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**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**



2023



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**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**



Prepared by the Finance Department

2023

TOWN OF SAHUARITA, ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal.....	2
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	12
Mayor and Council.....	13
Organization Chart.....	14
Sahuarita at a Glance.....	15

FINANCIAL SECTION

Independent Auditors' Report.....	17
Management's Discussion and Analysis.....	20

Basic Financial Statements

Statement of Net Position.....	33
Statement of Activities.....	34
Balance Sheet—Governmental Funds.....	35
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities.....	36
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds.....	37
Reconciliation of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities—Governmental Activities.....	38
Statement of Net Position—Proprietary Fund.....	39
Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund.....	40
Statement of Cash Flows—Proprietary Fund.....	41
Notes to the Financial Statements.....	42

Required Supplementary Information other than MD&A

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual:	
General Fund.....	73
Highway User Revenue Fund-Special Revenue Fund.....	74
Grants and Restricted Sources Fund—Special Revenue Fund.....	75
Rancho Sahuarita Community Facilities District—Special Revenue Fund.....	76
Schedule of Town's Proportionate Share of Net Pension/OPEB Liability—Arizona State Retirement System.....	77
Schedule of Town's Pension/OPEB Contributions—Arizona State Retirement System.....	78
Schedule of Town's Proportionate Share of Net Pension/OPEB Liability and Pension Contributions— Elected Officials Retirement Plan.....	79
Schedule of Net Pension Liability—Public Safety Personnel Retirement System.....	80
Schedule of Net OPEB Liability—Public Safety Personnel Retirement System.....	81
Schedule of Pension/OPEB Contributions--Public Safety Personnel Retirement System.....	82
Notes to Required Supplementary Information.....	83

Other Schedules

Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual:	
Capital Infrastructure Improvement Fund—Capital Projects Fund.....	86
Quail Creek Community Facilities District Fund—Special Revenue Fund.....	87

TABLE OF CONTENTS

STATISTICAL SECTION

Financial Trends

Net Position by Component.....	90
Changes in Net Position.....	91
Fund Balances-Governmental Funds.....	93
Changes in Fund Balances-Governmental Funds.....	94

Revenue Capacity

Assessed Value and Estimated Actual Value of Taxable Property.....	95
Direct and Overlapping Property Tax Rates.....	96
Property Tax Levies and Collections.....	97
Sales Tax Collections by Industry Group.....	98
Direct and Overlapping Sales Tax Rates.....	99
Principal Sales Tax Remitters.....	100
Monthly Sewer User Rates.....	101

Debt Capacity

Ratios of Outstanding Debt by Type.....	102
Ratios of General Bonded Debt Outstanding.....	103
Direct and Overlapping Governmental Activities Debt.....	104
Legal Debt Margin Information.....	105
Pledged-Revenue Coverage—State Shared and Excise Taxes.....	106
Pledged-Revenue Coverage—Wastewater System Revenues.....	107

Demographic and Economic Information

Demographic and Economic Statistics.....	108
Principal Employers.....	109

Operating Information

Full-Time Equivalent Town Government Employees.....	110
Operating Indicators.....	111
Capital Asset Statistics.....	112



ANNUAL COMPREHENSIVE FINANCIAL REPORT



Introductory Section

2023



December 21, 2023

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

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, 2023.

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.

CWDL, Certified Public Accountants, have issued an unmodified opinion on the Town of Sahuarita's financial statements for the year ended June 30, 2023. 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

Our strength stems from our residents. Our Town is ultimately a reflection of its residents, and our vitality stems in great part from a family-oriented population. The Town's estimated population is 36,760. As of the latest U.S. Census reports, our median age is 36.3 years, and our median household income is \$91,110. Sahuarita has an educated population, with 40.3% of our residents having a four-year or greater college or university education.

We believe in the wisdom of governmental checks and balances. Residents elect seven council members. The Town Council appoints a mayor and vice mayor from the seven elected officials. The Council guides policy while the town manager is responsible for ongoing, day-to-day operations of 12 Town departments and 189.4 full-time equivalent employees (FTE). Our residents voice a positive affirmation of the Town's reputation for providing core services such as public safety, well-maintained roadways and parks and recreation facilities.

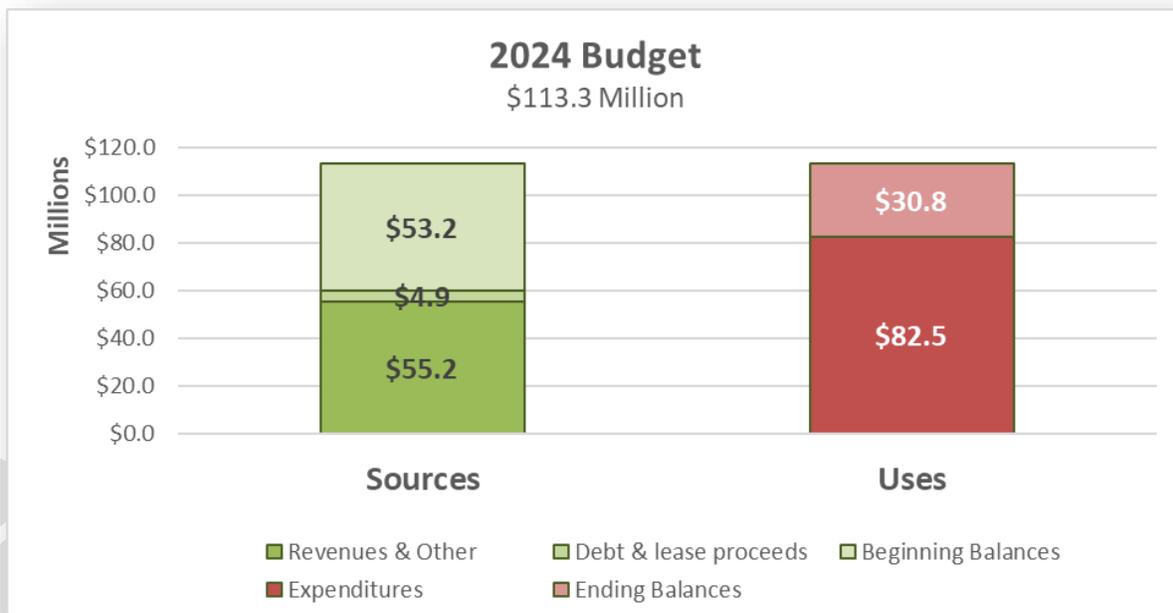
Budget: The Council is required to annually adopt a budget on or before the third Monday in August. The budget serves as the foundation for the Town of Sahuarita’s financial planning and control. The budget is prepared by fund, function, and department.

Department heads may transfer budget appropriations within a department. The Town Manager may appropriate certain balances that have been assigned by the Council in the budget for contingency purposes. Other budget amendments or appropriations, however, require the approval of the Town Council.

CURRENT CONDITION & INITIATIVES

The 2024 Fiscal Year Adopted Budget is a roadmap that reflects our commitment to fiscal responsibility, investment in quality infrastructure, and intention to continually improve the quality of life for those who call this place home.

The FY 2024 budget totals \$113,324,210, which is 6% greater than the FY 2023 budget because there is more funding available in the new year. Even so, this budget was developed using conservative principles and revenue forecasts that continue to provide flexibility in responding to economic uncertainty. The budget is in balance, where sources are equal to uses. It includes a \$82,494,150 spending plan that is less than forecasted sources. The \$30,830,060 difference between the two will be our ending balances, which are set aside for reserves, budget contingencies, and savings for future years.



The Town's budget is not simply a financial document of revenues and expenses, but also a policy document, an operations guide, and a communications tool both at a micro and macro scale for the entire community and stakeholders. The FY 2024 budget is the culmination of a collaborative effort of the Town's Leadership Team and Town Council, working closely with the Town's Budget Team and the Town Manager's Office.

Building upon last year's budget success, this team not only prioritized the organization's personnel requests but also worked together to prioritize the community's Capital Improvement Program. The effort has been shown to break down silos and empower leadership to lead in greater ways.

In addition to all the work done on a day-to-day basis, staff will continue to focus this year on strengthening our organizational structure by completing efforts to update the Town's Employee Handbook, create the Town Council's first Rules of Procedure, and create the Town's first Administrative Code document, and thereby our ability to continue to provide top-notch services to the community.

In these pages you will see plans and projections that demonstrate the 'what,' and many charts and figures that represent the 'how.' I'm here to tell you more about the 'why.'

Budget Considerations

In some ways, we still feel the effects of the global pandemic, and we are prepared with our newly adopted recession plan should we face projected – or unexpected – economic changes.

We are exploring ways to diversify our revenue sources, and where to invest in capital improvements and community spaces. Initiatives being explored to further diversify revenue, include:

- Increasing transaction privilege taxes on utility services to help offset a portion of the annual deficits in the HURF Fund.
- Establishing a use tax to ease the burden on the General Fund, which historically has provided the HURF Fund with a \$500 thousand annual subsidy for the Pavement Preservation Program that has grown to \$600 thousand in the 2024 Budget.
- Exploring the role of bond financing as a tool to deliver timely services to the community.
- Defining cost recovery objects and amending departmental fee schedules that have not been updated in several years.

These are the factors that influence our decision-making from a logistical standpoint, but each of these areas also speaks to the values of our organization, as articulated in our strategic plan.

Strategic Plan 2023-2028

Our mission is to be a vibrant, innovative, and diverse community with exceptional municipal and fiscal leadership, public safety, amenities, and economic prosperity that creates an outstanding quality of life for all. We do this by and through investment in:

- Economic Expansion & Placemaking
- Outreach & Communication
- Infrastructure & Facilities
- Community Well-Being
- Highly Performing Organization

Each of these areas comprises key programs and initiatives that will move Sahuarita forward in FY 2024.

Economic Expansion & Placemaking

Acquisition of Parcel 30 South will immediately provide the needed right-of-way for the extension of El Toro Rd. to La Villita Rd. and establish a required southern secondary access for the Rancho Sahuarita Entrada Del Pueblo neighborhood.

The long-term purchase of Parcel 30 South (pictured below) provides the opportunity for the Town to establish parks, sports facilities, and public amenities that will meet the recreational needs of Sahuarita residents. The 145-acre site will also allow the Town to attract synergistic projects to recreational activities, like commercial and retail, restaurant, and hospitality. The Town will do so in a manner that compliments aligned work being done by private sector community partners.



The Economic Development Master Plan will be completed at the end of CY 2023 and provide a blueprint to guide Sahuarita's leadership in continuing to build a vital economy for our community. The plan will include stakeholder engagement, market assessment, target industry analysis, and recommended strategies and goals.

By December 2023, two new tenants will occupy the remaining space available in SAMTEC. Global Water Resources (GWR) expanded to the SAMTEC facility on an 8,000 square foot lease. The expansion will support the GWR's water utility operations and deployment of water technologies. The company projects to employ up to 25 people and anticipates a \$4.1 million capital investment in its water systems in the coming years.

Advanced Technologies Application Group Inc. (ATAG) will establish its 5,000 square foot, state-of-the-art 3D printing design and adaptive manufacturing operations at SAMTEC. ATAG, Inc. will take plastic adaptive materials and shape them through a variety of heating and molding laser techniques. At full production, ATAG expects to employ 20 people with an average wage of \$80,000.

The Town will revise its 10-year General Plan in 2024. A central point of the anticipated action plan will include annexation. Annexation efforts are already underway for 2024 to the north that include ASARCO, Freeport McMoRan, and Pima County properties. East of town, promising work has already begun on the annexation potential with Arizona State Lands, but will also involve established Homeowner Associations, and individual property owners. South and west annexation efforts will include local business owners, Freeport McMoRan, ASARCO, Caterpillar, and other major industries.

Outreach & Communication

Our residents can look forward to a redesign of our current website to address accessibility and user experience and enhance services to the public. Along with a fresh look will come additional video tutorials and resources to support residents as they navigate the permitting process, pay bills, apply for jobs, or seek community services.

We are exploring new ways to foster public trust through enhanced, timely, and transparent communication of news, programs, and activities for the Town. This will include investing in systems and technology that will facilitate learning, connection, and support (i.e., internet connectivity, town newsletter, and social media content strategy for all channels).



We will continue to support our entrepreneur and business communities through the Grow IN Sahuarita program, offering counsel, resources, and connections for our residents to start a new project, scale their business, or navigate business transitions.

The Town Manager's report has taken a new shape to offer a higher degree of departmental visibility to Town Council and organize monthly information and updates in a digestible manner.

The Department of Law is compiling a listing of domestic violence resources for victims in our community. As the Town no longer has a designated Victim Advocate from the Pima County Attorney's Office, the Department of Law is picking up and covering the duties that victim advocates used to fulfill.

Infrastructure & Facilities

The Sahuarita Water Reclamation Facility will undergo construction to increase plant capacity and connect more directly with systems like the school district to ensure sustainable water treatment.

Our Police Department will take the results of its space study and begin to implement recommendations for the Police Department facility including expanding facilities for growth, efficiency, and elevated public service standards. PD also plans to expand its Property and Evidence warehouse storage facility which will contain a CSI laboratory.

Staff will take the year ahead to bring an analysis of solid waste services to the Town Council, to explore moving from a decentralized operating mode, where multiple haulers provide the service to various pockets of town, to a Town-administered centralized service, where one hauler provides the residential service town-wide. Preliminary research indicates that this would help provide a higher level of service for the community, be safer, reduce traffic, and reduce wear-and-tear on streets, ultimately saving money for both the residents, the Town, and the selected vendor.

For the safety of our employees on the roads and traveling out in the community, we are launching a Fleet Pilot Program to include ownership and maintenance of 28 vehicles and 76 pieces of equipment. We are hopeful this will ensure reliability, safety, and efficient services for the community.

Town staff will continue to be at the PAG and RTA table to advocate for a fair appropriation of regional dollars in support of the Town's roadway and transportation needs. Projects such as the widening and realignment of Pima Mine Rd. and the extension of La Villita Rd., as well as some design work and right-of-way acquisition for the future Sonoran Corridor project, are in the mix for future regional funding.

Community Well-Being

A new facility, formerly the Santa Cruz Valley United Methodist Church, will come online in FY 2024 as a dedicated events and recreation activity space. This summer, our kids' camps maxed out at 30 kids per week, and not only did they all fill up within hours of being posted, but we also had waitlists each week sometimes up to 70 families.

Clearly, there is a greater need for after-school and summer kid's programs and this facility will help us rise to meet that need. Additionally, the Town launched a trial after-school program for children ages 6-13. The success of this program will allow the Town to open a much-needed after-school program to our community.



Thanks to support from the Arizona Parks & Rec Association, we will be replacing the playground at Anamax Park with a state-of-the-art inclusive play space that will be ready to nurture active play in children of all ages and ability levels. It will be a National Demonstration Site for Playground Design based on Inclusion.

Our first town-operated splash pad will also join the line-up of Anamax Park improvements, and this is a long-awaited amenity that we know our families will be excited to have access to.



In addition to the classics – Spooktacular, Winterfest, Fiesta Sahuarita, and Stars & Stripes, our signature events team is making plans to expand signature events for the upcoming year with goals of enhancing public attendance, event activities, partnerships, and vendor opportunities. There will be several new events added to the calendar, including a fishing derby, turkey trot, and Ride of Silence. These events will provide the community with an abundance of free events to enjoy, while also allowing vendors to showcase their products.

Highly Performing Organization

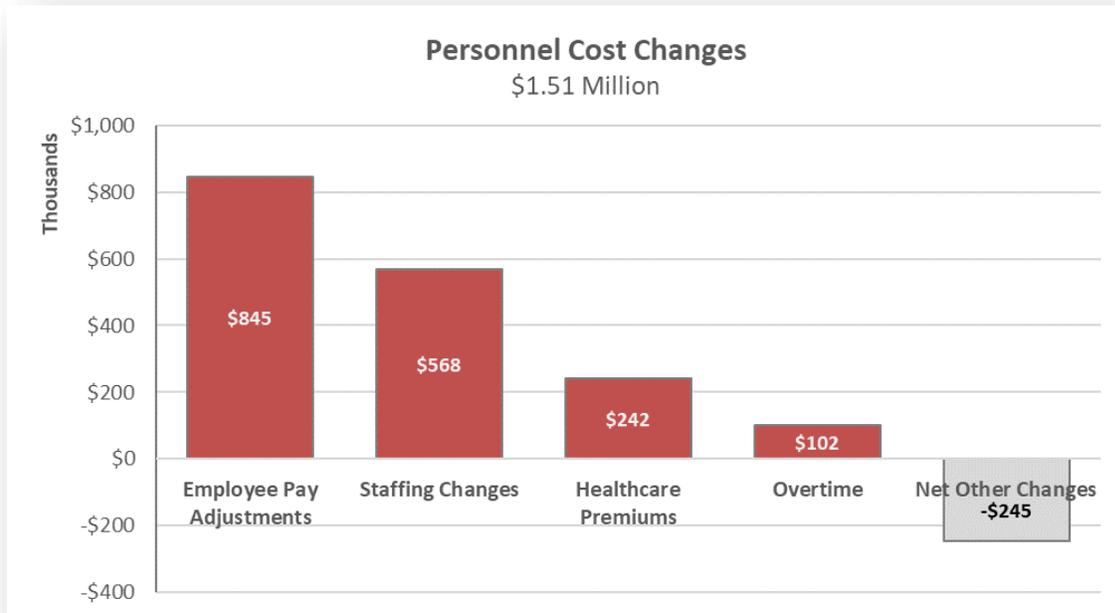
Like others, we have been impacted by attrition rates, but we have and continue to take steps to remain competitive as an employer of choice to attract and retain talent. This means creating an environment where employees are welcomed, supported, well-resourced, and extended meaningful opportunities for growth.

As an employer of choice and at a time when the public and the workforce demand stronger uses of technology, in 2024, the Town will continue to invest in systems and technology that will support its pilot 4-10 schedule. This will include remote work processes and policies to integrate teams seamlessly regardless of location.

The Town will remain focused on improving employee wellness by providing resources and options for new benefits relating to childcare, healthcare, prepaid legal services, and more. It will also remain committed to employing enhancements to the Town’s website for the benefit of the end-user, whether you are a business looking to do work in Sahuarita, or a resident looking for information or needing to engage Town services. Technology and the Town’s website will continue to be a sought-after answer to these growing needs.

Last January, the State’s minimum wage was raised to \$13.85 per hour, a \$1.05 per hour increase from the year prior. At the time, the Town Council adjusted employee pay and pay scales commensurately. This decision impacts the 2024 payroll budget by \$474,600. Like the FY 2023 Budget, the FY 2024 budget provides for merit increases of up to 4%, at a total cost of \$307,400, which will be available to employees in January 2024 after the annual evaluation process is complete.

In 2023, pay adjustments were made based on a 2022 comparator community market study of our job descriptions and pay scales. A supplemental study was conducted in 2023, which identified the need for a handful of additional adjustments. The FY 2024 budget accommodates \$63,400 in pay changes to bring these positions to market.



Efforts to recruit and retain top talent, alongside leadership development, continue to be a top priority this fiscal year. The organization aims to create a stronger culture of positive, constructive feedback and enhanced psychological safety through employee surveys and 360 evaluations. This new practice is anticipated to have a positive cultural impact and will enable leadership to be more strategic and effective in using existing training tools and budgeted resources to achieve desired outcomes (i.e., the ability to better recruit, retain, and train talent in the Town’s employee workforce).

As a highly performing organization, staff will continue to look for ways to bring greater transparency to its budget process, achieve a stronger alignment between the community’s values and budgeted resources allocated to services, and enhance collaboration when building the Town’s annual budget. Other budget models, such as Priority-Based Budgeting and Outcomes-Based Budgeting, are things the staff will be looking at and speaking with the Town Council about this upcoming Fiscal Year.

I hope you will take the time to review the budget document and familiarize yourself with the projects listed here and the many others we have underway for FY 2024. The future of Sahuarita is fiscally sound and culturally bright.

Warmly,

A.C. Marriotti
Finance Director

Shane Dille
Town Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Sahuarita
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Mayor and Council



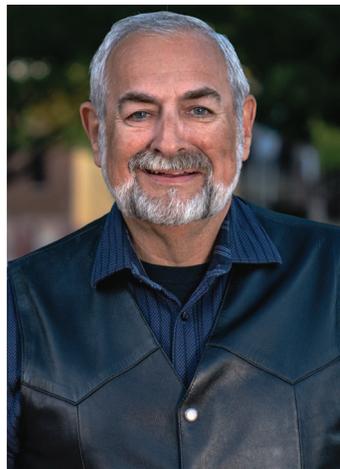
Tom Murphy
Mayor
tmurphy@sahuaritaaz.gov
520-344-7144



Kara Egbert
Vice Mayor
kegbert@sahuaritaaz.gov
520-344-7145



Steve Gillespie
Council Member
sgillespie@sahuaritaaz.gov
520-344-7143



Bill Bracco
Council Member
bbracco@sahuaritaaz.gov
520-344-7141



Diane Priolo
Council Member
dpriolo@sahuaritaaz.gov
520-344-7142



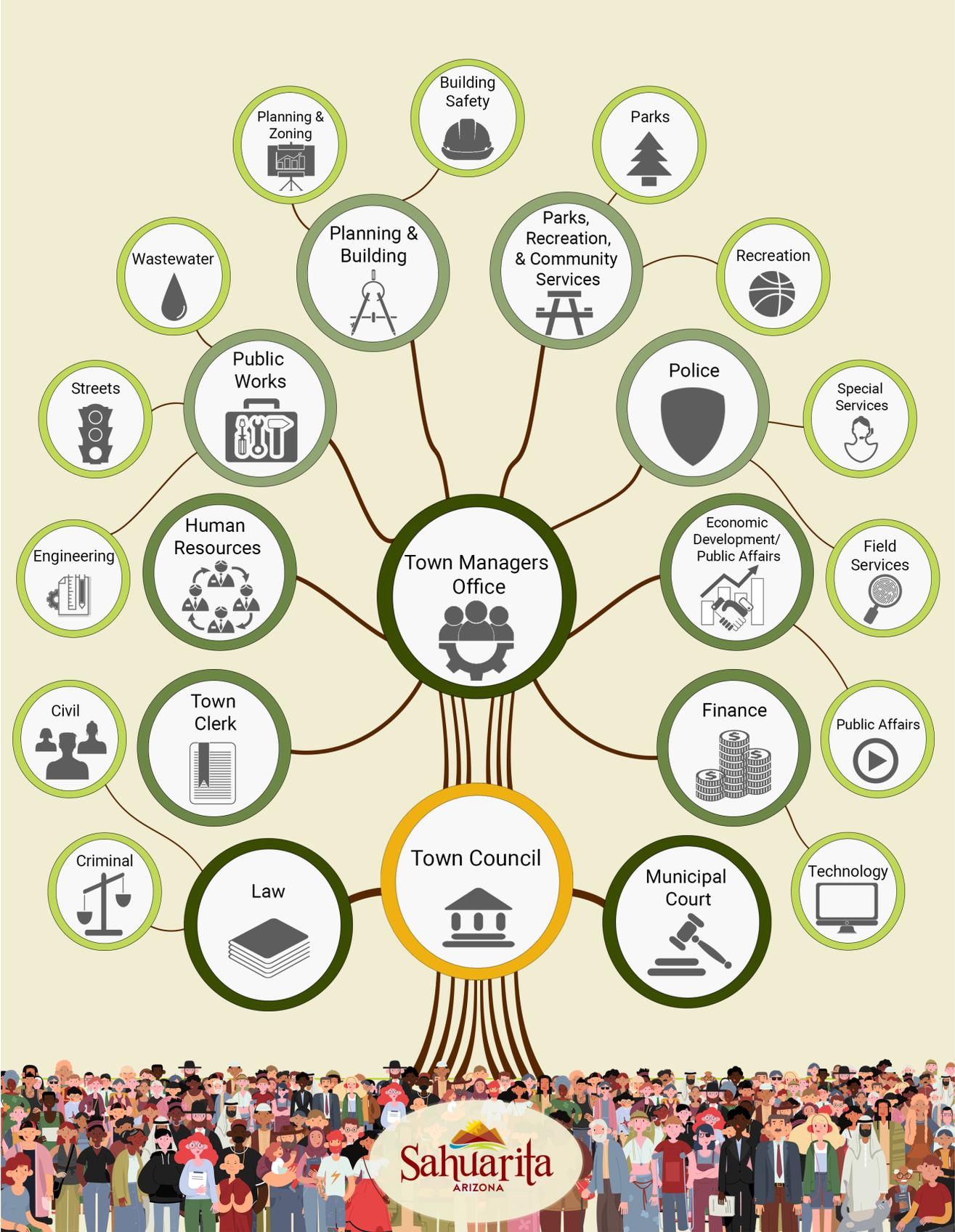
Simon Davis
Council Member
sdavis@sahuaritaaz.gov
520-344-7146



Deborah Morales
Council Member
dmorales@sahuaritaaz.gov
520-344-7140



Organization Chart



Sahuarita at a Glance

Though the Town of Sahuarita is relatively new, people have lived in the area in small communities for thousands of years. Archaeologists believe the region—located in Southern Arizona—to be the longest continuously inhabited place in all of North America. As the Town sits directly on both banks of the Santa Cruz River, there's no doubt that long before us came many, many others. Archaeology in the area, and the oral history of the Tohono O'odham show us that the land is blessed with a rich cultural legacy. The Santa Cruz River Valley and the land abutting the Santa Rita Mountains was a place where Native Americans inhabited villages and worked intensive agriculture by way of complex irrigation systems.

As one of Arizona's fastest-growing communities, the Town of Sahuarita is the newest jurisdiction in Pima County, incorporated in 1994 with a population of over 30,000. The Town of Sahuarita's population increased nearly 700 percent during the period from the 2000 Census to the Census of 2010. At just over 30 square miles in area, Sahuarita is located 15 minutes south of Tucson and 40 minutes north of the Mexican border. For current demographics information visit [Zoom Prospector](#). For approximations of statistics at the time of this publication see the numbers below.



TOTAL POPULATION

36,760

48.2% Male

51.8% Female

MEDIAN HOUSEHOLD INCOME

\$91,110

MEDIAN AGE

36.3

EDUCATIONAL ATTAINMENT

High school or higher 95.5%

Bachelor's Degree or higher 40.3%



ANNUAL COMPREHENSIVE FINANCIAL REPORT



Financial Section

2023



INDEPENDENT AUDITORS' REPORT

Town Council
Town of Sahuarita, Arizona
Sahuarita, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Town management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and OPEB schedules, and budgetary comparison information, as noted within the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The *other schedules*, as presented in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The *other schedules* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *other schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information *included in the annual report*. The other information comprises the introductory section and the statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



CWDL, Certified Public Accountants
December 21, 2023
Mesa, Arizona

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Our discussion and analysis of the Town's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2023. Please read it in conjunction with the transmittal letter on pages 2-11 and the Town's basic financial statements, which begin on page 33.

FINANCIAL HIGHLIGHTS

- At June 30, 2023 net position totaled \$171,537, an increase of \$14,097 over last year. Of this amount, \$32,173 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Capital asset balances totaled \$178,559, an increase of \$9,028 compared to last year. Construction in progress accounted for \$1,502, 0.8% of the total capital assets.
- Long-term liabilities decreased \$2,094 from last year to a total of \$69,836 at June 30, 2023. Liabilities related to employee expenses (pension, other postemployment benefits, and compensated absences) accounted for \$11,470, approximately 16% of the total balance.
- As of the close of the current fiscal year, the governmental funds combined ending fund balances had decreased \$166 to a new balance of \$54,435. Of this amount, \$1,188 is in a nonspendable form, \$17,272 is restricted for specific purposes due to agreements or laws, \$5,500 is committed for reserves, \$5,475 is assigned to specific purposes by the Town Council, and \$25,000 is unassigned.
- The Wastewater Enterprise Fund's net position increased by \$5,153 during the year, raising net position to \$37,084 at year end. Unrestricted net position was \$1,135, an increase of \$963.
- The Town received \$5,247 in American Rescue Plan Act (ARPA) funding from the U.S. Department of Treasury. This represented the last of two installments. Unspent ARPA funds totaling \$6,867 were unearned at year end.
- Contributed roadways and sewer lines increased capital assets in governmental activities by \$6,618 and business-type activities by \$3,132, respectively.

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 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).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

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 33-34 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 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 six 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, Grants and Restricted Sources Fund, Rancho Sahuarita Community Facilities District Fund, and Capital Infrastructure Improvement Fund (CIIF), which are major funds. The Quail Creek Community Facilities District Fund is a nonmajor fund and is also presented.

The Town adopts an annual appropriated budget for its funds. Budgetary comparison 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 35 and 37 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 a major fund of the Town. The basic proprietary fund financial statements can be found on pages 39-41 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 42-71 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, including (1) budgetary comparison schedules for the General Fund, Highway User Revenue Fund—Special Revenue Fund, Grants and Restricted Sources Fund—Special Revenue Fund, and Rancho Sahuarita Community Facilities District—Special Revenue Fund and (2) schedules of the Town's net pension and other postemployment liabilities and contributions associated with the Arizona State Retirement System, the Elected Officials Retirement Plan and the Public Safety Personnel Retirement System. Required supplementary information can be found on page 73-82 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 67,452	\$ 66,555	\$ 3,465	\$ 3,061	\$ 70,917	\$ 69,616
Capital assets	<u>131,996</u>	<u>125,793</u>	<u>46,563</u>	<u>43,738</u>	<u>178,559</u>	<u>169,531</u>
Total assets	199,448	192,348	50,028	46,799	249,476	239,147
Deferred outflows	4,145	3,517	133	190	4,278	3,707
Liabilities:						
Current	9,445	7,183	605	1,317	10,050	8,500
Long-term	<u>57,410</u>	<u>58,447</u>	<u>12,425</u>	<u>13,483</u>	<u>69,835</u>	<u>71,930</u>
Total liabilities	66,855	65,630	13,030	14,800	79,885	80,430
Deferred inflows	2,285	4,727	47	257	2,332	4,984
Net position:						
Net investment in capital assets	101,243	98,360	34,872	30,709	136,115	129,069
Restricted	2,172	4,505	1,077	1,051	3,249	5,556
Unrestricted	<u>31,038</u>	<u>22,643</u>	<u>1,135</u>	<u>172</u>	<u>32,173</u>	<u>22,815</u>
Total net position	<u>\$ 134,453</u>	<u>\$ 125,508</u>	<u>\$ 37,084</u>	<u>\$ 31,932</u>	<u>\$ 171,537</u>	<u>\$ 157,440</u>

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. The Town's net position was \$171,537 at the close of the most recent fiscal year, an increase of \$14,097 over last year.

The largest portion (\$136,115 or 79%) of the Town's net position 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 \$3,249 (2%) of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$32,173 (19%) is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
REVENUES						
Program revenues:						
Charges for services	\$ 2,867	\$ 4,022	\$ 4,851	\$ 5,009	\$ 7,718	\$ 9,031
Operating grants and contributions	4,144	3,539	264	-	4,408	3,539
Capital grants and contributions	8,032	2,835	2,930	1,286	10,962	4,121
General revenues:						
Property taxes	1,679	1,376	-	-	1,679	1,376
Sales taxes	15,754	13,624	-	-	15,754	13,624
Franchise taxes	404	373	-	-	404	373
Share of state income tax	6,703	4,435	-	-	6,703	4,435
Share of state sales tax	5,224	4,798	-	-	5,224	4,798
Share of state vehicle license tax	1,787	1,549	-	-	1,787	1,549
Unrestricted grants and contributions	2,305	247	211	-	2,516	247
Investment earnings (losses)	1,117	(474)	45	6	1,162	(468)
Gain on the sale of capital assets	95	-	-	-	95	-
Miscellaneous	24	194	150	17	174	211
Total revenues	<u>50,135</u>	<u>36,518</u>	<u>8,451</u>	<u>6,318</u>	<u>58,586</u>	<u>42,836</u>
EXPENSES						
Program expenses:						
Governmental activities:						
General government	8,519	8,117	-	-	8,519	8,117
Public safety	12,816	11,202	-	-	12,816	11,202
Culture and recreation	3,939	3,333	-	-	3,939	3,333
Highways and streets	13,392	12,107	-	-	13,392	12,107
Interest and amortization costs on long-term debt	1,821	1,354	-	-	1,821	1,354
Business-type activities:						
Sewer	-	-	4,002	3,513	4,002	3,513
Total expenses	<u>40,487</u>	<u>36,113</u>	<u>4,002</u>	<u>3,513</u>	<u>44,489</u>	<u>39,626</u>
Increase (decrease) in net position before losses and transfers	9,648	405	4,449	2,805	14,097	3,210
Transfers	(703)	(212)	703	212	-	-
Change in net position	8,945	193	5,152	3,017	14,097	3,210
Net position at beginning of year	125,508	125,567	31,932	28,915	157,440	154,482
Prior period adjustment	-	(252)	-	-	-	(252)
Net position at end of year	<u>\$ 134,453</u>	<u>\$ 125,508</u>	<u>\$ 37,084</u>	<u>\$ 31,932</u>	<u>\$ 171,537</u>	<u>\$ 157,440</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Governmental Activities

The \$8,945 increase in net position for governmental activities was \$8,752 more than last year's change in net position. Significant variances between fiscal year 2023 and 2022 are explained below:

Revenues and Other Sources

- Charges for services decreased by \$1,155. In 2023, the Town recorded \$1,953 in building permit revenues, which was \$1,211 lower than the year before. Fewer homes were permitted in 2023 due to high housing prices and mortgage rates, both having a negative impact on housing affordability.
- Capital grants and contributions increased by \$5,197. Of this amount, \$4,171 was attributable to the increase value of roadways contributed by developers. This infrastructure supports much of the new development that has occurred over the past couple of years, since the end of the Covid19 pandemic. Another \$556 was due to increased investment earnings on restricted accounts. The Town had a sizable unspent bond proceeds balance and earnings rates have steadily been on the rise coincidental with actions taken by the Federal Open Market Committee. The Town also received \$533 more in developer stand-by contribution payments towards Community Facility District debt service, as necessitated by debt payment schedules.
- Sales taxes increased by \$2,130. Increased residential development and home sales, much of which was permitted in 2022, produced \$1,426 more in the contracting taxes, a segment of sales taxes. Higher population and inflation resulted in an increase in general sales taxes of 7.7%, or \$704.
- Share of state income taxes were \$2,268 higher than the year prior. Distributions received in 2023 were based upon State income tax collections in 2021. In 2020, during the COVID19 pandemic, the State delayed the tax filing date from April 15, 2020 to July 15, 2021. This deferred a sizable amount of tax collections from 2020 to 2021. The Town realized the impact of this in 2022, where state distributions were lower than normal, and in 2023, where distributions were higher than normal.
- Unrestricted grants and contributions increased by \$2,058. This entire amount represents ARPA-SLFRF funding that was spent and earned under the revenue replacement program. In 2022, this option for the Town's SLFRF allocations was not available until the U.S. Treasury's *Final Rule* was released, which provided a standard \$10 million revenue replacement program allowance, freeing up allowable uses for the funding.
- Investment earnings were \$1,591 more than last year. The Town holds investment until maturity. As such, the unrealized losses in 2022 became realized gains in 2023, and reinvested funds provided for higher yields due to market conditions; coincidental to the Federal Open Market Committee's efforts to address high inflation by raising the federal funds target rate.

Expenses and Other Uses

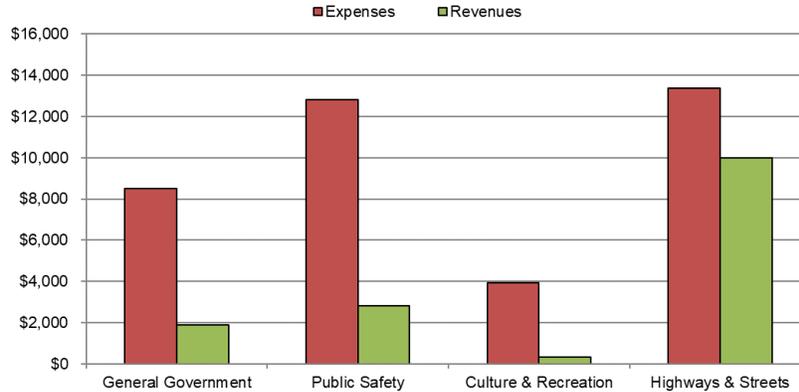
- Program expenses increased by \$3,907. The Town added 15.2 full-time equivalent staff positions in 2023, provided merit increases up to 4%, recognized a full year's worth of pay plan adjustments that were enacted mid-year in 2022, and instituted other benefit changes. These actions came with a \$3,345 budgeted impact, but only \$1,944 was realized during the year. Other significant expense items include:
 - Net pension & OPEB expenses increased by \$810. There are a lot of factors that impact these expenses but much of it was the result of the net investment losses experienced by the pension & OPEB plans in 2022, the year of measurement.
 - Depreciation and amortization expense increased by \$599 as there were more depreciable assets on the books.
 - Interest and amortization costs on general long-term debt increased by \$489. These costs were higher as there were two new debt obligations issued in 2022, resulting in higher accrued interest in 2023.

MANAGEMENT’S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

As shown on the chart below, all functions had greater program expenses than program revenues. Accordingly, general revenues and available net position was used to help pay the costs of these functions.

Governmental Activities Program Revenues and Expenses

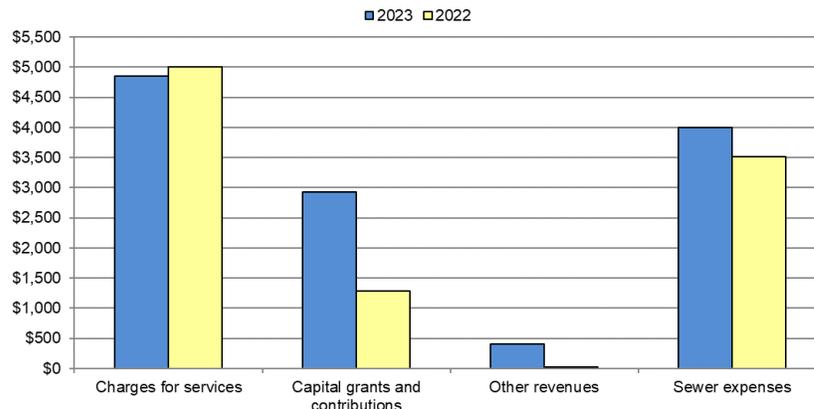


Business-type Activities

The \$5,152 increase in net position for business-type activities was \$2,135 more than last year’s change in net position. Significant variances between fiscal year 2023 and 2022 are explained below:

- Grants and contributions (operating, capital, unrestricted) increased \$2,119 in total. Of this amount, \$2,222 was attributable to the increase value of sewer lines contributed by developers. This infrastructure supports much of the new development that has occurred over the past couple of years, since the end of the Covid19 pandemic.
- Sewer lines transferred from the governmental activities were valued \$491 more than last year.
- Fewer homes connected to the wastewater system in 2023 than in 2022 in large part due to housing affordability issues. Connection fees declined by \$314 as a result.
- One-time insurance proceeds of \$133 were received for bad debts previously written off.
- Operating expenses grew by \$489. Except for utility costs, increases were realized in all areas due to system growth—more customers connected to the system. The wastewater system runs mostly on solar power, helping to keep utility costs relatively flat.

Business-type Activities Revenues and Expenses



MANAGEMENT’S DISCUSSION AND ANALYSIS

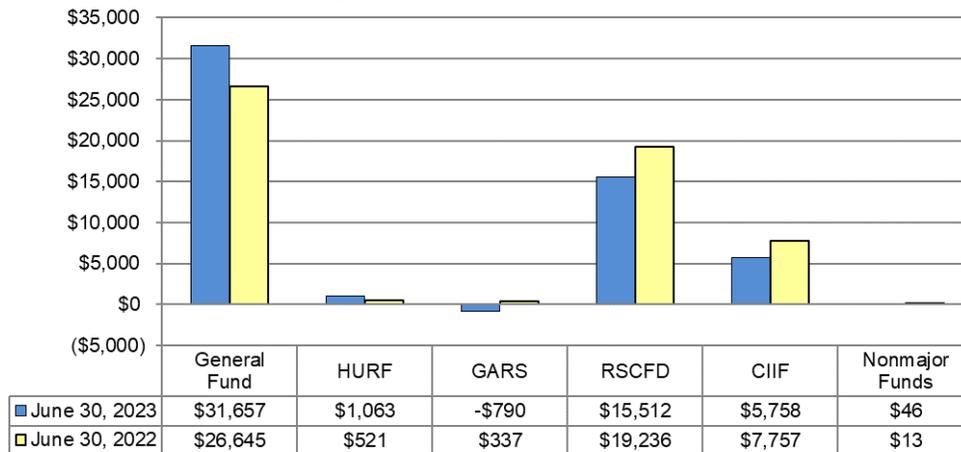
(dollar amounts in thousands)

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.

At June 30, 2023, the Town’s governmental funds reported combined ending fund balances of \$54,435, a decrease of \$166 from last year. Of the total, \$53,246 constitutes spendable fund balances, which includes the unassigned, assigned, committed, and restricted fund balances. The remaining \$1,189 represents balances that are not in spendable form, such as prepaid items and interfund advances.

Governmental Funds Spendable Fund Balances



The General Fund is the chief operating fund of the Town. As a measure of the General Fund’s liquidity, spendable fund balances were 147% of total fund expenditures. Compared to last year, total fund balance increased by \$6,106, for which \$5,012 was spendable. Revenues exceeded expenditures by \$5,336 and net other financing sources were \$770. The Town’s budget expected revenues to exceed expenditures (excluding contingencies) by \$2,522. Actual results for the year were even more favorable than the budget plan. While total revenues fell slightly below budget (\$198, or -0.7%), total expenditures were well under, by \$3,011, mostly due to staffing vacancies that resulted in payroll savings (see General Fund Budget Highlights below). The General Fund also recorded a \$1,155 advance receivable due from the GARS Fund (see below), resulting in an increase to non-spendable fund balances.

Fund balances in the HURF Fund increased by \$542. This increase is mostly attributable to a one-time allocation of ARPA-SLFRF funding that was used to pay \$1,220 of the Town’s pavement management preservation program costs. In prior years, the General Fund would provide a \$500 subsidy to cover a smaller portion of the program costs. The additional resources in 2023 provided for the fund balance increases.

Fund balances in the GARS Fund declined by \$1,124. This reduction was tied to the \$1,155 advance due to the General Fund that paid for tenant improvements to the SAMTEC facility pursuant lease agreements, which are subject to federal program requirements. The advance is expected to be repaid over a period of ten years.

Fund balances in the RSCFD Fund decreased by \$3,724. The RSCFD spent \$3,787 to acquire infrastructure using proceeds from a bond issued in a prior year.

The CIIF fund balances decreased by \$1,999. The CIIF accumulates resources over time and spends them on capital outlay in accordance with the five-year Capital Improvement Plan. In 2023, the amount spent exceeded the new resources collected.

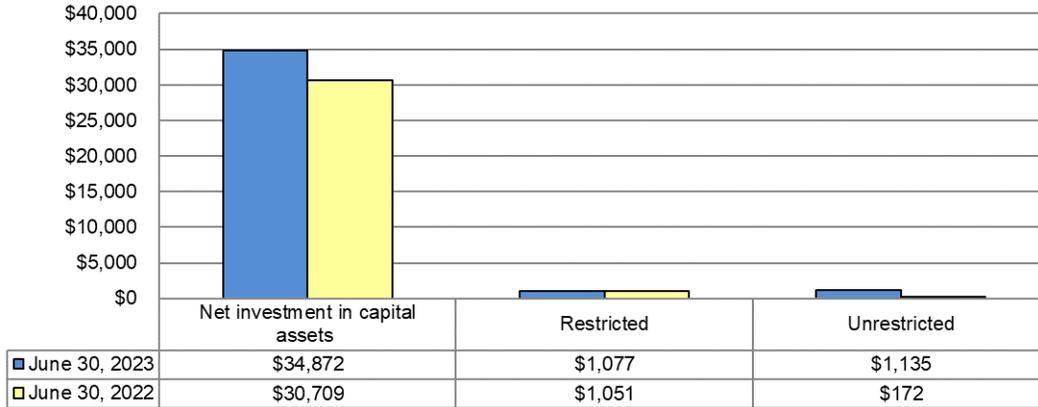
The fund balances of the nonmajor fund increased by \$33. This increase is mostly attributable to the higher-than-anticipated property tax collection rate experienced during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

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 balance of \$1,135, which was a \$963 higher than last year. The utility's fee structure is designed to cover on-going costs, pay debt service, and ultimately to establish sufficient reserves. Restricted net position was \$1,077 for other postemployment benefits assets and cash held in trust to pay debt service. 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, budgeted amendments reduced net spending capacity by \$192, as follows:

- The Council reduced the budget of the Law Department by \$154. During the year, the Town outsourced the services of the department's Civil Division to a law firm at considerable savings.
- The Public Works Department (Engineering Division) and the Police Department had net budget transfers of \$28 and \$10, respectively, out of their General Fund operating budgets into their department budgets in other funds.

Final budget compared to actual results. Total actual revenues fell short of estimated revenues by \$198. The most significant differences were as follows:

Revenue Sources	Budgeted Revenues	Actual Revenues	Difference
Taxes	\$ 9,193	\$ 9,775	\$ 582
Licenses and permits	2,608	2,015	(593)
Intergovernmental	13,350	13,715	365
Charges for services	1,238	307	(931)
Fines and forfeitures	212	221	9
Investment earnings	368	770	402
Miscellaneous	82	50	(32)
	<u>\$ 27,051</u>	<u>\$ 26,853</u>	<u>\$ (198)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

- Tax collections exceeded expectations by 6%. The Town had a higher population than modeled in the budget figure. Population is the largest determinant of tax collections. The second largest determinant is the rate of inflation, which was higher than anticipated. As taxable goods cost more, tax collections increase.
- Licenses and permits fell short of budget by 23%. The most significant revenue stream in this source is derived from building permit activity. The budget assumed there would be 481 homes permitted during the year, but only 301 actually were.
- Charges for services were 75% below budget. The budget figure included \$982 for central service cost recoveries. This activity, however, was ultimately classified as interfund reimbursements, which reduced expenditures in the central service functions rather than generating revenues to the fund.
- Investment earnings were 109% above budget. The Town holds investments to maturity. As such, the unrealized losses in 2022 became realized gains in 2023, and reinvested funds provided for higher yields due to market conditions; coincidental to the Federal Open Market Committee's efforts to address high inflation by raising the federal funds target rate.
- Other differences were immaterial or fell within a normal and/or acceptable range about the budget amount.

Total actual expenditures were less than appropriations (excluding contingency reserves) by \$3,011, as follows:

<u>Expenditure Category</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Difference</u>
Personnel	\$ 17,279	\$ 15,074	\$ 2,205
Services	4,790	3,886	904
Supplies and equipment	1,187	1,233	(46)
Other	1,195	268	927
Capital outlay	77	841	(764)
Debt service	-	215	(215)
	<u>\$ 24,528</u>	<u>\$ 21,517</u>	<u>3,011</u>

- Personnel expenditures were less than budget by 13%. Much of this was due to personnel vacancies and some due to variances between budget assumptions and actual results.
- Costs for services were 19% lower than budget. The most significant savings were realized for a wide variety of reasons in the following areas: \$261 for software support and maintenance, \$220 for professional services, \$177 for county services, and \$69 equipment repair and maintenance.
- Other costs were 78% below budget. The budget figure included \$982 of central service costs to be allocated to other funds. The allocated costs were budgeted as charges for services revenues. This activity, however, was ultimately classified as interfund reimbursements resulting in expenditure reductions to the central service functions rather than revenues to the fund.
- Capital outlay and debt service. The ongoing costs related to leases and subscription-based information technology agreements were accounted for in the departmental operating budgets. Actual costs, however, were classified in accordance with GASB Statements No. 87 and 96, posting to capital outlay and debt service accounts rather than departmental operating budgets. This accounted for the shortfalls identified in the table above.
- Other differences were immaterial or fell within a normal and/or acceptable range about the budget amount.

Net revenue and expenditures had a favorable budget variance of \$2,813. None of the negative line-item budget variances had or have a significant effect on future service levels or liquidity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

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, 2023, amounted to \$178,559 (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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 11,350	\$ 11,350	\$ 2,640	\$ 2,640	\$ 13,990	\$ 13,990
Buildings & improvements	22,837	21,981	29,092	28,923	51,929	50,904
Sewer conveyance system	-	-	14,224	11,427	14,224	11,427
Infrastructure	92,623	84,729	-	-	92,623	84,729
Vehicles	1,543	508	10	15	1,553	523
Equipment and software	1,019	803	-	-	1,019	803
Intangibles	1,719	1,217	-	-	1,719	1,217
Construction in progress	905	5,205	597	733	1,502	5,938
Total capital assets	<u>\$131,996</u>	<u>\$125,793</u>	<u>\$ 46,563</u>	<u>\$ 43,738</u>	<u>\$178,559</u>	<u>\$169,531</u>

Total capital assets increased by \$9,028 (5%) during the year, which is the net difference between new capital acquisitions, disposals, and depreciation. Major capital asset events during the fiscal year included the following:

- Governmental activities spent \$2,349 during the year constructing the Quail Crossing Boulevard and Low-flow Bridge Project which was substantially completed at a total project cost of \$7,102.
- The Rancho Sahuarita Community Facilities District spent \$3,055 and \$703 acquiring infrastructure for governmental activities and sewer conveyance system for business-type activities, respectively, from the District's Master Developer.
- Developer contributions added \$6,618 to infrastructure in governmental activities and \$2,429 to the sewer conveyance system in business-type activities.
- Governmental activities spent \$1,284 to purchase vehicles.
- Governmental activities entered into lease agreements for the right-to-use vehicles and equipment valued at \$405 and subscription-based software agreements valued at \$600.
- Business-type activities spent \$265 during the year finishing the Wastewater Lab Project which was completed at a total project cost of \$930.
- Depreciation reduced the Town's investment in capital assets for governmental activities and business-type activities by \$11,214 and \$1,146, respectively.

Additional information on the Town's capital assets can be found in note 5 on pages 51-52 of this report.

MANAGEMENT’S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Long-term debt. At the end of the current fiscal year, the Town had \$58,366 of total debt outstanding. Of this amount, \$34,700 (59%) comprises debt backed by the full faith and credit of the community facilities districts, which are legally separate blended component units of the Town. The remainder of the debt is secured by specific revenue sources. A summary of outstanding long-term debt follows.

LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Quail Creek CFD G.O. bonds	\$ 6,614	\$ 7,340	\$ -	\$ -	\$ 6,614	\$ 7,340
Rancho Sahuarita CFD G.O. bonds	28,086	28,414	-	-	28,086	28,414
Loans payable	10,551	12,790	11,607	12,817	22,158	25,607
Leases	1,063	1,250	-	-	1,063	1,250
Subscriptions	445	-	-	-	445	-
Total long-term debt	<u>\$ 46,759</u>	<u>\$ 49,794</u>	<u>\$ 11,607</u>	<u>\$ 12,817</u>	<u>\$ 58,366</u>	<u>\$ 62,611</u>

Major debt activity during the year included the following:

- The Wastewater Enterprise Fund entered into a \$5,800 loan agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) to finance capital improvements to the wastewater treatment facility. The WIFA loan includes \$1,059 of principal forgiveness, resulting in a \$4,741 potential obligation. No obligation was due on this loan at year-end.
- Principal payments reduced the governmental activities and business-type activities debt liabilities by \$4,039 and \$1,210, respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue. In 2023, the Town’s debt capacity was \$87,815. The general obligation debt of the community facilities districts, which are legally separate entities, does not apply against the Town’s debt capacity.

Additional information on the Town’s long-term debt can be found in note 7 on pages 64-68 of this report.

ECONOMIC FACTORS, NEXT YEAR’S BUDGET, AND RATES

The current estimated population of 36,760 is 3.1% larger than last year’s estimated population of 35,648. The Town uses a growth rate of approximately 2.4% for planning purposes.

The Town’s taxable net assessed property valuation for 2023 was \$317,140, an increase of 7.2% over 2022. The total full cash property value increased 7.7% higher than 2022, to \$3,203,506.

The Town’s budget for fiscal year 2024 totals \$113,274. Expenditures are expected to exceed revenues and other sources by \$22,397, mostly due to planned capital project activity, where previously accumulated resources (e.g., debt proceeds) are being spent on major infrastructure projects in the Town. Ending fund balances are expected to be \$30,830 by the end of 2024.

No significant rate or fee adjustments are expected in 2024. However, the Town will explore a possible increase in the transaction privilege taxes on utility services to offset future deficits in the HURF Fund and the establishment of a municipal use tax (a tax on out-of-state purchases that do not charge sales taxes comparable to Arizona) to provide a fair tax environment for Arizona businesses.

Additional information can be found in the Transmittal Letter on pages 2-11 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

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.sahuaritaaz.gov.



ANNUAL COMPREHENSIVE FINANCIAL REPORT



Basic Financial Statements

2023

Town of Sahuarita, Arizona

Statement of Net Position

June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 44,146,621	\$ 892,371	\$ 45,038,992
Receivables, net of allowances for doubtful accounts	4,748,919	1,377,999	6,126,918
Prepaid items	33,426	-	33,426
Restricted assets	18,523,826	1,195,199	19,719,025
Capital assets:			
Not being depreciated/amortized	12,254,530	3,236,858	15,491,388
Being depreciated/amortized, net	119,741,059	43,325,895	163,066,954
Total capital assets	131,995,589	46,562,753	178,558,342
Total assets	199,448,381	50,028,322	249,476,703
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding	185,884	-	185,884
Deferred outflows related to pensions and other postemployment benefits	3,959,275	133,329	4,092,604
Total deferred outflows of resources	4,145,159	133,329	4,278,488
LIABILITIES			
Accrued payroll and benefits	629,247	34,315	663,562
Payables:			
Accounts	1,231,996	184,695	1,416,691
Interest	688,742	142,024	830,766
Contract retention	-	5,716	5,716
Deposits	160,786	-	160,786
Unearned revenues	6,734,784	237,911	6,972,695
Noncurrent liabilities:			
Due within one year	5,407,983	1,292,658	6,700,641
Due in more than one year	52,002,520	11,132,420	63,134,940
Total noncurrent liabilities	57,410,503	12,425,078	69,835,581
Total liabilities	66,856,058	13,029,739	79,885,797
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	762,071	47,438	809,509
Deferred inflows related to leases	1,522,675	-	1,522,675
Total deferred inflows of resources	2,284,746	47,438	2,332,184
NET POSITION			
Net investment in capital assets	101,243,072	34,872,447	136,115,519
Restricted for:			
Postemployment benefits	539,042	29,886	568,928
Transportation	1,065,102	-	1,065,102
Municipal court	65,870	-	65,870
Law enforcement	294,334	-	294,334
Economic development	8,752	-	8,752
Health safety	70,213	-	70,213
CFD operations and maintenance	40,222	-	40,222
Debt service	88,595	1,047,000	1,135,595
Unrestricted	31,037,534	1,135,141	32,172,675
Total net position	\$ 134,452,736	\$ 37,084,474	\$ 171,537,210

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, 2023

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	\$ 8,519,085	\$ 401,902	\$ 101,668	\$ 1,400,625	\$ (6,614,890)		\$ (6,614,890)
Public safety	12,816,213	2,164,720	664,115	-	(9,987,378)		(9,987,378)
Culture and recreation	3,939,198	257,260	64,488	13,500	(3,603,950)		(3,603,950)
Highways and streets	13,392,120	43,626	3,313,500	6,617,511	(3,417,483)		(3,417,483)
Interest and amortization of long-term debt	1,820,997	-	-	-	(1,820,997)		(1,820,997)
Total governmental activities	40,487,613	2,867,508	4,143,771	8,031,636	(25,444,698)		(25,444,698)
Business-type activities:							
Sewer	4,002,406	4,851,324	264,865	2,929,983		\$ 4,043,766	4,043,766
Total business-type activities	4,002,406	4,851,324	264,865	2,929,983		4,043,766	4,043,766
Total primary government	\$ 44,490,019	\$ 7,718,832	\$ 4,408,636	\$ 10,961,619	(25,444,698)	4,043,766	(21,400,932)
General revenues:							
Property taxes					1,679,510	-	1,679,510
Sales taxes					15,753,804	-	15,753,804
Franchise taxes					403,620	-	403,620
Share of state income tax					6,703,484	-	6,703,484
Share of state sales tax					5,223,548	-	5,223,548
Share of state vehicle license tax					1,787,320	-	1,787,320
Grants and contributions not restricted to specific programs					2,304,965	210,581	2,515,546
Unrestricted investment earnings					1,116,882	45,569	1,162,451
Gain on the sale of capital assets					95,425	-	95,425
Miscellaneous					24,009	150,167	174,176
Transfers					(702,635)	702,635	-
Net general revenues and transfers					34,389,932	1,108,952	35,498,884
Change in net position					8,945,234	5,152,718	14,097,952
Net position at beginning of year					125,507,502	31,931,756	157,439,258
Net position at end of year					\$ 134,452,736	\$ 37,084,474	\$ 171,537,210

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

Town of Sahuarita, Arizona

Balance Sheet Governmental Funds June 30, 2023

	General Fund	Highway User Revenue Fund	GARS Fund	Capital Infrastructure Improvement Fund	Rancho Sahuarita CFD Fund	Nonmajor Fund— Quail Creek CFD Fund	Total Governmental Funds
Assets							
Cash and investments	\$ 30,446,313	\$ 891,806	\$ 174,720	\$ 12,587,825	\$ 43,380	\$ 2,577	\$ 44,146,621
Receivables, net of allowances for doubtful accounts	2,690,078	352,155	1,646,396	-	36,945	23,345	4,748,919
Due from other funds	1,705	-	-	-	-	-	1,705
Prepaid items	30,741	-	2,685	-	-	-	33,426
Restricted assets	-	-	170,618	283,954	16,651,078	879,134	17,984,784
Advances to other funds	1,154,548	-	-	-	-	-	1,154,548
Total assets	\$ 34,323,385	\$ 1,243,961	\$ 1,994,419	\$ 12,871,779	\$ 16,731,403	\$ 905,056	\$ 68,070,003
Liabilities							
Accrued payroll and benefits	\$ 582,152	\$ 33,994	\$ 9,808	\$ 3,293	\$ -	\$ -	\$ 629,247
Payables:							
Accounts	645,149	144,865	10,252	429,020	-	2,710	1,231,996
Bonds	-	-	-	-	603,000	745,000	1,348,000
Interest	-	-	-	-	587,436	101,306	688,742
Deposits	90,786	-	70,000	-	-	-	160,786
Due to other funds	-	-	1,705	-	-	-	1,705
Unearned revenues	25,128	-	21,114	6,680,986	7,556	-	6,734,784
Advances from other funds	-	-	1,154,548	-	-	-	1,154,548
Total liabilities	1,343,215	178,859	1,267,427	7,113,299	1,197,992	849,016	11,949,808
Deferred inflows of resources							
Related to leases	80,701	-	1,441,974	-	-	-	1,522,675
Unavailable revenues	57,408	1,630	72,488	-	21,335	9,785	162,646
Total deferred inflows of resources	138,109	1,630	1,514,462	-	21,335	9,785	1,685,321
Fund balances							
Nonspendable:							
Prepaid items	30,741	-	2,685	-	-	-	33,426
Advance to GARS Fund	1,154,548	-	-	-	-	-	1,154,548
Restricted:							
Transportation	-	1,063,472	-	-	-	-	1,063,472
Municipal Court	-	-	65,870	-	-	-	65,870
Law enforcement	-	-	292,059	-	-	-	292,059
Economic development	-	-	8,752	-	-	-	8,752
CFD operations and maintenance	-	-	-	-	36,762	1,209	37,971
Debt service	-	-	-	-	14,680	45,046	59,726
Capital acquisition	-	-	-	283,051	15,460,634	-	15,743,685
Committed to stabilization reserves	5,500,000	-	-	-	-	-	5,500,000
Assigned to capital projects	-	-	-	5,475,429	-	-	5,475,429
Unassigned	26,156,772	-	(1,156,836)	-	-	-	24,999,936
Total fund balances	32,842,061	1,063,472	(787,470)	5,758,480	15,512,076	46,255	54,434,874
Total liabilities, deferred inflows of resources, and fund balances	\$ 34,323,385	\$ 1,243,961	\$ 1,994,419	\$ 12,871,779	\$ 16,731,403	\$ 905,056	\$ 68,070,003

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, 2023

Total fund balances—governmental funds \$ 54,434,874

Amounts reported for governmental activities in the statement of net position 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	11,349,589	
Construction in progress	904,941	
Buildings and improvements	31,281,489	
Infrastructure	201,838,866	
Vehicles	3,870,944	
Equipment and software	3,971,544	
Intangibles	2,524,334	
Accumulated depreciation/amortization	<u>(123,746,118)</u>	
Total		131,995,589

Net postemployment benefits assets held in trust for future benefits are not available for Town operations and are not reported in the funds. 539,042

Deferred outflows and inflows of resources related to pensions and other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions and OPEB	3,959,275
Deferred inflows of resources related to pensions and OPEB	(762,071)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds. 162,646

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

Deferred charge on debt refundings	185,884	
Bonds payable	(33,378,000)	
Loans payable	(10,551,000)	
Unamortized premium on long-term debt	(3,777)	
Unamortized discount on long-term debt	29,707	
Leases and subscriptions payable	(1,507,683)	
Net pension and OPEB liabilities	(9,242,087)	
Compensated absences	<u>(1,409,663)</u>	
Total		<u>(55,876,619)</u>

Net position of governmental activities \$ 134,452,736

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, 2023

	General Fund	Highway User Revenue Fund	GARS Fund	Capital Infrastructure Improvement Fund	Rancho Sahuarita CFD Fund	Nonmajor Fund— Quail Creek CFD Fund	Total Governmental Funds
Revenues							
Taxes	\$ 9,774,467	\$ -	\$ -	\$ 6,382,957	\$ 601,586	\$ 1,064,648	\$ 17,823,658
Licenses and permits	2,014,616	28,600	-	8,400	-	-	2,051,616
Intergovernmental	13,714,796	4,362,600	1,145,417	779,415	-	-	20,002,228
Charges for services	307,405	-	17,576	-	-	-	324,981
Fines and forfeitures	221,158	-	84,363	-	-	-	305,521
Investment earnings (losses)	769,978	30,555	34,961	348,566	547,367	14,375	1,745,802
Miscellaneous	50,251	143,260	73,118	13,033	830,604	10,029	1,120,295
Total revenues	<u>26,852,671</u>	<u>4,565,015</u>	<u>1,355,435</u>	<u>7,532,371</u>	<u>1,979,557</u>	<u>1,089,052</u>	<u>43,374,101</u>
Expenditures							
Current:							
General government	6,519,683	-	103,125	-	2,404	6,456	6,631,668
Public safety	10,986,842	-	1,112,293	-	-	-	12,099,135
Culture and recreation	2,954,311	-	45,700	-	-	75,664	3,075,675
Highways and streets	-	3,969,005	15,026	-	19,650	24,975	4,028,656
Capital outlay	840,571	75,064	18,628	8,056,400	3,786,732	-	12,777,395
Debt service:							
Principal	198,495	-	-	2,787,888	603,000	745,000	4,334,383
Interest	16,883	-	-	263,523	1,288,572	202,612	1,771,590
Fiscal charges	-	-	-	3,570	3,500	1,320	8,390
Total expenditures	<u>21,516,785</u>	<u>4,044,069</u>	<u>1,294,772</u>	<u>11,111,381</u>	<u>5,703,858</u>	<u>1,056,027</u>	<u>44,726,892</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,335,886</u>	<u>520,946</u>	<u>60,663</u>	<u>(3,579,010)</u>	<u>(3,724,301)</u>	<u>33,025</u>	<u>(1,352,791)</u>
Other financing sources (uses)							
Lease agreements	161,677	-	-	243,276	-	-	404,953
Subscription-based information technology arrangements	600,002	-	-	-	-	-	600,002
Proceeds on asset sales	-	-	-	144,031	-	-	144,031
Insurance recoveries	32,426	5,239	-	-	-	-	37,665
Transfers in	1,168,804	16,212	-	1,192,748	-	-	2,377,764
Transfers out	(1,192,748)	-	(1,185,016)	-	-	-	(2,377,764)
Total other financing sources (uses)	<u>770,161</u>	<u>21,451</u>	<u>(1,185,016)</u>	<u>1,580,055</u>	<u>-</u>	<u>-</u>	<u>1,186,651</u>
Net change in fund balances	6,106,047	542,397	(1,124,353)	(1,998,955)	(3,724,301)	33,025	(166,140)
Fund balance at beginning of year	26,736,014	521,075	336,883	7,757,435	19,236,377	13,230	54,601,014
Fund balance at end of year	<u>\$ 32,842,061</u>	<u>\$ 1,063,472</u>	<u>\$ (787,470)</u>	<u>\$ 5,758,480</u>	<u>\$ 15,512,076</u>	<u>\$ 46,255</u>	<u>\$ 54,434,874</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, 2023

Net change in fund balances—governmental funds		\$ (166,140)
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/amortization expense.		
Capitalized expenditures	\$ 11,537,283	
Depreciation/amortization expense	<u>(11,214,158)</u>	
Excess of depreciation/amortization expense over capitalized expenditures		323,125
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 acquisition values of these assets are reported as revenues.		
		6,631,011
Some capital assets of the governmental activities were transferred to the business-type activities during the year. This activity is not reported in governmental funds.		
		(702,635)
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:		
Increase (Decrease) in unavailable deferred inflows of resources		(7,168)
Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in net pension/OPEB liability adjusted for changes in deferred outflows and inflows related to pension/OPEB, is reported in the statement of activities.		
Town pension/OPEB contributions		1,615,095
Town proportionate share of State's appropriation to EORP		4,448
Pension/OPEB expense		(1,784,829)
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 position. Also, governmental funds report the effect of premiums and discounts when debt is first issued whereas these amounts are amortized in the statement of activities.		
Leases incurred	\$ (404,953)	
Subscription-based information technology arrangements incurred	(600,002)	
Principal repaid	4,334,383	
Net amortization of discounts, premiums, and deferred amounts	<u>(41,017)</u>	
Net effect of long-term debt and related items		3,288,411
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:		
Book value of disposed assets		(48,606)
(Increase) Decrease in compensated absences		<u>(207,478)</u>
Change in net position of governmental activities	\$	<u><u>8,945,234</u></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, 2023

	<u>Wastewater Enterprise Fund</u>
Assets	
Current:	
Cash and cash equivalents	\$ 892,371
Accounts receivable (net of allowance for doubtful accounts of \$225,062)	744,159
Intergovernmental receivable	500,933
Miscellaneous receivable	132,907
Restricted cash and cash equivalents	1,165,313
Total current assets	<u>3,435,683</u>
Noncurrent assets:	
Net other postemployment benefits asset	29,886
Capital assets:	
Land	2,640,000
Construction in progress	596,858
Plant and buildings	39,935,417
Sewage conveyance system	18,328,852
Vehicles and equipment	348,086
Accumulated depreciation	(15,286,460)
Capital assets, net of accumulated depreciation	<u>46,562,753</u>
Total noncurrent assets	<u>46,592,639</u>
Total assets	<u>50,028,322</u>
Deferred outflows of resources	
Deferred outflows related to pensions and other postemployment benefits	133,329
Total deferred outflows of resources	<u>133,329</u>
Liabilities	
Current:	
Accrued payroll and benefits	34,315
Accounts payable	184,695
Contract retention payable	5,716
Accrued compensated absences	52,277
Unearned revenue	237,911
Interest payable-current	142,024
Loans payable-current	1,240,381
Total current liabilities	<u>1,897,319</u>
Noncurrent liabilities:	
Accrued compensated absences	1,484
Net pension and other postemployment benefits liability	764,526
Loans payable	10,366,410
Total noncurrent liabilities	<u>11,132,420</u>
Total liabilities	<u>13,029,739</u>
Deferred inflows of resources	
Deferred inflows related to pensions and other postemployment benefits	47,438
Total deferred inflows of resources	<u>47,438</u>
Net position	
Net investment in capital assets	34,872,447
Restricted for:	
Debt service	1,047,000
Other postemployment benefits	29,886
Unrestricted	1,135,141
Total net position	<u>\$ 37,084,474</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, 2023

	Wastewater Enterprise Fund
Operating revenues	
Charges for services	\$ 4,205,382
Other	115,236
Total operating revenues	<u>4,320,618</u>
Operating expenses	
Personnel services	969,370
Operating supplies and services	815,738
Utilities	234,045
General and administrative	495,891
Depreciation	1,145,813
Total operating expenses	<u>3,660,857</u>
Operating income	<u>659,761</u>
Nonoperating revenues (expenses)	
Sewer connection fees	530,706
Intergovernmental revenues	475,446
Investment earnings	45,569
Miscellaneous revenue	150,167
Interest expense	(284,049)
Debt issuance costs	(57,500)
Total nonoperating revenues (expenses)	<u>860,339</u>
Net income before contributions	<u>1,520,100</u>
Capital contributions	<u>3,632,618</u>
Change in net position	5,152,718
Net position at beginning of year	<u>31,931,756</u>
Net position at end of year	<u><u>\$ 37,084,474</u></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, 2023

	Wastewater Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 4,448,544
Receipts from interfund charges	23,838
Payments to suppliers and service providers	(1,235,041)
Payments for employee wages and benefits	(967,419)
Payments to other funds for services provided	(374,540)
Net cash provided by operating activities	<u>1,895,382</u>
Cash Flows From Noncapital Financing Activities	
Cash transfers to other funds	(56,608)
Net cash used for noncapital financing activities	<u>(56,608)</u>
Cash Flows From Capital and Related Financing Activities	
Sewer connection fees	530,706
Acquisition and construction of capital assets	(945,821)
Principal paid on capital debt	(1,210,440)
Interest paid on capital debt	(299,245)
Debt issuance costs	(57,500)
Net cash used for capital and related financing activities	<u>(1,982,300)</u>
Cash Flows From Investing Activities	
Interest on investments	45,569
Net cash used for investing activities	<u>45,569</u>
Net change in cash and cash equivalents	(97,957)
Cash and cash equivalents at beginning of year	2,155,641
Cash and cash equivalents at end of year	<u>\$ 2,057,684</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 659,761
Adjustments to reconcile operating income to net cash provided by operating activities:	
Miscellaneous revenue	150,167
Depreciation	1,145,813
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	134,688
Intergovernmental receivable	(132,907)
Net other postemployment benefit (OPEB) asset	(3,292)
Deferred outflows related to pensions and OPEB	56,122
Accrued payroll and benefits	5,625
Accounts payable related to operations	(63,907)
Deposits payable	(184)
Accrued compensated absences	(18,750)
Net pension and OPEB liability	171,435
Deferred inflows related to pensions	(209,189)
Net cash provided by operating activities	<u>\$ 1,895,382</u>
NONCASH ITEMS	
Infrastructure contributions	\$ 3,131,686

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, 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Sahuarita, Arizona (Town) accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2023, the Town implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As a result, the Town's financial statements have been modified to reflect the implementation of this new standard.

A. Reporting Entity

The Town is a general-purpose municipal government that a separately elected council governs. The accompanying financial statements present the activities of the Town (the primary government) and its component units.

Component units are legally separate entities for which the Town is financially accountable. Blended component units, although legally separate entities, are so intertwined with the Town that they are in substance, part of the Town's operations. Therefore, data from these units is combined with the data of the primary government. Each blended component unit discussed below has a June 30 year-end. The Town has no discretely presented component units.

Blended Component Units

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 acquiring and maintaining public facilities. The Town Council acts as the District's Board of Directors and Town Management 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.

On March 24, 2016, the Town Council approved Resolution No. 2016-383 which ordered and declared the formation of the Rancho Sahuarita Community Facilities District, a legally separate entity from the Town. The District encompasses an area of approximately 943 acres wholly within the corporate boundaries of the Town. The District was formed as a tax levying public improvement district for the purpose of acquiring and maintaining public facilities. The Town Council acts as the District's Board of Directors and Town Management 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. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Town as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide statements—Provide information about the primary government (the Town). The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities. They also distinguish between the Town's governmental and business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the Town levies or imposes, are reported as general revenues.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements—Provide information about the Town's funds, including blended component units. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal value are operating revenues. Other revenues, such as connection fees, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of goods and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

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*—accounts for the Town's share of the State's motor fuel tax revenues.

Grants and Restricted Sources Fund—accounts for federal, state, and local operating grants and other operating revenues whose use is restricted for certain purposes.

The *Rancho Sahuarita Community Facilities District—Special Revenue Fund* accounts for the District's secondary property tax revenues and costs for operations and maintenance, acquisition, and construction of District facilities and capital assets.

The *Capital Infrastructure Improvement Fund—Capital Projects Fund* accounts for the acquisition, construction, and replacement of major capital facilities other than those financed by other funds.

The Town reports the following nonmajor governmental fund:

The *Quail Creek Community Facilities District—Special Revenue Fund* accounts for the District's secondary property tax revenues and costs for operations and maintenance, acquisition, and construction of District facilities and capital assets.

The Town reports the following major enterprise fund:

The *Wastewater Enterprise Fund* accounts for the operations and maintenance, capital acquisition, and construction of the Town's wastewater treatment plant and sewer conveyance system.

During operations, the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Balances between funds included in governmental activities are eliminated so only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. Transfers between the funds included as transfers in the governmental activities column are eliminated so that only the net amount is included as transfers in the governmental activities column. Internal payments that qualify as reimbursements are treated as a reduction to expenditures/expense.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

C. Basis of Accounting

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The Town's major revenue sources that are susceptible to accrual are taxes, grants submitted for reimbursement, and investment earnings. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under lease contracts are reported as other financing sources.

D. Property Tax Calendar

The community facilities districts levy 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 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.

E. Cash and Investments

The Town's cash and cash equivalents are cash on hand, demand deposits, investments held by the State Treasurer in short-term investment pools, and highly liquid investments with a maturity of three months or less when purchased.

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. Except for money market funds, which are stated at amortized cost, all investments are stated at fair value.

F. 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. Restricted Assets

Resources set aside for debt service and amounts held by fiduciaries 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.

H. Non-Capital Intangible Assets

Long-Term Storage Credits (LTSCs)—At June 30, 2023, the Town had 10,212.63 LTSCs on account with the Arizona Department of Water Resources (ADWR). The ADWR certifies the balance of LTSCs held on account and generated each year for the Wastewater Utility's recharge of effluent. These credits are intangible assets with a book value of \$0.

The Wastewater Utility holds the LTSCs for sale or trade. Revenues will be recognized when a sale occurs. The Town estimates the market value of an LTSC to range between the water rates (per acre-foot/credit) set by the Central Arizona Project and the Central Arizona Groundwater Replenishment District for the Tucson Active Management Area.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

I. Capital Assets

Capital 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 more than one year. General infrastructure assets acquired prior to July 1, 2004 are not reported in the basic financial statements.

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

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	50 years
Infrastructure	10 to 50 years
Vehicles	4 to 15 years
Equipment	4 to 15 years
Intangibles:	
Right-to-use lease assets—vehicles	5 to 6 years
Right-to-use lease assets—equipment	4 to 5 years
Right-to-use subscription assets	2 to 5 years

Intangible assets—Right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Town is reasonably certain of being exercised—then the lease asset is amortized over the useful life of the underlying asset. Right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

J. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net assets or fund balance that applies to future periods and will be recognized as revenue in future periods.

K. Long-Term Obligations

Long-term debt is reported as a liability in the statement of net position. Discount and premiums are amortized over the life of the bonds. Debt is reported along with applicable unamortized amounts.

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

L. Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Net Position

In the government-wide and proprietary fund financial statements, net position is reported in three categories: net investment in capital assets, restricted, and unrestricted. The net 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. When both restricted and unrestricted net position is available, it is the Town's policy to use restricted sources first.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

N. Fund Balance

Flow assumptions—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

General policies—In the fund financial statements, governmental funds distinguish between nonspendable and spendable fund balances. Nonspendable balances include amounts that cannot be spent because they are either not in spendable form or have a requirement to remain intact. 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.

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 government's highest level of decision-making authority. The Town Council is the highest level of decision-making authority for the Town that can commit fund balance by adoption of an ordinance or resolution, which are equally binding, prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken by the Town Council to remove or revise the limitation.

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. The Town Council assigns amounts to specific purposes. *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.

Minimum fund balance policy—The Town Council has adopted a financial policy to maintain a minimum level of reserves in the funds. The General Fund, HURF Fund, and Wastewater Fund should maintain minimum spendable fund balances equivalent to 25% of the applicable fund's operating budget for the year. The General Fund minimum balance shall include any operating reserve deficiencies of other funds. These fund balances are intended to offset difficult economic times, stabilize fluctuations in cash flow requirements, and provide for emergencies and unforeseen opportunities.

Stabilization arrangement—In accordance with Sahuarita Town Code §3.20, on June 27, 2022, the Town Council adopted a resolution to establish an amount to maintain in the General Fund's stabilization reserve. The reserve is funded with available (i.e., unrestricted) cash and investments. Other resources may be directed for inclusion in the reserve through the Council's adoption of an ordinance or resolution, which are equally binding. Expenditure of the amounts in the stabilization reserve may occur only when specific circumstances exist. The Town Code directs that these resources may only be used to temporarily divest monies to avoid negative cash balances. This situation can only occur when disbursements would cause unreserved cash balances to fall below \$0. To allow for the withdrawal of the resources, their use must first be approved by the Town Council.

O. Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

P. Compensated Absences

Compensated absences payable consists of vacation leave, compensatory time, and a calculated amount of sick leave employees earned based on services already rendered.

Employees may accumulate up to 240 hours of vacation. Upon terminating employment, the Town pays all unused vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, because of employee resignations and retirements by fiscal year-end.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

In lieu of overtime pay, non-exempt employees may elect to convert overtime hours to (1.5x) compensatory time. Police officers may accumulate up to a maximum of 120 hours and all other employees up to a maximum of 60 hours. Accordingly, compensatory time is accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, because of employee resignations and retirements by fiscal year-end.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative, but employees forfeit them upon terminating employment. However, for employees who work for the Town 10+ years, sick leave benefits do vest at one-third of time earned. Vested sick leave benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, because of employee resignations and retirements by fiscal year-end.

Q. Leases

As lessee, the Town recognizes lease liabilities with an initial, individual value of \$5,000 or more. The Town uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Town's estimated incremental borrowing rate is based on the corresponding U.S. Treasury Note rate index commensurate with the term of the lease.

As lessor, the Town recognizes lease receivables with an initial, individual value of \$5,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental, borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate is calculated as described above.

NOTE 2—DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Town may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk—Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of these services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk—Statutes do not include any requirements for concentration of credit risk.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk—Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

Deposits—At June 30, 2023, the carrying amount of the Town's cash in bank was \$3,874,074 and the bank balance was \$3,993,330. The Town's deposits were fully insured or collateralized. The Town has no policy for deposits but follows and complies with State statutes.

Investments—The Town's had total investments of \$60,235,505 at June 30, 2023. The Town categorizes certain investments measures at fair value within the fair value hierarchy established by the generally accepted accounting principles as follows:

	<u>Fair Value Measurement Using</u>			<u>Amount</u>
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	
Investments by fair value level:				
Corporate bonds	\$ 2,732,238	\$ -	\$ -	\$ 2,732,238
Municipal bonds	585,323	-	-	585,323
U.S. agency bonds	1,004,980	-	-	1,004,980
Total investments by fair value level	<u>\$ 5,557,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,557,356</u>

The Town also had investments of \$35,679,075 in the State Treasurer's investment pools measured at fair value. Investments in these pools are valued at the pool's share price multiplied by the number of shares the Town held. The fair value of the participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

The Town also had investments of \$18,999,074 in government money market funds measured at amortized cost.

Credit Risk. Credit risk is the risk that an issuer 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, following State statutes. The policy also requires that fixed income securities have a minimum credit rating of "A" or its equivalent from at least two nationally recognized statistical rating organizations at the time of purchase.

Investment type:	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
State Treasurer's investment pool 5	AAA/S1+	Standard and Poor's (S&P)	\$15,627,273
Corporate bonds	A+ to A- / AA3 to A3	Lower of S&P or Moody's	2,732,238
Municipal bonds	AAA to A / AA1 to A2	Lower of S&P or Moody's	585,323
U.S. agency bonds	AA+ / AAA	Lower of S&P or Moody's	1,004,980

The State Treasurer's investment pools 500 and 700 did not receive a credit quality rating from a national rating agency. The securities in pool 500, however, had a weighted average credit rating of AA-3 by Moody's. Pool 700 investments are specifically limited to those securities that carry the full faith and credit of the United States Government and had a weighted average credit rating of AAA by Moody's.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the Town will not be able to recover the value of its investment or collateral securities that are in an outside party's possession. The Town's policy requires that securities, including appropriate collateral, shall be placed with an independent third party for custodial safekeeping.

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. Except for 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.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's investment policy attempts to mitigate exposure to declines in fair values by specifying that its composite portfolio should be managed to achieve a one-year dollar-weighted average maturity. The following table summarizes the Town's interest rate risk based on maturity dates of its deposits and investments as of June 30, 2023.

	Maturities (in Months)				Amount	%
	< 6	6 to < 12	12 to < 18	18 to < 24		
Deposits:						
Cash on hand	\$ 2,787	\$ -	\$ -	\$ -	\$ 2,787	0.0%
Cash in bank	3,874,074	-	-	-	3,874,074	6.0%
Cash held by fiduciary	76,723	-	-	-	76,723	0.1%
Investments:						
Government money market fund	18,999,074	-	-	-	18,999,074	29.6%
State Treasurer's investment pool 5	15,627,273	-	-	-	15,627,273	24.3%
State Treasurer's investment pool 500	-	-	-	19,793,908	19,793,908	30.9%
State Treasurer's investment pool 700	-	257,894	-	-	257,894	0.4%
Negotiable certificates of deposit	-	986,011	248,804	-	1,234,815	1.9%
Corporate bonds	922,101	1,140,831	-	669,306	2,732,238	4.3%
Municipal bonds	100,665	246,299	238,359	-	585,323	0.9%
U.S. agency bonds	498,379	-	-	506,601	1,004,980	1.6%
Total composite portfolio	40,101,076	2,631,035	487,163	20,969,815	64,189,089	100.0%
Less: Restricted cash and investments					(19,150,097)	
Total non-restricted cash and investments					\$ 45,038,992	

NOTE 3—RESTRICTED ASSETS

At June 30, 2023, restricted assets consisted of the following:

	Governmental Activities	Business-type Activities	Total
Deposits:			
Amounts held by fiduciary	\$ 76,723	\$ -	\$ 76,723
Amount held in joint custodial account	93,895	-	93,895
Investments:			
Government money market fund	17,814,166	1,165,313	18,979,479
Total restricted cash and investments	17,984,784	1,165,313	19,150,097
Pension and other postemployment benefits asset	539,042	29,886	568,928
Total restricted assets	\$ 18,523,826	\$ 1,195,199	\$ 19,719,025

The Town's share of State RICO funds was held in a fiduciary capacity by Pima County. The Town's Police Department may only use these funds for specific law enforcement activities.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

The Town has a joint custodial account that it shares with a property management company for the SAMTEC facility. Funds held in this account are used to receipt tenant payments and pay for allowable costs under the U.S. Department of Commerce—Investment for Public Works and Economic Development Facilities federal program.

The government money market funds were held in various trust accounts for the following purposes:

Unspent excise tax debt proceeds, construction:	\$ 283,954
Quail Creek CFD general obligation bonds, debt service:	879,134
Rancho Sahuarita CFD general obligation bonds, debt service:	1,190,444
Rancho Sahuarita CFD unspent bond proceeds, capital acquisition:	<u>15,460,634</u>
Total for governmental activities	\$17,814,166
Wastewater (BTA) system revenues obligations, debt service:	<u>1,165,313</u>
Total government money market funds	<u>\$18,979,479</u>

NOTE 4—RECEIVABLES

Amounts are aggregated into a single receivable (net of allowance for doubtful accounts) line for certain funds and aggregated columns. The detail of receivables for the governmental funds, including applicable allowances for doubtful accounts follows:

	General Fund	HURF Fund	GARS Funds	RSCFD Fund	Nonmajor Governmental Fund	Total Governmental Funds
Taxes	\$ 2,232,404	\$ -	\$ -	\$ 36,945	\$ 23,345	\$ 2,292,694
Accounts	90,429	3,371	33,915	-	-	127,715
Intergovernmental	282,818	348,784	153,437	-	-	785,039
Leases	<u>84,427</u>	<u>-</u>	<u>1,491,441</u>	<u>-</u>	<u>-</u>	<u>1,575,868</u>
Total receivables	2,690,078	352,155	1,678,793	36,945	23,345	4,781,316
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>(32,397)</u>	<u>-</u>	<u>-</u>	<u>(32,397)</u>
Net receivables	<u>\$ 2,690,078</u>	<u>\$ 352,155</u>	<u>\$ 1,646,396</u>	<u>\$ 36,945</u>	<u>\$ 23,345</u>	<u>\$ 4,748,919</u>

Lease receivables—During the current fiscal year, the Town began leasing 14,000 square feet of the SAMTEC facility to a third party. The lease is for ten years, and the Town receives monthly base rent payments plus an amount necessary to reimburse the Town over the duration of the lease for additional tenant improvement allowances (up to \$630,000) provided in the lease agreement. Total rent payments are subject to an annual 3% rent escalation factor.

The Town also leased real property to a third party to use, operate, construct, install and maintain a wireless communications facility. The Town receives monthly rent payments, subject to an annual 3% rent escalation factor. The lease expires in 3 years, with an option to extend 5 years.

The Town recognized \$101,382 in lease revenue and \$29,662 in interest revenue during the current fiscal year related to these leases. The Town also has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease terms. As of June 30, 2023, the balance of the deferred inflow of resources was \$1,522,675.

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2023

NOTE 5—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 11,349,589	\$ -	\$ -	\$ 11,349,589
Construction in progress	5,205,028	3,600,408	(7,900,495)	904,941
Total	<u>16,554,617</u>	<u>3,600,408</u>	<u>(7,900,495)</u>	<u>12,254,530</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	29,700,765	1,580,724	-	31,281,489
Infrastructure	184,408,866	18,132,635	(702,635)	201,838,866
Vehicles	2,595,255	1,283,878	(8,189)	3,870,944
Equipment and software	3,632,609	466,189	(127,254)	3,971,544
Intangibles:				
Right-to-use lease assets, vehicles	1,752,178	243,276	(259,149)	1,736,305
Right-to-use lease assets, equipment	26,350	161,677	-	188,027
Right-to-use subscription assets	-	600,002	-	600,002
Total	<u>222,116,023</u>	<u>22,468,381</u>	<u>(1,097,227)</u>	<u>243,487,177</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(7,720,176)	(724,203)	-	(8,444,379)
Infrastructure	(99,679,551)	(9,536,584)	-	(109,216,135)
Vehicles	(2,087,029)	(249,437)	8,189	(2,328,277)
Equipment and software	(2,829,923)	(250,510)	127,254	(2,953,179)
Intangibles:				
Right-to-use lease assets, vehicles	(549,111)	(339,921)	210,543	(678,489)
Right-to-use lease assets, equipment	(12,156)	(19,737)	-	(31,893)
Right-to-use subscription assets	-	(93,766)	-	(93,766)
Total	<u>(112,877,946)</u>	<u>(11,214,158)</u>	<u>345,986</u>	<u>(123,746,118)</u>
Total capital assets being depreciated/amortized, net	<u>109,238,077</u>	<u>11,254,223</u>	<u>(751,241)</u>	<u>119,741,059</u>
Governmental activities capital assets, net	<u>\$ 125,792,694</u>	<u>\$14,854,631</u>	<u>\$ (8,651,736)</u>	<u>\$ 131,995,589</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,640,000	\$ -	\$ -	\$ 2,640,000
Construction in progress	732,529	781,577	(917,248)	596,858
Total capital assets not being depreciated	<u>3,372,529</u>	<u>781,577</u>	<u>(917,248)</u>	<u>3,236,858</u>
Capital assets being depreciated:				
Buildings and improvements	38,961,013	974,404	-	39,935,417
Sewer conveyance system	15,197,166	3,131,686	-	18,328,852
Vehicles	323,129	-	-	323,129
Equipment and software	24,957	-	-	24,957
Total capital assets being depreciated	<u>54,506,265</u>	<u>4,106,090</u>	<u>-</u>	<u>58,612,355</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,037,867)	(805,803)	-	(10,843,670)
Sewer conveyance system	(3,769,797)	(334,962)	-	(4,104,759)
Vehicles	(308,026)	(5,048)	-	(313,074)
Equipment and software	(24,957)	-	-	(24,957)
Total accumulated depreciation	<u>(14,140,647)</u>	<u>(1,145,813)</u>	<u>-</u>	<u>(15,286,460)</u>
Total capital assets being depreciated, net	<u>40,365,618</u>	<u>2,960,277</u>	<u>-</u>	<u>43,325,895</u>
Business-type activities capital assets, net	<u>\$ 43,738,147</u>	<u>\$ 3,741,854</u>	<u>\$ (917,248)</u>	<u>\$ 46,562,753</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

Depreciation/Amortization expense was charged to functions as follows:

Governmental activities:

General government	\$ 738,450
Public safety	591,760
Culture and recreation	943,197
Highways and streets	8,940,751
Total governmental activities depreciation	<u>\$11,214,158</u>

Business-type activities:

Sewer	\$ 1,145,813
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NOTE 6—PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Town contributes to the Arizona State Retirement System (ASRS), the Elected Officials Retirement Plan (EORP), and the Public Safety Personnel Retirement System (PSPRS) for police officers. The plans are component units of the State of Arizona.

At June 30, 2023, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes.

<u>Statement of net positions and statement of activities</u>	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Net pension and OPEB asset	\$ 539,042	\$ 29,886	\$ 568,928
Net pension and OPEB liability	9,242,087	764,526	10,006,613
Deferred outflows of resources related to pensions and OPEB	3,959,275	133,329	4,092,604
Deferred inflows of resources related to pensions and OPEB	762,071	47,438	809,509
Pension and OPEB expense	1,784,829	97,664	1,882,493

The Town's accrued payroll and employee benefits includes \$60,478 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2023. Also, the Town reported \$1,615,095 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description—Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided—The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated based on age, average monthly compensation, and service credit as follows:

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

	Retirement	
	Initial membership date:	
	<u>Before July 1, 2011</u>	<u>On or after July 1, 2011</u>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Contributions—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.17 percent (12.03 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.17 percent (11.92 percent for retirement, 0.11 percent for the health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.68 percent (9.62 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2023 were \$930,951, \$8,349 and \$10,692, respectively.

During fiscal year 2023, the Town paid for ASRS pension and OPEB contributions as follows: 82 percent from the General Fund and 18 percent from other major funds.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

Liability—At June 30, 2023, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability:

	Net pension/OPEB (asset) liability
Pension	\$ 9,532,177
Health insurance premium benefit	(325,315)
Long-term disability	5,381

The net asset and net liabilities were measured as of June 30, 2022. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022.

The Town's proportion of the net asset or net liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2022. The Town's proportions measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

	Proportion June 30, 2022	Increase (decrease) from June 30, 2021
Pension	0.05840%	0.00018%
Health insurance premium benefit	0.05829%	-0.00128%
Long-term disability	0.05826%	-0.00065%

Expense—For the year ended June 30, 2023, the Town recognized the following pension and OPEB expense:

	Pension/OPEB expense
Pension	\$ 1,115,151
Health insurance premium benefit	(47,364)
Long-term disability	1,784

Deferred outflows/inflows of resources—At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health insurance premium benefit		Long-term disability	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 81,220	\$ -	\$ -	\$ 166,022	\$ 2,801	\$ 5,014
Changes in assumptions or other inputs	473,100	-	5,280	8,872	2,930	13,133
Net difference between projected and actual earnings on plan investments	-	251,087	-	10,958	-	167
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,419	66,701	1,848	156	743	938
Town contributions subsequent to the measurement date	930,951	-	8,349	-	10,692	-
Total	<u>\$ 1,502,690</u>	<u>\$ 317,788</u>	<u>\$ 15,477</u>	<u>\$ 186,008</u>	<u>\$ 17,166</u>	<u>\$ 19,252</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions after the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending June 30,	Pension	Health insurance premium benefit	Long-term disability
2024	\$ 393,983	\$ (49,290)	\$ (1,102)
2025	(105,962)	(53,656)	(1,401)
2026	(435,946)	(58,836)	(2,659)
2027	401,876	(8,497)	(371)
2028	-	(8,601)	(2,615)
Thereafter	-	-	(4,630)

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pension and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected geometric real rate of return</u>
Equity	50%	3.90%
Fixed income – credit	20%	5.30%
Fixed income – interest rate sensitive	10%	(0.20%)
Real estate	20%	6.00%
Total	<u>100%</u>	

Discount rate— At June 30, 2022, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

Sensitivity of the Town's proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the Town's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0 percent, as well as what the Town's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current discount rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability	\$ 14,064,444	\$ 9,532,177	\$ 5,752,975
Net insurance premium benefit liability (asset)	(233,920)	(325,315)	(402,863)
Net long-term disability liability	8,920	5,381	1,951

Plan fiduciary net position—Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

Elected Officials Retirement Plan (EORP)

Plan description—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials who were members of the plan on December 31, 2013. The EORP pension and OPEB plans were closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at www.psprs.com.

Benefits provided—The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

	Initial membership date:	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012</u>
<u>Retirement and disability</u>		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
<u>Survivor benefit</u>		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2023, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the Town to contribute at the actuarially determined rate of 70.42 percent of all active EORP members' annual covered payroll. Also, statute required the Town to contribute 58.39 percent to EORP of the annual covered payroll of elected officials who were ASRS members and 64.42 percent to EORP of the annual covered payroll of elected officials who were EODCRS members, in addition to the Town's required contributions to ASRS and EODCRS for these elected officials.

During fiscal year 2023, the Town's contributions to the EORP pension plan were \$51,073 paid entirely from the General Fund.

Liability—At June 30, 2023, the Town reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the Town's proportionate share of the State's appropriation for EORP. The amount the Town recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the EORP net pension liability	\$396,783
State's proportionate share of the EORP net pension liability associated with the Town	<u>136,953</u>
Total	<u>\$533,736</u>

The Town also reported an asset of \$43,915 for its proportionate share of EORP's net OPEB asset.

The net asset and net liability were measured as of June 30, 2022, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, decreasing the wage inflation from 3.75 percent to 3.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

The Town's proportion of the net pension liability was based on the Town's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2022. The Town's proportion of the net OPEB asset was based on the Town's present value of benefits relative to the total of all participating employers' present value of benefits for the year ended June 30, 2022. The Town's proportion measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

	Proportion June 30, 2022	Increase (decrease) from June 30, 2021
Pension	0.058771%	-0.00401%
Health insurance premium benefit	0.341467%	-0.16774%

Expense—For the year ended June 30, 2023, the Town recognized pension and OPEB expense for EORP of \$44,675 and (\$194), respectively, and revenue of \$4,448 for the Town's proportionate share of the State's appropriation to EORP and the designated court fees.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

Deferred outflows/inflows of resources—At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ -	\$ 798	\$ 1,972
Changes in assumptions or other inputs	-	-	1,760	-
Net difference between projected and actual earnings on plan investments	3,583	-	716	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	12,975	10,149	2,164
Town contributions subsequent to the measurement date	51,073	-	-	-
Total	<u>\$ 54,656</u>	<u>\$ 12,975</u>	<u>\$ 13,423</u>	<u>\$ 4,136</u>

The amounts reported as deferred outflows of resources related to EORP pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions and OPEB will be recognized as expenses as follows:

Year ending	Pension	Health insurance premium benefit
June 30,		
2024	\$ (12,253)	\$ 7,906
2025	34	35
2026	(1,689)	(788)
2027	4,516	2,134
2028	-	-
Thereafter	-	-

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on EORP plan investments was determined to be 7.2 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected geometric real rate of return</u>
U.S. public equity	24%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash – Mellon	1%	-0.35%
Total	<u>100%</u>	

Discount rates—At June 30, 2022, the discount rate used to measure the EORP total pension liability and total OPEB liability was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the Town's proportionate share of the EORP net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the Town's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.2 percent, as well as what the Town's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Current discount rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Town's proportionate share of the net pension liability	\$ 452,984	\$ 396,783	\$ 348,644
Town's proportionate share of the net OPEB (asset)	(40,272)	(43,915)	(47,089)

Plan fiduciary net position—Detailed information about the plans' fiduciary net position is available in the separately issued EORP financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan Description—Town Police Department employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A 9-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS plan. The report is available on the PSPRS website at www.psprs.com.

Benefits provided—The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated based on age, average monthly compensation, and service credit as follows:

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2023

	Initial membership date:	
<u>Retirement and disability</u>	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012 and before July 1, 2018</u>
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor benefit</u>		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms—At June 30, 2023, the following employees were covered by the agent plans' benefit terms:

	Police	
	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	12	12
Inactive employees entitled to but not yet receiving benefits	8	1
Active employees	31	31
Total	<u>51</u>	<u>44</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

Contributions—State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member <u>rate-pension</u>	Town rate- <u>pension</u>	Town rate- health insurance <u>premium benefit</u>
Police - Tier 1	7.65% - 8.18%	13.64%	0.00%
Police - Tier 2	8.18%	13.64%	0.00%
Police - Tier 3 Defined Benefit	9.82%	9.82%	0.12%
Police - Tier 3 Defined Contribution	9.00%	9.00%	0.19%

The Town's contributions to the plans for the year ended June 30, 2023, were:

	<u>Pension</u>	<u>Health insurance premium benefit</u>
Police	\$695,364	\$1,254

During fiscal year 2023, the Town paid for PSPRS pension and OPEB contributions as follows: 96 percent from the General Fund and 4 percent from other major funds.

Liability—At June 30, 2023, the Town reported the following assets and liabilities.

	<u>Net pension (asset) liability</u>	<u>Net OPEB (asset) liability</u>
Police	\$72,272	(\$199,698)

The net assets and net liabilities were measured as of June 30, 2022, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0 – 6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0-6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected geometric real rate of return</u>
U.S. public equity	24%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash – Mellon	1%	-0.35%
Total	<u>100%</u>	

Discount rate—At June 30, 2022, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the net pension/OPEB liability:

	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension (asset) liability (a) - (b)	Total OPEB liability (a)	Plan fiduciary net position (b)	Net pension (asset) liability (a) - (b)
Balance at June 30, 2022	\$ 17,901,839	\$ 20,743,042	\$ (2,841,203)	\$ 247,751	\$ 503,484	\$ (255,733)
Adjustment to beginning of year	-	-	-	-	-	-
Changes for the year:						
Service cost	698,040	-	698,040	12,415	-	12,415
Interest on the total liability	1,337,228	-	1,337,228	18,820	-	18,820
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement	659,906	-	659,906	(6,890)	-	(6,890)
Changes of assumptions or other inputs	143,599	-	143,599	12,520	-	12,520
Contributions-employer	-	483,606	(483,606)	-	926	(926)
Contributions-employee	-	293,257	(293,257)	-	-	-
Net investment income	-	(836,473)	836,473	-	(19,745)	19,745
Benefit payments, including refunds of employee contributions	(563,362)	(563,362)	-	(4,712)	(4,712)	-
Administrative expenses	-	(15,092)	15,092	-	(351)	351
Other (net transfer)	-	-	-	-	-	-
Net changes	2,275,411	(638,064)	2,913,475	32,153	(23,882)	56,035
Balance at June 30, 2023	\$ 20,177,250	\$ 20,104,978	\$ 72,272	\$ 279,904	\$ 479,602	\$ (199,698)

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

Sensitivity of the Town's net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the Town's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.2 percent, as well as what the Town's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

Police	1% Decrease (6.20%)	Current discount rate (7.20%)	1% Increase (8.20%)
Net pension (asset) liability	\$ 3,217,768	\$ 72,272	\$ (2,462,110)
Net OPEB (asset) liability	(161,685)	(199,698)	(231,348)

Plan fiduciary net position—Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Expense—For the year ended June 30, 2023, the Town recognized the following pension and OPEB expense:

	Net pension <u>expense</u>	Net OPEB <u>expense</u>
Police	\$803,165	(\$34,723)

Deferred outflows/inflows of resources—At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 764,442	\$ 127,852	\$ -	\$ 131,437
Changes of assumptions or other inputs	373,076	-	12,701	10,061
Net difference between projected and actual earnings on plan investments	634,058	-	8,297	-
Town contributions subsequent to the measurement date	695,364	-	1,254	-
Total	<u>\$ 2,466,940</u>	<u>\$ 127,852</u>	<u>\$ 22,252</u>	<u>\$ 141,498</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending June 30,	Pension	Health insurance premium benefit
2024	\$ 409,203	\$ (31,076)
2025	281,536	(32,548)
2026	134,469	(24,633)
2027	643,627	(8,327)
2028	172,036	(10,198)
Thereafter	2,853	(13,718)

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2023

NOTE 7—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2023, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Due within 1 year</u>
Direct borrowings and direct placements of debt					
Rancho Sahuarita CFD GO bonds	\$ 28,414,000	\$ -	\$ (328,000)	\$ 28,086,000	\$ 603,000
Loans payable	12,790,000	-	(2,239,000)	10,551,000	2,282,000
Leases payable	1,250,111	404,953	(592,336)	1,062,728	408,070
Subscriptions liability	-	600,002	(155,047)	444,955	193,141
Total direct borrowings and direct placements of debt	<u>42,454,111</u>	<u>1,004,955</u>	<u>(3,314,383)</u>	<u>40,144,683</u>	<u>3,486,211</u>
Other debt and liabilities					
Quail Creek CFD GO bonds	7,365,000	-	(725,000)	6,640,000	745,000
Unamortized premiums	9,577	-	(5,800)	3,777	2,841
Unamortized discounts	(35,111)	-	5,404	(29,707)	(5,405)
Net pension and OPEB liability	7,450,960	1,797,268	(6,141)	9,242,087	-
Compensated absences	1,202,185	1,213,236	(1,005,758)	1,409,663	1,179,336
Total other debt and liabilities	<u>15,992,611</u>	<u>3,010,504</u>	<u>(1,737,295)</u>	<u>17,265,820</u>	<u>1,921,772</u>
Total long-term liabilities	<u>\$ 58,446,722</u>	<u>\$ 4,015,459</u>	<u>\$ (5,051,678)</u>	<u>\$ 57,410,503</u>	<u>\$ 5,407,983</u>
Business-type Activities					
Direct borrowings and direct placements of debt					
Loans payable	\$ 12,817,231	\$ -	\$ (1,210,440)	\$ 11,606,791	\$ 1,240,381
Other liabilities					
Net pension and OPEB liability	593,091	172,073	(638)	764,526	-
Compensated absences	72,511	51,759	(70,509)	53,761	52,277
Total other liabilities	<u>665,602</u>	<u>223,832</u>	<u>(71,147)</u>	<u>818,287</u>	<u>52,277</u>
Total long-term liabilities	<u>\$ 13,482,833</u>	<u>\$ 223,832</u>	<u>\$ (1,281,587)</u>	<u>\$ 12,425,078</u>	<u>\$ 1,292,658</u>

RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT GENERAL OBLIGATION BONDS Governmental Activities

The District issued general obligation bonds to acquire public infrastructure necessary for the development of a master-planned community within the District boundaries. Of the total \$60,000,000 originally authorized from the August 12, 2014 bond election, \$31,453,000 has not been issued. The District repays general obligation bonds from voter-approved ad valorem taxes levied annually against all taxable property in the District. This levy is expected to continue through 2047. Additionally, debt service is guaranteed by the Rancho Sahuarita Master Developer pursuant to a standby contribution agreement. The District's general obligation bonds payable at June 30, 2023 follows.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2023</u>
G.O. Bonds Series 2020	\$ 3,475,000	3.15%	2046	\$ 3,310,000
G.O. and Refunding Bonds Series 2022	25,004,000	4.29 - 4.33%	2048	24,776,000
Total bonds outstanding				<u>\$ 28,086,000</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2023

The following schedule provides the debt service requirements to maturity at June 30, 2023.

Year Ending June 30	Principal	Interest
2024	\$ 603,000	\$ 1,150,009
2025	743,000	1,119,145
2026	771,000	1,087,072
2027	805,000	1,053,589
2028	839,000	1,018,696
2029-2033	4,744,000	4,517,176
2034-2038	5,814,000	3,397,782
2039-2043	7,137,000	2,021,898
2044-2048	6,630,000	530,391
Total	<u>\$ 28,086,000</u>	<u>\$ 15,895,758</u>

QUAIL CREEK COMMUNITY FACILITIES DISTRICT GENERAL OBLIGATION BONDS Governmental Activities

The District issued general obligation bonds to acquire and construct public 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. The District repays general obligation bonds from voter-approved ad valorem taxes levied annually against all of the taxable property in the District. This levy is expected to continue through 2030. Additionally, debt service is guaranteed by the Quail Creek Master Developer pursuant to a standby contribution agreement. The District's general obligation bonds payable at June 30, 2023 follows.

Issue	Issue Amount	Interest Rates	Final Maturity	Outstanding June 30, 2023
G.O. Refunding Series 2016	\$9,940,000	3.00 - 3.25%	2031	\$ 6,640,000
		Unamortized amounts		<u>(25,930)</u>
		Total bonds outstanding		<u>\$ 6,614,070</u>

The following schedule provides the debt service requirements to maturity at June 30, 2023.

Year Ending June 30	Principal	Interest
2024	\$ 745,000	\$ 180,263
2025	770,000	157,163
2026	795,000	133,313
2027	815,000	108,863
2028	840,000	83,663
2029-2031	2,675,000	87,613
Total	<u>\$ 6,640,000</u>	<u>\$ 750,878</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2023

LOANS PAYABLE Governmental Activities

The Town issued debt to provide funds for the acquisition and construction of Town facilities and infrastructure. The Town has pledged future state shared revenues and excise tax revenues towards annual debt service requirements on the following loans. Annual principal and interest payments on these loans are expected to require approximately 15% of revenues pledged. Pledged revenues shall be maintained so that the amounts pledged shall be at least two times the annual debt service payments.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2023</u>
2015 Refunding Obligation	\$ 8,840,000	1.98%	2025	\$ 2,435,000
2017 Refunding Obligation	4,213,000	2.06%	2028	2,759,000
2021 Excise Tax Revenue Obligation	6,378,000	1.28%	2031	5,357,000
		Loans payable outstanding		<u>\$ 10,551,000</u>

The following schedule provides the debt service requirements to maturity at June 30, 2023.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 2,282,000	\$ 173,618
2025	2,325,000	132,565
2026	1,112,000	90,708
2027	1,127,000	72,926
2028	1,148,000	54,896
2029-2031	2,557,000	63,270
	<u>\$ 10,551,000</u>	<u>\$ 587,983</u>

The loans are payable from the revenues of the Town's governmental funds through 2031. During that timeframe, total principal and interest to be paid on the loans will be \$11,138,983. In the current year, total principal and interest paid was \$2,452,688 and total revenue subject to pledge was \$33,367,465.

LOANS PAYABLE Business-type Activities

The Town has debt obligations that were used to finance the construction and design of several wastewater treatment plant expansions.

For the 2008 WIFA Non-System Revenues Loan, the Town has pledged future State-shared revenues and excise tax revenues towards annual debt service requirements. Annual principal and interest payments on these loans are expected to require approximately 2% of revenues pledged. Pledged revenues shall be maintained so that the amounts pledged shall be at least two times the annual debt service payments. In the current year, total principal and interest paid was \$237,333 and total revenue subject to pledge was \$33,367,465.

For the 2019 System Revenues Refunding Obligations, the Town has pledged wastewater system revenues net of specified operating expenses towards annual debt service requirements. Net revenues shall be maintained so that the amounts pledged shall be at least 120% of the annual debt service payments. Annual principal and interest payments on the loan are expected to require 61% of pledged system revenues. In the current year, total principal and interest paid was \$1,272,352 and total pledged resources were and \$5,047,060.

On October 28, 2022, the entered into a \$5,800,000 loan agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) to finance capital improvements to the wastewater treatment facility. The WIFA loan includes \$1,059,384 of principal forgiveness, resulting in a \$4,740,616 potential obligation. Principal and interest payments are subject to

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

change depending upon the total amount drawn on the loan. Principal is due annually and interest, at a 3.281% rate, is due semi-annually over a 20-year term, payable from and secured by a lien on the Wastewater Enterprise Fund's system revenues. No loan drawdowns were submitted during the fiscal year.

Issue	Issue Amount	Interest Rates	Final Maturity	Outstanding June 30, 2023
2008 WIFA Non-System Revenues Loan	\$3,516,528	3.723%	2029	\$ 1,273,791
2019 System Revenues Refunding Obligations	\$13,477,000	2.290%	2032	10,333,000
2022 WIFA System Revenues Loan	Variable to \$4,740,616	3.281%	2043	-
Total loans payable				\$ 11,606,791

The following schedule estimates total debt service requirements to maturity at June 30, 2023.

Year Ending June 30	Principal	Interest
2024	\$ 1,240,381	\$ 252,873
2025	1,271,580	220,880
2026	1,303,048	188,058
2027	1,336,794	154,354
2028	1,369,828	119,777
2029-2032	5,085,160	169,872
	\$ 11,606,791	\$ 1,105,814

COMPENSATED ABSENCES

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2023, the Town paid for compensated absences as follows: 88 percent from the General Fund and 12 percent from other major funds.

LEASES

The Town has acquired vehicles and equipment under provisions of various lease agreements. Vehicle leases have a 60-month term, upon delivery. Equipment leases have terms of five years or less. The Town uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Town's estimated incremental borrowing rate is based on the yield of the 10-year U.S. Treasury Note.

The total amount of lease assets and the related accumulated amortization are as follows:

Total intangible right-to use lease assets	\$ 1,924,332
Less: accumulated amortization	(710,382)
Carrying value	\$ 1,213,950

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2023

The following schedule details minimum lease payments to maturity for the Town's leases payable at June 30, 2023:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 408,070	\$ 34,602
2025	294,031	20,475
2026	174,236	11,113
2027	115,486	4,145
2028	70,905	202
	\$ 1,062,728	\$ 70,537

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Town has obtained the right to use software applications under the provisions of various subscription-based information technology arrangements for terms not exceeding five years. The subscriptions include the following: building permitting platform, Microsoft products, legal software, media intelligence, and cloud storage.

The total amount of lease assets and related accumulated amortization are as follows:

Total intangible right-to-use subscription assets	\$ 600,002
Less: accumulated amortization	(93,766)
Carrying value	\$ 506,236

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 193,141	\$ 9,402
2025	128,103	4,843
2026	70,006	1,560
2027	53,705	-
Total	\$ 444,955	\$ 15,805

The Town uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The Town's estimated incremental borrowing rate is calculated as described in leases above.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 8—INTERFUND ACTIVITY

Advances from/to other funds

The General Fund paid \$1,154,548 for SAMTEC facility tenant improvements. The GARS Fund recorded a \$1,154,548 advance due to the General Fund to record amounts to be repaid from future SAMTEC lease (federal program) revenues. The advance is expected to be paid over the next 10 years.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	GARS Fund	\$1,154,548

Due from/to other funds

The General Fund provides cash on a short-term basis to cover cash deficits of other funds and programs. A due to/from transaction is recorded, to the extent needed, to eliminate any deficits.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	GARS Fund	\$1,705

Interfund transfers

The General Fund transferred cash to the CIIF Fund to pay for SAMTEC facility tenant improvements (\$1,154,548) and to pay for costs associated with land acquisition (\$38,200). The GARS fund transferred a \$1,154,548 advance to the General Fund to record amounts to be repaid from future SAMTEC lease (federal program) revenues. The GARS Fund also transferred excess cash balances from specific programs to the General Fund (\$14,256) and HURF Fund (\$16,212).

		Transfers to			
		General Fund	HURF Fund	CIIF Fund	Total
Transfers from	General Fund	\$ -	\$ -	\$ 1,192,748	\$ 1,192,748
	GARS Fund	1,168,804	16,212	-	1,185,016
	Total governmental funds	<u>\$ 1,168,804</u>	<u>\$ 16,212</u>	<u>\$ 1,192,748</u>	<u>\$ 2,377,764</u>

Further, during the year ended June 30, 2023, the Town’s governmental activities transferred sewer lines valued at \$702,635 to the Town’s business-type activities.

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2023

NOTE 9—DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUES

Governmental funds report deferred inflows of resources for revenues and receivables due, but not considered to be available to liquidate liabilities of the current period. Governmental funds also record unearned revenues for 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 inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Unavailable Receipts	Unearned Revenues
<u>General Fund</u>		
Advances received for future services	\$ -	\$ 25,128
Insurance dividends	44,463	-
Delinquent transaction privilege taxes	8,071	-
Restitution due	4,874	-
Total General Fund	57,408	25,128
<u>HURF Fund</u>		
Restitution due	1,630	-
Total HURF Fund	1,630	-
<u>GARS Fund</u>		
Deposits for future charges	-	21,114
Intergovernmental grant reimbursements	72,488	-
Total GARS Fund	72,488	21,114
<u>CIIF Fund</u>		
Federal grant advance (ARPA-SLFRF)	-	6,680,986
Total CIIF Fund	-	6,680,986
<u>RSCFD Fund</u>		
Deposits for future charges	-	7,556
Delinquent property taxes	21,335	-
Total HURF Fund	21,335	7,556
<u>Nonmajor Governmental Fund</u>		
Delinquent property taxes	9,785	-
Total Nonmajor Governmental Funds	9,785	-
Total for governmental funds	\$ 162,646	\$ 6,734,784
 <u>Wastewater Fund</u>		
Advances received for future services		\$ 52,336
Federal grant advance (ARPA-SLFRF)		185,575
Total for proprietary fund		\$ 237,911

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 10—SIGNIFICANT COMMITMENTS

Governmental Activities

<u>Project Description</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Quail Crossing Blvd Extension Phase 2	\$ 6,172,759	\$ 370,022
Police Station Expansion & Remodeling Design	81,931	478,069
Total	<u>\$ 6,254,690</u>	<u>\$ 848,091</u>

NOTE 11—RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the Town joined and is covered by two public entity risk pools: the Arizona Municipal Risk Retention Pool (AMRRP) and the Arizona Municipal Workers Compensation Pool.

The limit for the basic coverage in the AMRRP is for \$2 million per occurrence on a claims-made basis. Excess coverage is for an additional \$10 million per occurrence on a follow form, claims-made basis. The aggregate limit is also \$10 million. No significant reduction in insurance coverage occurred during the year and no losses have exceeded insurance coverage during any of the past three fiscal years.

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. The Town is responsible for paying a premium on an experience-rating formula that allocates pool expenditures and liabilities among its members.

NOTE 12—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

At June 30, 2023, the Grants and Restricted Sources (GARS) Fund, a major fund, had a deficit fund balance of \$787,470. The deficit stems from the interfund advance due to the General Fund, which does not qualify for treatment as a long-term liability though the advance was used to finance the construction of long-term assets—tenant improvements to the SAMTEC facility. This advance is reported as a fund liability in the GARS Fund balance sheet rather than an inflow on the statement of revenues, expenditures, and changes in fund balances, resulting in an overall fund deficit. The deficit will be eliminated as repayments are made to the General Fund from net revenues generated from SAMTEC facility leases.



ANNUAL COMPREHENSIVE FINANCIAL REPORT



Required Supplementary Information
other than MD&A

2023

Town of Sahuarita, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual General Fund For the Fiscal Year Ended June 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 9,192,970	\$ 9,192,970	\$ 9,774,467	\$ 581,497
Licenses and permits	2,607,870	2,607,870	2,014,616	(593,254)
Intergovernmental	13,349,530	13,349,530	13,714,796	365,266
Charges for services	1,238,420	1,238,420	307,405	(931,015)
Fines and forfeitures	212,250	212,250	221,158	8,908
Investment earnings (losses)	367,780	367,780	769,978	402,198
Miscellaneous	81,680	81,680	50,251	(31,429)
Total revenues	<u>27,050,500</u>	<u>27,050,500</u>	<u>26,852,671</u>	<u>(197,829)</u>
Expenditures				
General government:				
Mayor and Council	228,290	228,290	148,696	79,594
Town Manager	782,780	782,780	521,455	261,325
Economic Development & Public Affairs	775,140	775,140	539,375	235,765
Law	781,610	627,860	556,752	71,108
Town Clerk	575,550	575,550	361,591	213,959
Finance	2,510,250	2,510,250	1,744,202	766,048
Human Resources	639,860	639,860	500,205	139,655
Municipal Court	874,330	874,330	760,787	113,543
Planning and Building-Zoning	671,290	671,290	536,174	135,116
Public Works-Facilities	933,030	934,440	850,446	83,994
Total general government	<u>8,772,130</u>	<u>8,619,790</u>	<u>6,519,683</u>	<u>2,100,107</u>
Public safety:				
Planning and Building-Building Safety	1,436,670	1,422,170	1,052,535	369,635
Public Works-Engineering	800,130	770,730	636,140	134,590
Police	10,577,440	10,545,540	9,298,167	1,247,373
Total public safety	<u>12,814,240</u>	<u>12,738,440</u>	<u>10,986,842</u>	<u>1,751,598</u>
Culture and recreation:				
Parks, Recreation & Community Services	3,093,190	3,093,190	2,954,311	138,879
Total culture and recreation	<u>3,093,190</u>	<u>3,093,190</u>	<u>2,954,311</u>	<u>138,879</u>
Capital outlay:				
General governmental	-	-	514,197	(514,197)
Public Safety	40,800	76,700	326,374	(249,674)
Total capital outlay	<u>40,800</u>	<u>76,700</u>	<u>840,571</u>	<u>(763,871)</u>
Debt service:				
Principal	-	-	198,495	(198,495)
Interest	-	-	16,883	(16,883)
Total debt service	<u>-</u>	<u>-</u>	<u>215,378</u>	<u>(215,378)</u>
Contingency reserves	25,591,250	25,783,490	-	25,783,490
Total expenditures	<u>50,311,610</u>	<u>50,311,610</u>	<u>21,516,785</u>	<u>28,794,825</u>
Excess (deficiency) of revenues over (under) expenditures	(23,261,110)	(23,261,110)	5,335,886	28,596,996
Other financing sources (uses)				
Lease agreements	-	-	161,677	161,677
Subscription-based information technology arrangements	-	-	600,002	600,002
Insurance recoveries	-	-	32,426	32,426
Transfers in	202,150	202,150	1,168,804	966,654
Transfers out	(2,500,000)	(2,500,000)	(1,192,748)	1,307,252
Total other financing sources (uses)	<u>(2,297,850)</u>	<u>(2,297,850)</u>	<u>770,161</u>	<u>3,068,011</u>
Net change in fund balance	(25,558,960)	(25,558,960)	6,106,047	31,665,007
Fund balance at beginning of year	25,558,960	25,558,960	26,736,014	1,177,054
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,842,061</u>	<u>\$ 32,842,061</u>

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Schedule 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, 2023

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Licenses and permits	\$ 22,600	\$ 22,600	\$ 28,600	\$ 6,000
Intergovernmental	4,246,370	4,246,370	4,362,600	116,230
Investment earnings (losses)	10,290	10,290	30,555	20,265
Miscellaneous	5,000	5,000	143,260	138,260
Total revenues	<u>4,284,260</u>	<u>4,284,260</u>	<u>4,565,015</u>	<u>280,755</u>
Expenditures				
Current:				
Highways and streets	3,759,290	3,992,030	3,969,005	23,025
Capital outlay:				
Highways and streets	95,000	95,000	75,064	19,936
Contingency reserves	893,360	660,620	-	660,620
Total expenditures	<u>4,747,650</u>	<u>4,747,650</u>	<u>4,044,069</u>	<u>703,581</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(463,390)</u>	<u>(463,390)</u>	<u>520,946</u>	<u>984,336</u>
Other financing sources (uses)				
Insurance recoveries	-	-	5,239	5,239
Transfers in	-	-	16,212	16,212
Transfers out	(57,140)	(57,140)	-	57,140
Total other financing sources (uses)	<u>(57,140)</u>	<u>(57,140)</u>	<u>21,451</u>	<u>78,591</u>
Net change in fund balance	(520,530)	(520,530)	542,397	1,062,927
Fund balance at beginning of year	520,530	520,530	521,075	545
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,063,472</u>	<u>\$ 1,063,472</u>

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual Grants and Restricted Sources Fund—Special Revenue Fund For the Fiscal Year Ended June 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 1,132,960	\$ 1,335,110	\$ 1,145,417	\$ (189,693)
Charges for services	45,000	45,000	17,576	(27,424)
Fines and forfeitures	17,930	17,930	84,363	66,433
Investment earnings (losses)	2,300	2,300	34,961	32,661
Miscellaneous	250,150	48,000	73,118	25,118
Total revenues	<u>1,448,340</u>	<u>1,448,340</u>	<u>1,355,435</u>	<u>(92,905)</u>
Expenditures				
Current:				
General government	38,790	66,780	103,125	(36,345)
Public safety	1,035,770	1,046,270	1,112,293	(66,023)
Culture and recreation	20,000	20,000	45,700	(25,700)
Highways and streets	165,000	165,000	15,026	149,974
Capital outlay:				
Public safety	18,000	18,000	18,628	(628)
Contingency reserves	374,850	336,360	-	336,360
Total expenditures	<u>1,652,410</u>	<u>1,652,410</u>	<u>1,294,772</u>	<u>357,638</u>
Excess (deficiency) of revenues over (under) expenditures	(204,070)	(204,070)	60,663	264,733
Other financing sources (uses)				
Transfers out	(202,150)	(202,150)	(1,185,016)	(982,866)
Total other financing sources (uses)	<u>(202,150)</u>	<u>(202,150)</u>	<u>(1,185,016)</u>	<u>(982,866)</u>
Excess (deficiency) of revenues over (under) expenditures	(406,220)	(406,220)	(1,124,353)	(718,133)
Fund balance at beginning of year	406,220	406,220	336,883	(69,337)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (787,470)</u>	<u>\$ (787,470)</u>

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual Rancho Sahuarita Community Facilities District—Special Revenue Fund For the Fiscal Year Ended June 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 590,510	\$ 590,510	\$ 601,586	\$ 11,076
Investment earnings	250	250	547,367	547,117
Miscellaneous	1,210,800	1,210,800	830,604	(380,196)
Total revenues	<u>1,801,560</u>	<u>1,801,560</u>	<u>1,979,557</u>	<u>177,997</u>
Expenditures				
Current:				
General government	1,110	1,110	2,404	(1,294)
Highways and streets	29,390	29,390	19,650	9,740
Total current	<u>30,500</u>	<u>30,500</u>	<u>22,054</u>	<u>8,446</u>
Capital outlay:				
Highways and streets	3,700,530	3,700,530	3,084,097	616,433
Sewer	679,630	679,630	702,635	(23,005)
Total capital outlay	<u>4,380,160</u>	<u>4,380,160</u>	<u>3,786,732</u>	<u>593,428</u>
Debt service:				
Principal	630,000	630,000	603,000	27,000
Interest	1,136,060	1,136,060	1,288,572	(152,512)
Fiscal charges	5,000	5,000	3,500	1,500
Debt issuance costs	-	-	-	-
Total debt service	<u>1,771,060</u>	<u>1,771,060</u>	<u>1,895,072</u>	<u>(124,012)</u>
Contingency reserves	14,447,750	14,447,750	-	14,447,750
Total expenditures	<u>20,629,470</u>	<u>20,629,470</u>	<u>5,703,858</u>	<u>14,925,612</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,827,910)</u>	<u>(18,827,910)</u>	<u>(3,724,301)</u>	<u>15,103,609</u>
Fund balance at beginning of year	18,827,910	18,827,910	19,236,377	408,467
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,512,076</u>	<u>\$ 15,512,076</u>

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Schedule of Town's Proportionate Share of Net Pension/OPEB Liability Arizona State Retirement System Cost-Sharing Plans Last 10 Years

Reporting fiscal year ending June 30, (Measurement Date)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
Pension										
Town's proportion of the net pension liability	0.058400%	0.058220%	0.059600%	0.057460%	0.058230%	0.057280%	0.057080%	0.053610%	0.053523%	Information
Town's proportionate share of the net pension liability	\$ 9,532,177	\$ 7,649,849	\$ 10,326,606	\$ 8,361,099	\$ 8,121,036	\$ 8,923,107	\$ 9,213,285	\$ 8,350,625	\$ 7,919,591	not available
Town's covered payroll	\$ 6,771,669	\$ 6,377,053	\$ 6,514,159	\$ 6,059,981	\$ 5,787,961	\$ 5,791,802	\$ 5,325,968	\$ 4,936,664	\$ 4,809,243	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	140.77%	119.96%	158.53%	137.97%	140.31%	154.06%	172.99%	169.16%	164.67%	
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	
<hr/>										
Reporting fiscal year ending June 30, (Measurement Date)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017-2013 (2016-2012)			
Health insurance premium benefit										
Town's proportion of the net OPEB (asset) liability	0.058290%	0.059570%	0.061040%	0.058880%	0.059340%	0.058120%	Information			
Town's proportionate share of the net OPEB (asset) liability	\$ (325,315)	\$ (290,230)	\$ (43,216)	\$ (16,272)	\$ (21,368)	\$ (31,641)	not available			
Town's covered payroll	\$ 6,771,669	\$ 6,377,053	\$ 6,514,159	\$ 6,059,981	\$ 5,787,961	\$ 5,791,802				
Town's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-4.80%	-4.55%	-0.66%	-0.27%	-0.37%	-0.55%				
Plan fiduciary net position as a percentage of the total OPEB liability	137.79%	130.24%	104.33%	101.62%	102.20%	103.57%				
<hr/>										
Reporting fiscal year ending June 30, (Measurement Date)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017-2013 (2016-2012)			
Long-term disability										
Town's proportion of the net OPEB (asset) liability	0.058260%	0.058910%	0.060400%	0.058340%	0.058360%	0.057510%	Information			
Town's proportionate share of the net OPEB (asset) liability	\$ 5,381	\$ 12,160	\$ 45,820	\$ 38,005	\$ 30,493	\$ 20,846	not available			
Town's covered payroll	\$ 6,771,669	\$ 6,377,053	\$ 6,514,159	\$ 6,059,981	\$ 5,787,961	\$ 5,791,802				
Town's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	0.08%	0.19%	0.70%	0.63%	0.53%	0.36%				
Plan fiduciary net position as a percentage of the total OPEB liability	95.40%	90.38%	68.01%	72.85%	77.83%	84.44%				

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Schedule of Town's Net Pension/OPEB Contributions Arizona State Retirement System Cost-Sharing Plans Last 10 Years

<u>Pension</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 930,951	\$ 839,099	\$ 766,257	\$ 745,853	\$ 677,228	\$ 630,731	\$ 602,259	\$ 577,305	\$ 516,246	\$ 514,170
Town's actual contributions	<u>930,951</u>	<u>839,099</u>	<u>766,257</u>	<u>745,853</u>	<u>677,228</u>	<u>630,731</u>	<u>602,259</u>	<u>577,305</u>	<u>516,246</u>	<u>514,170</u>
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Town's covered payroll	\$ 7,682,011	\$6,771,669	\$6,377,053	\$6,514,159	\$6,059,981	\$5,787,961	\$5,791,802	\$5,325,968	\$4,936,664	\$4,809,243
Town's contribution as a percentage of covered payroll	12.12%	12.39%	12.02%	11.45%	11.18%	10.90%	10.40%	10.84%	10.46%	10.69%
<hr/>										
<u>Health insurance premium benefit</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017-2013</u>			
Statutorily required contribution	\$ 8,349	\$ 14,223	\$ 25,049	\$ 31,912	\$ 27,864	\$ 25,452	Information			
Town's actual contributions	<u>8,349</u>	<u>14,223</u>	<u>25,049</u>	<u>31,912</u>	<u>27,864</u>	<u>25,452</u>	not available			
Town's contribution deficiency (excess)	<u>\$ -</u>									
Town's covered payroll	\$ 7,682,011	\$6,771,669	\$6,377,053	\$6,514,159	\$6,059,981	\$5,787,961				
Town's contribution as a percentage of covered payroll	0.11%	0.21%	0.39%	0.49%	0.46%	0.44%				
<hr/>										
<u>Long-term disability</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017-2013</u>			
Statutorily required contribution	\$ 10,692	\$ 12,955	\$ 11,839	\$ 11,071	\$ 9,691	\$ 9,258	Information			
Town's actual contributions	<u>10,692</u>	<u>12,955</u>	<u>11,839</u>	<u>11,071</u>	<u>9,691</u>	<u>9,258</u>	not available			
Town's contribution deficiency (excess)	<u>\$ -</u>									
Town's covered payroll	\$ 7,682,011	\$6,771,669	\$6,377,053	\$6,514,159	\$6,059,981	\$5,787,961				
Town's contribution as a percentage of covered payroll	0.14%	0.19%	0.19%	0.17%	0.16%	0.16%				

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Schedule of Town's Proportionate Share of Net Pension/OPEB Liability and Pension Contributions Elected Officials Retirement Plan Cost-Sharing Plans Last 10 Years

Reporting fiscal year ending June 30, (Measurement Date)	<u>2023</u> <u>(2022)</u>	<u>2022</u> <u>(2021)</u>	<u>2021</u> <u>(2020)</u>	<u>2020</u> <u>(2019)</u>	<u>2019</u> <u>(2018)</u>	<u>2018</u> <u>(2017)</u>	<u>2017</u> <u>(2016)</u>	<u>2016</u> <u>(2015)</u>	<u>2015</u> <u>(2014)</u>	<u>2014</u> <u>(2013)</u>
Pension liability										
Town's proportion of the net pension liability	0.05877%	0.06278%	0.05869%	0.06267%	0.04938%	0.05966%	0.0590467%	0.0527520%	0.0650056%	Information
Town's proportionate share of the net pension liability	\$ 396,783	\$ 382,042	\$ 396,137	\$ 415,613	\$ 311,168	\$ 727,030	\$ 557,845	\$ 353,740	\$ 435,909	not available
State's proportionate share of the net pension liability associated with the Town	<u>136,953</u>	<u>124,550</u>	<u>102,896</u>	<u>77,857</u>	<u>53,317</u>	<u>150,892</u>	<u>115,181</u>	<u>58,491</u>	<u>133,654</u>	
Total	<u>\$ 533,736</u>	<u>\$ 506,592</u>	<u>\$ 499,033</u>	<u>\$ 493,470</u>	<u>\$ 364,485</u>	<u>\$ 877,922</u>	<u>\$ 673,026</u>	<u>\$ 412,231</u>	<u>\$ 569,563</u>	
Town's covered payroll	\$ 43,938	\$ 46,592	\$ 44,400	\$ 47,715	\$ 47,400	\$ 49,200	\$ 47,400	\$ 47,175	\$ 46,800	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	903.05%	819.97%	892.20%	871.03%	656.47%	1477.70%	1176.89%	749.85%	931.43%	
Plan fiduciary net position as a percentage of the total pension liability	32.01%	36.28%	29.80%	30.14%	30.36%	19.66%	23.42%	28.32%	31.91%	
<hr/>										
Reporting fiscal year ending June 30, (Measurement Date)	<u>2023</u> <u>(2022)</u>	<u>2022</u> <u>(2021)</u>	<u>2021</u> <u>(2020)</u>	<u>2020</u> <u>(2019)</u>	<u>2019</u> <u>(2018)</u>	<u>2018</u> <u>(2017)</u>	<u>2017-2013</u> <u>(2016-2012)</u>			
Health insurance premium benefit (asset) liability										
Town's proportion of the net OPEB (asset) liability	0.34147%	0.50921%	0.44681%	0.31912%	0.42228%	0.36970%	Information			
Town's proportionate share of the net OPEB (asset) liability	\$ (43,915)	\$ (81,207)	\$ (42,673)	\$ (31,256)	\$ (43,638)	\$ (33,665)	Not Available			
Town's covered payroll	\$ 43,938	\$ 46,592	\$ 44,400	\$ 47,715	\$ 47,400	\$ 49,200				
Town's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-99.95%	-174.29%	-96.11%	-65.51%	-92.06%	-68.42%				
Plan fiduciary net position as a percentage of the total OPEB liability	198.38%	231.29%	169.89%	169.72%	177.16%	164.84%				
<hr/>										
Reporting fiscal year ending June 30, (Measurement Date)	<u>2023</u> <u>(2022)</u>	<u>2022</u> <u>(2021)</u>	<u>2021</u> <u>(2020)</u>	<u>2020</u> <u>(2019)</u>	<u>2019</u> <u>(2018)</u>	<u>2018</u> <u>(2017)</u>	<u>2017</u> <u>(2016)</u>	<u>2016</u> <u>(2015)</u>	<u>2015</u> <u>(2014)</u>	<u>2014</u> <u>(2013)</u>
Pension contributions										
Statutorily required contribution	\$ 51,073	\$ 27,103	\$ 28,698	\$ 26,735	\$ 28,969	\$ 11,139	\$ 11,162	\$ 10,501	\$ 13,851	\$ 14,784
Town's actual contributions	<u>51,073</u>	<u>27,103</u>	<u>28,698</u>	<u>26,735</u>	<u>28,969</u>	<u>16,879</u>	<u>11,162</u>	<u>10,501</u>	<u>13,851</u>	<u>14,784</u>
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (5,740)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Town's covered payroll	\$ 70,811	\$ 43,938	\$ 46,592	\$ 44,400	\$ 47,715	\$ 47,400	\$ 49,200	\$ 47,400	\$ 47,175	\$ 46,800
Town's contribution as a percentage of covered payroll	72.13%	61.68%	61.59%	60.21%	60.71%	35.61%	22.69%	22.15%	29.36%	31.59%

The Town was not required and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2023 through 2017. Information prior is not available.

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Schedule of Net Pension Liability Public Safety Personnel Retirement System Agent Plan Last 10 Years

Reporting fiscal year ending June 30, (Measurement date)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
Total pension liability										
Service cost	\$ 698,040	\$ 680,617	\$ 700,070	\$ 639,742	\$ 591,771	\$ 700,269	\$ 599,492	\$ 499,231	\$ 476,570	Information not available
Interest on the total pension liability	1,337,228	1,235,351	1,145,686	1,060,952	945,250	896,911	664,509	600,242	520,977	
Changes of benefit terms	-	-	-	-	-	41,004	1,262,877	-	(20,272)	
Difference between expected and actual experience	659,906	22,827	88,083	(130,469)	234,805	(290,902)	709,724	(251,049)	(129,225)	
Changes of assumptions or other inputs	143,599	-	-	348,775	-	100,958	495,755	-	202,160	
Benefit payments, including refunds of employee contributions	<u>(563,362)</u>	<u>(557,923)</u>	<u>(814,252)</u>	<u>(430,126)</u>	<u>(674,158)</u>	<u>(484,161)</u>	<u>(93,858)</u>	<u>(65,881)</u>	<u>(37,716)</u>	
Net change in total pension liability	2,275,411	1,380,872	1,119,587	1,488,874	1,097,668	964,079	3,638,499	782,543	1,012,494	
Total pension liability-beginning	<u>17,901,839</u>	<u>16,520,967</u>	<u>15,401,380</u>	<u>13,912,506</u>	<u>12,814,838</u>	<u>11,850,759</u>	<u>8,212,260</u>	<u>7,429,717</u>	<u>6,417,223</u>	
Total pension liability-ending (a)	<u>\$20,177,250</u>	<u>\$17,901,839</u>	<u>\$16,520,967</u>	<u>\$15,401,380</u>	<u>\$13,912,506</u>	<u>\$12,814,838</u>	<u>\$11,850,759</u>	<u>\$8,212,260</u>	<u>\$7,429,717</u>	
Plan fiduciary net position										
Employer contributions	\$ 483,606	\$ 4,678,731	\$ 604,459	\$ 625,333	\$ 1,056,768	\$ 390,243	\$ 390,062	\$ 468,919	\$ 314,125	
Employee contributions	293,257	307,831	266,339	260,673	284,875	418,290	344,000	285,067	260,111	
Net investment income	(836,473)	3,740,539	162,343	643,977	739,857	1,107,368	49,360	273,195	833,960	
Benefit payments, including refunds of employee contributions	(563,362)	(557,923)	(814,252)	(430,126)	(674,158)	(484,161)	(93,858)	(65,881)	(37,716)	
Administrative expenses	(15,092)	(17,463)	(13,238)	(12,186)	(11,960)	(10,198)	(7,503)	(7,054)	(6,717)	
Other changes	-	-	-	(301,467)	(315,609)	121,902	146,598	(5,560)	41,203	
Net change in plan fiduciary net position	(638,064)	8,151,715	205,651	786,204	1,079,773	1,543,444	828,659	948,686	1,404,966	
Plan fiduciary net position-beginning*	<u>20,743,042</u>	<u>12,591,327</u>	<u>12,385,676</u>	<u>11,621,609</u>	<u>10,546,533</u>	<u>9,003,089</u>	<u>8,174,430</u>	<u>7,225,744</u>	<u>5,820,778</u>	
Plan fiduciary net position-ending (b)	<u>\$20,104,978</u>	<u>\$20,743,042</u>	<u>\$12,591,327</u>	<u>\$12,407,813</u>	<u>\$11,626,306</u>	<u>\$10,546,533</u>	<u>\$9,003,089</u>	<u>\$8,174,430</u>	<u>\$7,225,744</u>	
Town's net pension (asset) liability-ending (a) - (b)	\$ 72,272	\$ (2,841,203)	\$ 3,929,640	\$ 2,993,567	\$ 2,286,200	\$ 2,268,305	\$ 2,847,670	\$ 37,830	\$ 203,973	
Plan fiduciary net position as a percentage of the total pension liability	99.64%	115.87%	76.21%	80.56%	83.57%	82.30%	75.97%	99.54%	97.25%	
Covered payroll	\$ 4,257,543	\$ 4,063,851	\$ 3,570,936	\$ 3,334,381	\$ 3,175,063	\$ 3,309,770	\$ 3,002,577	\$ 2,633,747	\$ 2,516,513	
Town's net pension (asset) liability as a percentage of covered payroll	1.70%	-69.91%	110.05%	89.78%	72.00%	68.53%	94.84%	1.44%	8.11%	

*2020 beginning of year balance adjusted by (\$4,697).
2021 beginning of year balance adjusted by (\$22,137).

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Schedule of Net OPEB Liability Public Safety Personnel Retirement System Agent Plan Last 10 Years

Reporting fiscal year ending June 30, (Measurement date)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017-2014 (2016-2013)
<u>Total health insurance premium subsidy liability</u>							
Service cost	\$ 12,415	\$ 13,907	\$ 14,020	\$ 8,942	\$ 9,484	\$ 11,802	Information not available
Interest on the total OPEB liability	18,820	19,899	18,759	19,864	23,806	28,866	
Changes of benefit terms	-	-	-	-	-	3,333	
Difference between expected and actual experience	(6,890)	(42,480)	(9,592)	(49,105)	(89,551)	(64,990)	
Changes of assumptions or other inputs	12,520	-	-	2,908	-	(39,791)	
Benefit payments	<u>(4,712)</u>	<u>(4,512)</u>	<u>(3,468)</u>	<u>(1,767)</u>	<u>(652)</u>	<u>(1,812)</u>	
Net change in total OPEB liability	32,153	(13,186)	19,719	(19,158)	(56,913)	(62,592)	
Total OPEB liability-beginning	<u>247,751</u>	<u>260,937</u>	<u>241,218</u>	<u>260,376</u>	<u>317,289</u>	<u>379,881</u>	
Total OPEB liability-ending (a)	<u>\$ 279,904</u>	<u>\$ 247,751</u>	<u>\$ 260,937</u>	<u>\$ 241,218</u>	<u>\$ 260,376</u>	<u>\$ 317,289</u>	
<u>Plan fiduciary net position</u>							
Employer contributions	\$ 926	\$ 3,929	\$ 1,488	\$ 7,152	\$ 12,023	\$ 15,648	
Net investment income	(19,745)	108,424	4,959	19,761	23,179	34,001	
Benefit payments	(4,712)	(4,512)	(3,468)	(1,767)	(652)	(1,812)	
Administrative expenses	(351)	(446)	(403)	(341)	(353)	(301)	
Other changes	-	-	-	-	(1)	-	
Net change in plan fiduciary net position	<u>(23,882)</u>	<u>107,395</u>	<u>2,576</u>	<u>24,805</u>	<u>34,196</u>	<u>47,536</u>	
Plan fiduciary net position-beginning*	<u>503,484</u>	<u>396,089</u>	<u>393,513</u>	<u>368,708</u>	<u>329,814</u>	<u>282,278</u>	
Plan fiduciary net position-ending (b)	<u>\$ 479,602</u>	<u>\$ 503,484</u>	<u>\$ 396,089</u>	<u>\$ 393,513</u>	<u>\$ 364,010</u>	<u>\$ 329,814</u>	
Town's net OPEB (asset) liability-ending (a) - (b)	\$ (199,698)	\$ (255,733)	\$ (135,152)	\$ (152,295)	\$ (103,634)	\$ (12,525)	
Plan fiduciary net position as a percentage of the total OPEB liability	171.35%	203.22%	151.79%	163.14%	139.80%	103.95%	
Covered payroll	\$3,979,286	\$ 3,953,102	\$ 3,477,118	\$ 3,192,331	\$ 3,073,465	\$ 3,026,229	
Town's net OPEB (asset) liability as a percentage of covered payroll	-5.02%	-6.47%	-3.89%	-4.77%	-3.37%	-0.41%	

*2020 beginning of year balance adjusted by \$4,698.

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Schedule of Pension/OPEB Contributions Public Safety Personnel Retirement System Agent Plans Last 10 Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Pension contributions</u>										
Actuarially determined contribution	\$ 619,578	\$ 572,219	\$ 838,862	\$ 655,997	\$ 625,333	\$ 633,912	\$ 390,243	\$ 390,062	\$ 366,548	\$ 314,125
Town's actual contributions	<u>695,364</u>	<u>598,158</u>	<u>4,746,372</u>	<u>655,997</u>	<u>625,333</u>	<u>1,056,768</u>	<u>390,243</u>	<u>390,062</u>	<u>468,919</u>	<u>314,125</u>
Town's contribution deficiency (excess)	<u>\$ (75,786)</u>	<u>\$ (25,939)</u>	<u>\$ (3,907,510)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (422,856)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (102,371)</u>	<u>\$ -</u>
Town's covered payroll	\$ 4,873,158	\$ 4,257,543	\$ 4,063,851	\$ 3,570,936	\$ 3,334,381	\$ 3,175,063	\$ 3,309,770	\$ 3,002,577	\$ 2,633,747	\$ 2,516,513
Town's contribution as a percentage of covered payroll	14.27%	14.05%	116.79%	18.37%	18.75%	33.28%	11.79%	12.99%	17.80%	12.48%
Actuarial determined contribution as % of covered payroll	12.71%	13.44%	20.64%	18.37%	18.75%	19.97%	11.79%	12.99%	13.92%	12.48%
<u>Health insurance premium subsidy contributions</u>										
Actuarially determined contribution	\$ 1,254	\$ 1,973	\$ 4,847	\$ 2,857	\$ 7,152	\$ 12,023	\$ 15,648	Information		
Town's actual contributions	<u>1,254</u>	<u>1,973</u>	<u>4,847</u>	<u>2,857</u>	<u>7,152</u>	<u>12,023</u>	<u>15,648</u>	not available		
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
Town's covered payroll	\$ 4,493,183	\$ 3,979,286	\$ 3,953,102	\$ 3,477,118	\$ 3,192,331	\$ 3,073,465	\$ 3,026,229			
Town's contribution as a percentage of covered payroll	0.03%	0.05%	0.12%	0.08%	0.22%	0.39%	0.52%			

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Required Supplementary Information Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2023

NOTE 1—BUDGETING AND BUDGETARY CONTROL

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 establishes the legal level of budgetary control. It is prepared by fund and department for the General Fund and by fund and function for other funds. Department directors may make transfers of appropriations within a department with the approval of the Town Manager and/or Finance Director. The Town Manager may appropriate amounts out of the Manager's budget contingency, which is assigned for such purposes by the Town Council when the budget is adopted. Other appropriations or budget amendments require the approval of the Town Council.

Encumbrance accounting is employed in all funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities. Contractual commitments will be reappropriated and honored during the subsequent year.

NOTE 2—ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2021 actuarial valuation	15 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor

Actuarial assumptions:

Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
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Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
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Town of Sahuarita, Arizona

Required Supplementary Information Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2023

Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generation projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 3—FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases and also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the Town refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP allowed the Town to reduce its actual employer contributions for the refund amounts. The Town only reduced EORP contributions in 2018, resulting in pension contributions that were less than the statutorily determined contributions for 2018 and 2019.

The fiscal year 2019 (measurement date 2018) pension liabilities for EORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.



ANNUAL COMPREHENSIVE FINANCIAL REPORT



Other Schedules

2023

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, 2023

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 4,758,370	\$ 4,758,370	\$ 6,382,957	\$ 1,624,587
Licenses and permits	15,000	15,000	8,400	(6,600)
Intergovernmental	3,680,720	3,680,720	779,415	(2,901,305)
Investment earnings (losses)	79,070	79,070	348,566	269,496
Miscellaneous	-	-	13,033	13,033
Total revenues	<u>8,533,160</u>	<u>8,533,160</u>	<u>7,532,371</u>	<u>(1,000,789)</u>
Expenditures				
Capital outlay:				
General government	6,632,270	6,771,260	2,495,589	4,275,671
Public safety	1,136,680	1,539,780	1,542,250	(2,470)
Culture and recreation	1,953,750	1,973,750	1,264,533	709,217
Highways and streets	4,163,170	4,163,170	2,754,028	1,409,142
Total capital outlay	<u>13,885,870</u>	<u>14,447,960</u>	<u>8,056,400</u>	<u>6,391,560</u>
Debt service:				
Principal	2,605,870	2,605,870	2,787,888	(182,018)
Interest	175,000	175,000	263,523	(88,523)
Fiscal charges	5,000	5,000	3,570	1,430
Total debt service	<u>2,785,870</u>	<u>2,785,870</u>	<u>3,054,981</u>	<u>(269,111)</u>
Contingency reserves	<u>2,670,390</u>	<u>2,108,300</u>	-	<u>2,108,300</u>
Total expenditures	<u>19,342,130</u>	<u>19,342,130</u>	<u>11,111,381</u>	<u>8,230,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,808,970)</u>	<u>(10,808,970)</u>	<u>(3,579,010)</u>	<u>7,229,960</u>
Other financing sources (uses)				
Contingency carryforwards	250,000	250,000	-	(250,000)
Lease agreements	-	-	243,276	243,276
Proceeds on the sale of assets	-	-	144,031	144,031
Transfers in	2,572,620	2,572,620	1,192,748	(1,379,872)
Total other financing sources (uses)	<u>2,822,620</u>	<u>2,822,620</u>	<u>1,580,055</u>	<u>(1,242,565)</u>
Net change in fund balance	<u>(7,986,350)</u>	<u>(7,986,350)</u>	<u>(1,998,955)</u>	<u>5,987,395</u>
Fund balance at beginning of year	<u>7,986,350</u>	<u>7,986,350</u>	<u>7,757,435</u>	<u>(228,915)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,758,480</u>	<u>\$ 5,758,480</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, 2023

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,052,370	\$ 1,052,370	\$ 1,064,648	\$ 12,278
Investment earnings (losses)	100	100	14,375	14,275
Miscellaneous	-	-	10,029	10,029
Total revenues	<u>1,052,470</u>	<u>1,052,470</u>	<u>1,089,052</u>	<u>36,582</u>
Expenditures				
Current:				
General government	1,120	1,120	6,456	(5,336)
Culture and recreation	80,180	80,180	75,664	4,516
Highways and streets	18,850	18,850	24,975	(6,125)
Total current	<u>100,150</u>	<u>100,150</u>	<u>107,095</u>	<u>(6,945)</u>
Debt service:				
Principal	745,000	745,000	745,000	-
Interest	202,620	202,620	202,612	8
Fiscal charges	4,700	4,700	1,320	3,380
Total debt service	<u>952,320</u>	<u>952,320</u>	<u>948,932</u>	<u>3,388</u>
Total expenditures	<u>1,052,470</u>	<u>1,052,470</u>	<u>1,056,027</u>	<u>(3,557)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	33,025	33,025
Fund balance at beginning of year	-	-	13,230	13,230
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,255</u>	<u>\$ 46,255</u>



ANNUAL COMPREHENSIVE FINANCIAL REPORT



Statistical Section

2023

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

Last 10 Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	2014	2015*	2016	2017^	2018**	2019	2020	2021	2022^^	2023
Governmental activities										
Net investment in capital assets	\$117,809,456	\$124,700,350	\$123,086,910	\$118,091,715	\$110,923,412	\$106,646,221	\$105,508,871	\$102,352,425	\$98,359,547	\$101,243,072
Restricted	1,054,409	1,097,795	1,333,299	1,528,779	5,839,147	1,828,600	1,392,476	1,360,769	4,505,003	2,172,130
Unrestricted	26,556,831	16,575,691	16,662,435	15,111,723	15,748,404	13,942,110	15,218,014	21,854,380	22,642,952	31,037,534
Total governmental activities net position	<u>\$145,420,696</u>	<u>\$142,373,836</u>	<u>\$141,082,644</u>	<u>\$134,732,217</u>	<u>\$132,510,963</u>	<u>\$122,416,931</u>	<u>\$122,119,361</u>	<u>\$125,567,574</u>	<u>\$125,507,502</u>	<u>\$134,452,736</u>
Business-type activities										
Net investment in capital assets	\$22,959,593	\$23,334,636	\$23,918,576	\$22,579,671	\$23,455,144	\$24,748,260	\$28,041,739	\$29,163,964	\$30,709,035	\$34,872,447
Restricted	2,108,048	2,858,048	2,858,048	2,858,048	2,860,706	2,859,783	1,120,891	1,004,712	1,050,594	1,076,886
Unrestricted	(4,172,413)	(5,789,541)	(5,974,958)	(6,859,515)	(7,155,834)	(2,390,496)	(2,961,545)	(1,253,802)	172,127	1,135,141
Total business-type activities net position	<u>\$20,895,228</u>	<u>\$20,403,143</u>	<u>\$20,801,666</u>	<u>\$18,578,204</u>	<u>\$19,160,016</u>	<u>\$25,217,547</u>	<u>\$26,201,085</u>	<u>\$28,914,874</u>	<u>\$31,931,756</u>	<u>\$37,084,474</u>
Primary government										
Net investment in capital assets	\$140,769,049	\$148,034,986	\$147,005,486	\$140,671,386	\$134,378,556	\$131,394,481	\$133,550,610	\$131,516,389	\$129,068,582	\$136,115,519
Restricted	3,162,457	3,955,843	4,191,347	4,386,827	8,699,853	4,688,383	2,513,367	2,365,481	5,555,597	3,249,016
Unrestricted	22,384,418	10,786,150	10,687,477	8,252,208	8,592,570	11,551,614	12,256,469	20,600,578	22,815,079	32,172,675
Total primary government net position	<u>\$166,315,924</u>	<u>\$162,776,979</u>	<u>\$161,884,310</u>	<u>\$153,310,421</u>	<u>\$151,670,979</u>	<u>\$147,634,478</u>	<u>\$148,320,446</u>	<u>\$154,482,448</u>	<u>\$157,439,258</u>	<u>\$171,537,210</u>

* Due to implementation of GASB 68 the reported balance of net position at the beginning of the year was restated.

** Due to the implementation of GASB 75, the reported balance of net position at the beginning of the year was restated.

^ Due to prior period restatement to business-type activities in 2019, the reported balance of net position was restated for years 2017 - 2018.

^^ Due to the implementation of GASB 87, the reported balance of net position at the beginning of the year was restated.

Town of Sahuarita, Arizona

Changes in Net Position

Last 10 Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Expenses										
Governmental activities:										
General government	\$ 4,678,867	\$ 5,222,615	\$ 5,388,608	\$ 5,839,797	\$ 6,161,156	\$ 5,994,445	\$ 6,531,342	\$ 7,390,603	\$ 8,116,790	\$ 8,519,085
Public safety	6,586,449	6,881,354	7,384,262	9,572,787	8,599,675	8,876,340	10,511,173	10,677,334	11,201,564	12,816,213
Culture and recreation	2,277,660	2,076,948	2,222,681	2,377,461	2,976,548	3,029,502	3,167,428	3,132,254	3,332,768	3,939,198
Highways and streets	7,224,948	7,351,674	8,163,637	9,646,426	10,020,683	11,441,554	11,728,696	11,679,857	12,107,301	13,392,120
Interest, amortization, and issuance costs of long-term debt	1,388,415	1,332,284	1,054,164	1,393,696	1,114,440	945,665	1,266,838	950,743	1,354,164	1,820,997
Total governmental activities expenses	<u>22,156,339</u>	<u>22,864,875</u>	<u>24,213,352</u>	<u>28,830,167</u>	<u>28,872,502</u>	<u>30,287,506</u>	<u>33,205,477</u>	<u>33,830,791</u>	<u>36,112,587</u>	<u>40,487,613</u>
Business-type activities: Sewer	3,523,158	3,697,115	3,957,491	3,872,306	3,563,686	3,606,201	3,762,261	3,574,085	3,513,477	4,002,406
Total business-type activities expenses	<u>3,523,158</u>	<u>3,697,115</u>	<u>3,957,491</u>	<u>3,872,306</u>	<u>3,563,686</u>	<u>3,606,201</u>	<u>3,762,261</u>	<u>3,574,085</u>	<u>3,513,477</u>	<u>4,002,406</u>
Total primary government expenses	<u>\$ 25,679,497</u>	<u>\$ 26,561,990</u>	<u>\$ 28,170,843</u>	<u>\$ 32,702,473</u>	<u>\$ 32,436,188</u>	<u>\$ 33,893,707</u>	<u>\$ 36,967,738</u>	<u>\$ 37,404,876</u>	<u>\$ 39,626,064</u>	<u>\$ 44,490,019</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 424,426	\$ 391,278	\$ 419,942	\$ 350,842	\$ 429,723	\$ 399,847	\$ 338,288	\$ 518,811	\$ 457,721	\$ 401,902
Public safety	947,254	1,087,329	1,375,991	1,327,093	1,906,923	1,830,862	2,117,021	3,281,518	3,342,581	2,164,720
Culture and recreation	90,545	133,340	121,980	134,009	178,665	162,617	156,994	213,222	189,888	257,260
Highways and streets	-	-	-	-	-	-	2,536	15,721	31,964	43,626
Operating grants and contributions	2,079,460	2,132,244	2,404,762	2,528,735	2,641,126	3,153,131	5,105,088	5,517,384	3,538,380	4,143,771
Capital grants and contributions*	15,004,323	11,583,824	4,628,724	2,811,549	3,720,920	2,998,390	3,968,478	3,230,389	2,834,513	8,031,636
Total governmental activities program revenues	<u>18,546,008</u>	<u>15,328,015</u>	<u>8,951,399</u>	<u>7,152,228</u>	<u>8,877,357</u>	<u>8,544,847</u>	<u>11,688,405</u>	<u>12,777,045</u>	<u>10,395,047</u>	<u>15,042,915</u>
Business-type activities										
Charges for services: Sewer	3,349,567	3,254,711	3,393,582	3,407,229	3,829,807	4,370,315	4,795,971	4,959,531	5,009,140	4,851,324
Operating grants and contributions	-	-	-	-	-	-	-	-	-	264,865
Capital grants and contributions	-	-	250,000	-	359,148	367,035	-	830,556	1,286,508	2,929,983
Total business-type activities program revenues	<u>3,349,567</u>	<u>3,254,711</u>	<u>3,643,582</u>	<u>3,407,229</u>	<u>4,188,955</u>	<u>4,737,350</u>	<u>4,795,971</u>	<u>5,790,087</u>	<u>6,295,648</u>	<u>8,046,172</u>
Total primary government program revenues	<u>\$ 21,895,575</u>	<u>\$ 18,582,726</u>	<u>\$ 12,594,981</u>	<u>\$ 10,559,457</u>	<u>\$ 13,066,312</u>	<u>\$ 13,282,197</u>	<u>\$ 16,484,376</u>	<u>\$ 18,567,132</u>	<u>\$ 16,690,695</u>	<u>\$ 23,089,087</u>
Net (Expenses)/Revenues										
Governmental activities	\$ (3,610,331)	\$ (7,536,860)	\$(15,261,953)	\$(21,677,939)	\$(19,995,145)	\$(21,742,659)	\$(21,517,072)	\$(21,053,746)	\$(25,717,540)	\$(25,444,698)
Business-type activities	(173,591)	(442,404)	(313,909)	(465,077)	625,269	1,131,149	1,033,710	2,216,002	2,782,171	4,043,766
Total primary government (expense)/revenue	<u>\$ (3,783,922)</u>	<u>\$ (7,979,264)</u>	<u>\$(15,575,862)</u>	<u>\$(22,143,016)</u>	<u>\$(19,369,876)</u>	<u>\$(20,611,510)</u>	<u>\$(20,483,362)</u>	<u>\$(18,837,744)</u>	<u>\$(22,935,369)</u>	<u>\$(21,400,932)</u>

(continued)

Town of Sahuarita, Arizona

Changes in Net Position

Last 10 Fiscal Years

(accrual basis of accounting)

(Unaudited)

(concluded)

	Fiscal Year									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 299,920	\$ 354,728	\$ 411,260	\$ 468,496	\$ 523,940	\$ 657,199	\$ 805,403	\$ 1,041,778	\$ 1,375,535	\$ 1,679,510
Sales taxes	6,916,291	6,601,243	7,101,219	6,955,290	8,849,348	9,788,930	10,766,869	13,343,651	13,624,269	15,753,804
Franchise taxes	303,598	316,332	318,035	310,987	355,583	369,157	366,966	376,714	373,336	403,620
Share of state income taxes	2,815,436	3,057,758	3,041,180	3,470,987	3,566,411	3,550,406	3,915,901	4,490,500	4,434,706	6,703,484
Share of state sales taxes	2,198,614	2,308,388	2,385,534	2,620,019	2,770,189	2,957,158	3,137,766	3,727,571	4,798,306	5,223,548
Share of state vehicle license tax	962,878	1,006,277	1,058,242	1,215,841	1,279,817	1,349,348	1,383,205	1,632,938	1,549,449	1,787,320
Grants and contributions not restricted to specific programs	-	-	-	-	83,823	171,454	-	-	246,811	2,304,965
Investment earnings	368,272	191,184	319,547	171,364	246,449	715,484	646,904	104,506	(474,225)	1,116,882
Gain on the sale of capital assets	-	-	-	-	-	-	-	-	-	95,425
Miscellaneous	897,650	856,915	705,337	123,661	142,817	174,125	183,536	272,297	193,703	24,009
Extraordinary or special items	-	-	-	-	-	(3,168,076)	-	-	-	-
Transfers	(693,080)	(699,540)	(733,244)	(9,133)	3,390	(4,916,558)	12,952	(487,996)	(211,777)	(702,635)
Total governmental activities	14,069,579	13,993,285	14,607,110	15,327,512	17,821,767	11,648,627	21,219,502	24,501,959	25,910,113	34,389,932
Business-type activities										
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	-	-	-	210,581
Investment earnings (losses)^	(41,352)	(25,446)	(42,924)	(23,617)	(40,204)	(7,436)	(54,480)	(7,469)	5,674	45,569
Miscellaneous	2,428	1,612	22,112	96,552	-	17,260	17,260	17,260	17,260	150,167
Extraordinary or special items	-	-	-	(1,840,453)	-	-	-	-	-	-
Transfers	693,080	699,540	733,244	9,133	(3,390)	4,916,558	(12,952)	487,996	211,777	702,635
Total business-type activities	654,156	675,706	712,432	(1,758,385)	(43,594)	4,926,382	(50,172)	497,787	234,711	1,108,952
Total primary government	\$ 14,723,735	\$ 14,668,991	\$ 15,319,542	\$ 13,569,127	\$ 17,778,173	\$ 16,575,009	\$ 21,169,330	\$ 24,999,746	\$ 26,144,824	\$ 35,498,884
Change in Net Position										
Governmental activities	\$ 10,459,248	\$ 6,456,425	\$ (654,843)	\$ (6,350,427)	\$ (2,173,378)	\$ (10,094,032)	\$ (297,570)	\$ 3,448,213	\$ 192,573	\$ 8,945,234
Business-type activities	480,565	233,302	398,523	(2,223,462)	581,675	6,057,531	983,538	2,713,789	3,016,882	5,152,718
Total primary government	\$ 10,939,813	\$ 6,689,727	\$ (256,320)	\$ (8,573,889)	\$ (1,591,703)	\$ (4,036,501)	\$ 685,968	\$ 6,162,002	\$ 3,209,455	\$ 14,097,952

* For years 2014 - 2022, reclassified applicable amounts from contributions restricted for debt service.

^ Adjusted 2017 and 2018 for prior period restatement of long-term storage credits.

Town of Sahuarita, Arizona

Fund Balances-Governmental Funds

Last 10 Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Fund										
Non-spendable	\$ 1,702,265	\$ 2,767,627	\$ 2,620,695	\$ 3,644,673	\$ 4,066,023	\$ 2,267,471	\$ 3,374,406	\$ 1,365,482	\$ 90,715	\$ 1,185,289
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	3,810,700	3,947,700	4,336,250	4,752,160	4,819,510	5,355,390	5,000,000	5,000,000	5,000,000	5,500,000
Assigned	-	-	500,000	500,000	-	-	-	-	-	-
Unassigned	11,377,733	10,761,488	11,233,923	10,397,422	11,728,429	12,375,687	13,369,469	17,054,135	21,645,299	26,156,772
Total general fund	<u>\$ 16,890,698</u>	<u>\$ 17,476,815</u>	<u>\$ 18,690,868</u>	<u>\$ 19,294,255</u>	<u>\$ 20,613,962</u>	<u>\$ 19,998,548</u>	<u>\$ 21,743,875</u>	<u>\$ 23,419,617</u>	<u>\$ 26,736,014</u>	<u>\$ 32,842,061</u>
All Other Governmental Funds										
Non-spendable	\$ 2,545,717	\$ -	\$ 4,250	\$ -	\$ 475	\$ -	\$ -	\$ -	\$ -	\$ 2,685
Restricted	952,732	1,029,692	1,216,960	1,416,342	4,801,853	1,377,953	4,236,284	4,164,635	22,463,174	17,271,535
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	5,762,916	5,092,915	6,470,043	5,922,601	5,070,511	2,725,755	2,329,660	4,300,798	5,401,826	5,475,429
Unassigned	-	-	(3,750)	-	(3,338)	-	(45,775)	-	-	(1,156,836)
Total all other governmental funds	<u>\$ 9,261,365</u>	<u>\$ 6,122,607</u>	<u>\$ 7,687,503</u>	<u>\$ 7,338,943</u>	<u>\$ 9,869,501</u>	<u>\$ 4,103,708</u>	<u>\$ 6,520,169</u>	<u>\$ 8,465,433</u>	<u>\$ 27,865,000</u>	<u>\$ 21,592,813</u>
Total governmental funds	<u>\$ 26,152,063</u>	<u>\$ 23,599,422</u>	<u>\$ 26,378,371</u>	<u>\$ 26,633,198</u>	<u>\$ 30,483,463</u>	<u>\$ 24,102,256</u>	<u>\$ 28,264,044</u>	<u>\$ 31,885,050</u>	<u>\$ 54,601,014</u>	<u>\$ 54,434,874</u>

Town of Sahuarita, Arizona

Changes in Fund Balances-Governmental Funds

Last 10 Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues										
Taxes	\$ 7,522,856	\$ 7,272,556	\$ 7,833,935	\$ 7,733,916	\$ 9,729,692	\$ 10,521,394	\$ 12,083,698	\$ 14,801,091	\$ 15,461,531	\$ 17,823,658
Licenses and permits	779,759	1,112,125	1,442,097	1,400,104	2,023,097	1,945,695	2,145,417	3,310,486	3,394,959	2,051,616
Intergovernmental	15,007,062	18,033,692	12,968,488	12,287,093	10,207,958	11,805,267	16,115,234	15,640,182	14,825,272	20,002,228
Charges for services	239,173	193,790	188,916	166,698	231,830	217,307	235,266	367,289	368,527	324,981
Fines and forfeitures	437,903	305,497	284,850	220,717	228,990	233,294	234,156	351,497	235,561	305,521
Investment earnings (losses)	368,272	191,184	319,547	171,364	246,449	715,484	646,904	104,506	(468,427)	1,745,802
Miscellaneous	903,525	948,880	3,674,431	516,844	479,445	1,327,314	829,542	891,881	452,637	1,120,295
Total revenues	25,258,550	28,057,724	26,712,264	22,496,736	23,147,461	26,765,755	32,290,217	35,466,932	34,270,060	43,374,101
Expenditures										
General government	3,605,041	4,164,485	4,240,508	4,625,055	4,801,907	5,250,115	5,630,401	6,452,533	6,971,528	6,631,668
Public safety	6,298,986	6,790,927	7,265,205	8,032,783	8,465,327	8,925,551	9,532,455	14,035,010	10,792,401	12,099,135
Culture and recreation	1,308,499	1,460,244	1,522,317	1,657,399	1,819,692	1,905,141	2,146,395	2,250,476	2,463,500	3,075,675
Highways and streets	1,752,307	1,680,784	1,677,927	1,952,810	2,044,195	3,359,861	3,354,911	3,294,954	3,408,999	4,028,656
Capital outlay	12,156,038	13,161,400	6,203,139	3,907,733	5,977,427	6,322,416	7,483,531	1,871,831	9,587,471	12,777,395
Debt service:										
Principal	1,380,000	1,440,000	1,532,317	1,440,873	1,643,257	2,424,983	2,675,243	2,952,350	3,465,525	4,334,383
Interest	1,420,705	1,207,835	1,039,066	910,645	592,592	984,151	857,433	932,735	873,649	1,771,590
Fiscal charges	5,150	5,150	5,919	5,650	8,850	9,600	9,600	10,900	10,400	8,390
Debt issuance costs	-	113,190	-	492,273	425,853	-	347,250	-	433,264	-
Total expenditures	27,926,726	30,024,015	23,486,398	23,025,221	25,779,100	29,181,818	32,037,219	31,800,789	38,006,737	44,726,892
Excess (deficiency) of revenues over (under) expenditures	(2,668,176)	(1,966,291)	3,225,866	(528,485)	(2,631,639)	(2,416,063)	252,998	3,666,143	(3,736,677)	(1,352,791)
Other Financing Sources (Uses)										
Face amount of long-term debt	-	8,840,000	-	9,940,000	9,993,000	-	3,475,000	-	31,382,000	-
Payments to refunded debt escrow	-	(8,726,810)	-	(9,503,858)	(4,128,702)	-	-	-	(5,616,346)	-
Premium (discount) on long-term debt	-	-	-	57,694	-	-	-	-	-	-
Lease agreements	-	-	286,327	298,609	612,416	611,161	398,755	419,958	591,722	404,953
Subscription-based IT arrangements	-	-	-	-	-	-	-	-	-	600,002
Proceeds from the sale of assets	-	-	-	-	1,800	106,414	22,083	22,901	24,802	144,031
Insurance recoveries	-	-	-	-	-	-	-	-	58,459	37,665
Transfers in	3,316,838	118,013	16,697	2,565,863	1,284,236	715,868	2,882,793	680,798	1,164,142	2,377,764
Transfers out	(4,009,918)	(817,553)	(749,941)	(2,574,996)	(1,280,846)	(5,398,587)	(2,869,841)	(1,168,794)	(1,152,138)	(2,377,764)
Net other financing sources (uses)	(693,080)	(586,350)	(446,917)	783,312	6,481,904	(3,965,144)	3,908,790	(45,137)	26,452,641	1,186,651
Net change in fund balances	\$ (3,361,256)	\$ (2,552,641)	\$ 2,778,949	\$ 254,827	\$ 3,850,265	\$ (6,381,207)	\$ 4,161,788	\$ 3,621,006	\$ 22,715,964	\$ (166,140)
Debt service as a percentage of noncapital expenditures	16.7%	15.0%	14.3%	11.7%	10.8%	14.5%	14.0%	13.0%	14.8%	18.4%

Note: 2021 public safety costs include a significant one-time pension contribution to pay off unfunded pension liabilities.

Town of Sahuarita, Arizona

Assessed Value and Estimated Actual Value of Taxable Property Last 10 Fiscal Years (Unaudited)

Fiscal Year	Residential Property	Other 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
2014	\$ 146,509,080	\$ 63,231,794	\$ 19,036,647	\$ 190,704,227	\$3.3000	\$ 1,827,449,930	10.44%
2015	147,350,240	61,851,496	18,932,866	190,268,870	3.3000	1,824,773,549	10.43%
2016	167,883,435	72,231,731	29,134,924	210,980,242	3.6000	2,106,589,373	10.02%
2017	172,275,872	64,024,304	23,834,895	212,465,281	3.6000	2,112,669,624	10.06%
2018	181,651,462	62,285,619	21,822,392	222,114,689	3.6000	2,193,370,464	10.13%
2019	193,201,417	61,318,460	20,642,439	233,877,438	8.2900	2,374,128,211	9.85%
2020	209,982,549	73,698,692	28,375,347	255,305,894	8.2900	2,753,885,739	9.27%
2021	227,663,338	76,129,797	29,901,771	273,891,364	8.2900	3,020,422,005	9.07%
2022	245,214,625	81,726,492	31,139,951	295,801,166	8.2900	2,973,357,890	9.95%
2023	264,417,944	85,980,554	33,258,955	317,139,543	8.0200	3,203,505,654	9.90%

Source: The Arizona Department of Revenue or Pima County *Abstract of the Assessment Roll* for the applicable year.

Town of Sahuarita, Arizona

Direct and Overlapping Property Tax Rates

Last 10 Fiscal Years

(rate per \$100 of net taxable assessed value)

(Unaudited)

TAXING JURISDICTION	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	\$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	3.0000	3.0000	3.0000	2.7300
Rancho Sahuarita CFD-operations & maintenance	-	-	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
Rancho Sahuarita CFD -debt service	-	-	-	-	-	4.6900	4.6900	4.6900	4.6900	4.6900
Total Direct Rate	<u>\$3.3000</u>	<u>\$3.3000</u>	<u>\$3.6000</u>	<u>\$3.6000</u>	<u>\$3.6000</u>	<u>\$8.2900</u>	<u>\$8.2900</u>	<u>\$8.2900</u>	<u>\$8.2900</u>	<u>\$8.0200</u>
Overlapping Rates										
State of Arizona Education Assistance	\$0.5123	\$0.5089	\$0.5054	\$0.5010	\$0.4875	\$0.4741	\$0.4566	\$0.4426	\$0.4263	\$0.0000
Central Arizona Water Conservation District	0.1400	0.1400	0.1400	0.1400	0.1400	0.1400	0.1400	0.1400	0.1400	0.1400
Pima County	4.4465	4.9779	5.0877	4.9896	5.1596	4.7596	4.6896	4.4420	4.3264	4.1964
Free Library District	0.3753	0.4353	0.5153	0.5153	0.5053	0.5153	0.5353	0.5353	0.5353	0.5453
Fire District Assistance	0.0456	0.0472	0.0467	0.0468	0.0459	0.0441	0.0430	0.0416	0.0394	0.0384
Flood Control District	0.2635	0.3035	0.3135	0.3335	0.3135	0.3335	0.3335	0.3335	0.3335	0.3235
Pima County Community College District	1.2933	1.3344	1.3689	1.3733	1.3890	1.3983	1.3758	1.3359	1.2733	1.2878
Joint Technological Education District	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Sahuarita Unified School District #30	6.6341	7.2885	7.2847	7.3670	9.0399	8.4240	7.8712	7.4213	7.3042	7.1594
Continental School District #39	1.7027	2.6146	2.6512	2.4626	2.4991	2.5037	2.1280	2.3249	2.2488	2.1400
Green Valley Fire District	2.2100	2.2800	2.3807	2.3804	2.5299	2.5299	2.5299	2.5298	2.7250	2.7151

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

Town of Sahuarita, Arizona

Property Tax Levies and Collections

Last 10 Years

(Unaudited)

QUAIL CREEK COMMUNITY FACILITIES DISTRICT

Fiscal Year Ended	Tax Levy	Collections in Levy Year	%	Collections in Subsequent Years	Total Collections	%
2014	\$ 299,920	\$ 295,971	98.7%	\$ 3,494	\$ 299,465	99.8%
2015	354,729	349,511	98.5%	4,740	354,251	99.9%
2016	409,390	403,518	98.6%	5,573	409,091	99.9%
2017	466,290	459,558	98.6%	6,432	465,990	99.9%
2018	521,909	514,526	98.6%	6,942	521,468	99.9%
2019	597,653	588,900	98.5%	8,281	597,181	99.9%
2020	727,846	718,842	98.8%	9,005	727,847	100.0%
2021	881,703	859,020	97.4%	22,591	881,611	100.0%
2022	1,016,871	995,101	97.9%	21,606	1,016,707	100.0%
2023	1,068,373	1,048,780	98.2%	N/A	1,048,780	98.2%

RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT

Fiscal Year Ended	Tax Levy	Collections in Levy Year	%	Collections in Subsequent Years	Total Collections	%
2016	\$ 2,361	\$ 2,361	100.0%	-	\$ 2,361	100.0%
2017	2,303	2,303	100.0%	-	2,303	100.0%
2018	2,445	2,445	100.0%	-	2,445	100.0%
2019	58,512	58,491	100.0%	10	58,501	100.0%
2020	77,800	76,791	98.7%	1,001	77,792	100.0%
2021	159,346	147,845	92.8%	2,316	150,161	94.2%
2022	346,736	341,007	98.3%	2,398	343,405	99.0%
2023	608,353	583,943	96.0%	N/A	583,943	96.0%

Note: The Rancho Sahuarita Community Facilities District levied its first property tax in 2016.

Source: Town Finance Department.

Town of Sahuarita, Arizona

Sales Tax Collections by Industry Group Last 10 Fiscal Years (Unaudited)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Industry										
Communications and utilities	\$ 800,476	\$ 808,461	\$ 821,809	\$ 782,871	\$ 889,527	\$ 865,519	\$ 889,208	\$ 955,654	\$ 975,676	\$ 1,032,955
Construction	1,910,680	1,144,381	2,133,101	1,860,616	3,196,589	3,685,302	3,859,293	5,324,520	4,956,853	6,382,957
Manufacturing	216,527	260,282	-	-	-	-	-	-	-	-
Retail trade	3,085,336	3,444,176	3,237,825	3,325,585	3,680,143	3,994,842	4,602,911	5,531,330	6,051,659	6,441,012
Real estate, rental and leasing	282,915	326,081	299,969	335,178	332,545	425,461	441,743	581,914	536,412	639,535
Restaurant and bar	327,043	365,677	513,744	552,429	600,408	699,785	803,652	873,264	1,008,493	1,162,169
Services	73,430	86,165	-	-	-	-	-	-	-	-
Other	219,884	166,020	94,771	98,611	150,136	118,021	111,584	76,969	95,176	95,176
Total	\$ 6,916,291	\$ 6,601,243	\$ 7,101,219	\$ 6,955,290	\$ 8,849,348	\$ 9,788,930	\$ 10,708,391	\$ 13,343,651	\$ 13,624,269	\$ 15,753,804
Direct sales tax rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Note: Prior to 2016, NAICS codes were used to determine industry. In 2016 and thereafter, the tax code was used to determine industry.

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

Town of Sahuarita, Arizona

Direct and Overlapping Sales Tax Rates

Last 10 Fiscal Years

(Unaudited)

Fiscal Year	Town Direct Rates				Regional Transportation Authority
	General	Construction Contracting	Transient Lodging	State	
2014	2.00%	4.00%	4.00%	5.60%	0.50%
2015	2.00%	4.00%	4.00%	5.60%	0.50%
2016	2.00%	4.00%	4.00%	5.60%	0.50%
2017	2.00%	4.00%	4.00%	5.60%	0.50%
2018	2.00%	4.00%	4.00%	5.60%	0.50%
2019	2.00%	4.00%	4.00%	5.60%	0.50%
2020	2.00%	4.00%	4.00%	5.60%	0.50%
2021	2.00%	4.00%	4.00%	5.60%	0.50%
2022	2.00%	4.00%	4.00%	5.60%	0.50%
2023	2.00%	4.00%	4.00%	5.60%	0.50%

Source: Town Code and Town Finance Department.

Town of Sahuarita, Arizona

Principal Sales Tax Remitters

Fiscal Years 2023 and 2014

(Unaudited)

Tax Remitter ¹	Fiscal Year 2023			Fiscal Year 2014		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Business A	\$ 2,361,028	1	14.99%	\$ 463,845	2	6.71%
Business B	1,342,362	2	8.52%	1,019,893	1	14.75%
Business C	1,249,965	3	7.93%	254,760	8	3.68%
Business D	980,255	4	6.22%			
Business E	551,040	5	3.50%			
Business F	478,997	6	3.04%	297,964	5	4.31%
Business G	441,782	7	2.80%			
Business H	434,540	8	2.76%	323,090	4	4.67%
Business I	426,771	9	2.71%	267,068	7	3.86%
Business J	297,059	10	1.89%	363,751	3	5.26%
Business K				282,697	6	4.09%
Business L				227,955	9	3.30%
Business M				144,734	10	2.09%
	<u>\$ 8,563,799</u>		<u>54.36%</u>	<u>\$ 3,645,757</u>		<u>52.72%</u>

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

Last 10 Fiscal Years

(Unaudited)

Wastewater Flow Contribution Rate (per ccf) User Classification

Fiscal Year	Average Household Bill	Admin 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
2014	\$44.34	\$13.30	1.000	\$4.434	\$9.311	\$4.833	\$4.833	\$5.321	\$9.001	\$10.287	\$5.276	\$6.801	\$4.478	\$1.603	\$4.700	\$16.095	\$10.331	\$5.543	\$10.553	\$5.454
2015	\$46.10	\$13.83	1.000	\$4.610	\$9.681	\$5.025	\$5.025	\$5.532	\$9.358	\$10.695	\$5.486	\$6.801	\$4.656	\$1.603	\$4.887	\$16.734	\$10.741	\$5.763	\$10.972	\$5.670
2016	\$47.99	\$14.39	1.000	\$4.800	\$10.080	\$5.232	\$5.232	\$5.760	\$9.744	\$11.136	\$5.712	\$6.801	\$4.848	\$1.603	\$5.088	\$17.424	\$11.184	\$6.000	\$11.424	\$5.904
2017	\$47.99	\$14.39	1.000	\$4.800	\$10.080	\$5.232	\$5.232	\$5.760	\$9.744	\$11.136	\$5.712	\$6.801	\$4.848	\$1.603	\$5.088	\$17.424	\$11.184	\$6.000	\$11.424	\$5.904

Wastewater Flow Contribution Rate (per Kgal)

2018	\$50.24	\$16.60	1.000	\$8.120	\$17.052	\$8.851	\$8.851	\$9.744	\$16.484	\$18.838	\$9.663	\$6.801	\$8.201	\$1.603	\$8.607	\$29.476	\$18.920	\$10.150	\$19.326	\$9.988
2019	\$51.07	\$18.97	1.000	\$8.390	\$17.619	\$9.145	\$9.145	\$10.068	\$17.032	\$19.465	\$9.984	\$6.801	\$8.474	\$1.603	\$8.893	\$30.456	\$19.549	\$10.488	\$19.968	\$10.320
2020	\$51.07	\$18.97	1.000	\$8.390	\$17.619	\$9.145	\$9.145	\$10.068	\$17.032	\$19.465	\$9.984	\$6.801	\$8.474	\$1.603	\$8.893	\$30.456	\$19.549	\$10.488	\$19.968	\$10.320
2021	\$51.07	\$18.97	1.000	\$8.390	\$17.619	\$9.145	\$9.145	\$10.068	\$17.032	\$19.465	\$9.984	\$6.801	\$8.474	\$1.603	\$8.893	\$30.456	\$19.549	\$10.488	\$19.968	\$10.320
2022	\$51.07	\$18.97	1.000	\$8.390	\$17.619	\$9.145	\$9.145	\$10.068	\$17.032	\$19.465	\$9.984	\$6.801	\$8.474	\$1.603	\$8.893	\$30.456	\$19.549	\$10.488	\$19.968	\$10.320
2023	\$51.07	\$18.97	1.000	\$8.390	\$17.619	\$9.145	\$9.145	\$10.068	\$17.032	\$19.465	\$9.984	\$6.801	\$8.474	\$1.603	\$8.893	\$30.456	\$19.549	\$10.488	\$19.968	\$10.320

Application: Monthly billings calculated as follows: Administrative Service Charge + [Economy of Scale Factor x User Classification x (Water Consumption (Kgal) x 80%)]
 Prior to 2018, monthly billings were calculated as follows: Administrative Service Charge + [Economy of Scale Factor x User Classification x Winter Average Water Consumption (ccf)]

Source: Town of Sahuarita Ordinances.

Town of Sahuarita, Arizona

Ratios of Outstanding Debt by Type
Last 10 Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities											Business-type Activities				Total Primary Government	Percentage of Personal Income ¹	Per Capita
	2006 Series QC CFD GO Bonds	2016 Refunding QC CFD GO Bonds	2018 Series RS CFD GO Bonds	2020 Series RS CFD GO Bonds	2022 Series RS CFD GO Bonds	2006A GADA Loan	2009B GADA Loan	2015 Refunding Obligation	2017 Refunding Obligation	2021 Excise Tax Obligation	Leases & SBITAs	2008A WIFA Loans	2008B WIFA Loans	2019 Refunding Obligation	Leases			
2014	\$10,900,000					\$10,908,752	\$5,650,343					\$23,898,673	\$2,356,789			\$53,714,557	7.17%	\$1,924
2015	10,495,000					1,602,808	5,377,653	\$8,840,000				22,680,372	2,251,130			51,246,963	6.69%	1,812
2016	10,070,000					823,940	5,094,963	8,840,000			\$ 259,010	21,416,714	2,056,097			48,560,724	5.81%	1,684
2017	-	\$ 9,978,664				-	4,802,274	8,840,000			487,984	20,106,010	2,296,725	\$220,594		46,732,251	5.29%	1,587
2018	-	9,810,431	\$5,780,000			-	662,797	8,120,000	\$4,129,000		936,143	18,746,508	2,141,428	199,741	50,526,048	5.38%	1,669	
2019	-	9,428,784	5,780,000			-	338,518	7,025,000	4,074,000		1,267,320	17,336,392	1,980,350	178,056	47,408,420	4.53%	1,509	
2020	-	8,743,440	5,780,000	\$3,475,000		-	-	5,910,000	4,018,000		1,303,185	-	1,813,274	\$13,477,000	44,519,899	3.86%	1,291	
2021	-	8,049,027	5,651,000	3,475,000		-	-	4,775,000	3,606,000		1,223,793	-	1,639,978	12,358,000	40,777,798	3.37%	1,154	
2022	-	7,339,466	-	3,410,000	25,004,000	-	-	3,615,000	3,186,000	\$5,989,000	1,250,111	-	1,460,231	11,357,000	62,610,808	5.02%	1,756	
2023	-	6,614,070	-	3,310,000	24,776,000	-	-	2,435,000	2,759,000	\$5,357,000	1,507,683	-	1,273,791	10,333,000	58,365,544	4.45%	1,588	

¹ Personal income: US Census Bureau, American Fact Finder website for 2014-2021. Town estimate for 2022 and 2023.

Town of Sahuarita, Arizona

Ratios of General Bonded Debt Outstanding

Last 10 Fiscal Years

(Unaudited)

Fiscal Year	Quail Creek CFD¹ General Obligation Bonds	Percentage of Actual Taxable Value of District Property	Estimated Per Capita Amount in District
2014	\$10,900,000	120%	\$19,043
2015	10,495,000	98%	16,286
2016	10,070,000	79%	14,722
2017	9,978,664	71%	11,948
2018	9,810,431	62%	9,874
2019	9,428,784	52%	8,531
2020	8,743,440	40%	6,645
2021	8,049,027	30%	5,093
2022	7,339,466	24%	4,102
2023	6,614,070	20%	3,263

Fiscal Year	Rancho Sahuarita CFD¹ General Obligation Bonds	Percentage of Actual Taxable Value of District Property	Estimated Per Capita Amount in District	Estimated Amount of Bonds Per Taxable Value of Non-Residential Property
2018	\$ 5,780,000	706%	n/a	\$7.06
2019	5,780,000	488%	n/a	4.88
2020	9,255,000	590%	\$41,146	5.90
2021	9,126,000	285%	19,778	2.85
2022	28,414,000	409%	30,440	4.09
2023	28,086,000	239%	17,775	2.39

¹ The community facilities districts are each legally separate entities, special taxing districts, whose debt was approved by the voters of their respective districts.

Town of Sahuarita, Arizona

Direct and Overlapping Governmental Activities Debt

June 30, 2023

(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	\$ 67,655,000	3.13%	\$ 2,117,602
Pima County Community College	50,467,030	3.13%	1,579,618
Sahuarita Unified School District	43,810,499	53.8%	23,570,048
Continental School District	10,807,000	26.1%	2,820,627
Green Valley Fire District	10,510,000	36.8%	3,867,680
Subtotal, overlapping debt	<u>\$ 183,249,529</u>		<u>33,955,575</u>
Town direct debt-governmental activities			<u>46,758,753</u>
Total direct and overlapping debt			<u>\$ 80,714,328</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 Last 10 Fiscal Years (Unaudited)

Legal Debt Margin Calculation for 2023

Full Cash Net Assessed Value	\$ 337,750,619
Debt Limit:	
6% of assessed value ¹	20,265,037
20% of assessed value ²	67,550,124
Total debt limit	87,815,161
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	\$ 87,815,161

	Fiscal Year									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Debt Limit:	\$ 49,583,099	\$ 49,469,906	\$ 54,854,863	\$ 55,240,973	\$ 57,749,819	\$ 60,808,134	\$ 66,379,533	\$ 71,211,755	\$ 76,908,303	\$ 87,815,161
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 49,583,099	\$ 49,469,906	\$ 54,854,863	\$ 55,240,973	\$ 57,749,819	\$ 60,808,134	\$ 66,379,533	\$ 71,211,755	\$ 76,908,303	\$ 87,815,161
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 Community Facilities Districts, legally separate entities, are special taxing districts whose debt was approved by District voters. The Districts' general obligation debt does not count towards the Town's legal debt limit.

Town of Sahuarita, Arizona

Pledged Revenue Coverage State Shared and Excise Tax Revenues Last 10 Fiscal Years (Unaudited)

Loans¹								
Fiscal Year	Pledged Revenues			Debt Service			Coverage Ratio	Required Ratio
	State Shared Revenues	Excise Tax Revenues	Total Revenues	Principal	Interest	Total Debt Service ²		
2014	\$ 5,976,928	\$8,777,491	\$14,754,419	\$1,163,032	\$910,152	\$2,073,184	7.12	2.00
2015	6,372,423	8,457,734	14,830,157	1,210,033	712,672	1,922,705	7.71	2.00
2016	6,484,956	9,276,191	15,761,147	1,204,723	551,905	1,756,628	8.97	2.00
2017	7,306,847	9,013,253	16,320,100	1,260,297	541,573	1,801,870	9.06	2.00
2018	7,616,417	11,631,977	19,248,394	1,275,079	353,807	1,628,886	11.82	2.00
2019	7,856,912	12,203,674	20,060,586	1,642,076	348,249	1,990,325	10.08	2.00
2020	8,436,872	13,877,390	22,314,262	1,684,296	305,402	1,989,698	11.21	2.00
2021	9,851,009	17,687,287	27,538,296	1,726,748	260,845	1,987,593	13.86	2.00
2022	10,782,461	18,057,238	28,839,699	2,155,440	273,763	2,429,203	11.87	2.00
2023	13,714,352	18,737,603	32,451,955	2,432,381	261,291	2,693,672	12.05	2.00

¹ Includes the 2008B WIFA Loan, the 2015 and 2017 Refunding Obligations, and the 2021 Obligation.

² The highest total debt service requirements for any succeeding fiscal year for these debt obligations is \$2,698,369, which occurs in fiscal year 2025.

Town of Sahuarita, Arizona

Pledged Revenue Coverage Wastewater System Revenues Last 10 Fiscal Years (Unaudited)

2008A WIFA Loan

Fiscal Year	Pledged Resources			Total Sources Available for Coverage	Debt Service		Total Debt Service	Coverage Ratio ²	Required Ratio
	Wastewater System Revenues	Wastewater O&M Expenses	Other Sources ¹		Principal	Interest			
2014	\$ 3,310,643	\$ (1,223,472)	\$ -	\$ 2,087,171	\$ 1,218,301	\$ 889,747	\$ 2,108,048	0.99	1.20
2015	3,230,877	(1,457,070)	750,000	2,523,807	1,263,658	844,390	2,108,048	1.20	1.20
2016	3,372,770	(1,791,896)	750,000	2,330,874	1,310,704	797,344	2,108,048	1.11	1.20
2017 [^]	3,480,164	(1,751,439)	750,000	2,478,725	1,359,502	748,546	2,108,048	1.18	1.20
2018 [^]	3,789,603	(1,750,830)	750,000	2,788,773	1,410,115	697,933	2,108,048	1.32	1.20
2019	4,380,139	(1,832,850)	750,000	3,297,289	1,462,615	645,433	2,108,048	1.56	1.20

2019 System Revenue Refunding Obligations

Fiscal Year	Pledged Resources			Net System Revenues	Debt Service		Total Debt Service	Coverage Ratio	Required Ratio
	Wastewater System Revenues	Wastewater O&M Expenses			Principal	Interest			
2020	\$ 4,758,751	\$ (1,998,070)		\$ 2,760,681	\$ 1,119,000	\$ 164,599	\$ 1,283,599	2.15	1.20
2021	4,969,322	(2,147,318)		2,822,004	1,001,000	282,998	1,283,998	2.20	1.20
2022	5,032,074	(2,104,014)		2,928,060	1,024,000	260,075	1,284,075	2.28	1.20
2023	5,047,060	(2,515,044)		2,532,016	1,047,000	236,626	1,283,626	1.97	1.20

¹ Includes rate stabilization fund which was established by loan agreement amendment, effective on March 13, 2015.

² Pursuant to loan agreement provisions on coverage ratios, wastewater user fees were increased in fiscal years 2014, 2015, 2016, 2018 and 2019.

[^] Adjusted wastewater system revenues for prior period restatement of long-term storage credits.

Town of Sahuarita, Arizona

Demographic and Economic Statistics

Last 10 Fiscal Years

(Unaudited)

June 30,	Population	Percent High School Graduate or Higher	Percent Bachelor's Degree or Higher	Mean Household Income	Unemployment Rate
2014	27,914	94.8%	32.8%	\$ 76,183	3.8%
2015	28,287	96.0%	38.0%	\$ 77,250	4.6%
2016	28,839	94.6%	37.5%	\$ 81,212	4.1%
2017	29,455	94.6%	39.0%	\$ 84,454	3.5%
2018	30,282	95.5%	38.9%	\$ 86,713	3.7%
2019	31,421	95.5%	40.3%	\$ 91,499	3.6%
2020	34,485	94.8%	42.4%	\$ 101,837	3.4%
2021	35,337	95.5%	40.3%	\$ 100,680	3.6%
2022	35,648	Information not available			
2023	36,760				

Sources: US Census Bureau, American Fact Finder or ACS 5-Year Estimates Data Profile.
2022 and 2023 population is estimated by the Town.

Town of Sahuarita, Arizona

Principal Employers 2023 and 2014 (Unaudited)

<u>Employer</u>	<u>2023</u>		<u>2014</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	821	22.60%	925	28.73%
La Posada	605	16.66%		
Walmart	325	8.95%	340	10.56%
Fry's	211	5.81%	200	6.21%
Northwest Medical Center	197	5.42%		
Town of Sahuarita	186	5.12%	134	4.16%
Safeway	125	3.44%	105	3.26%
Farmers Investment Company	105	2.89%	274	8.51%
Sprouts	65	1.79%		
TJ Maxx	60	1.65%		
Jim Click Ford	*		60	1.86%
Climax Engineered Materials			42	1.30%
Ross	*		37	1.15%
Pub22			35	1.09%
Total	<u>2,700</u>	<u>74.33%</u>	<u>2,152</u>	<u>66.83%</u>

* Still an employer but not in the top 10.

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

Town of Sahuarita, Arizona

Full-time Equivalent Town Government Employees

Last 10 Fiscal Years

(Unaudited)

Authorized Full-time Equivalent Employees as of June 30										
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Function/Department or Division</u>										
General Government										
Town Manager	5.0	6.0	6.0	6.0	6.0	4.0	6.0	6.0	6.0	4.0
Economic Development	-	-	-	-	-	2.0	2.0	2.0	2.0	4.0
Town Clerk	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0
Finance	8.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0	11.0	13.0
Human Resources	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	4.0	4.0
Planning & Zoning	5.4	5.0	5.0	5.0	5.0	5.0	4.6	4.6	4.6	5.0
Public Works-Facilities	1.0	1.0	1.0	1.0	1.0	1.0	2.0	1.8	2.9	3.2
Municipal Court	8.0	8.0	8.0	7.0	6.0	6.0	6.0	8.0	9.0	9.0
Law	4.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	4.0	3.0
General Government Total	38.4	39.0	40.0	40.0	39.0	40.0	41.6	43.4	47.5	49.2
Public Safety										
Building Safety	6.0	7.0	7.0	7.0	7.0	8.0	9.4	9.4	10.4	11.5
Public Works-Engineering	3.5	3.5	3.5	3.5	3.5	5.0	4.2	3.8	3.2	4.9
Police Dept	50.0	51.0	51.0	53.0	55.0	58.0	60.0	62.0	68.0	74.0
Public Safety Total	59.5	61.5	61.5	63.5	65.5	71.0	73.6	75.2	81.6	90.4
Culture & Recreation										
Parks & Recreation	14.7	14.7	15.1	15.3	16.3	17.4	18.4	18.4	18.7	18.4
Highways & Streets										
Streets	14.0	12.7	12.7	9.7	10.7	10.5	11.9	11.3	11.7	12.3
Sewer										
Wastewater Utility	7.3	6.9	6.9	6.3	6.3	6.5	6.5	6.5	6.5	7.7
Billing & Collections	-	-	1.0	2.0	2.0	2.0	2.5	2.7	2.8	3.4
Sewer Total	7.3	6.9	7.9	8.3	8.3	8.5	9.0	9.2	9.3	11.1
Total	133.9	134.8	137.2	136.8	139.8	147.4	154.4	157.4	168.7	181.4

Source: Town Finance Department.

Town of Sahuarita, Arizona

Operating Indicators Last 10 Fiscal Years (Unaudited)

Function/Program	Fiscal Year											
	2014	2015	2016	2017	2018	2019	2020	2021 ²	2022	2023		
Town Clerk												
Business licenses issued	1,272	1,277	1,485	1,514	1,507	1,422	1,394	1,320	1,328	1,463		
Building Safety												
Building permits-single family residential	169	206	277	248	370	324	464	559	554	301		
Building permits-other	686	701	724	711	673	580	691	1,243	1,435	1,249		
Police												
Traffic citations	2,209	1,452	1,221	1,183	807	1,765	1,203	1,273	1,113	731		
Calls for service	8,259	8,111	8,429	8,129	8,416	8,504	8,136	7,299	7,386	7,928		
Human Resources												
Number of job openings	20	22	25	40	42	50	44	45	56	45		
Number of applicants	611	1,027	1,103	698	785	844	757	531	900	941		
Turnover rate	12%	11%	11%	12%	18%	13%	15%	10%	18%	16%		
Municipal Court												
Hearings/Court sessions	12,007	10,304	10,007	Note 1	4,794	5,532	5,841	5,544	5,390	7,316		
Filings ¹	3,387	2,494	2,373	2,602	2,204	3,248	3,051	3,270	2,628	2,066		
Public Works												
Street resurfacing (miles)	18.0	18.0	20.5	28.1	3.0	32.0	24.6	60.5	12.0	12.7		
Potholes repaired	172	122	87	64	8	81	56	147	11	35		
Road Overall Condition Index (OCI)	Information Not Available (N/A)						75	76	75	78		
Parks and Recreation												
Number of recreation programs offered	55	47	43	43	181	114	191	58	736	630		
Number of field bookings	N/A		127	114	67	84	105	Note 2	3,600	5,044		
Number of ramada and other bookings			32	27	22	56	101	815	1,954			
Number of recreation center bookings			158	166	141	130	133	117	995	1,020		
Special event permits issued			57	55	29	29	25	48	16	18		
Event attendance			26,400	31,919	42,878	53,546	31,135	12,100	43,700	80,200		
Recreation program participants	N/A		17,189	15,630	10,881	11,005	8,461	5,938	4,961	5,251		
Wastewater												
Average daily sewage treated (thousands of gallons)			765.0	755.0	777.0	802.0	828.4	867.0	887.5	890.7	876.5	959.2
Long-term storage credits (acre feet)			2,822.56	3,589.54	4,117.87	4,928.48	5,722.21	6,617.91	7,407.23	8,515.02	9,335.93	10,212.63
Estimated value of LTSCs, CAP rates			\$273,860	\$308,513	\$543,484	\$740,809	\$871,752	\$1,101,043	\$1,339,241	\$1,506,631	\$1,780,887	\$2,065,345
Estimated value of LTSCs, CAGR rates	\$650,862	\$981,884	\$1,392,087	\$1,986,810	\$2,538,667	\$3,131,556	\$3,903,692	\$4,270,537	\$4,919,882	\$5,716,984		

Note 1: In 2017, the Court implemented a new case management system in the year. As such, the number of hears and court sessions was not determinable.

Note 2: In 2021, the Parks & Recreation Department made changes to the permitting process, which skewed these stats for the year.

¹ In 2015 and after, counts were based on the number of cases instead of the number of charges filed.

² COVID-19 pandemic impacted operations throughout the year.

Source: The applicable Town of Sahuarita departments.

Town of Sahuarita, Arizona

Capital Asset Statistics Last 10 Fiscal Years (Unaudited)

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Planning & Building										
Vehicles	Information not collected			4	4	4	4	3	6	6
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles ¹	41	42	46	50	50	56	75	81	83	95
Public Works										
Streets and highways (miles)	144	146	146	156	157	163	169	171	173	173
Streetlights	53	59	59	69	69	69	69	69	73	89
Traffic signals	15	16	16	16	16	16	17	17	18	19
Parks and Recreation										
Developed parks	8	9	9	9	9	9	9	9	9	9
Park acreage	107	107	107	107	107	107	114	208	208	208
Basketball courts	4	4	4	4	5	5	8	8	8	8
Playgrounds	5	5	5	5	5	5	6	6	6	6
Skate spots/parks	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds (lighted)	6	6	6	6	6	6	8	8	8	8
Soccer/football fields (lighted)	6	6	8	8	6	6	7	7	7	7
Soccer/football outfield overlays (lighted)	-	-	-	-	2	2	1	1	1	1
Pickleball courts	-	-	-	-	-	-	3	3	3	3
Community centers	1	1	1	1	1	1	1	1	1	1
Parks maintenance buildings	1	1	1	1	1	1	1	1	1	1
Ramadas	22	22	22	22	21	22	25	25	25	25
Restroom facilities	8	8	8	8	9	9	10	10	10	10
Sand volleyball court	1	1	1	1	1	1	1	1	2	2
Off-leash dog area	2	2	2	2	2	2	2	2	2	2
Vehicles	8	8	8	8	8	8	9	9	9	9
Wastewater										
Permitted treatment capacity (gallons in 1,000s)	1,500	1,500	1,500	3,000	3,000	3,000	3,000	3,000	3,000	3,000

¹ In 2020, the Police Department changed its classification method to determine the number of patrol vehicles.

Source: The applicable Town of Sahuarita departments.