S&P. The State Treasurer’s LGI Pools 7, 500, and 700 did not receive a credit quality rating from a national rating agency. LGI Pool 7 and 700 investments are specifically limited to those securities that carry the full faith and credit of the United States Government. The securities in these pools had a weighted average credit rating of AA+ by S&P. The securities in LGIP Pool 500 had a weighted average credit rating of AA by S&P. The following table accounts for the credit rating as of June 30, 2012 for each investment type.

	Aaa / AAA	AA+	Exempt from Disclosure	Fair Value
Investments:				
Government money market fund	\$ -	\$ -	\$ 719,906	\$ 719,906
State Treasurer’s investment pools	-	-	12,440,511	12,440,511
U.S. agency bonds	1,001,494	3,260,782	-	4,262,276
Total Investments	\$ 1,001,494	\$ 3,260,782	\$13,160,417	\$ 17,422,693

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. With the exception of U.S. Treasury securities, U.S. Agency securities, and authorized investment pools, the Town's investment policy does not allow for more than 30% of the total portfolio to be invested in corporate or municipal obligations. Additionally, no more than 10% may be invested in the corporate or municipal holdings of any one issuer.

NOTE 3—RESTRICTED ASSETS

At June 30, 2012, restricted assets consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Restricted assets:			
Deposits:			
Cash in bank	\$ -	\$ 396,096	\$ 396,096
Amounts held by fiduciary	52,090	-	52,090
Investments:			
Government money market fund	712,782	-	712,782
State Treasurer's LGI Pool 700	-	1,290,352	1,290,352
Total restricted assets	<u>\$ 764,872</u>	<u>\$ 1,686,448</u>	<u>\$ 2,451,320</u>

The cash in bank and State Treasurer's Investment Pool 700 balances total 1,686,448 and represent funds that were obligated for debt service reserves in accordance with the WIFA 2008A System Revenues Loan agreement requirements. The government money market funds, which were held in trust, represent property tax collections which were obligated for debt service payments on the Quail Creek Community Facilities District Series 2006 General Obligation Bonds issuance. The Town's share of State RICO funds were held in a fiduciary capacity by Pima County. These funds are restricted for use by the Town's Police Department for public safety purposes.

NOTE 4—RECEIVABLES AND ALLOWANCES FOR DOUBTFUL ACCOUNTS

Certain tax receivables at year end include applicable allowances for doubtful or uncollectible accounts, as follows:

	<u>General Fund</u>	<u>CIIF Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes receivable	\$ 650,476	\$ 665,387	\$ 1,524	\$ 1,317,387
Allowance for doubtful accounts	(3,918)	(158,189)	-	(162,107)
Net receivable	<u>\$ 646,558</u>	<u>\$ 507,198</u>	<u>\$ 1,524</u>	<u>\$ 1,155,280</u>

The only receivables not expected to be collected within one year are \$158,189 of tax lien receivables reported in the Capital Infrastructure Improvement Fund.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 5—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,499,603	\$ 650,865	\$ (-)	\$ 9,150,468
Construction in progress	7,881,276	3,814,386	(1,887,359)	9,808,303
Total capital assets not being depreciated	<u>16,380,879</u>	<u>4,465,251</u>	<u>(1,887,359)</u>	<u>18,958,771</u>
Capital assets being depreciated:				
Buildings and improvements	22,029,874	73,409	(-)	22,103,283
Infrastructure	107,885,362	1,887,359	(-)	109,772,721
Vehicles	2,012,369	319,211	(139,349)	2,192,231
Equipment and software	2,986,989	14,433	-	3,001,422
Total capital assets being depreciated	<u>134,914,594</u>	<u>2,294,412</u>	<u>(139,349)</u>	<u>137,069,657</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,888,660)	(491,692)	-	(2,380,352)
Infrastructure	(18,450,232)	(5,524,353)	-	(23,974,585)
Vehicles	(1,441,970)	(214,136)	121,758	(1,534,348)
Equipment and software	(1,672,428)	(367,994)	-	(2,040,422)
Total accumulated depreciation	<u>(23,453,290)</u>	<u>(6,598,175)</u>	<u>121,758</u>	<u>(29,929,707)</u>
Total capital assets being depreciated, net	<u>111,461,304</u>	<u>(4,303,763)</u>	<u>(17,591)</u>	<u>107,139,950</u>
Governmental activities capital assets, net	<u>\$ 127,842,183</u>	<u>\$ 161,488</u>	<u>\$ (1,904,950)</u>	<u>\$126,098,721</u>
	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,640,000	\$ -	\$ (-)	\$ 2,640,000
Construction in progress	28,100,703	419,888	(28,011,233)	509,358
Total capital assets not being depreciated	<u>30,740,703</u>	<u>419,888</u>	<u>(28,011,233)</u>	<u>3,149,358</u>
Capital assets being depreciated:				
Sewer conveyance system	24,967,915	28,011,233	(-)	52,979,148
Vehicles	337,524	-	(-)	337,524
Equipment and software	32,454	-	(-)	32,454
Total capital assets being depreciated	<u>25,337,893</u>	<u>28,011,233</u>	<u>-</u>	<u>53,349,126</u>
Less accumulated depreciation for:				
Sewer conveyance system	(3,228,327)	(1,143,768)	-	(4,372,095)
Vehicles	(130,319)	(25,889)	-	(156,208)
Equipment and software	(3,869)	(7,739)	-	(11,608)
Total accumulated depreciation	<u>(3,362,515)</u>	<u>(1,177,396)</u>	<u>-</u>	<u>(4,539,911)</u>
Total capital assets being depreciated, net	<u>21,975,378</u>	<u>26,833,837</u>	<u>-</u>	<u>48,809,215</u>
Business-type activities capital assets, net	<u>\$ 52,716,081</u>	<u>\$ 27,253,725</u>	<u>\$(28,011,233)</u>	<u>\$ 51,958,573</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Depreciation Expense was charged to functions as follows:

Governmental activities:

General government	\$ 652,170
Public safety	257,135
Highways and streets	4,988,855
Culture and recreation	700,015
Total governmental activities depreciation	<u>\$ 6,598,175</u>

Business-type activities:

Sewer	<u>\$ 1,177,396</u>
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NOTE 6—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due</u> <u>within</u> <u>1 year</u>
Governmental Activities					
Quail Creek CFD general obligations bonds	\$ 11,655,000	\$ -	\$ (370,000)	\$ 11,285,000	\$ 385,000
Loans Payable	18,945,000	-	(905,000)	18,040,000	935,000
Unamortized Premiums	583,003	-	(39,750)	543,253	39,750
Unamortized Discounts	(41,590)	-	2,312	(39,278)	(2,310)
Compensated Absences	704,064	520,769	(476,798)	748,035	512,256
Total governmental activities long-term liabilities	<u>\$ 31,845,477</u>	<u>\$ 520,769</u>	<u>\$ (1,789,236)</u>	<u>\$ 30,577,010</u>	<u>\$ 1,869,696</u>

For the governmental activities, compensated absences are generally liquidated in the General Fund.

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due</u> <u>within</u> <u>1 year</u>
Business-Type Activities					
Loans payable	\$ 28,426,545	\$ 431,342	\$ (1,307,188)	\$ 27,550,699	\$ 1,355,854
Compensated Absences	25,972	21,282	(18,832)	28,422	20,233
Total business-type activities long-term liabilities	<u>\$ 28,452,517</u>	<u>\$ 452,624</u>	<u>\$ (1,326,020)</u>	<u>\$ 27,579,121</u>	<u>\$ 1,376,088</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

QUAIL CREEK COMMUNITY FACILITIES DISTRICT GENERAL OBLIGATION BONDS Governmental Activities

The District's general obligation bonds payable at June 30, 2012 follows. The District issued debt to provide funds for the construction and acquisition of enhanced infrastructure within the District boundaries. Of the total \$30,000,000 originally authorized from the November 8, 2005 bond election, \$17,340,000 has not been issued. Interest is payable semi-annually and is calculated based upon the principal amount of the bonds outstanding during such period. The bonds are payable from the District's property tax revenues through 2030.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2012</u>
Series 2006	\$12,660,000	5.15 – 5.55%	2013-2030	\$11,285,000

The following schedule provides the debt service requirements to maturity at June 30, 2012.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 385,000	\$ 619,658
2014	405,000	599,830
2015	425,000	578,973
2016	450,000	557,085
2017	470,000	533,910
2018-2022	2,785,000	2,246,640
2023-2027	3,650,000	1,382,783
2028-2030	2,715,000	306,915
Total	<u>\$11,285,000</u>	<u>\$6,825,794</u>

LOAN PAYABLE Governmental Activities

The Town participated in the Greater Arizona Development Authority's (GADA) bond issuances in March 2006 and June 2009. The Town received loans in exchange for pledged future State-shared revenues and excise tax collections, which GADA used as security for its Bond issuances. The Town will repay \$12,490,000 of principal issued in March 2006 and \$6,455,000 of principal issued in June 2009. Proceeds of the loans provided financing for the construction of municipal complex as well as road projects and North Santa Cruz Park improvements. Annual principal and interest payments on the loans are expected to require approximately 28% of revenues pledged. Interest is payable semi-annually and is calculated based upon the principal amount of the loans outstanding during such period. The loans are payable from the revenues of the Town's governmental funds through 2029. During that timeframe total principal and interest to be paid on the loan will be \$25,518,651. During fiscal year ended June 30, 2012, total principal and interest paid was \$1,796,763 and the total revenue subject to pledge was \$12,951,341.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2012</u>
2006A GADA Loan	\$16,355,000	4.25 – 5.00%	2013 - 2025	\$11,835,000
2010B GADA Loan	6,700,000	3.25 – 5.00%	2013 - 2029	<u>6,205,000</u>
			Loan payable outstanding	\$18,040,000
			Unamortized amounts	<u>503,975</u>
			Total loans outstanding	<u>\$18,543,975</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

The following schedule provides the debt service requirements to maturity at June 30, 2012.

Year Ending June 30	Principal	Interest
2013	\$ 935,000	\$ 858,063
2014	975,000	820,875
2015	1,015,000	781,425
2016	1,055,000	738,975
2017	1,105,000	689,075
2018-2022	6,405,000	2,589,725
2023-2027	5,545,000	924,513
2028-2029	1,005,000	76,000
Total	<u>\$18,040,000</u>	<u>\$7,478,651</u>

LOANS PAYABLE Business-type Activities

The Town had entered into three loan agreements with the Water Infrastructure Finance Authority of Arizona (WIFA) to provide funds for the construction and design of several wastewater treatment plant expansions. Interest is payable semi-annually and is calculated based upon the principal amount of the loan outstanding during such period. Principal and interest payments to maturity are subject to change based upon the total amounts drawn down on the loans. Of the total amount originally authorized through WIFA, \$1,392,338 of the 2008 WIFA Non-System Revenue Loan remains to be borrowed.

For the 2008 WIFA System Revenues Loan, the Town has pledged wastewater system resources, net of specified operating expenses. Annual principal and interest payments on the loan are expected to require 100% of pledged revenues. In the current year, total principal and interest paid, and total pledged resources were \$2,108,048 and \$7,114,242, respectively.

For the 2008 WIFA Non-System Revenues Loan, the Town has pledged wastewater system resources, net of specified operating expenses, and the excess of non-system revenues (i.e. excise taxes) not pledged towards other debt. Annual principal and interest payments on the loan are expected to require less than 4% of pledged resources. In the current year, total principal and interest paid, and total pledged resources were \$258,665 and \$13,942,399, respectively.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2012
2008 WIFA System Revenues Loan	\$28,350,000	3.723%	2013-2028	\$25,073,245
2008 WIFA Non-System Revenues Loan	Variable To \$4,375,525	3.723%	2013-2028	<u>2,477,454</u>
			Total loans payable	<u>\$27,550,699</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

The following schedule estimates total debt service requirements to maturity at June 30, 2012.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,355,854	\$1,084,056
2014	1,406,333	1,033,820
2015	1,458,691	981,713
2016	1,512,998	927,667
2017	1,569,327	871,608
2018 – 2022	8,767,760	3,441,336
2023 – 2027	9,447,354	1,497,558
2028	2,032,382	75,666
	<u>\$27,550,699</u>	<u>\$9,913,424</u>

NOTE 7—DEFERRED AMOUNTS

Governmental funds report deferred inflows of resources for revenue due and receivable, but is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer recognition of resources that have been received, but not earned, due to unfulfilled requirements to perform a function or service. At the end of the current fiscal year, the various components of deferred amounts reported in the governmental funds were as follows:

	<u>Unavailable Receipts</u>	<u>Unearned Revenues</u>
<u>General Fund</u>		
Advanced payments for development services	\$ -	\$ 202,952
Sales tax audit assessments	3,917	-
Resitution payments	3,866	-
Operating grants from other governments	73,462	-
Total General Fund	<u>81,245</u>	<u>202,952</u>
<u>HURF Fund</u>		
Capital grants receivable from the State	607,964	-
Restitution	8,370	-
Total HURF Fund	<u>616,334</u>	<u>-</u>
<u>CIIF Fund</u>		
Construction sales tax audit assessments	158,189	-
Capital grants from Regional Transportation Authority	2,617,510	-
Total CIIF Fund	<u>2,775,699</u>	<u>-</u>
<u>Nonmajor Governmental Funds</u>		
Advanced payments for debt obligations	-	23,981
Delinquent property taxes	1,524	-
Total Nonmajor Governmental Funds	<u>1,524</u>	<u>23,981</u>
Total deferred amounts for governmental funds	<u>\$ 3,474,802</u>	<u>\$ 226,933</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 8—CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The Town has active construction projects at June 30, 2012. At fiscal year end the Town's commitments with contractors, architect, and engineering firms were as follows:

<u>Governmental Activities</u>		
<u>Project Description</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Sahuarita Road	\$5,705,333	\$20,711,269
Quail Crossing Boulevard Extension	30,174	1,226,362
Sahuarita Rd/Interstate 19 interchange	1,709,093	240,593
Pima Mine Rd/Rancho Sahuarita Blvd Railroad Crossing	25,513	61,854
Pima Mine Rd/Nogales Highway Railroad Crossing	134,115	11,822
Induction Lighting for energy efficiency	58,570	12,219
Total	<u>\$7,662,798</u>	<u>\$22,264,119</u>

<u>Business-type Activities</u>		
<u>Project Description</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Wastewater Plant Phase IV Expansion	\$ 53,071	\$ 4,111
Wastewater Plant Phase V Expansion	450,577	62,372
Total	<u>\$503,648</u>	<u>\$ 66,483</u>

Operating Leases

The Town leases office equipment and field equipment under the provisions of long-term lease agreements classified as operating leases. Rental expenditures under the terms of the operating leases totaled \$9,863 for the year ended June 30, 2012. The operating leases have remaining noncancelable lease terms for up to two years. The future minimum rental payments required under the operating leases as of June 30, 2012, were as follows.

Year ending June 30:		
	2013	\$10,740
	2014	<u>10,740</u>
	Total minimum payments required	<u>\$21,480</u>

NOTE 9—INTERFUND ACTIVITY

The due from/to other fund and advances from/to other fund represent short-term and long-term working capital loans, respectively, that are needed to cover deficit positions in the Town's internal cash and investments pool. As of June 30, 2012, the Town had the following outstanding internal balances:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	HURF Fund	\$ 774,358

Advances from/to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	Wastewater Fund	2,017,562
CIIF Fund	Wastewater Fund	<u>2,017,562</u>
Total advances from/to other funds		<u>\$4,035,124</u>

Total internal balances	<u>\$4,809,482</u>
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Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Transfers out of the General Fund were used to subsidize the deficits of the QCCFD Fund, a nonmajor governmental fund. Transfers out of the HURF Fund were used to reimburse the CIIF Fund for capital costs associated with transportation projects. Transfers out of the CIIF Fund were used reimburse the General Fund for operating capital purchases. During the year, the Town had the following transfers between funds:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 21,884
HURF Fund	CIIF Fund	1,602,732
CIIF Fund	General Fund	<u>358,993</u>
Total transfers		<u>\$1,983,609</u>

NOTE 10—RETIREMENT AND PENSION PLANS

Arizona State Retirement System (ASRS)

Plan Description—The Town contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the ASRS. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the ASRS Board according to the provisions of Arizona Revised Statutes (A.R.S.) Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the ASRS, 3300 North Central Avenue, P.O. Box 3910, Phoenix, AZ 85067-3910 or by calling (602) 240-2001 or (800) 621-3778.

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rate. For the year ended June 30, 2012, active plan members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent for retirement and 0.24 percent for long-term disability), and the Town was required by statute to contribute at the actuarially determined rate of 10.74 percent (9.87 percent retirement, 0.63 percent health and 0.24 percent long-term disability) of the members' annual covered payroll. The Town's contributions to the ASRS for the years ended June 30, 2012, 2011, and 2010, which were equal to the required contributions for each year, were as follows:

<u>Fiscal</u> <u>Year Ended</u> <u>June 30</u>	<u>Retirement</u> <u>Portion</u>	<u>Health</u> <u>Insurance</u> <u>Subsidy</u>	<u>Long-term</u> <u>Disability</u>
2010	\$451,836	\$35,757	\$21,670
2011	485,530	31,794	13,470
2012	524,516	33,480	13,188

Public Safety Personnel Retirement System (PSPRS)

Plan Description—The Town's police officers are participants in the PSPRS, which is an agent multiple-employer, defined benefit plan. PSPRS was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes to provide pension, disability and survivor's benefits as well as an Other Post Employment Benefit (OPEB) of health insurance premium subsidy. The PSPRS is jointly administered by the fund manager and participating local boards. The fund manager is a five member board appointed by the Governor and the State Legislature. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 1020 East Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Funding Policy—The fund manager is responsible for establishing contributions rates in accordance with an actuarial study and state statute. For the current fiscal year (year ended June 30, 2012), covered employees are required to contribute 8.65 percent of their annual salary to the PSPRS, and the Town is required to contribute 10.91 percent of annual covered payroll. The contribution rates include both the pension benefit (9.89%) and the OPEB (1.02%). Additionally, the Town is statutorily required to contribute an alternate contribution for any retired (not active) members who return to work in a capacity which would ordinarily be filled by an employee eligible for PSPRS. The alternate contribution rate is 10.51% of applicable payroll.

Annual Pension Cost and OPEB Cost—the Town is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The Town is also required to contribute an alternate contribution of the employer for applicable payroll, at a rate determined by State statute. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities. The alternate contribution is a rate which is intended to mitigate the potential actuarial impact of a retired member who returns to work. The current ARC rate is based on the following actuarial methods and assumptions identified in the actuarial report.

ARC, and Actuarial Methods, and Assumptions:

ARC as a percent of total covered payroll	10.91%
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent-of-pay closed
Remaining amortization period	25 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate or return	8.25%
Projected salary increases	5.0% - 8.0%
Payroll Growth	5.0%
Cost-of-living adjustments	None

The current alternate contribution rate is based on Arizona revised Statutes Title 38-843.05 which requires the employer to contribute at rate equal to the that portion of the total required contribution that is applied to the amortization of the unfunded actuarial accrued liability for the prior fiscal year.

Three-Year Trend Information Police

Annual pension cost and OPEB cost, is substantially equivalent to total ARC. Information for the current and 2 preceding years follows for the Pension plan and the OPEB:

Fiscal Year Ended <u>June 30</u>	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2010	\$163,968	100%	\$ -
2011	225,859	100%	-
2012	288,460	100%	-

Fiscal Year Ended <u>June 30</u>	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation
2010	\$11,572	100%	\$-
2011	23,949	100%	-
2012	26,371	100%	-

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Funded Status and Funding Progress—The most recent actuarial valuation available is dated June 30, 2011 and this report was used to report the following data. The Town made the contributions to the plan as noted in the table above, however as noted in the June 30, 2011 PSPRS Comprehensive Annual Financial Report (Note 7), contributions in excess of the health benefit subsidy payment are reported in the pension plan. Therefore, no assets are accounted separately to offset any actuarially accrued liability. All assets of the plan are available to pay both pension benefits and health insurance subsidy. The accumulated funding for the pension plan and the OPEB were as follows (since all assets are available to pay accrued liabilities, a row indicating totals has been added):

	Actuarial Accrued Liability (AAL)	Actuarial Valuation of Assets	Percent Funded	(Over)/ Unfunded AAL	Annual Covered Payroll (ACP)	(Over)/ Unfunded AAL as % of ACP
Pension Plan	\$5,041,686	\$4,907,824	97.34%	\$133,862	\$2,329,203	5.75 %
OPEB	225,188	-	0.00%	225,188	2,329,203	9.67 %
Total	\$5,266,874	\$4,907,824	93.18%	359,050	\$2,329,203	15.42 %

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Elected Officials Retirement Plan (EORP)

Plan Description—The Town's Mayor and Council members participate in the EORP, a multiple-employer, cost sharing pension plan. The Fund Manager of the Public Safety Personnel Retirement System (PSPRS) is the administrator for the EORP which was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges, and certain elected municipal officials. EORP provides retirement benefits as well as death and disability benefits and a health insurance subsidy premium (an OPEB). Because the OPEB is not established as a formal trust, the EORP is reported in accordance with GASB 45 as an agent multiple-employer defined benefit plan. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 3010 E. Camelback Rd., Suite 200, Phoenix, Arizona, 85016, by calling (602) 255-5575, or on the internet at www.psprs.com.

Funding Policy—The EORP's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 7.0 percent of their annual covered salary. The employer rate for fiscal year 2012 was 32.99 percent. The Town's contributions to EORP for the fiscal years ended June 30, 2012, 2011, and 2010 were \$15,934, \$13,960, and \$12,285, respectively, which equal the required contributions for each year. The Town's employees contributed \$4,830, \$3,280, and \$3,275 for the same time periods. Due to its statutory construction, the EORP is reported as an agent multiple-employer plan. Therefore, the fund manager obtains an actuarial valuation for the EORP as a cost-sharing plan and, therefore, actuarial information for the Town is not available.

NOTE 11—RISK MANAGEMENT

The Town of Sahuarita, Arizona is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool (AMRRP), of which the Town is a participating member. The limit for the basic coverage is for \$2 million per occurrence on a claims-made basis. Excess coverage is for an additional \$5 million per occurrence on a follow form, claims-made basis. Losses have not exceeded these coverage limits in any of the past three years.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

The AMRRP is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The Town is insured by Arizona Municipal Workers Compensation Pool for potential worker-related accidents.

NOTE 12—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Expenditure Limitation

On or before the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. The law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

B. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget to the Town Council for the fiscal year commencing the following July 1. The Town Council holds public hearings and a final budget must be prepared and adopted on or before the third Monday in August.

The appropriated budget is prepared by fund and department for the General Fund and by fund and function for other funds. The Town's department heads may make transfers of appropriations within a department. Transfers of appropriations from funds, contingency reserves, or between departments require the approval of the Town Council.

Encumbrance accounting is employed in all funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

C. Deficit Fund Balance

The Highway User Revenue Fund—Special Revenue Fund had a deficit fund balance \$402,000 at June 30, 2012. This deficit resulted from outstanding receivables that were not collected in time to be available for the current period. These receivables are expected to be collected in the upcoming year which will eliminate the deficit in the fund.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 13—CHANGE IN ACCOUNTING PRINCIPLE

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 65 for the fiscal year ended June 30, 2012. As a result, the Town's net asset balances as of June 30, 2011 have been restated as net position in the government-wide and proprietary fund financial statements.

	Governmental Activities
Net assets at June 30, 2011	<u>\$125,721,356</u>
GASB Statement No. 65 adjustment:	
Debt issuance costs	<u>(849,620)</u>
Net position at July 1, 2011	<u>\$124,871,736</u>



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Required Supplementary Information Other Than MD&A



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Town of Sahuarita, Arizona

Schedule of Agent Retirement Plan's Funding Progress Public Safety Personnel Retirement System (PSPRS)

Retirement

Valuation Date June 30	Actuarial Valuation Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL	Percent Funded	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2009	\$ 3,522,313	\$ 3,320,309	\$ (202,004)	106.1%	\$ 2,364,545	(8.5%)
2010	4,136,216	3,867,734	(268,482)	106.9%	2,322,852	(11.6%)
2011	4,907,824	5,041,686	133,862	97.3%	2,329,203	5.7%

Other Post Employment Benefit (Health Insurance Subsidy)

Valuation Date June 30	Actuarial Valuation Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL	Percent Funded	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2009	\$ -	\$ 121,484	\$ 121,484	0.0%	\$ 2,364,545	5.1%
2010	-	147,604	147,604	0.0%	2,322,852	6.4%
2011	-	225,188	225,188	0.0%	2,329,203	9.7%

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Combining Statements and Other Schedules



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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Quail Creek Community Facilities District—accounts for the District’s acquisition, construction, and maintenance of major capital facilities within the District boundaries.

Racketeering Influenced and Corrupt Organizations (RICO) Fund—accounts for state and federal police seizures and forfeitures received by the Town.

Town of Sahuarita, Arizona

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2012

	SPECIAL REVENUE FUNDS		Total Nonmajor Governmental Funds
	Quail Creek CFD Fund	RICO Fund	
Assets			
Cash and investments	\$ 5,720	\$ 594,984	\$ 600,704
Receivables:			
Taxes	1,524	-	1,524
Accounts	-	15,536	15,536
Intergovernmental	-	1,836	1,836
Restricted assets	712,782	52,090	764,872
Total assets	<u>\$ 720,026</u>	<u>\$ 664,446</u>	<u>\$ 1,384,472</u>
Liabilities			
Payables:			
Accounts	\$ 5,720	\$ 10,428	\$ 16,148
Bonds	370,000	-	370,000
Interest	318,801	-	318,801
Unearned revenues	23,981	-	23,981
Total liabilities	<u>718,502</u>	<u>10,428</u>	<u>728,930</u>
Deferred inflows of resources			
Receipts unavailable for current period	1,524	-	1,524
Total deferred inflows of resources	<u>1,524</u>	<u>-</u>	<u>1,524</u>
Fund balances			
Restricted for:			
Public safety	-	654,018	654,018
Total fund balances	<u>-</u>	<u>654,018</u>	<u>654,018</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 720,026</u>	<u>\$ 664,446</u>	<u>\$ 1,384,472</u>

Town of Sahuarita, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2012

	SPECIAL REVENUE FUNDS		Total Nonmajor Governmental Funds
	Quail Creek CFD Fund	RICO Fund	
Revenues			
Taxes	\$ 291,240	\$ -	\$ 291,240
Intergovernmental	-	12,507	12,507
Fines and forfeitures	-	301,492	301,492
Investment earnings (losses)	(84)	5,835	5,751
Miscellaneous	712,311	16,036	728,347
Total revenues	1,003,467	335,870	1,339,337
 Expenditures			
Current:			
Public safety	-	71,738	71,738
Highways and streets	14,774	-	14,774
Culture and recreation	24,374	-	24,374
Debt service:			
Principal	370,000	-	370,000
Interest	637,603	-	637,603
Fiscal charges	5,375	-	5,375
Total expenditures	1,052,126	71,738	1,123,864
Excess (deficiency) of revenues over (under) expenditures	(48,659)	264,132	215,473
 Other financing sources			
Transfers in	21,884	-	21,884
Total other financing sources	21,884	-	21,884
Net change in fund balances	(26,775)	264,132	237,357
Fund balance at beginning of year	26,775	389,886	416,661
Fund balance at end of year	\$ -	\$ 654,018	\$ 654,018

Town of Sahuarita, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual
Capital Infrastructure Improvement Fund—Capital Projects Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,698,820	\$ 1,698,820	\$ 2,175,680	\$ 476,860
Licenses and permits	-	-	1,200	1,200
Intergovernmental	13,650,000	13,650,000	5,316,533	(8,333,467)
Investment earnings	110,350	110,350	151,612	41,262
Miscellaneous	-	-	6,468	6,468
Total revenues	<u>15,459,170</u>	<u>15,459,170</u>	<u>7,651,493</u>	<u>(7,807,677)</u>
Expenditures				
Capital outlay:				
Highways and streets	25,818,070	26,118,070	4,934,050	21,184,020
Total capital outlay	<u>25,818,070</u>	<u>26,118,070</u>	<u>4,934,050</u>	<u>21,184,020</u>
Debt service:				
Principal	905,000	905,000	905,000	-
Interest	891,760	891,760	891,763	(3)
Other	5,000	5,000	1,150	3,850
Contingency reserves	8,116,120	7,816,120	-	7,816,120
Total expenditures	<u>35,735,950</u>	<u>35,735,950</u>	<u>6,731,963</u>	<u>29,003,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,276,780)</u>	<u>(20,276,780)</u>	<u>919,530</u>	<u>21,196,310</u>
Other financing sources (uses)				
Transfers in	6,638,870	6,638,870	1,602,732	(5,036,138)
Transfers out	(401,000)	(401,000)	(358,993)	42,007
Total other financing sources	<u>6,237,870</u>	<u>6,237,870</u>	<u>1,243,739</u>	<u>(4,994,131)</u>
Net change in fund balance	(14,038,910)	(14,038,910)	2,163,269	16,202,179
Fund balance at beginning of year	14,038,910	14,038,910	9,241,618	(4,797,292)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,404,887</u>	<u>\$ 11,404,887</u>

Town of Sahuarita, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual

Quail Creek Community Facilities District—Special Revenue Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 276,730	\$ 276,730	\$ 291,240	\$ 14,510
Investment earnings (losses)	(120)	(120)	(84)	36
Miscellaneous	757,240	757,240	712,311	(44,929)
Total revenues	<u>1,033,850</u>	<u>1,033,850</u>	<u>1,003,467</u>	<u>(30,383)</u>
Expenditures				
Current:				
Highways and streets	17,570	17,570	14,774	2,796
Culture and recreation	27,260	27,260	24,374	2,886
Debt service:				
Principal	370,000	370,000	370,000	-
Interest	637,610	637,610	637,603	7
Fiscal charges	4,500	4,500	5,375	(875)
Total expenditures	<u>1,056,940</u>	<u>1,056,940</u>	<u>1,052,126</u>	<u>4,814</u>
Excess (deficiency) of revenues over (under) expenditures	(23,090)	(23,090)	(48,659)	(25,569)
Other financing sources				
Transfers in	23,090	23,090	21,884	(1,206)
Total other financing sources	<u>23,090</u>	<u>23,090</u>	<u>21,884</u>	<u>(1,206)</u>
Net change in fund balance	-	-	(26,775)	(26,775)
Fund balance at beginning of year	-	-	26,775	26,775
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Sahuarita, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual
Racketeer Influenced and Corrupt Organizations (RICO) Fund—
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 35,000	\$ 35,000	\$ 12,507	\$ (22,493)
Fines and forfeitures	50,000	85,747	301,492	215,745
Investment earnings	1,790	1,790	5,835	4,045
Miscellaneous	-	-	16,036	16,036
Total revenues	<u>86,790</u>	<u>122,537</u>	<u>335,870</u>	<u>213,333</u>
Expenditures				
Current:				
Public safety	66,000	101,747	71,738	30,009
Contingency reserves	359,580	359,580	-	359,580
Total expenditures	<u>425,580</u>	<u>461,327</u>	<u>71,738</u>	<u>389,589</u>
Excess (deficiency) of revenues over (under) expenditures	(338,790)	(338,790)	264,132	602,922
Fund balance at beginning of year	338,790	338,790	389,886	51,096
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 654,018</u>	<u>\$ 654,018</u>



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Statistical Section



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STATISTICAL SECTION

This section of the Town of Sahuarita's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain trend information to help the reader assess the Town's most significant local revenue source, the sales tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the government provides and the activities it performs.

See the table of contents for page numbers of the schedules that encompass the above sections.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Town of Sahuarita, Arizona

Net Position by Component

Fiscal Years 2004-2012

(accrual basis of accounting)

(unaudited)

	Fiscal Year								
	2004	2005	2006*	2007*	2008*	2009*	2010*	2011*	2012*
Governmental activities									
Net investment in capital assets	\$26,090,232	\$31,211,684	\$42,605,152	\$57,823,346	\$69,548,343	\$70,498,019	\$92,638,327	\$96,700,769	\$96,269,746
Restricted	1,537,438	1,146,499	1,859,614	3,172,002	1,966,475	412,108	440,452	521,782	822,200
Unrestricted	11,629,957	18,918,732	25,519,754	30,387,388	29,551,602	31,814,628	29,134,562	27,649,185	28,107,883
Total governmental activities net assets	\$39,257,627	\$51,276,915	\$69,984,520	\$91,382,736	\$101,066,420	\$102,724,755	\$122,213,341	\$124,871,736	\$125,199,829
Business-type activities									
Net investment in capital assets	\$9,688,370	\$11,335,546	\$14,882,157	\$17,842,537	\$21,961,024	\$21,469,386	\$22,472,627	\$23,029,268	\$23,100,686
Restricted	-	-	-	-	-	421,610	843,219	1,264,829	1,686,448
Unrestricted	2,253,806	2,398,087	3,578,089	2,182,440	(4,419,912)	(4,593,310)	(2,436,656)	(4,601,737)	(4,252,577)
Total business-type activities net assets	\$11,942,176	\$13,733,633	\$18,460,246	\$20,024,977	\$17,541,112	\$17,297,686	\$20,879,190	\$19,692,360	\$20,534,557
Primary government									
Net investment in capital assets	\$35,778,602	\$42,547,230	\$57,487,309	\$75,665,883	\$91,509,367	\$91,967,405	\$115,110,954	\$119,730,037	\$119,370,432
Restricted	1,537,438	1,146,499	1,859,614	3,172,002	1,966,475	833,718	1,283,671	1,786,611	2,508,648
Unrestricted	13,883,763	21,316,819	29,097,843	32,569,828	25,131,690	27,221,318	26,697,906	23,047,448	23,855,306
Total primary government net assets	\$51,199,803	\$65,010,548	\$88,444,766	\$111,407,713	\$118,607,532	\$120,022,441	\$143,092,531	\$144,564,096	\$145,734,386

Note: Fiscal year 2004 was the Town's first year to prepare government-wide financial statements.

* Due to the implementation of GASB 63, & GASB 65 the reported balance of the net position of the governmental activities has been restated for FY 2006 - 2012.

Town of Sahuarita, Arizona

Changes in Net Position

Fiscal Years 2004-2012

(accrual basis of accounting)
(unaudited)

	Fiscal Year								
	2004	2005	2006*	2007*	2008*	2009*	2010*	2011*	2012*
Expenses									
Governmental activities:									
General government	\$ 1,449,702	\$ 1,650,224	\$ 2,466,153	\$ 2,831,755	\$ 4,214,983	\$ 4,478,612	\$ 4,339,260	\$ 4,244,787	\$ 4,127,397
Public safety	1,927,284	2,823,353	3,759,876	4,860,754	6,619,502	6,887,246	6,536,511	6,658,482	6,428,351
Highways and streets	1,947,957	2,070,007	3,068,447	4,022,588	3,766,718	4,824,811	5,214,597	6,760,320	7,400,954
Culture and recreation	519,836	754,139	994,690	1,417,683	1,423,812	1,545,515	1,851,245	1,830,300	1,971,790
Interest, amortization and issuance costs of long-term debt	-	-	1,244,743	1,411,575	1,509,529	1,456,509	1,632,328	1,547,519	1,498,452
Total governmental activities expenses	<u>5,844,779</u>	<u>7,297,723</u>	<u>11,533,909</u>	<u>14,544,355</u>	<u>17,534,544</u>	<u>19,192,693</u>	<u>19,573,941</u>	<u>21,041,408</u>	<u>21,426,944</u>
Business-type activities:									
Sewer	346,677	545,964	938,508	1,448,679	2,732,117	3,053,431	3,122,804	3,072,970	3,563,460
Total business-type activities expenses	<u>346,677</u>	<u>545,964</u>	<u>938,508</u>	<u>1,448,679</u>	<u>2,732,117</u>	<u>3,053,431</u>	<u>3,122,804</u>	<u>3,072,970</u>	<u>3,563,460</u>
Total primary government expenses	<u>\$ 6,191,456</u>	<u>\$ 7,843,687</u>	<u>\$ 12,472,417</u>	<u>\$ 15,993,034</u>	<u>\$ 20,266,661</u>	<u>\$ 22,246,124</u>	<u>\$ 22,696,745</u>	<u>\$ 24,114,378</u>	<u>\$ 24,990,404</u>
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 444,364	\$ 786,240	\$ 454,551	\$ 358,390	\$ 335,242	\$ 471,217	\$ 342,413	\$ 455,865	\$ 348,701
Public safety	2,856,122	4,105,896	4,610,610	2,402,734	3,334,354	2,189,179	1,683,220	1,066,204	1,294,328
Highways and streets	295,297	345,038	756,603	1,147,993	-	-	-	-	-
Culture and recreation	40,355	77,766	89,006	228,698	119,869	139,735	140,422	153,157	103,665
Operating grants and contributions	397,578	458,248	567,124	1,313,449	1,488,296	1,470,809	1,374,028	1,722,145	2,135,292
Capital grants and contributions	20,339,772	4,224,828	11,153,602	9,732,575	5,241,479	1,977,750	23,193,692	9,251,463	4,856,818
Total governmental activities program revenues	<u>24,373,488</u>	<u>9,998,016</u>	<u>17,631,496</u>	<u>15,183,839</u>	<u>10,519,240</u>	<u>6,248,690</u>	<u>26,733,775</u>	<u>12,648,834</u>	<u>8,738,804</u>
Business-type activities									
Charges for services:									
Sewer	1,868,735	2,271,391	3,685,219	1,694,198	2,444,392	2,706,310	2,903,252	2,637,032	4,409,305
Operating grants and contributions	39,828	22,905	-	-	35,000	-	-	-	-
Capital grants and contributions	-	-	1,862,041	1,159,888	1,371,202	-	3,809,800	416,636	-
Total business-type activities program revenues	<u>1,908,563</u>	<u>2,294,296</u>	<u>5,547,260</u>	<u>2,854,086</u>	<u>3,850,594</u>	<u>2,706,310</u>	<u>6,713,052</u>	<u>3,053,668</u>	<u>4,409,305</u>
Total primary government program revenues	<u>\$ 26,282,051</u>	<u>\$ 12,292,312</u>	<u>\$ 23,178,756</u>	<u>\$ 18,037,925</u>	<u>\$ 14,369,834</u>	<u>\$ 8,955,000</u>	<u>\$ 33,446,827</u>	<u>\$ 15,702,502</u>	<u>\$ 13,148,109</u>
Net (Expenses)/Revenues									
Governmental activities	\$ 18,528,709	\$ 2,700,293	\$ 6,097,587	\$ 639,484	\$ (7,015,304)	\$ (12,944,003)	\$ 7,159,834	\$ (8,392,574)	\$ (12,688,140)
Business-type activities	1,561,886	1,748,332	4,608,752	1,405,407	1,118,477	(347,121)	3,590,248	(19,302)	845,845
Total primary government (expense)/revenue	<u>\$ 20,090,595</u>	<u>\$ 4,448,625</u>	<u>\$ 10,706,339</u>	<u>\$ 2,044,891</u>	<u>\$ (5,896,827)</u>	<u>\$ (13,291,124)</u>	<u>\$ 10,750,082</u>	<u>\$ (8,411,876)</u>	<u>\$ (11,842,295)</u>

(continued)

Town of Sahuarita, Arizona

Changes in Net Position Fiscal Years 2004-2012 (accrual basis of accounting) (unaudited)

(concluded)

	Fiscal Year								
	2004	2005	2006*	2007*	2008*	2009*	2010*	2011*	2012*
General Revenues and Other Changes in Net Position									
Governmental activities:									
Taxes									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 114,727	\$ 247,864	\$ 272,396	291,464	289,751
Sales taxes	5,212,630	8,065,930	10,235,568	14,269,688	10,538,648	8,787,580	7,074,851	6,456,154	6,279,865
Franchise taxes	69,292	136,697	159,133	221,911	273,894	293,812	302,295	308,900	313,653
Share of state income taxes	292,329	298,029	339,435	1,588,364	1,968,813	2,068,932	1,806,256	1,361,686	2,131,878
Share of state sales taxes	272,750	300,340	427,558	1,329,702	1,285,736	1,113,089	1,026,662	1,144,921	1,973,746
Share of state vehicle license tax	140,331	141,542	198,166	612,957	617,476	588,042	550,098	544,747	911,007
Grants and contributions not restricted to specific programs									
	15,223	13,313	14,069	39,504	136,047	122,154	108,854	-	-
Investment earnings	145,408	346,331	1,217,013	2,666,866	1,702,153	593,201	330,383	232,639	337,457
Miscellaneous	39,949	16,813	19,076	29,740	61,494	787,664	856,957	852,403	778,876
Transfers	-	-	-	-	-	-	-	(141,945)	-
Total governmental activities	6,187,912	9,318,995	12,610,018	20,758,732	16,698,988	14,602,338	12,328,752	11,050,969	13,016,233
Business-type activities									
Investment earnings (losses)	22,278	43,125	117,861	159,324	68,299	(1,083)	(8,744)	(21,574)	(45,978)
Miscellaneous	-	-	-	-	-	104,778	-	442	42,330
Extraordinary or special items	-	-	-	-	(3,670,641)	-	-	(1,288,341)	-
Transfers	-	-	-	-	-	-	-	141,945	-
Total business-type activities	22,278	43,125	117,861	159,324	(3,602,342)	103,695	(8,744)	(1,167,528)	(3,648)
Total primary government	\$ 6,210,190	\$ 9,362,120	\$ 12,727,879	\$ 20,918,056	\$ 13,096,646	\$ 14,706,033	\$ 12,320,008	\$ 9,883,441	\$ 13,012,585
Change in Net Position									
Governmental activities	\$ 24,716,621	\$ 12,019,288	\$ 18,707,605	\$ 21,398,216	\$ 9,683,684	\$ 1,658,335	\$ 19,488,586	\$ 2,658,395	\$ 328,093
Business-type activities	1,584,164	1,791,457	4,726,613	1,564,731	(2,483,865)	(243,426)	3,581,504	(1,186,830)	842,197
Total primary government	\$ 26,300,785	\$ 13,810,745	\$ 23,434,218	\$ 22,962,947	\$ 7,199,819	\$ 1,414,909	\$ 23,070,090	\$ 1,471,565	\$ 1,170,290

Note: Fiscal year 2004 was the Town's first year to prepare government-wide financial statements.

* Due to the implementation of GASB 63, & GASB 65 the expense reported in the governmental activities for the amortization of issuance costs has been restated for FY 2006 - 2012.

Town of Sahuarita, Arizona

Fund Balances—Governmental Funds

Fiscal Years 2003-2012

(modified accrual basis of accounting)
(unaudited)

	Fiscal Year										
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	
General Fund											
Non-spendable								\$ 69,839	\$ 149,885	\$ 2,225,140	
Restricted								50,000	101,450	166,658	
Committed								-	3,865,030	-	
Unassigned								15,102,726	9,325,017	12,154,613	
Reserved	\$ -	\$ 6,576	\$ 22,057	\$ 4,841	\$ 18,516	\$ 71,021	\$ 87,789				
Unreserved	6,189,165	6,151,786	8,758,778	10,580,349	11,565,100	12,816,510	15,492,359				
Total general fund	<u>\$ 6,189,165</u>	<u>\$ 6,158,362</u>	<u>\$ 8,780,835</u>	<u>\$ 10,585,190</u>	<u>\$ 11,583,616</u>	<u>\$ 12,887,531</u>	<u>\$ 15,580,148</u>	<u>\$ 15,222,565</u>	<u>\$ 13,441,382</u>	<u>\$ 14,546,411</u>	
All Other Governmental Funds											
Non-spendable								\$ 1,698	\$ 1,822	\$ 2,017,562	
Restricted								390,452	420,332	654,018	
Committed								-	4,065,020	-	
Assigned								13,823,584	5,176,598	9,387,325	
Unassigned								(3,392)	(46,656)	(402,000)	
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 19,921	\$ -	\$ -				
Unreserved, reported in:											
Special revenue funds	2,824,465	7,131,147	11,245,133	43,611,968	30,510,232	20,305,049	19,038,460				
Total all other governmental funds	<u>\$ 2,824,465</u>	<u>\$ 7,131,147</u>	<u>\$ 11,245,133</u>	<u>\$ 43,611,968</u>	<u>\$ 30,530,153</u>	<u>\$ 20,305,049</u>	<u>\$ 19,038,460</u>	<u>\$ 14,212,342</u>	<u>\$ 9,617,116</u>	<u>\$ 11,656,905</u>	
Total governmental funds	<u>\$ 9,013,630</u>	<u>\$ 13,289,509</u>	<u>\$ 20,025,968</u>	<u>\$ 54,197,158</u>	<u>\$ 42,113,769</u>	<u>\$ 33,192,580</u>	<u>\$ 34,618,608</u>	<u>\$ 29,434,907</u>	<u>\$ 23,058,498</u>	<u>\$ 26,203,316</u>	

Note: GASB Statement No. 54, implemented in fiscal year 2010, changed the way fund balances are classified.

Town of Sahuarita, Arizona

Changes in Fund Balances—Governmental Funds

Fiscal Years 2003-2012

(modified accrual basis of accounting)
(unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 3,978,419	\$ 5,281,922	\$ 8,202,627	\$ 10,394,701	\$ 14,491,599	\$ 10,598,868	\$ 9,314,734	\$ 7,673,943	\$ 7,055,647	\$ 6,884,758
Licenses and permits	2,564,370	3,507,860	4,453,292	4,554,751	2,526,177	2,901,993	1,989,607	1,622,262	801,119	1,034,299
Intergovernmental	1,415,118	2,241,465	5,200,354	3,074,710	9,620,753	8,064,243	6,522,683	11,003,718	7,137,531	13,405,385
Charges for services	35,923	40,355	678,718	1,067,117	1,493,634	686,951	1,115,383	1,148,856	1,080,804	997,209
Fines and forfeitures	45,861	87,923	176,215	288,902	261,099	490,311	276,177	274,666	456,552	541,803
Investment earnings	(123,754)	145,408	346,331	1,217,013	2,666,866	1,702,153	593,201	330,383	232,639	337,457
Miscellaneous	79,198	110,999	44,467	38,726	55,640	144,634	818,057	856,957	852,159	877,867
Total revenues	7,995,135	11,415,932	19,102,004	20,635,920	31,115,768	24,589,153	20,629,842	22,910,785	17,616,451	24,078,778
Expenditures										
General government	1,900,889	1,437,559	1,630,045	2,361,647	2,923,903	3,894,607	4,473,469	4,059,896	4,172,960	4,157,867
Public safety	1,324,317	2,009,683	2,957,178	3,738,076	4,842,011	6,574,466	6,782,108	6,235,440	6,569,662	6,368,664
Highways and streets	880,343	1,414,006	1,202,911	1,617,933	2,163,076	1,326,740	1,485,275	1,437,544	1,520,360	1,357,869
Culture and recreation	468,828	1,079,491	714,801	950,657	1,400,893	1,577,739	1,373,622	1,299,302	1,200,861	1,304,619
Capital outlay	215,059	1,199,314	5,865,200	5,403,428	29,877,948	18,027,511	9,341,870	12,452,537	7,577,113	4,934,050
Debt service:										
Principal				945,000	540,000	560,000	905,000	940,000	1,225,000	1,275,000
Interest	-	-	-	313,139	1,450,876	1,383,521	1,361,120	1,661,354	1,578,890	1,529,366
Fiscal charges	-	-	-	-	450	165,758	12,287	8,413	6,069	6,525
Debt issuance costs	-	-	-	944,853	-	-	122,853	-	-	-
Total expenditures	4,789,436	7,140,053	12,370,135	16,274,733	43,199,157	33,510,342	25,857,604	28,094,486	23,850,915	20,933,960
Excess (deficiency) of revenues over (under) expenditures	3,205,699	4,275,879	6,731,869	4,361,187	(12,083,389)	(8,921,189)	(5,227,762)	(5,183,701)	(6,234,464)	3,144,818
Other Financing Sources (Uses)										
Face amount of long-term debt	-	-	-	29,015,000	-	-	6,700,000	-	-	-
Premium on long-term debt	-	-	-	795,003	-	-	-	-	-	-
Discount on long-term debt	-	-	-	-	-	-	(46,210)	-	-	-
Proceeds from the sale of assets	-	-	4,590	-	-	-	-	-	-	-
Transfers in	-	4,462	-	-	4,243,775	764,271	4,410,695	5,278,279	1,236,694	1,983,609
Transfers out	-	(4,462)	-	-	(4,243,775)	(764,271)	(4,410,695)	(5,278,279)	(1,378,639)	(1,983,609)
Net other financing sources (uses)	-	-	4,590	29,810,003	-	-	6,653,790	-	(141,945)	-
Net change in fund balances	\$ 3,205,699	\$ 4,275,879	\$ 6,736,459	\$ 34,171,190	\$ (12,083,389)	\$ (8,921,189)	\$ 1,426,028	\$ (5,183,701)	\$ (6,376,409)	\$ 3,144,818
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	20.5%	15.6%	13.2%	14.4%	16.0%	16.5%	16.8%

Town of Sahuarita, Arizona

Assessed Value and Estimated Actual Value of Taxable Property

Tax Years 2003-2012

(unaudited)

Tax Year	Residential Property	Commercial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2003	\$ 21,422,355	\$ 26,464,485	\$ 2,846,069	\$ 45,040,771	\$ -	\$ 358,143,805	12.58%
2004	36,815,197	29,277,536	2,868,379	63,224,354	-	529,909,740	11.93%
2005	53,565,123	36,220,043	3,597,453	86,187,713	-	736,220,036	11.71%
2006	81,972,340	41,760,620	3,962,981	119,769,979	-	1,050,888,456	11.40%
2007	118,173,166	62,517,972	7,634,366	173,056,772	3.3000	1,532,658,040	11.29%
2008	148,700,798	84,678,032	10,168,906	223,209,924	3.3000	2,031,634,065	10.99%
2009	166,456,657	70,391,863	10,593,259	226,255,261	3.3000	2,054,854,859	11.01%
2010	146,628,703	73,994,871	8,561,345	212,062,229	3.3000	1,950,872,685	10.87%
2011	141,186,905	76,413,857	11,316,951	206,283,811	3.3000	1,916,657,695	10.76%
2012	131,800,379	79,509,552	11,186,883	200,123,048	3.3000	1,856,862,178	10.78%

Source: The Arizona Department of Revenue's *Abstract of the Assessment Roll* for the applicable year.

Town of Sahuarita, Arizona
Direct and Overlapping Property Tax Rates
Tax Years 2003-2012
(rate per \$100 of assessed value)
(unaudited)

TAXING JURISDICTION	Tax Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Direct Rates										
Town of Sahuarita-primary	-	-	-	-	-	-	-	-	-	-
Town of Sahuarita-debt service	-	-	-	-	-	-	-	-	-	-
Quail Creek CFD-operations & maintenance	-	-	-	-	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000
Quail Creek CFD-debt service	-	-	-	-	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000
Total Direct Rate	-	-	-	-	\$3.3000	\$3.3000	\$3.3000	\$3.3000	\$3.3000	\$3.3000
Overlapping Rates										
State of Arizona Education Assistance	\$0.4717	\$0.4560	\$0.4358	-	-	-	\$0.3306	\$0.3306	\$0.4259	\$0.4717
Pima County	5.3587	5.3430	5.2228	\$4.5570	\$4.2870	\$3.9963	4.0233	4.0633	4.1978	4.1978
Pima County Flood Control District	0.3546	0.3546	0.3746	0.3746	0.3446	0.2935	0.2935	0.2635	0.2635	0.2635
Pima County Community College District	1.4884	1.3428	1.3114	1.2515	1.1845	1.1355	1.0770	1.0848	1.1093	1.1741
Pima County Free Library District	0.2124	0.2124	0.2575	0.3675	0.3975	0.3393	0.2643	0.3100	0.3460	0.3460
Central Arizona Water Conservation District	0.1200	0.1200	0.1200	0.1200	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Green Valley Fire District	1.7500	1.7500	1.7500	1.7500	1.8000	1.9000	1.9000	1.9000	1.9000	2.0400
Fire District Assistance	0.0441	0.0427	0.0420	0.0415	0.0383	0.0411	0.0406	0.0032	0.0418	0.0447
Sahuarita Unified School District #30	9.0113	8.3095	8.1495	7.7345	6.1807	5.9176	5.4230	6.5753	5.4067	5.5183
Continental School District #39	2.3198	2.2216	2.1532	2.0682	1.8970	1.7343	1.6122	1.6945	2.0258	1.5729
Joint Technological Education District	-	-	-	-	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500

Source: The Pima County Assessor's Office and the Pima County Treasurer's Office.

Town of Sahuarita, Arizona

Property Tax Levies and Collections

Fiscal Years 2008-2012

(unaudited)

QUAIL CREEK COMMUNITY FACILITIES DISTRICT

Fiscal Year Ended	Tax Levy	Collections in Levy Year	%	Collections in Subsequent Year	Total Collections	%
2008	\$ 114,727	\$ 114,481	99.8%	\$ 246	\$ 114,727	100.0%
2009	247,864	247,047	99.7%	816	247,863	100.0%
2010	272,396	269,593	99.0%	2,803	272,396	100.0%
2011	291,464	288,401	98.9%	3,063	291,464	100.0%
2012	276,730	275,207	99.4%			

Note: The Quail Creek Community Facilities District levied its first property tax in 2008.

Source: Town Finance Department.

Town of Sahuarita, Arizona

Sales Tax Collections by Industry Group

Fiscal Years 2005-2012

(unaudited)

	Fiscal Year							
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Industry								
Communications and utilities	288,264	374,911	503,490	623,014	672,962	746,139	737,133	765,632
Construction	4,205,397	5,176,146	6,974,504	5,915,352	4,343,733	2,768,921	1,748,413	1,627,666
Manufacturing	18,982	82,671	191,822	238,468	198,564	255,246	379,474	248,127
Wholesale trade	2,190	12,718	9,304	18,686	16,339	23,427	24,112	26,111
Retail trade	2,409,487	3,541,871	5,218,071	2,931,619	2,812,337	2,577,503	2,803,117	2,855,447
Finance and insurance	1,397	3,038	935	2,778	3,083	5,143	3,954	3,730
Real estate, rental and leasing	254,514	695,618	1,040,549	439,015	309,294	224,851	259,381	247,630
Restaurant and bar	129,795	151,380	195,258	231,411	266,846	274,886	315,297	299,601
Services	319,670	67,091	100,345	108,068	88,551	73,273	70,586	57,841
Other	436,236	130,124	35,412	30,237	75,871	125,462	114,687	148,078
Total	\$ 8,065,932	\$ 10,235,568	\$ 14,269,690	\$ 10,538,648	\$ 8,787,580	\$ 7,074,851	\$ 6,456,154	\$ 6,279,863
Direct sales tax rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Note: This information was not available prior to the 2005 fiscal year.

Source: The Arizona Department of Revenue's *City Sales Journals* .

Town of Sahuarita, Arizona

Direct and Overlapping Sales Tax Rates

Fiscal Years 2003-2012

(unaudited)

Fiscal Year	Town Direct Rates				Regional Transportation Authority
	General	Construction Contracting	Transient Lodging	State	
2003	2.00%	3.00%	4.00%	5.60%	N/A
2004	2.00%	3.00%	4.00%	5.60%	N/A
2005	2.00%	3.00%	4.00%	5.60%	N/A
2006	2.00%	4.00%	4.00%	5.60%	N/A
2007	2.00%	4.00%	4.00%	5.60%	0.50%
2008	2.00%	4.00%	4.00%	5.60%	0.50%
2009	2.00%	4.00%	4.00%	5.60%	0.50%
2010	2.00%	4.00%	4.00%	6.60%	0.50%
2011	2.00%	4.00%	4.00%	6.60%	0.50%
2012	2.00%	4.00%	4.00%	6.60%	0.50%

Source: Town Code and Town Finance Department.

Town of Sahuarita, Arizona

Principal Sales Tax Remitters

Fiscal Years 2012 and 2003

(unaudited)

Tax Remitter ¹	Fiscal Year 2012			Fiscal Year 2003		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Business A	\$ 1,049,497	1	16.71%	\$594,399	2	14.94%
Business B	536,034	2	8.54%			
Business C	449,101	3	7.15%	\$745,582	1	18.74%
Business D	306,056	4	4.87%	\$284,773	4	7.16%
Business E	299,472	5	4.77%			
Business F	265,492	6	4.23%			
Business G	266,746	7	4.25%	\$138,058	7	3.47%
Business H	157,614	8	2.51%	\$195,433	6	4.91%
Business J	144,071	9	2.29%			
Business K	151,256	10	2.41%			
Business L				\$526,856	3	13.24%
Business M				\$246,213	5	6.19%
Business N				\$105,834	8	2.66%
Business O				\$104,558	9	2.63%
Business P				\$72,017	10	1.81%
	\$ 3,625,339		57.73%	\$ 3,013,723		75.75%

¹ The Arizona Department of Revenue, the Town's tax collector, restricts the disclosure, printing, or publishing of any State return, or return information there from.

Source: The Arizona Department of Revenue's *City Sales Journals*.

Town of Sahuarita, Arizona

Monthly Sewer User Rates

Fiscal Years 2004-2012

(unaudited)

Wastewater Flow Contribution Rate (per ccf)

User Classification

Fiscal Year	Administrative Service Charge	Economy of Scale Factor	User Classification																
			General	3C	3K	3N	4E	4G	4H	5A	5C	5F	5G	5I	5J	5K	5L	5M	5S
2004	\$2.40	1.000	\$0.960	\$2.016	\$1.046	\$1.046	\$1.152	\$1.949	\$2.227	\$1.142	\$1.935	\$0.970	\$1.313	\$1.018	\$4.205	\$2.237	\$1.200	\$2.285	\$1.181
2005	\$2.61	1.000	\$1.050	\$2.205	\$1.145	\$1.145	\$1.260	\$2.132	\$2.436	\$1.250	\$2.117	\$1.061	\$1.436	\$1.113	\$4.599	\$2.447	\$1.313	\$2.499	\$1.292
2006	\$2.96	1.000	\$1.140	\$2.394	\$1.243	\$1.243	\$1.368	\$2.314	\$2.645	\$1.357	\$2.298	\$1.151	\$1.560	\$1.208	\$4.993	\$2.656	\$1.425	\$2.713	\$1.402
2007	\$3.76	1.000	\$1.180	\$2.478	\$1.286	\$1.286	\$1.416	\$2.395	\$2.738	\$1.404	\$2.379	\$1.192	\$1.614	\$1.251	\$5.168	\$2.749	\$1.475	\$2.808	\$1.451
2008	\$5.72	1.524	\$1.406	\$2.953	\$1.533	\$1.533	\$1.687	\$2.854	\$3.262	\$1.673	\$2.834	\$1.420	\$1.923	\$1.490	\$6.158	\$3.276	\$1.758	\$3.346	\$1.729
2009	\$9.82	1.000	\$3.094	\$6.497	\$3.372	\$3.372	\$3.713	\$6.281	\$7.178	\$3.682	\$2.362	\$3.125	\$1.603	\$3.280	\$5.104	\$7.209	\$3.868	\$7.364	\$3.806
2010	\$10.46	1.000	\$3.403	\$7.146	\$3.709	\$3.709	\$4.084	\$6.908	\$7.895	\$7.895	\$7.895	\$7.895	\$7.895	\$7.895	\$12.353	\$7.895	\$7.895	\$7.895	\$7.895
2011	\$11.14	1.000	\$3.744	\$7.862	\$4.081	\$4.081	\$4.493	\$7.600	\$8.686	\$4.455	\$2.362	\$3.781	\$1.603	\$3.969	\$13.591	\$8.724	\$4.680	\$8.911	\$4.605
2012	\$12.35	1.000	\$4.048	\$8.501	\$4.412	\$4.412	\$4.858	\$8.217	\$9.391	\$4.817	\$6.801	\$4.088	\$1.603	\$4.291	\$14.694	\$9.432	\$5.060	\$9.634	\$4.979

Application: Each user of the system has monthly billings calculated as **Administrative Service Charge + (Economy of Scale Factor x User Classification x Water Flow)**

Note: The Town did not operate a wastewater utility prior to fiscal year 2004.

Source: Town of Sahuarita Ordinances.

Town of Sahuarita, Arizona

Ratios of Outstanding Debt by Type

Fiscal Years 2006-2012

(unaudited)

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	QC CFD GO Bonds	2006A GADA Loan	2009 GADA Loan	2008A WIFA Loans	2008B WIFA Loans			
2006	\$ 12,660,000	\$15,410,000	\$ -	\$ -	\$ -	\$ 28,070,000	5.34%	\$1,542
2007	12,660,000	14,870,000	-	-	-	27,530,000	4.38%	\$1,350
2008	12,660,000	14,310,000	-	4,500,660	-	31,470,660	4.28%	\$1,389
2009	12,340,000	13,725,000	6,700,000	25,779,195	-	58,544,195	7.28%	\$2,364
2010	12,005,000	13,120,000	6,700,000	27,297,422	1,980,062	61,102,484	7.17%	\$2,419
2011	11,655,000	12,490,000	6,455,000	26,225,657	2,200,888	59,026,545	6.16%	\$2,300
2012	11,285,000	11,835,000	6,205,000	25,073,245	2,477,454	56,875,699	6.18%	\$2,163

Note: There was no outstanding debt prior to 2006.

Town of Sahuarita, Arizona

Ratios of General Bonded Debt Outstanding Fiscal Years 2006-2012 (unaudited)

Fiscal Year	Quail Creek CFD ¹ General Obligation Bonds	Percentage of Actual Taxable Value of District Property	Estimated Per Capita Amount in District
2006	\$ 12,660,000	819%	\$ 468,889
2007	12,660,000	364%	319,697
2008	12,660,000	169%	65,732
2009	12,340,000	149%	46,321
2010	12,005,000	136%	35,476
2011	11,655,000	133%	28,152
2012	11,285,000	129%	22,311

¹ The Quail Creek Community Facilities District, a legally separate entity, is a special taxing district whose debt was approved by the voters of the District.

Note: The District was formed in fiscal year 2006.

Town of Sahuarita, Arizona
Direct and Overlapping Governmental Activities Debt
June 30, 2012
(unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Pima County	\$ 477,407,000	2.45%	\$ 11,696,472
Pima County Community College	3,280,000	2.45%	80,360
Sahuarita Unified School District	45,165,000	39.2%	17,704,680
Continental School District	11,185,000	18.3%	2,046,855
Green Valley Fire District	8,350,000	31.5%	2,630,250
Subtotal, overlapping debt	<u>\$ 545,387,000</u>		<u>34,158,617</u>
Town direct debt-governmental activities			<u>32,765,000</u>
Total direct and overlapping debt			<u>\$ 66,923,617</u>

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the Town's boundaries and dividing it by the unit's total taxable assessed value.

Source: The applicable jurisdiction's finance/administration department or the Arizona Department of Revenue.

Town of Sahuarita, Arizona

Legal Debt Margin Information

Tax Years 2003-2012

(unaudited)

Legal Debt Margin Calculation for Tax Year 2012

Assessed Value	\$ 200,123,048
Debt Limit:	
6% of assessed value ¹	12,007,383
20% of assessed value ²	40,024,610
Total debt limit	52,031,993
Debt applicable to limit:	
General obligation bonds ³	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	\$ 52,031,993

	Tax Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit:	\$ 11,710,600	\$ 15,221,991	\$ 22,408,805	\$ 31,140,195	\$ 44,994,761	\$ 58,034,580	\$ 58,826,368	\$ 55,136,180	\$ 53,633,791	\$ 52,031,993
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 11,710,600	\$ 15,221,991	\$ 22,408,805	\$ 31,140,195	\$ 44,994,761	\$ 58,034,580	\$ 58,826,368	\$ 55,136,180	\$ 53,633,791	\$ 52,031,993
Total net debt applicable to the limit as a percentage of debt limit.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes:

¹ Under Arizona law, municipalities can issue general obligation bonds for general municipal purposes up to an amount not exceeding 6% of assessed valuation.

² Under Arizona law, municipalities can issue additional general obligation bonds for supplying specific services, such as water, sewer, lighting, parks and recreational facilities, and transportation, up to an amount not exceeding 20% of assessed valuation.

³ The Quail Creek Community Facilities District, a legally separate entity, is a special taxing district whose debt was approved by the voters of the District. The District's general obligation debt does not count towards the Town's legal debt limit.

Town of Sahuarita, Arizona

Pledged-Revenue Coverage

Fiscal Years 2006-2012

(unaudited)

2006A & 2009B GADA Loans

Fiscal Year	Pledged Revenues				Debt Service			Coverage Ratio	Ratio Requirement
	State Shared Revenues				Principal	Interest	Total Debt Service ¹		
	State Sales Taxes	Urban Revenue Sharing	Excise Tax Revenues	Total Revenues					
2006	\$ 427,558	\$ 339,435	\$ 16,222,657	\$ 16,989,650	\$ 945,000	\$ 313,139	\$ 1,258,139	13.50	2.00
2007	1,329,702	1,588,364	18,752,745	21,670,811	540,000	718,775	1,258,775	17.22	2.00
2008	1,285,736	1,968,813	14,322,376	17,576,925	560,000	697,175	1,257,175	13.98	2.00
2009	1,113,089	2,068,932	12,422,228	15,604,249	585,000	674,775	1,259,775	12.39	2.00
2010	1,026,662	1,806,256	10,430,564	13,263,482	605,000	990,607	1,595,607	8.31	2.00
2011	1,144,921	1,361,686	8,918,029	11,424,636	875,000	924,313	1,799,313	6.35	2.00
2012	1,973,746	2,131,878	8,845,717	12,951,341	905,000	891,763	1,796,763	7.21	2.00

2008A WIFA Loan

Fiscal Year	Pledged Resources				Debt Service			Coverage Ratio	Ratio Requirement
	Wastewater System Revenues	Wastewater O&M Expenses	Other Sources	Total Sources Available for Coverage	Principal	Interest	Total Debt Service		
2009	\$ 2,810,005	\$ (2,056,785)	\$ -	\$ 753,220	\$ -	\$ 350,217	\$ 350,217	2.15	1.20
2010	2,894,508	(1,316,434)	1,377,228	2,955,302	1,052,577	1,055,471	2,108,048	1.40	1.20
2011	2,615,900	(1,164,986)	3,064,126	4,515,040	1,091,765	1,016,283	2,108,048	2.14	1.20
2012	4,405,657	(1,326,539)	4,035,124	7,114,242	1,132,412	975,636	2,108,048	3.37	1.20

2008B WIFA Loan

Fiscal Year	Pledged Resources (net of pledges above)			Debt Service			Coverage Ratio	Ratio Requirement
	Net WW System Funding	Net Excise Tax Revenues	Total Revenues	Principal	Interest	Total Debt Service		
2010	\$ 425,644	\$ 10,072,268	\$ 10,497,912	\$ 162,454	\$ 33,835	\$ 196,289	53.48	2.00
2011	1,985,382	7,826,010	9,811,392	168,503	78,049	246,552	39.79	2.00
2012	4,584,584	9,357,815	13,942,399	174,776	83,889	258,665	53.90	2.00

¹ Figure represents the actual past payments pursuant to amortization schedule. The highest combined interest and principal requirements for any succeeding fiscal year of the 2006A and 2009B GADA Loan Agreements is \$1,801,025, which occurs in fiscal year 2020.

Note: The Town did not have debt requiring pledged-revenue coverage prior to fiscal year 2006.

Town of Sahuarita, Arizona

Demographic and Economic Statistics

Fiscal Years 2003-2012

(unaudited)

Calendar Year	Population	Personal Income <i>(thousands of dollars)</i>	Per Capita Personal Income	Unemployment Rate
2003	7,425	\$ 188,558	\$ 25,395	5.3%
2004	10,153	261,917	25,797	4.6%
2005	13,990	386,110	27,599	4.6%
2006	18,199	525,842	28,894	4.3%
2007	20,393	628,370	30,813	3.5%
2008	22,650	735,446	32,470	4.8%
2009	24,767	803,689	32,450	7.0%
2010	25,259	852,567	33,753	8.7%
2011	25,659	957,491	37,316	9.1%
2012	26,297	920,053	34,987	7.7%

Sources: Population data obtained from the Town's Planning & Zoning Department, except for year 2005 which was obtained from the Arizona Department of Economic Security, and 2010 which was obtained from the US Census Bureau.

Per capita personal income data was derived from *Arizona's Economy*, Eller College of Management, the University of Arizona, Economic Forecast for the Tucson Metropolitan Statistical Area.

Unemployment data obtained from *Arizona's Economy*, Eller College of Management, the University of Arizona, for the Tucson Metropolitan Statistical Area.

Town of Sahuarita, Arizona

Principal Employers

Fiscal Years 2012 and 2006

(unaudited)

<u>Employer¹</u>	<u>2012</u>		<u>2006</u>	
	<u>Employees</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Percentage of Total Town Employment</u>
Sahuarita Unified School District	743	29.15%	465	25.25%
Walmart	395	15.50%	360	19.55%
Farmers Investment Company	218	8.55%	225	12.22%
Fry's	159	6.24%	-	-
Town of Sahuarita	135	5.30%	126	6.84%
Safeway	90	3.53%	120	6.52%
Climax Engineered Materials	60	2.35%	71	3.85%
El Charro	52	2.04%	-	-
Jim Click Ford	44	1.73%	53	2.88%
Ross Dress for Less	28	1.10%	-	-
Ashley's Furniture	26	1.02%	-	-
Walgreens	26	1.02%	-	-
Big Lots	20	0.78%	-	-
Carondelet Medical Group	19	0.75%	-	-
Green Valley News & Sun	19	0.75%	-	-
Northwest Medical Center	15	0.73%	-	-
Bashas	-	-	85	4.61%
Total	<u>2,049</u>	<u>80.54%</u>	<u>1,420</u>	<u>77.11%</u>

¹ Excludes homebuilders not based in the Town.

Note: Information prior to fiscal year 2006 was not available.

Source: Town Manager's Department-Economic Development Function survey of local businesses.

Town of Sahuarita, Arizona

Full-time Equivalent Town Government Employees

Fiscal Years 2003-2012

(unaudited)

<u>Function/Department</u>	Full-time Equivalent Employees as of June 30									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
Town Manager	2.0	3.0	3.0	5.0	8.0	10.0	7.0	8.0	7.0	6.3
Town Clerk	2.0	3.0	3.0	4.0	3.0	3.0	3.0	3.0	3.5	3.4
Finance	2.0	2.0	3.0	5.0	6.0	7.5	8.0	8.0	8.0	8.0
Human Resources	-	-	-	-	-	-	2.0	2.0	2.0	2.0
Planning & Zoning	3.0	3.0	4.0	4.0	4.0	5.0	5.0	4.6	4.6	4.6
Public Works-Facilities	-	-	-	-	-	1.0	1.0	1.0	1.0	1.0
Municipal Court	3.0	4.0	5.0	6.0	8.0	9.0	9.0	8.0	8.0	8.0
Legal Dept.	-	-	-	1.0	2.0	2.0	3.0	4.0	4.0	4.0
General Government Total	12.0	15.0	18.0	25.0	31.0	37.5	38.0	38.6	38.1	37.3
Public Safety										
Building Safety	6.3	8.5	12.3	18.8	20.0	15.0	12.0	10.8	7.0	7.0
Public Works-Engineering	-	-	-	-	-	5.0	3.9	3.9	3.8	3.2
Police Dept	16.0	20.5	27.0	34.0	42.0	46.0	51.0	55.2	52.4	50.9
Public Safety Total	22.3	29.0	39.3	52.8	62.0	66.0	66.9	69.9	63.2	61.1
Culture & Recreation										
Parks & Recreation	5.8	6.9	12.5	16.0	19.6	18.6	16.8	15.1	15.1	15.1
Highways & Streets										
Public Works	6.0	8.5	11.0	10.0	10.0	-	-	-	-	-
Streets	-	-	1.0	2.4	8.0	13.0	13.6	14.5	15.1	13.5
Highways & Streets Total	6.0	8.5	12.0	12.4	18.0	13.0	13.6	14.5	15.1	13.5
Sewer										
Wastewater Utility	-	-	1.0	3.6	6.0	9.0	9.5	8.2	8.2	8.0
Total	46.1	59.4	82.8	109.8	136.6	144.1	144.8	146.3	139.7	135.0

Source: Town Finance Department.

Town of Sahuarita, Arizona

Operating Indicators

Fiscal Years 2003-2012

(unaudited)

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Building Safety										
Building permits-single family residential	731	1,127	1,531	1,614	719	790	563	454	185	247
Building permits-other	447	478	435	805	739	618	902	440	559	528
Police										
Citations	693	1,647	1,954	2,232	1,662	2,718	2,075	1,833	2,072	1,324
Other contacts/call-outs	2,213	2,805	4,106	5,860	7,809	9,855	9,569	9,185	9,591	8,996
Human Resources										
Number of job openings	n/a	40	44	77	75	54	23	16	6	14
Number of applicants	n/a	815	672	945	982	905	780	344	219	564
Turnover rate	n/a	27%	8%	20%	15%	19%	12%	9%	7%	7%
Municipal Court										
Hearings/Court sessions ¹	760	4,851	7,217	9,566	8,345	9,528	10,574	11,012	11,096	9,596
Public Works										
Street resurfacing (<i>miles</i>)	n/a	n/a	4.0	7.5	12.3	6.1	4.0	6.9	19.7	19.7
Potholes repaired	n/a	163	224	108	98	136	162	211	196	196
Parks and Recreation										
Athletic field users	6,000	8,640	9,175	12,322	10,227	13,910	57,650	75,314	130,192	156,697
Athletic field permits issued	5	15	21	30	21	24	119	128	170	174
Recreation program participants	4,250	4,452	5,243	5,909	20,281	18,446	17,204	12,403	13,429	10,942
Ramada rentals	30	45	60	79	124	112	133	170	164	167
Special event attendance	n/a	1,400	2,540	4,590	8,105	11,024	16,917	18,375	17,531	16,944
Recreation center rentals	n/a	8	18	38	77	32	34	23	61	41
Wastewater										
Average daily sewage treatment (<i>thousands of gallons</i>)	121.0	214.0	353.6	408.1	446.2	556.5	586.3	674.2	804.1	807.3

¹ Includes bench/jury trials, review, status conferences, arraignments, pretrial conferences, evidentiary motions, hearings, sentencing, and probation. These are scheduled hearings that may or may not have been held, but these cases were individually processed.

Note: Information prior to fiscal year 2003 was not available.

Source: The applicable Town of Sahuarita departments.

Town of Sahuarita, Arizona

Capital Asset Statistics

Fiscal Years 2003-2012

(unaudited)

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	17	22	30	37	43	40	40	32	28	39
Public Works										
Streetlights	3	4	5	5	5	7	8	47	52	53
Traffic signals			3	5	5	6	10	9	14	15
Parks and Recreation										
Park acreage	28	50	50	50	67	92	107	107	107	107
Basketball courts	1	2	2	2	2	2	4	4	4	4
Playgrounds	1	1	1	1	2	2	4	4	5	5
Skate spots/parks						1	1	2	2	2
Baseball/softball fields (lighted)	2	3	3	3	3	3	5	6	6	6
Baseball/softball fields (unlighted)	1									
Community centers	1	1	1	1	1	1	1	1	1	1
Parks maintenance buildings		1	1	1	1	1	1	1	1	1
Ramadas	5	5	5	6	11	11	17	22	22	22
Restroom facilities	2	2	2	2	4	4	5	6	8	8
Sand volleyball court	1					1	1	1	1	1
Off-leash dog area					1	1	2	2	2	2
Vehicles	2	5	6	7	7	7	7	7	7	8
Wastewater										
Treatment capacity <i>(thousands of gallons)</i>	250	250	490	490	490	690	690	1,500	1,500	1,500

Source: The applicable Town of Sahuarita departments.