



2017

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
TOWN OF SAHUARITA, ARIZONA



Prepared by the Finance Department



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TOWN OF SAHUARITA, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal.....	2
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	6
Mayor and Council.....	7
Organization Chart.....	8
About Sahuarita.....	9

FINANCIAL SECTION

Independent Auditors' Report.....	12
Management's Discussion and Analysis.....	15

Basic Financial Statements

Statement of Net Position.....	28
Statement of Activities.....	29
Balance Sheet—Governmental Funds.....	30
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities.....	31
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds.....	32
Reconciliation of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities—Governmental Activities.....	33
Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual:	
General Fund.....	34
Highway User Revenue Fund—Special Revenue Fund.....	35
Quail Creek Community Facilities District Fund—Special Revenue Fund.....	36
Statement of Net Position—Proprietary Fund.....	37
Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund.....	38
Statement of Cash Flows—Proprietary Fund.....	39
Notes to the Financial Statements.....	40

Required Supplementary Information other than MD&A

Schedule of Town's Proportionate Share of Net Pension Liability and Contributions:	
Arizona State Retirement System (ASRS).....	72
Elected Officials Retirement Plan (EORP).....	73
Public Safety Personnel Retirement System (PSPRS).....	74
Schedule of Agent OPEB Plan's Funding Progress—	
Public Safety Personnel Retirement System (PSPRS).....	75
Notes to Required Supplementary Information.....	76

Combining Statements and Other Schedules

Combining Balance Sheet—Nonmajor Governmental Funds.....	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—	
Nonmajor Governmental Funds.....	80
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual:	
Capital Infrastructure Improvement Fund—Capital Projects Fund.....	81
Rancho Sahuarita Community Facilities District—Special Revenue Fund.....	82
Grants and Restricted Sources Fund—Special Revenue Fund.....	83

TABLE OF CONTENTS

STATISTICAL SECTION

Financial Trends

Net Position by Component.....	87
Changes in Net Position.....	88
Fund Balances-Governmental Funds.....	90
Changes in Fund Balances-Governmental Funds.....	91

Revenue Capacity

Assessed Value and Estimated Actual Value of Taxable Property.....	92
Direct and Overlapping Property Tax Rates.....	93
Property Tax Levies and Collections.....	94
Sales Tax Collections by Industry Group.....	95
Direct and Overlapping Sales Tax Rates.....	96
Principal Sales Tax Remitters.....	97
Monthly Sewer User Rates.....	98

Debt Capacity

Ratios of Outstanding Debt by Type.....	99
Ratios of General Bonded Debt Outstanding.....	100
Direct and Overlapping Governmental Activities Debt.....	101
Legal Debt Margin Information.....	102
Pledged-Revenue Coverage—Governmental Activities.....	103
Pledged-Revenue Coverage—Business-Type Activities.....	104

Demographic and Economic Information

Demographic and Economic Statistics.....	105
Principal Employers.....	106

Operating Information

Full-Time Equivalent Town Government Employees.....	107
Operating Indicators.....	108
Capital Asset Statistics.....	109



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
Introductory Section



375 W. Sahuarita Center Way
Sahuarita, AZ 85629
sahuaritaAZ.gov

December 18, 2017

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

State law §9-481 requires that towns have an audit performed on their financial statements at least once for every two fiscal years and shall include all financial transactions during that period. The audit shall be completed and the final audit report shall be submitted within six months after the close of the fiscal year or years audited. The Town exceeds the State mandated requirement by issuing an audited report annually. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017.

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

CliftonLarsonAllen LLP, Certified Public Accountants, have issued an unmodified opinion on the Town of Sahuarita's financial statements for the year ended June 30, 2017. 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 29,725. As of the latest U.S. Census reports, our median age is 34.4 years, and our median household income is \$69,425. Sahuarita is an educated population, with 33% 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 139.7 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

Another passing year gives pause for a discussion about where our community is headed and where we've been. There really is no better framework for this discussion than our annual budget, which represents what we plan to do with the dollars entrusted by residents through the taxes and fees they pay. It's through this system of governance, checked by public accountability, that we are able to offer amenities such as our public parks and necessities such as law enforcement and infrastructure projects. We are able to keep our roads in repair and plan for expansion of amenities well into the future precisely because we have kept careful watch over every dollar we save and every dollar we spend. We are able to offer our police department the best in emerging technologies to keep the public safe because we spend your money wisely. Another year comes and goes and we are happy to report that we are still in a great place, fiscally speaking.

As with every year, this year's budget reflects the shifting priorities that come with new opportunities and challenges. There have been some major developments this year that have expanded the services offered by the Town, and these have the potential to have great impact as improvements over the existing services. In this regard, the town was pleased to announce in late May that we would launch our own Animal Services Division to replace the existing services. We have thus terminated our intergovernmental agreement with Pima County Animal Care Center as of July 1.

It was both a concern for making sure that our residents have access to the best service, and our desire to spend public money wisely that inspired this change. This will allow us to respond better to resident calls, help keep the community safe, ensure animal welfare and provide the accountability our residents expect and deserve. We have hired one full-time employee to add to the Town's roster of public servants as an animal control officer, and we've contracted with the reputed no-kill Humane Society of Southern Arizona for sheltering services. We have taken over dog licensing from the county and are currently licensing dogs and promoting animal care through shot clinics for dogs and other such related events to come.

A great advancement is standing just over the horizon for our Sahuarita Police Department too. Several years in the making, we are happy to announce that we will be purchasing body-worn camera equipment for our officers this year, which will be paid for with anti-racketeering funds. Body-worn cameras can provide real-time evidence for use in court cases, ensuring that justice follows facts. They also improve the quality of police reports by allowing an officer to record conducted interviews with witnesses and victims of crime. In addition, body-worn cameras ensure that police work is done in keeping with the constitution and rights of United States citizens. Cameras are a device for quality control of police work and serve to decrease complaints filed against officers, saving the Town and taxpaying residents from expensive claims and litigation.

Our Public Works Department has kicked road maintenance into full-gear. As opposed to fiscal year 2017, where there were new construction and major road projects, 2018 will see dollars budgeted more toward maintaining and repairing roads, so that we keep our infrastructure in the well-maintained condition to which our residents are accustomed. Town Council has seen fit to make sure that the budget reflects this

priority with \$1.4 million allocated for our road maintenance program. Residents will see a number of maintenance and road upgrade projects over the summer and into the fall of 2017, as ADA ramps, curbs, and drainage scuppers are installed and sidewalks are replaced. In addition, with a forward view toward public safety and traffic flow, roadways are being widened and otherwise augmented to accommodate left-turn lanes at Camino Rancheria, Camino Rancho Caliente and Camino Rancho Tierra.

In terms of economic development, we have a few really great things coming down the pipeline. Probably most exciting for those of us at Town Hall, is the Sahuarita Advanced Manufacturing Technology Center (SAMTEC) project that has been cleared for groundbreaking through the Town's \$3 million grant award from the Economic Development Administration (EDA). SAMTEC will house multiple businesses with the intent to establish a small business innovation, research and technology cluster. This project will help to attract new industries and employment opportunities for residents. It will no doubt also make Sahuarita a more attractive place for service industry businesses to locate and supply the kind of amenities that our residents want to see develop. In addition, to groundbreaking on SAMTEC, 2018 will also see 200,000 square feet of new retail space under construction, most notably in the development projects of "The Crossing at Sahuarita" and "The Corner at Rancho Sahuarita." For all of these projects the current budget will realize additional building permit revenues and construction contracting taxes—as construction begins or continues. Future budgets will realize additional sales tax revenue as the businesses that occupy the spaces become operational.

In 2018, you will see the Town Center/Public Plaza visioning effort continue. Most costs associated with this project will be borne out later, but much of the planning for it is slated for completion in 2018. The true shape and scope of this project remains to be seen, and direction from council as well as input from residents will ultimately help sculpt it into a reality. We are so excited to see how it will take form. We are confident that we have put into motion the cogs that will turn out a fully-realized public gathering place and associated private developments that our entire community will enjoy for many years to come. This Town Center Project is a tangible result born of last year's Branding, Development and Marketing Action Plan where the Town also adopted a new logo, tagline and aesthetic motifs to support Sahuarita's identity as a community oriented place with abounding growth opportunities for families, businesses and economy.

As with 2017, fiscal year 2018 will see published marketing materials from the town undergo changes to match the Town's new brand direction, as well as a website overhaul that will bring the website into line with the new brand, and make the site more accessible, easier to use, and informative for residents. These changes will come with concern for fiscal responsibility (as did the re-branding initiative itself: paid for by grant funding) as we work brand changes into the normal course of our routine work, and as these changes become feasible and logistically sound, in line with plans already in motion. For example, the website overhaul does not add any substantial costs to the Town for 2018. This is because the work done by our content manager is included in our subscription to their services which were purchased in a previous year, and we have waited for this opportune time (after re-branding) to go through the process of a website overhaul. Residents will note new taglines on event posters and Town marketing materials that proudly proclaim what we know to be true about Sahuarita, "you're gonna love it here" because this is truly, "where life comes together!"

In this fiscal year, we will see some expansion of existing recreation efforts and special events. Our Parks and Recreation Department will hire lifeguards to continue the Summer Open Swim program for the public at SUSD's Aquatics Center. In addition, our inaugural Summer Concert Series—Live Music at the Lake—will

be expanded to continue into the fall and winter seasons, bringing even more family fun and entertainment to our public Sahuarita Lake Park. As previous years bear out, we expect that our Halloween Spooktacular, Winter Festival, and Fiesta Sahuarita will continue to bring us together to celebrate the spirit of community and collaboration.

In addition to the many wonderful things going on in Sahuarita, we also recognize the challenges that we will face in the coming year. Among the most challenging issues we face is the large sum of past-due balances owed by wastewater customers. We have put much effort into collecting these sums thus far, and we plan to expand our efforts in the coming year. A financial rate analysis completed by an outside agency has recommended increasing wastewater service rates to handle deficits in the fund. These deficits have unfortunately been exacerbated by the number of customers not paying their wastewater bills. We will continue to work with all of our customers to assure that they receive top-notch service through a top-notch facility.

As we make our way into 2018 and focus on the plans in motion—and as we celebrate our many successes—may we also reflect on the community spirit that is the source of our greatest strength. I am truly honored to serve the Town of Sahuarita as Town Manager, and I'm proud of our fiscal position and how strong it is. We can be confident that the future for Sahuarita is one where opportunity abounds. We find ourselves beautifully connected. I can honestly say to anyone coming to visit us, "you're gonna love it here!" because this really is a place where life comes together and dreams are realized.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Sahuarita for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the 15th consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "L. Kelly Udall".

L. Kelly Udall
Town Manager

A handwritten signature in black ink that reads "A.C. Marriotti".

A.C. Marriotti, CPA
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Sahuarita
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Mayor and Council



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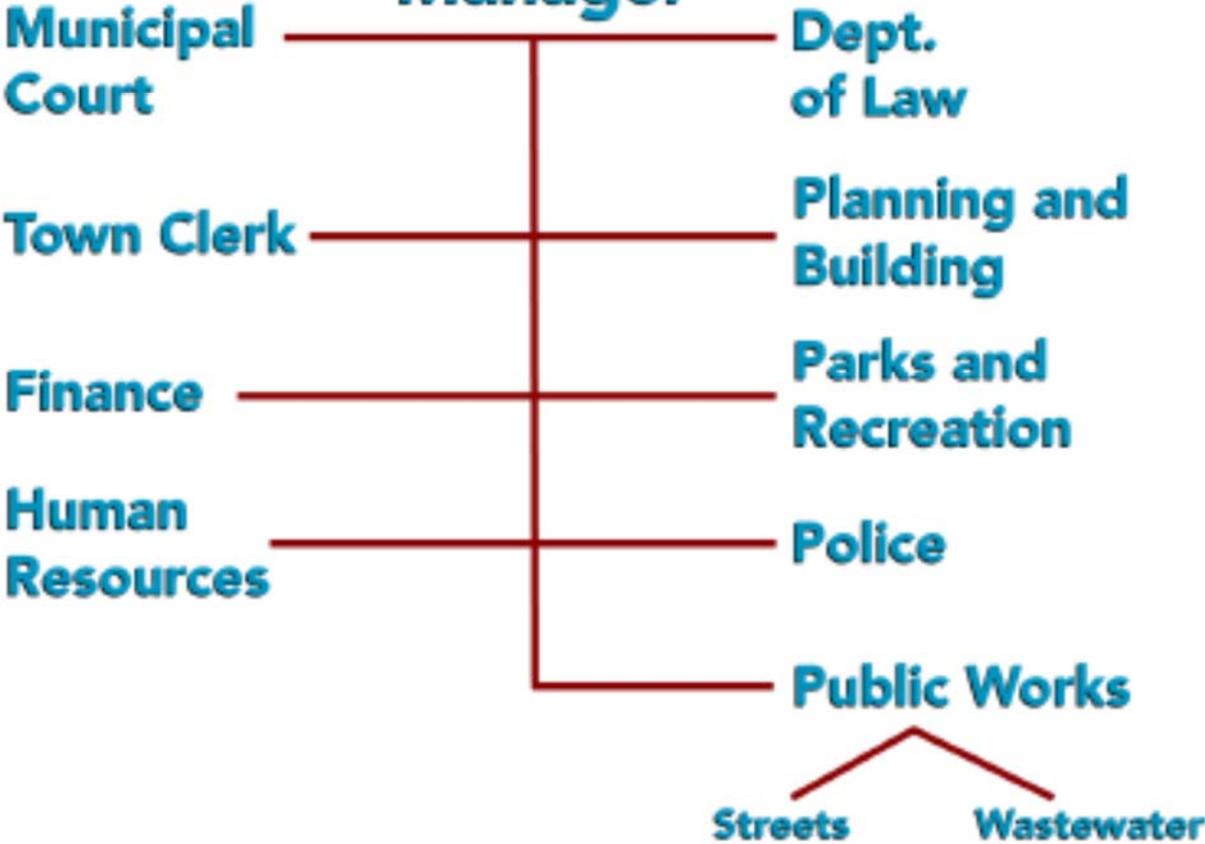
ORGANIZATION CHART

Citizens

Town Council

Boards and Commissions

Town Manager



About Sahuarita

LOCATION



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

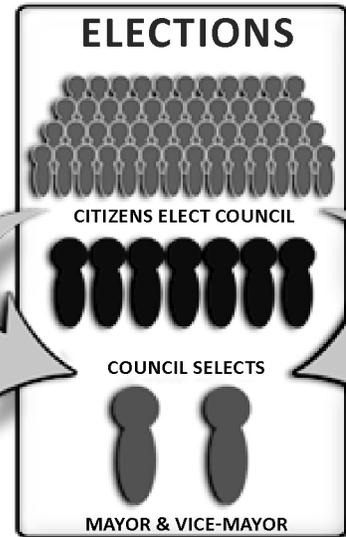
Elevation
2,844 feet

Land Area
30 square miles

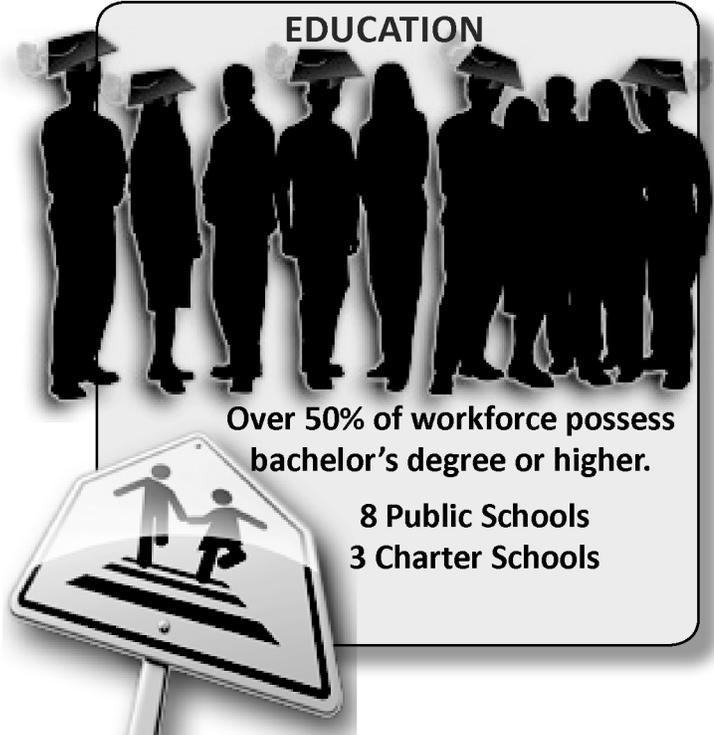


HISTORY

The Town of Sahuarita was officially incorporated in 1994.



EDUCATION



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

8 Public Schools
3 Charter Schools





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COMPREHENSIVE ANNUAL FINANCIAL REPORT
Financial Section

INDEPENDENT AUDITORS' REPORT

Town Council
Town of Sahuarita, Arizona
Sahuarita, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sahuarita, Arizona (Town), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sahuarita, Arizona as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedules of the General Fund, Highway User Revenue Fund, and Quail Creek Community Facilities District Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the fiscal year ended June 30, 2017, the Town recorded a restatement of the proprietary fund and business-type activities beginning net position for a change in accounting principal related to the accounting for long-term storage credits. The effects of this restatement can be found on Note 13 to the financial statements. Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Other 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 combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules is 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 combining and individual nonmajor fund financial statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Town Council
Town of Sahuarita, Arizona

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

As management of the Town of Sahuarita, Arizona (Town), we are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2017. This overview is presented with all amounts rounded to thousands in order to make it more reader friendly and to focus on significant changes. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which can be found on pages 2-5 of this report.

FINANCIAL HIGHLIGHTS

- At June 30, 2017 net position totaled \$154,411, a decrease of \$8,345 below last year. Of this amount, \$9,353 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Capital asset balances totaled \$187,278, a decrease of \$8,458 compared to last year. Construction in progress accounted for \$5,225, approximately 3%, of the total balance.
- Long-term liabilities increased \$1,682 from last year to a total of \$60,577 at June 30, 2017. Liabilities related to employee expenses (pension and compensated absences) accounted for \$13,845, approximately 23%, of the total balance.
- During the year, the Quail Creek CFD issued \$9,940 in general obligation refunding bonds to defease \$9,620 of its outstanding general obligation debt, resulting in a net present value economic gain of \$1,177.
- As of the close of the current fiscal year, the governmental funds combined ending fund balances had increased \$255 to a new balance of \$26,633. Of this amount, \$3,645 is in a nonspendable form, \$1,416 is restricted for specific purposes due to agreements or laws, \$4,752 is committed for reserves, \$6,423 is assigned by the Town Council, and \$10,397 is unassigned.
- The Wastewater Enterprise Fund's unrestricted net position decreased by \$655 during the year, ending with a deficit balance of (\$5,759).
- The Wastewater Utility retired the wastewater package plant, a capital asset that was no longer needed and would require significant restoration costs to bring it up to a serviceable condition regardless. This resulted in an impairment loss (special item) of \$1,840, the book value of the asset.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, and culture and recreation. The business-type activities of the Town include a sewer treatment operation. The government-wide financial statements can be found on pages 28-29 of this report.

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

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

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

The Town maintains 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, Capital Infrastructure Improvement Fund, and the Quail Creek CFD Fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements*.

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

The basic governmental fund financial statements can be found on pages 30-36 of this report.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its wastewater treatment operation, which is considered to be a major fund of the Town. The basic proprietary fund financial statements can be found on pages 37-39 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 40-69 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's pension plans and progress in funding its obligation to provide OPEB benefits to its employees enrolled in the Public Safety Personnel Retirement System. Required supplementary information can be found on page 72-76 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 79-83 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. The Town's net position was \$154,411 at the close of the most recent fiscal year.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
			(as restated)			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 28,944	\$ 29,458	\$ (1,618)	\$ (915)	\$ 27,326	\$ 28,543
Capital assets	142,075	147,954	45,203	47,782	187,278	195,736
Total assets	<u>171,019</u>	<u>177,412</u>	<u>43,585</u>	<u>46,867</u>	<u>214,604</u>	<u>224,279</u>
Deferred outflows	4,249	1,782	172	64	4,421	1,846
Liabilities:						
Current	1,989	2,780	568	2,063	2,557	4,843
Long-term	37,165	33,871	23,412	23,114	60,577	56,985
Total liabilities	<u>39,154</u>	<u>36,651</u>	<u>23,980</u>	<u>25,177</u>	<u>63,134</u>	<u>61,828</u>
Deferred inflows	1,382	1,460	98	81	1,480	1,541
Net position:						
Net investment in capital assets	118,092	123,087	22,580	23,919	140,672	147,006
Restricted	1,528	1,334	2,858	2,858	4,386	4,192
Unrestricted	15,112	16,662	(5,759)	(5,104)	9,353	11,558
Total net position	<u>\$ 134,732</u>	<u>\$ 141,083</u>	<u>\$ 19,679</u>	<u>\$ 21,673</u>	<u>\$ 154,411</u>	<u>\$ 162,756</u>

The largest portion (91%) 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 portion (3%) of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,353 (6%) is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.

The Town continues the past trend in improving the net position, while providing the necessary services to the citizens and expanding the necessary infrastructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(dollar amounts in thousands)

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016 (as restated)	2017	2016 (as restated)
REVENUES						
Program revenues:						
Charges for services	\$ 1,812	\$ 1,918	\$ 3,407	\$ 3,394	\$ 5,219	\$ 5,312
Operating grants and contributions	2,529	2,405	-	-	2,529	2,405
Capital grants and contributions	2,534	3,993	-	250	2,534	4,243
General revenues:						
Property taxes	468	411	-	-	468	411
Sales taxes	6,955	7,101	-	-	6,955	7,101
Franchise taxes	311	318	-	-	311	318
Share of state income tax	3,471	3,041	-	-	3,471	3,041
Share of state sales tax	2,620	2,386	-	-	2,620	2,386
Share of state vehicle license tax	1,216	1,058	-	-	1,216	1,058
Unrestricted grants and contributions	277	-	-	-	277	-
Investment earnings	171	320	206	112	377	432
Micellaneous	124	705	96	22	220	727
Total revenues	22,488	23,656	3,709	3,778	26,197	27,434
EXPENSES						
Program expenses:						
Governmental activities:						
General government	5,840	5,389	-	-	5,840	5,389
Public safety	9,573	7,384	-	-	9,573	7,384
Highways and streets	9,646	8,164	-	-	9,646	8,164
Culture and recreation	2,377	2,223	-	-	2,377	2,223
Interest and amortization on long-term debt	1,394	1,054	-	-	1,394	1,054
Business-type activities:						
Sewer			3,872	4,000	3,872	4,000
Total expenses	28,830	24,214	3,872	4,000	32,702	28,214
Increase (decrease) in net position before special items and transfers	(6,342)	(558)	(163)	(222)	(6,505)	(780)
Special items	-	-	(1,840)	-	(1,840)	-
Transfers	(9)	(733)	9	733	-	-
Change in net position	(6,351)	(1,291)	(1,994)	511	(8,345)	(780)
Net position at beginning of year	141,083	142,374	21,673	21,162	162,756	163,536
Net position at end of year	\$ 134,732	\$ 141,083	\$ 19,679	\$ 21,673	\$ 154,411	\$ 162,756

Governmental Activities

The \$6,351 decrease in net position for governmental activities was \$5,060 more than last year's decrease in net position.

Total revenues were \$1,168 lower than last year. Significant changes follow:

- Capital grant and contributions decreased by \$1,459 as the number and size of grant-funded projects, namely for roadways, declined.
- State-shared revenues increased by \$822 because the Town's population growth outpaced other municipalities, resulting in the Town capturing a higher proportion of the State's revenue allocation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

- Miscellaneous revenues reflected a lower balance of \$581. Last year's balance included developer payments totaling \$636, covering a portion of the Quail Creek CFD debt service costs. These payments were classified as grants and contributions this year and were \$360 less because the Quail Creek CFD refunded its general obligation bonds during the year, reducing the developer's obligation.
- Sales taxes were \$146 lower. The contracting sales tax portion decreased by \$267 as there was not as much new growth in the Town as last year. General sales taxes, however, increased by \$131 primarily due to inflation and because there were more people living and shopping in the Town.

Total expenses and transfers out were \$3,892 higher than last year. Significant changes follow:

- Pension related expenses increased by \$2,151, for which \$1,967 was attributable to the public safety function. Change in pension plan assumptions, variations between expected investment returns and actual results, and claims and judgments against the Public Safety Personnel Retirement System and the Elected Officials Retirement Plan trusts resulted in more costs than last year.
- Depreciation expense increased by \$1,112, for which \$1,016 was attributable to the highways and streets function. There were more depreciable assets this year resulting in the increase.
- Transfers out were reduced by \$724. Last year, governmental activities transferred \$733 to the business-type activities to help finance a capital project and cover some cash deficits. This year, however, only a \$9 transfer was needed.
- Net debt related expenses increased by \$340 mostly attributable to the debt issuance costs associated with the issuance of refunding general obligation bonds in the Quail Creek CFD. Some of these issuance costs were offset with interest savings.

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.

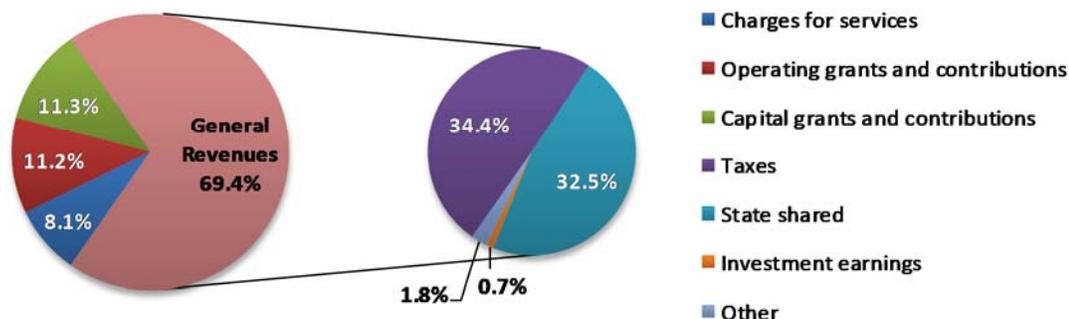
Governmental Activities Program Revenues and Expenses



MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Governmental Activities Revenues by Source

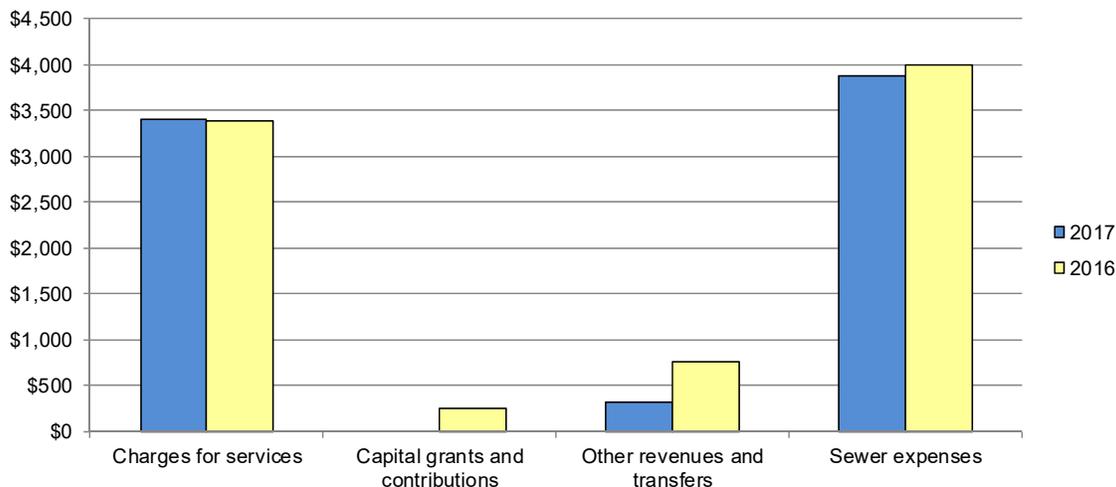


Business-type Activities

The \$1,994 decrease in net position for business-type activities was a \$2,505 decline below last year's increase of \$511. Significant variances between fiscal year 2017 and 2016 are explained below:

- The Wastewater Utility retired the wastewater package plant, a capital asset that was no longer needed and would require significant restoration costs to bring it up to a serviceable condition regardless. This resulted in an impairment loss (special item) of \$1,840, the book value of the asset.
- Transfers out were reduced by \$724. Last year, governmental activities transferred \$733 to the business-type activities to help finance a capital project and cover some cash deficits. This year, however, only a \$9 transfer was authorized.
- In 2016, the Wastewater Utility received a \$250 one-time grant to partially fund the construction of a sewer line.

Business-type Activities Revenues and Expenses



MANAGEMENT'S DISCUSSION AND ANALYSIS

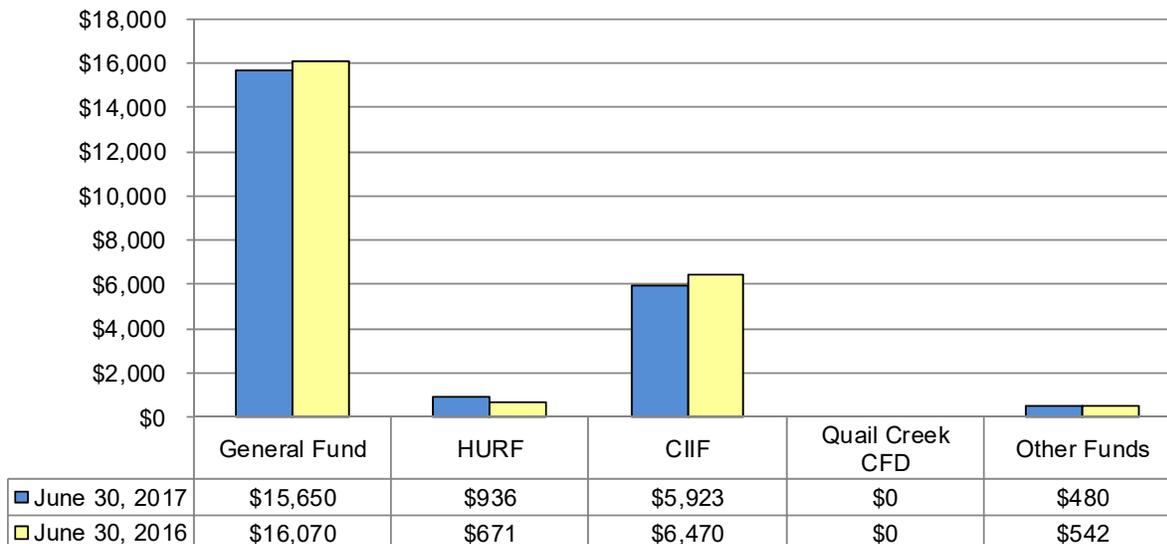
(dollar amounts in thousands)

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, 2017, the Town's governmental funds reported combined ending fund balances of \$26,633, an increase of \$255 compared to last year. Of the total, \$22,989 constitutes spendable fund balances, which includes the unassigned, assigned, committed, and restricted fund balances. The remaining \$3,644 is non-spendable to indicate that it is not available because it has already been spent on prepaid items or associated with long-term notes receivable and general fund 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, it may be useful to compare spendable fund balances to total fund expenditures. Spendable fund balances were 109% of total General Fund expenditures. Compared to last year, total fund balance increased by \$603 but the spendable portion actually decreased by \$420. The overall increase coincided with the Town's conservative budget approach, where revenues are budgeted to exceed expenditures. The results, however, were even more favorable. The U.S. Census Bureau adjusted and increased the Town's population estimate, the basis used by the State to allocate shared revenues, resulting in more intergovernmental revenues. Also, most departments spent less than their budget appropriation because of personnel vacancies. The decrease in the spendable portion of fund balance was because \$1,025 more of the balance had to be classified as nonspendable to account for and cover (via cash advances) the increased deficits of the Wastewater Enterprise Fund.

The Highway User Revenue Fund (HURF) fund balances, which are restricted but spendable, increased by \$265 primarily because the Streets Department spent less than its budget appropriation, mainly due to personnel vacancies. Savings in supply costs savings were also realized because the monsoon season was mild this year.

The Capital Infrastructure Improvement Fund (CIIF) fund balances, which are all spendable, decreased by \$547. In accordance with the budget and Capital Improvement Plan, resources were spent to acquire or construct capital assets and infrastructure in the Town. Grant funding for capital items has not been as available as in the past, requiring the Town to consume more of its local sources.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

The Quail Creek CFD Fund consumes all of its available resources each year, which results in a \$0 fund balance.

Other Funds consist of two special revenue funds: the Rancho Sahuarita Community Facilities District (RS CFD) Fund, and the Grants and Restricted Sources (GARS) Fund. Spendable fund balances decreased by \$62 as resources accumulated in prior years were spent on projects and equipment, namely for the Police Department.

Proprietary fund. The Town's Wastewater Enterprise Fund provides the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the wastewater treatment operation at the end of the year amounted to a deficit balance of \$5,759, which was \$655 lower than last year. Restricted net position was \$2,858 and represents debt service reserves and the rate stabilization fund, complying with loan agreements. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Wastewater Enterprise Fund Net Position



GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. There were no significant budget amendments, only a \$5 intra-departmental budget transfer in the Planning and Building Department, increasing the final budget in the Zoning Division and commensurately decreasing the final budget in the Building Safety Division.

Final budget compared to actual results. Total actual revenues exceeded estimated revenues by \$412. The most significant differences were as follows:

<u>Revenue Sources</u>	<u>Budgeted Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Intergovernmental	\$ 6,667	\$ 7,307	\$ 640
Charges for services	926	779	(147)
Investment earnings	234	120	(114)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

- State shared (intergovernmental) revenues are allocated and distributed to municipalities based upon relative population as derived from U.S. Census Bureau estimates. The U.S. Census Bureau made a mistake in its initial population estimate, which was the figure used to develop the budget. The Town successfully appealed the initial estimate. The revised population was adjusted upwards, resulting in more actual revenues than budgeted.
- Charges for services fell short of budget as fewer indirect costs were recovered. The general fund's actual costs and activities represented a higher proportion of the Town's total actual activities and costs as compared to other funds and what was budgeted. As such, these indirect costs were not allocated to other funds and were not recovered in the general fund.
- Investment earnings fell short of budget as actual returns were lower than what was assumed when the budget was developed.

Total actual expenditures were less than appropriations by \$448 (excluding contingency reserves), as follows:

<u>Expenditure Category</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Difference</u>
Personnel	\$ 11,068	\$ 10,632	\$ (436)
Services	2,311	2,117	(194)
Supplies and equipment	580	534	(46)
Other	832	1,062	230
Capital outlay	45	42	(3)

With the exception of other expenditures, the differences shown above were favorable and fell within a normal and expected range. Other expenditures exceeded budget as the Town paid \$375 in police officer retirement contribution refund claims associated with a lawsuit against the Public Safety Personnel Retirement System. The total budget for all claims, however, was only \$45. The overage was covered by savings in other areas. None of these budget variations have a significant effect on future service levels or liquidity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$187,278 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, sewer conveyance systems, machinery and equipment, vehicles, park facilities, roads, highways, and bridges.

CAPITAL ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 9,151	\$ 9,151	\$ 2,640	\$ 2,640	\$ 11,791	\$ 11,791
Buildings & improvements	17,746	18,092	31,844	34,705	49,590	52,797
Sewer conveyance system	-	-	10,085	10,334	10,085	10,334
Infrastructure	108,641	108,911	-	-	108,641	108,911
Vehicles	1,317	1,134	91	103	1,408	1,237
Equipment and software	538	661	-	-	538	661
Construction in progress	4,682	10,005	543	-	5,225	10,005
Total assets	<u>\$142,075</u>	<u>\$147,954</u>	<u>\$ 45,203</u>	<u>\$ 47,782</u>	<u>\$187,278</u>	<u>\$195,736</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Total capital assets decreased by \$8,458 (-4.3%) 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:

- The Town's governmental activities capitalized \$3,244 of project costs to acquire and improve capital assets during the year. Major capital projects included the Pima Mine Road Bridge Reconstruction (\$1,762), vehicle replacements (\$580), and the Quail Crossing Boulevard Extension (\$214) projects.
- The Pima Mine Road Bridge Reconstruction and La Villita Road/Rancho Sahuarita Boulevard Intersection Improvements projects were completed during the year, which moved \$7,030 and \$506, respectively, out of construction in progress and into infrastructure.
- The Town's business-type activities capitalized \$551 of project costs to acquire and improve capital assets during year. The Wastewater Modular Building project accounted for \$543 of the total.
- The Wastewater Utility retired the wastewater package plant, which reduced total assets by its \$1,840 book value.
- Depreciation reduced the Town's investment in capital assets for governmental activities and business-type activities by \$9,094 and \$1,289, respectively.

Additional information on the Town's capital assets can be found in note 5 on pages 48-49 of this report.

Long-term debt. At the end of the current fiscal year, the Town had \$46,733 of total debt outstanding. Of this amount, \$9,979 comprises debt backed by the full faith and credit of the Quail Creek Community Facilities District. The remainder of the debt is secured by specific revenue sources. A summary of outstanding long-term debt follows.

LONG-TERM DEBT

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Quail Creek CFD G.O. bonds	\$ 9,979	\$10,070	\$ -	\$ -	\$ 9,979	\$10,070
Loans payable	13,642	14,759	22,403	23,863	36,045	38,622
Capital leases	488	259	221	-	709	259
Total long-term debt	<u>\$24,109</u>	<u>\$25,088</u>	<u>\$ 22,624</u>	<u>\$ 23,863</u>	<u>\$46,733</u>	<u>\$48,951</u>

During the year, the Quail Creek CFD issued \$9,940 in general obligation refunding bonds to defease \$9,620 of its outstanding general obligation debt.

Governmental activities added \$299 in capital lease debt to acquire new vehicles. Business-type activities added \$250 in capital lease debt to acquire a modular building.

Principal payments reduced the governmental activities and business-type activities debt liabilities by \$1,625 and \$1,490, respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue. However, as the Quail Creek Community Facilities District is a legally separate entity, its general obligation debt does not apply against the Town's debt capacity, which is \$55,241.

Additional information on the Town's long-term debt can be found in note 6 on pages 49-52 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

The current estimated population of 29,725 is 3.2% larger than last year's estimated population of 28,794. The Town uses a growth rate of approximately 2.5% for planning purposes.

The secondary assessed property valuation increased 4.5%, to \$222,115, since last year. The total full cash property value increased 7.2%, to \$2,264,882, during the same period.

The Town's budget for fiscal year 2018 totals \$61,284. Expenditures are expected to exceed revenues and other sources by \$6,282. This is attributable to the implementation of the Capital Improvement Plan, where previously accumulated resources are being spent on major infrastructure projects in the Town. Ending fund balances are still expected to be \$15,936 by the end of 2018.

The first year of the five-year Capital Improvement Plan is incorporated into the 2018 capital budget and amounts to \$10,934. Significant projects include the extension of Quail Crossing Boulevard, the partnership with the Sahuarita Unified School District to construct lighted ballfields at the new K-8 school site, the construction of new wastewater recharge basins, and the construction of the SAMTEC facility. The Town intends to finance \$4,921 of the 2018 capital budget with grants and contributions from other entities. The remainder of the capital budget will be financed with Town revenues and sources accumulated in prior years.

Wastewater sewer user fees will be increased by approximately 7% in fiscal year 2018. The fee increases are needed to cover the cost of providing sewer services and, pursuant to loan agreements, to ensure there is sufficient revenue-to-debt service coverage.

All of these factors were considered in preparing the Town's budget for the 2018 fiscal year.

REQUESTS FOR INFORMATION

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





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COMPREHENSIVE ANNUAL FINANCIAL REPORT
Basic Financial Statements

Town of Sahuarita, Arizona

Statement of Net Position

June 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 20,342,118	\$ 1,107,788	\$ 21,449,906
Receivables, net of allowances for doubtful accounts	1,976,696	599,030	2,575,726
Internal balances	6,182,829	(6,182,829)	-
Prepaid items	31,196	-	31,196
Restricted assets	411,308	2,858,048	3,269,356
Capital assets:			
Land and construction in progress	13,832,881	3,183,088	17,015,969
Other capital assets, net of depreciation	128,242,120	42,019,912	170,262,032
Total capital assets	142,075,001	45,203,000	187,278,001
Total assets	171,019,148	43,585,037	214,604,185
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	125,636	-	125,636
Deferred outflows related to pensions	4,122,872	172,281	4,295,153
Total deferred outflows of resources	4,248,508	172,281	4,420,789
LIABILITIES			
Accrued payroll and benefits	198,912	10,779	209,691
Payables:			
Accounts	1,197,807	122,725	1,320,532
Interest	176,272	425,828	602,100
Claims and judgements	67,170	-	67,170
Deposits	47,676	8,600	56,276
Unearned revenues	300,935	-	300,935
Noncurrent liabilities:			
Due within one year	1,893,562	1,562,444	3,456,006
Due in more than one year	35,271,398	21,849,546	57,120,944
Total noncurrent liabilities	37,164,960	23,411,990	60,576,950
Total liabilities	39,153,732	23,979,922	63,133,654
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,381,707	98,149	1,479,856
Total deferred inflows of resources	1,381,707	98,149	1,479,856
NET POSITION			
Net investment in capital assets	118,091,715	22,579,671	140,671,386
Restricted for:			
Municipal Court	45,562	-	45,562
Law enforcement	438,334	-	438,334
Transportation	1,040,240	-	1,040,240
Community facility districts	4,643	-	4,643
Debt service	-	2,858,048	2,858,048
Unrestricted	15,111,723	(5,758,472)	9,353,251
Total net position	\$ 134,732,217	\$ 19,679,247	\$ 154,411,464

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, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 5,839,797	\$ 350,842	\$ 73,178	\$ 38,387	\$ (5,377,390)		\$ (5,377,390)
Public safety	9,572,787	1,327,093	297,444	13,107	(7,935,143)		(7,935,143)
Highways and streets	9,646,426	-	2,146,213	2,483,212	(5,017,001)		(5,017,001)
Culture and recreation	2,377,461	134,009	11,900	-	(2,231,552)		(2,231,552)
Interest and amortization on long-term debt	1,393,696	-	-	-	(1,393,696)		(1,393,696)
Total governmental activities	<u>28,830,167</u>	<u>1,811,944</u>	<u>2,528,735</u>	<u>2,534,706</u>	<u>(21,954,782)</u>		<u>(21,954,782)</u>
Business-type activities:							
Sewer	<u>3,872,306</u>	<u>3,407,229</u>	<u>-</u>	<u>-</u>		\$ (465,077)	<u>(465,077)</u>
Total business-type activities	<u>3,872,306</u>	<u>3,407,229</u>	<u>-</u>	<u>-</u>		<u>(465,077)</u>	<u>(465,077)</u>
Total primary government	<u>\$ 32,702,473</u>	<u>\$ 5,219,173</u>	<u>\$ 2,528,735</u>	<u>\$ 2,534,706</u>	<u>(21,954,782)</u>	<u>(465,077)</u>	<u>(22,419,859)</u>
General revenues:							
Property taxes					468,496	-	468,496
Sales taxes					6,955,290	-	6,955,290
Franchise taxes					310,987	-	310,987
Share of state income tax					3,470,987	-	3,470,987
Share of state sales tax					2,620,019	-	2,620,019
Share of state vehicle license tax					1,215,841	-	1,215,841
Grants and contributions not restricted to specific programs					276,843	-	276,843
Investment earnings					171,364	205,674	377,038
Miscellaneous					123,661	96,552	220,213
Special item-impairment loss					-	(1,840,453)	(1,840,453)
Transfers					(9,133)	9,133	-
Net general revenues, special items, and transfers					<u>15,604,355</u>	<u>(1,529,094)</u>	<u>14,075,261</u>
Change in net position					<u>(6,350,427)</u>	<u>(1,994,171)</u>	<u>(8,344,598)</u>
Net position at beginning of year, as restated					<u>141,082,644</u>	<u>21,673,418</u>	<u>162,756,062</u>
Net position at end of year					<u>\$ 134,732,217</u>	<u>\$ 19,679,247</u>	<u>\$ 154,411,464</u>

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

Town of Sahuarita, Arizona

Balance Sheet Governmental Funds June 30, 2017

	General Fund	Highway User Revenue Fund	Capital Infrastructure Improvement Fund	Quail Creek CFD Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 15,241,908	\$ 987,699	\$ 3,734,509	\$ -	\$ 378,002	\$ 20,342,118
Receivables, net of allowances for doubtful accounts	1,184,900	518,241	187,974	8,427	77,154	1,976,696
Due from other funds	3,376	-	-	-	-	3,376
Prepaid items	31,196	-	-	-	-	31,196
Restricted assets	-	-	-	346,799	64,509	411,308
Advances to other funds	3,603,607	-	2,579,222	-	-	6,182,829
Total assets	<u>\$ 20,064,987</u>	<u>\$ 1,505,940</u>	<u>\$ 6,501,705</u>	<u>\$ 355,226</u>	<u>\$ 519,665</u>	<u>\$ 28,947,523</u>
Liabilities						
Accrued payroll and benefits	\$ 186,182	\$ 9,775	\$ 2,955	\$ -	\$ -	\$ 198,912
Payables:						
Accounts	405,541	455,925	318,706	311	17,324	1,197,807
Bonds	-	-	-	150,000	-	150,000
Interest	-	-	-	176,272	-	176,272
Deposits	47,676	-	-	-	-	47,676
Due to other funds	-	-	-	3,376	-	3,376
Unearned revenues	128,056	-	133,810	20,624	18,445	300,935
Total liabilities	<u>767,455</u>	<u>465,700</u>	<u>455,471</u>	<u>350,583</u>	<u>35,769</u>	<u>2,074,978</u>
Deferred inflows of resources						
Unavailable revenues	3,277	103,978	123,633	4,643	3,816	239,347
Total deferred inflows of resources	<u>3,277</u>	<u>103,978</u>	<u>123,633</u>	<u>4,643</u>	<u>3,816</u>	<u>239,347</u>
Fund balances						
Nonspendable:						
Long-term notes receivable	9,870	-	-	-	-	9,870
Prepaid items	31,196	-	-	-	-	31,196
Advance to Wastewater	3,603,607	-	-	-	-	3,603,607
Restricted:						
Transportation	-	936,262	-	-	-	936,262
Municipal Court	-	-	-	-	45,562	45,562
Law enforcement	-	-	-	-	434,518	434,518
Committed for stabilization reserves	4,752,160	-	-	-	-	4,752,160
Assigned:						
Asset maintenance	500,000	-	-	-	-	500,000
Advance to Wastewater	-	-	2,579,222	-	-	2,579,222
Capital projects	-	-	3,112,161	-	-	3,112,161
Debt service	-	-	231,218	-	-	231,218
Unassigned	10,397,422	-	-	-	-	10,397,422
Total fund balances	<u>19,294,255</u>	<u>936,262</u>	<u>5,922,601</u>	<u>-</u>	<u>480,080</u>	<u>26,633,198</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,064,987</u>	<u>\$ 1,505,940</u>	<u>\$ 6,501,705</u>	<u>\$ 355,226</u>	<u>\$ 519,665</u>	<u>\$ 28,947,523</u>

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

Town of Sahuarita, Arizona
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2017

Total fund balances—governmental funds \$ 26,633,198

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	\$ 9,150,798	
Construction in progress	4,682,083	
Buildings and improvements	22,627,276	
Infrastructure	164,673,811	
Vehicles	3,207,332	
Equipment and software	2,947,476	
Accumulated depreciation	<u>(65,213,775)</u>	
Total		142,075,001

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions		4,122,872
Deferred inflows of resources related to pensions		(1,381,707)

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. 239,347

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 refunding	125,636	
Claims and judgements payable	(67,170)	
Bonds payable	(9,790,000)	
Loans payable	(13,670,000)	
Unamortized premium on long-term debt	(100,798)	
Unamortized discount on long-term debt	89,860	
Capital leases	(487,984)	
Net pension liability	(11,879,577)	
Compensated absences	<u>(1,176,461)</u>	
Total		<u>(36,956,494)</u>

Net position of governmental activities \$ 134,732,217

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, 2017

	General Fund	Highway User Revenue Fund	Capital Infrastructure Improvement Fund	Quail Creek CFD Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 5,401,454	\$ -	\$ 1,864,823	\$ 465,336	\$ 2,303	\$ 7,733,916
Licenses and permits	1,396,504	-	3,600	-	-	1,400,104
Intergovernmental	7,306,848	4,494,357	113,779	-	372,109	12,287,093
Charges for services	779,218	-	-	-	11,250	790,468
Fines and forfeitures	191,424	-	-	-	29,293	220,717
Investment earnings	120,243	5,146	42,565	651	2,759	171,364
Miscellaneous	54,130	3,210	122,516	276,843	60,145	516,844
Total revenues	<u>15,249,821</u>	<u>4,502,713</u>	<u>2,147,283</u>	<u>742,830</u>	<u>477,859</u>	<u>23,120,506</u>
Expenditures						
Current:						
General government	5,225,238	-	-	133	23,454	5,248,825
Public safety	7,547,088	-	-	-	485,695	8,032,783
Highways and streets	-	1,922,022	-	10,107	20,681	1,952,810
Culture and recreation	1,614,975	-	-	28,449	13,975	1,657,399
Capital outlay	-	-	3,907,733	-	-	3,907,733
Debt service:						
Principal	-	-	1,174,731	9,770,000	-	10,944,731
Interest	-	-	474,833	435,812	-	910,645
Fiscal charges	-	-	1,900	3,750	-	5,650
Debt issuance costs	-	-	-	492,273	-	492,273
Total expenditures	<u>14,387,301</u>	<u>1,922,022</u>	<u>5,559,197</u>	<u>10,740,524</u>	<u>543,805</u>	<u>33,152,849</u>
Excess (deficiency) of revenues over (under) expenditures	<u>862,520</u>	<u>2,580,691</u>	<u>(3,411,914)</u>	<u>(9,997,694)</u>	<u>(65,946)</u>	<u>(10,032,343)</u>
Other financing sources (uses)						
Capital leases	-	-	298,609	-	-	298,609
Face amount of refunding debt	-	-	-	9,940,000	-	9,940,000
Net premium on refunding debt	-	-	-	57,694	-	57,694
Transfers in	-	-	2,565,863	-	-	2,565,863
Transfers out	(259,133)	(2,315,863)	-	-	-	(2,574,996)
Total other financing sources (uses)	<u>(259,133)</u>	<u>(2,315,863)</u>	<u>2,864,472</u>	<u>9,997,694</u>	<u>-</u>	<u>10,287,170</u>
Net change in fund balances	603,387	264,828	(547,442)	-	(65,946)	254,827
Fund balance at beginning of year	18,690,868	671,434	6,470,043	-	546,026	26,378,371
Fund balance at end of year	<u>\$ 19,294,255</u>	<u>\$ 936,262</u>	<u>\$ 5,922,601</u>	<u>\$ -</u>	<u>\$ 480,080</u>	<u>\$ 26,633,198</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, 2017

Net change in fund balances—governmental funds		\$ 254,827
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capitalized expenditures	\$ 3,244,071	
Depreciation expense	<u>(9,093,582)</u>	
Excess of depreciation expense over capitalized expenditures		(5,849,511)
Some capital additions were acquired during the year without cost to the Town. These assets are not recognized in governmental funds, but in the statement of activities, the fair market values are reported as revenues.		
		21,487
Some revenues reported in the statement of activities do not represent the collection of current financial resources and are not reported as revenues in the governmental funds. Conversely, some revenues reported in the governmental funds are collections of current financial resources that relate to other periods and are not reported as revenues in the statement of activities. These revenues consist of:		
Decrease in unavailable deferred inflows of resources		(60,086)
Pension 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 position liability is measured a year before the Town's report date. Pension expense, which is the change in net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Town pension contributions		960,131
Town proportionate share of State's appropriation to EORP		30,736
Pension expense		<u>(2,175,637)</u>
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.		
Capital leases	\$ (298,609)	
Face amount of refunding debt	(9,940,000)	
Net premium on refunding debt	(57,694)	
Principal balance of refunded debt	9,620,000	
Debt service - principal payments	1,324,635	
Net amortization of discounts, premiums, and deferred amounts	<u>14,967</u>	
Net effect of long-term debt and related items		663,299
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 on the disposal of capital assets		(50,941)
Increase in claims and judgements payable		(67,170)
Increase in compensated absences		<u>(77,562)</u>
Change in net position of governmental activities		<u>\$ (6,350,427)</u>

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

Town of Sahuarita, Arizona
Statement of Revenues, Expenditures,
and Changes in Fund Balance—Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 5,390,400	\$ 5,390,400	\$ 5,401,454	\$ 11,054
Licenses and permits	1,330,580	1,330,580	1,396,504	65,924
Intergovernmental	6,666,990	6,666,990	7,306,848	639,858
Charges for services	925,850	925,850	779,218	(146,632)
Fines and forfeitures	230,030	230,030	191,424	(38,606)
Investment earnings	233,930	233,930	120,243	(113,687)
Miscellaneous	60,000	60,000	54,130	(5,870)
Total revenues	<u>14,837,780</u>	<u>14,837,780</u>	<u>15,249,821</u>	<u>412,041</u>
Expenditures				
General government:				
Mayor and Council	113,860	113,860	109,752	4,108
Town Manager	753,180	753,180	733,995	19,185
Law	643,730	643,730	641,872	1,858
Town Clerk	579,470	579,470	496,464	83,006
Finance	1,395,530	1,395,530	1,270,644	124,886
Human Resources	268,680	268,680	236,500	32,180
Municipal Court	592,360	592,360	562,774	29,586
Planning and Building-Zoning	523,470	528,470	533,260	(4,790)
Public Works-Facilities	504,840	504,840	417,095	87,745
Non-Departmental	251,350	251,350	222,882	28,468
Total general government	<u>5,626,470</u>	<u>5,631,470</u>	<u>5,225,238</u>	<u>406,232</u>
Public safety:				
Planning and Building-Building Safety	715,990	710,990	675,770	35,220
Public Works-Engineering	460,430	460,430	447,572	12,858
Police	6,299,670	6,299,670	6,423,746	(124,076)
Total public safety	<u>7,476,090</u>	<u>7,471,090</u>	<u>7,547,088</u>	<u>(75,998)</u>
Culture and recreation:				
Parks and Recreation	1,732,900	1,732,900	1,614,975	117,925
Total culture and recreation	<u>1,732,900</u>	<u>1,732,900</u>	<u>1,614,975</u>	<u>117,925</u>
Contingency reserves	15,403,030	15,403,030	-	15,403,030
Total expenditures	<u>30,238,490</u>	<u>30,238,490</u>	<u>14,387,301</u>	<u>15,851,189</u>
Excess (deficiency) of revenues over (under) expenditures	(15,400,710)	(15,400,710)	862,520	16,263,230
Other financing sources (uses)				
Transfers out	(2,764,250)	(2,764,250)	(259,133)	2,505,117
Total other financing sources (uses)	<u>(2,764,250)</u>	<u>(2,764,250)</u>	<u>(259,133)</u>	<u>2,505,117</u>
Net change in fund balance	(18,164,960)	(18,164,960)	603,387	18,768,347
Fund balance at beginning of year	18,164,960	18,164,960	18,690,868	525,908
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,294,255</u>	<u>\$ 19,294,255</u>

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

Town of Sahuarita, Arizona
Statement of Revenues, Expenditures,
and Changes in Fund Balance—Budget and Actual
Highway User Revenue Fund—Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 6,188,970	\$ 6,188,970	\$ 4,494,357	\$ (1,694,613)
Investment earnings	2,090	2,090	5,146	3,056
Miscellaneous	-	-	3,210	3,210
Total revenues	<u>6,191,060</u>	<u>6,191,060</u>	<u>4,502,713</u>	<u>(1,688,347)</u>
Expenditures				
Current:				
Highways and streets	2,174,450	2,174,450	1,922,022	252,428
Contingency reserves	4,280	4,280	-	4,280
Total expenditures	<u>2,178,730</u>	<u>2,178,730</u>	<u>1,922,022</u>	<u>256,708</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,012,330</u>	<u>4,012,330</u>	<u>2,580,691</u>	<u>(1,431,639)</u>
Other financing sources (uses)				
Transfers out	<u>(4,315,000)</u>	<u>(4,315,000)</u>	<u>(2,315,863)</u>	<u>1,999,137</u>
Total other financing sources (uses)	<u>(4,315,000)</u>	<u>(4,315,000)</u>	<u>(2,315,863)</u>	<u>1,999,137</u>
Net change in fund balance	(302,670)	(302,670)	264,828	567,498
Fund balance at beginning of year	302,670	302,670	671,434	368,764
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 936,262</u>	<u>\$ 936,262</u>

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

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, 2017

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 454,340	\$ 454,340	\$ 465,336	\$ 10,996
Investment earnings	-	-	651	651
Miscellaneous	506,410	506,410	276,843	(229,567)
Total revenues	<u>960,750</u>	<u>960,750</u>	<u>742,830</u>	<u>(217,920)</u>
Expenditures				
Current:				
General government	4,700	4,700	133	4,567
Highways and streets	20,390	20,390	10,107	10,283
Culture and recreation	12,770	12,770	28,449	(15,679)
Total current	<u>37,860</u>	<u>37,860</u>	<u>38,689</u>	<u>(829)</u>
Debt service:				
Principal	10,190,000	10,190,000	9,770,000	420,000
Interest	348,390	348,390	435,812	(87,422)
Fiscal charges	4,500	4,500	3,750	750
Debt issuance costs	205,000	205,000	492,273	(287,273)
Total debt service	<u>10,747,890</u>	<u>10,747,890</u>	<u>10,701,835</u>	<u>46,055</u>
Total expenditures	<u>10,785,750</u>	<u>10,785,750</u>	<u>10,740,524</u>	<u>45,226</u>
Excess (deficiency) of revenues over (under) expenditures	(9,825,000)	(9,825,000)	(9,997,694)	(172,694)
Other financing sources (uses)				
Face amount of refunding debt	9,825,000	9,825,000	9,940,000	115,000
Net premium on refunding debt	-	-	57,694	57,694
Total other financing sources (uses)	<u>9,825,000</u>	<u>9,825,000</u>	<u>9,997,694</u>	<u>172,694</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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, 2017

	<u>Wastewater Enterprise Fund</u>
Assets	
Current:	
Cash and cash equivalents	\$ 6,745
Long-term storage credits	1,101,043
Accounts receivable (net of allowance for doubtful accounts of \$349,225)	599,030
Total current	<u>1,706,818</u>
Noncurrent assets:	
Restricted cash and cash equivalents	2,858,048
Capital assets:	
Land	2,640,000
Construction in progress	543,088
Plant and buildings	38,025,279
Sewage conveyance system	12,496,507
Vehicles and equipment	377,423
Accumulated depreciation	<u>(8,879,297)</u>
Capital assets, net of accumulated depreciation	<u>45,203,000</u>
Total noncurrent assets	<u>48,061,048</u>
Total assets	<u>49,767,866</u>
Deferred outflows of resources	
Deferred outflows related to pensions	172,281
Total deferred outflows of resources	<u>172,281</u>
Liabilities	
Current:	
Accrued payroll and benefits	10,779
Accounts payable	122,725
Deposits payable	8,600
Accrued compensated absences	26,792
Interest payable-current	425,828
Loans and capital leases payable-current	1,535,652
Total current liabilities	<u>2,130,376</u>
Noncurrent liabilities:	
Accrued compensated absences	22,646
Advances from other funds	6,182,829
Net pension liability	739,223
Capital lease payable	199,741
Loans payable	20,887,936
Total noncurrent liabilities	<u>28,032,375</u>
Total liabilities	<u>30,162,751</u>
Deferred inflows of resources	
Deferred inflows related to pensions	98,149
Total deferred inflows of resources	<u>98,149</u>
Net position	
Net investment in capital assets	22,579,671
Restricted for debt service:	
Reserves	2,108,048
Rate Stabilization	750,000
Unrestricted	<u>(5,758,472)</u>
Total net position	<u>\$ 19,679,247</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, 2017

	<u>Wastewater Enterprise Fund</u>
Operating revenues	
Charges for services	\$ 3,250,867
Total operating revenues	<u>3,250,867</u>
Operating expenses	
Personal services and employee benefits	634,316
Operating supplies and services	532,337
Utilities	215,179
General and administrative	369,607
Depreciation	1,288,818
Total operating expenses	<u>3,040,257</u>
Operating income	<u>210,610</u>
Nonoperating revenues (expenses)	
Sewer connection fees	156,362
Investment earnings	205,674
Miscellaneous revenue	96,552
Interest expense	<u>(832,049)</u>
Total nonoperating revenues (expenses)	<u>(373,461)</u>
Net loss before special items and transfers	<u>(162,851)</u>
Special item-impairment loss on capital asset	(1,840,453)
Transfers in	<u>9,133</u>
Change in net position	(1,994,171)
Net position at beginning of year, as restated	<u>21,673,418</u>
Net position at end of year	<u><u>\$ 19,679,247</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, 2017

	Wastewater Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 3,168,448
Payments to suppliers and providers of goods and services	(1,158,645)
Payments for employee wages and benefits	(666,824)
Miscellaneous receipts	96,552
Net cash provided by operating activities	<u>1,439,531</u>
Cash Flows from Noncapital Financing Activities	
Interfund loan proceeds	1,024,385
Cash transfers from other funds	9,133
Interest paid to other funds	(23,616)
Net cash provided by noncapital financing activities	<u>1,009,902</u>
Cash Flows From Capital and Related Financing Activities	
Sewer connection fees	156,362
Proceeds from capital debt	250,248
Acquisition and construction of capital assets	(516,406)
Principal payments on capital debt	(1,490,081)
Interest payments on capital debt	(844,621)
Net cash used for capital and related financing activities	<u>(2,444,498)</u>
Net change in cash and cash equivalents	4,935
Cash and cash equivalents at beginning of year	2,859,858
Cash and cash equivalents at end of year	<u>\$ 2,864,793</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 210,610
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,288,818
Other nonoperating revenues	96,552
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	(86,419)
Deferred outflows related to pensions	(108,335)
Accrued payroll and benefits	(19,227)
Accounts payable related to operations	(41,522)
Deposits payable	4,000
Accrued compensated absences	5,135
Net pension liability	72,448
Deferred inflows related to pensions	17,471
Net cash provided by operating activities	<u>\$ 1,439,531</u>
NONCASH ITEMS	
Long-term storage credits investment earnings	\$ 229,290
Impairment loss on capital asset	(1,840,453)

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, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Blended Component 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 financing public facilities. The Town Council acts as the District's Board of Directors and the management of the Town has operational responsibility for the District. Accordingly, the District is a blended component unit of the Town and is reported as a special revenue fund in the Town's financial statements. The District does not issue separate financial statements.

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 financing public facilities. The Town Council acts as the District's Board of Directors and the management of the Town has operational responsibility for the District. Accordingly, the District is a blended component unit of the Town and is reported as a special revenue fund in the Town's financial statements. The District does not issue separate financial statements.

B. 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 and between the Town and its discretely presented component units. 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.

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Revenues, such as user charges, in which each party receives and gives up essentially equal value are operating revenues. Other revenues result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues that ancillary activities generate. Operating expenses include the cost of 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—Special Revenue Fund* accounts for the Town's share of the State's motor fuel tax revenues.

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

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 sewer system.

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 a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental 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 are reported as other financing sources.

D. Property Tax Calendar

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

E. Cash and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments held by the State Treasurer in short-term investment pools, and 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. With the exception of money market funds, which are stated at amortized cost, all investments are stated at fair value.

Long-Term Storage Credits (LTSCs)—The Arizona Department of Water Resources certifies the balance of LTSCs held on account and generated each year by the Wastewater Utility's recharge of effluent. These credits are intangible assets that are not used in operations, but rather, held for sale or trade. Accordingly, LTSCs are classified as investments and are reported 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. Capital Assets

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

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. If material, interest costs on wastewater construction projects are capitalized over a period beginning with project commencement, to when they are substantially complete and ready for use. Other costs for repairs and maintenance are expensed as incurred.

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

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

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

I. 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 position 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 position or fund balance that applies to future periods and will be recognized as revenue in future periods.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

J. Compensated Absences

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

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 using the straight-line method. 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. Pensions

For purposes of measuring the net pension (asset and) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension 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 propriety 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.

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). In order 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.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. 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. Each fund should maintain a fund balance of at least 25% of its adopted operating budget and 20% of its annual adopted capital outlay budget (adjusted for amounts not subjecting the Town to obligation) for the year. The General Fund and the Capital Infrastructure Improvement Fund minimums shall include any fund balance deficiencies of other funds with respect to the operating and capital outlay budgets, respectively. The reserves are intended to provide fiscal stability when economic downturns and other unexpected events occur.

Stabilization arrangement—In accordance with Sahuarita Town Code §3.20, on June 27, 2016, 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.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 2—DEPOSITS AND INVESTMENTS

Deposits—At June 30, 2017, the Town had cash on hand of \$9,608. The carrying amount of the Town’s cash in bank was \$3,588,242 and the bank balance was \$3,782,433. The Town’s deposits were insured or fully collateralized with securities held by the Town’s custodial bank in the Town’s name. Additionally, the Town had deposits of \$64,509 held by Pima County in a fiduciary capacity.

Investments—The Town’s investments at June 30, 2017, categorized within the fair value hierarchy established by the generally accepted accounting principles, were as follows:

	Fair Value Measurement Using			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Amount
Investments by fair value level:				
Corporate bonds	\$ 3,509,863	\$ -	\$ -	\$ 3,509,863
Certificates of deposit	1,556,851	-	-	1,556,851
Long-term storage credits	-	1,101,043	-	1,101,043
Total investments by fair value level	\$ 5,066,714	\$ 1,101,043	\$ -	\$ 6,167,757
 External investment pools measured at fair value:				
State Treasurer’s investment pools				14,282,817
Total investments measured at fair value				14,282,817
 Investments measured at amortized cost:				
Government money market fund				606,329
Total investments measured at amortized cost				606,329
Total investments				\$ 21,056,903

At June 30, 2017, the Town had 4,928.48 long-term storage credits on account with the Arizona Department of Water Resources. The fair value of these credits was derived from components of the Central Arizona Project adopted and published water delivery rate schedule for the Tucson Active Management Area; the same valuation basis used in a number of purchase contracts for these credits, which are actively sold and traded.

At June 30, 2017, \$14,282,817 of the Town’s investment portfolio consisted of deposits in the State Treasurer’s Local Government Investment (LGI) Pools. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with Arizona Revised Statutes §35-311. The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the net asset value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. Those shares are not identified with specific investments, are not subject to custodial credit risk, and have no stated interest rate or maturity date. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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, 2017.

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

	Maturities (in Months)				Amount	%
	< 6	6 to < 12	12 to < 18	18 to < 27		
Deposits:						
Cash on hand	\$ 9,608	\$ -	\$ -	\$ -	\$ 9,608	0.0%
Cash in bank	3,588,242	-	-	-	3,588,242	14.5%
Cash held by fiduciary	64,509	-	-	-	64,509	0.3%
Investments:						
Government money market fund	606,329	-	-	-	606,329	2.5%
State Treasurer's LGI Pool 500	-	-	-	11,328,900	11,328,900	45.8%
State Treasurer's LGI Pool 700	-	-	-	2,953,917	2,953,917	11.9%
Corporate bonds	2,042,571	1,467,292	-	-	3,509,863	14.2%
Certificates of deposit	991,322	319,312	246,217	-	1,556,851	6.3%
Long-term storage credits	1,101,043	-	-	-	1,101,043	4.5%
Total composite portfolio	\$ 8,403,624	\$ 1,786,604	\$ 246,217	\$ 14,282,817	24,719,262	100.0%
Less:						
Restricted cash and investments					(3,269,356)	
Total non-restricted cash and investments					\$ 21,449,906	

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

Credit Risk. Credit risk is the risk that an issue or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The Town's investment policy minimizes credit risk by limiting investments to a specific list of the safest types of securities. The State Treasurer's LGI Pools 500 and 700 did not receive a credit quality rating from a national rating agency. The securities in LGIP Pool 500 had a weighted average credit rating of AA-3 by Moody's. LGI Pool 700 investments are specifically limited to those securities that carry the full faith and credit of the United States Government, having a weighted average credit rating of AAA by Moody's. The certificates of deposit were entirely insured by the FDIC.

<i>Lower of Standard & Poor's & Moody's Composite Rating</i>	Exempt from Disclosure				Amount
	A+	A	A-		
Investments:					
Government money market fund	\$ -	\$ -	\$ -	\$ 606,329	\$ 606,329
State Treasurer's LGI Pools	-	-	-	14,282,817	14,282,817
Corporate bonds	835,736	708,741	1,965,386	-	3,509,863
Certificates of deposit	-	-	-	1,556,851	1,556,851
Long-term storage credits	-	-	-	1,101,043	1,101,043
Total Investments	\$ 835,736	\$ 708,741	\$ 1,965,386	\$ 17,547,040	\$ 21,056,903

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 3—RESTRICTED ASSETS

At June 30, 2017, restricted assets consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Deposits:			
Amounts held by fiduciary	\$ 64,509	\$ -	\$ 64,509
Investments:			
Government money market fund	346,799	-	346,799
State Treasurer's LGI Pool 700	-	2,858,048	2,858,048
Total restricted assets	<u>\$ 411,308</u>	<u>\$ 2,858,048</u>	<u>\$ 3,269,356</u>

The government money market funds, which were held in trust, represent property tax collections which are obligated for debt service on the Quail Creek Community Facilities District Series 2016 General Obligation Refunding Bonds. The Town's share of State RICO funds were held in a fiduciary capacity by Pima County. The Town's Police Department may only use these funds for public safety purposes.

The State Treasurer's LGI Pool 700 amount represents funds that are reserved for debt service and for rate stabilization in accordance with requirements specified in the WIFA 2008A System Revenues Loan Agreement.

NOTE 4—RECEIVABLES AND ALLOWANCES FOR DOUBTFUL ACCOUNTS

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:

	<u>General Fund</u>	<u>HURF Fund</u>	<u>CIIF Fund</u>	<u>QC CFD Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$ 886,879	\$ -	\$ 298,807	\$ 8,427	\$ -	\$ 1,194,112
Accounts	6,142	2,618	-	-	-	8,760
Intergovernmental	284,874	515,623	6,400	-	77,154	884,051
Notes	9,870	-	-	-	-	9,870
Gross receivables	<u>1,187,765</u>	<u>518,241</u>	<u>305,207</u>	<u>8,427</u>	<u>77,154</u>	<u>2,096,793</u>
Less: Allowance for doubtful accounts	(2,865)	-	(117,233)	-	-	(120,098)
Net receivables	<u>\$ 1,184,900</u>	<u>\$ 518,241</u>	<u>\$ 187,974</u>	<u>\$ 8,427</u>	<u>\$ 77,154</u>	<u>\$ 1,976,696</u>

The only receivables not expected to be collected within one year are the \$9,870 notes receivable reported in the General Fund and \$117,233 of tax lien receivables reported in the Capital Infrastructure Improvement Fund.

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 5—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,150,798	\$ -	\$ -	\$ 9,150,798
Construction in progress	10,005,077	2,212,947	(7,535,941)	4,682,083
Total capital assets not being depreciated	<u>19,155,875</u>	<u>2,212,947</u>	<u>(7,535,941)</u>	<u>13,832,881</u>
Capital assets being depreciated:				
Buildings and improvements	22,465,739	161,537	-	22,627,276
Infrastructure	157,020,737	7,695,598	(42,524)	164,673,811
Vehicles	2,953,467	580,291	(326,426)	3,207,332
Equipment and software	3,174,735	151,126	(378,385)	2,947,476
Total capital assets being depreciated	<u>185,614,678</u>	<u>8,588,552</u>	<u>(747,335)</u>	<u>193,455,895</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,373,606)	(507,275)	-	(4,880,881)
Infrastructure	(48,109,829)	(7,965,594)	42,524	(56,032,899)
Vehicles	(1,819,829)	(345,825)	275,485	(1,890,169)
Equipment and software	(2,513,323)	(274,888)	378,385	(2,409,826)
Total accumulated depreciation	<u>(56,816,587)</u>	<u>(9,093,582)</u>	<u>696,394</u>	<u>(65,213,775)</u>
Total capital assets being depreciated, net	<u>128,798,091</u>	<u>(505,030)</u>	<u>(50,941)</u>	<u>128,242,120</u>
Governmental activities capital assets, net	<u>\$ 147,953,966</u>	<u>\$ 1,707,917</u>	<u>\$ (7,586,882)</u>	<u>\$ 142,075,001</u>

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,640,000	\$ -	\$ -	\$ 2,640,000
Construction in progress	-	543,088	-	543,088
Total capital assets not being depreciated	<u>2,640,000</u>	<u>543,088</u>	<u>-</u>	<u>3,183,088</u>
Capital assets being depreciated:				
Treatment plant and buildings	41,530,904	-	(3,505,625)	38,025,279
Sewer conveyance system	13,216,814	-	(720,307)	12,496,507
Vehicles	337,524	7,445	-	344,969
Equipment and software	32,454	-	-	32,454
Total capital assets being depreciated	<u>55,117,696</u>	<u>7,445</u>	<u>(4,225,932)</u>	<u>50,899,209</u>
Less accumulated depreciation for:				
Treatment plant and buildings	(6,826,258)	(1,019,599)	1,665,172	(6,180,685)
Sewer conveyance system	(2,882,415)	(249,927)	720,307	(2,412,035)
Vehicles	(234,831)	(19,292)	-	(254,123)
Equipment and software	(32,454)	-	-	(32,454)
Total accumulated depreciation	<u>(9,975,958)</u>	<u>(1,288,818)</u>	<u>2,385,479</u>	<u>(8,879,297)</u>
Total capital assets being depreciated, net	<u>45,141,738</u>	<u>(1,281,373)</u>	<u>(1,840,453)</u>	<u>42,019,912</u>
Business-type activities capital assets, net	<u>\$ 47,781,738</u>	<u>\$ (738,285)</u>	<u>\$ (1,840,453)</u>	<u>\$ 45,203,000</u>

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Depreciation Expense was charged to functions as follows:

Governmental activities:

General government	\$ 643,964
Public safety	327,767
Highways and streets	7,345,349
Culture and recreation	776,502
Total governmental activities depreciation	\$ 9,093,582

Business-type activities:

Sewer	\$ 1,288,818
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NOTE 6—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within 1 year
Governmental Activities					
Quail Creek CFD GO bonds	\$ 10,070,000	\$ 9,940,000	\$ (10,070,000)	\$ 9,940,000	\$ 150,000
Unamortized premiums	-	125,233	(24,435)	100,798	23,638
Unamortized discounts	-	(67,539)	5,405	(62,134)	(5,404)
Loans payable	14,775,000	-	(1,105,000)	13,670,000	1,030,000
Unamortized premiums	13,940	-	(13,940)	-	-
Unamortized discounts	(30,036)	-	2,310	(27,726)	(2,311)
Capital leases	259,010	298,609	(69,635)	487,984	86,866
Net pension liability	8,133,911	3,745,666	-	11,879,577	-
Compensated absences	1,098,899	670,545	(592,983)	1,176,461	610,773
Total governmental activities long-term liabilities	\$ 34,320,724	\$ 14,712,514	\$ (11,868,278)	\$ 37,164,960	\$ 1,893,562

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within 1 year
Business-Type Activities					
Loans payable	\$ 23,863,162	\$ -	\$ (1,460,427)	\$ 22,402,735	\$ 1,514,799
Capital lease	-	250,248	(29,654)	220,594	20,853
Net pension liability	666,775	72,448	-	739,223	-
Compensated absences	44,303	31,147	(26,012)	49,438	26,792
Total business-type activities long-term liabilities	\$ 24,574,240	\$ 353,843	\$ (1,516,093)	\$ 23,411,990	\$ 1,562,444

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

QUAIL CREEK COMMUNITY FACILITIES DISTRICT GENERAL OBLIGATION BONDS Governmental Activities

On December 6, 2016, the Quail Creek Community Facilities District issued \$9,940,000 in general obligation bonds (Series 2016) with an average interest rate of 3.026% to refund \$9,620,000 of outstanding Series 2006 bonds that had an average interest rate of 5.55%. As a result, the 2006 Series bonds are considered defeased and the associated liability has been removed from the government-wide statement of net position. The refunding was undertaken to reduce the District's total debt service payments over the next 13 years by \$1,718,325 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,176,578.

The District issued debt to provide funds for the construction and acquisition of enhanced infrastructure within the District boundaries. Of the total \$30,000,000 originally authorized from the November 8, 2005 bond election, \$17,340,000 has not been issued. Interest is payable semi-annually and is calculated based upon the principal amount of the bonds outstanding during such period. The bonds are payable from the District's property tax revenues through 2030. The District's general obligation bonds payable at June 30, 2017 follows.

Issue	Issue Amount	Interest Rates	Final Maturity	Outstanding June 30, 2017
G.O. Refunding Series 2016	\$9,940,000	2.00 - 3.25%	2031	\$ 9,940,000
		Unamortized amounts		38,664
		Total bonds outstanding		\$ 9,978,664

The following schedule provides the debt service requirements to maturity at June 30, 2017.

Year Ending June 30	Principal	Interest
2018	\$ 150,000	\$ 286,763
2019	365,000	279,463
2020	670,000	266,063
2021	685,000	245,513
2022	705,000	224,363
2023-2027	3,850,000	782,213
2028-2031	3,515,000	171,275
Total	\$ 9,940,000	\$ 2,255,651

LOANS PAYABLE Governmental Activities

The Town entered into loan agreements to provide funds for the acquisition and construction of major capital facilities. The Town has pledged future State-shared revenues and excise tax revenues towards debt service obligations. Annual principal and interest payments on the loans are expected to require approximately 20% of revenues pledged. Interest is payable semi-annually and is calculated based upon the principal amount of the loans outstanding during such period.

The aforementioned loans are payable from the revenues of the Town's governmental funds through 2029. During that timeframe, total principal and interest to be paid on the loans will be \$16,159,599. During fiscal year ended June 30, 2017, total principal and interest paid was \$1,561,066 and the total revenue subject to pledge was \$15,728,029.

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2017</u>
2009B GADA Loan	\$ 6,700,000	4.25 - 5.00%	2029	4,830,000
2015 Refunding Obligation	8,840,000	1.98%	2025	<u>8,840,000</u>
		Loans payable outstanding		\$ 13,670,000
		Unamortized amounts		(27,726)
		Total loans outstanding		<u><u>\$ 13,642,274</u></u>

The following schedule provides the debt service requirements to maturity at June 30, 2017.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,030,000	\$ 404,820
2019	1,420,000	376,614
2020	1,455,000	341,120
2021	1,490,000	304,168
2022	1,530,000	265,720
2023-2027	5,740,000	721,157
2028-2029	1,005,000	76,000
	<u>\$ 13,670,000</u>	<u>\$ 2,489,599</u>

LOANS PAYABLE
Business-type Activities

The Town has two outstanding loan agreements with the Water Infrastructure Finance Authority of Arizona (WIFA), which were used to finance the construction and design of several wastewater treatment plant expansions. Interest is payable semi-annually and is calculated based upon the principal amount of the loans outstanding during such period. Principal and interest payments to maturity are subject to change based upon the total amounts drawn down on the loans.

For the 2008 WIFA System Revenues Loan, the Town has pledged wastewater system resources, net of specified operating expenses. Annual principal and interest payments on the loan are expected to require 100% of pledged revenues. In the current year, total debt service, and total pledged resources were \$2,108,048 and \$2,708,016, respectively.

For the 2008 WIFA Non-System Revenues Loan, the Town has pledged wastewater system resources, net of specified operating expenses, and the excess of non-system revenues (i.e. excise taxes) not pledged towards other debt. Annual principal and interest payments on the loan are expected to require less than 4% of pledged resources. In the current year, total debt service and total pledged resources were \$240,804 and \$12,605,897, respectively.

<u>Issue</u>	<u>Total Drawn</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2017</u>
2008 WIFA System Revenues Loan	\$28,350,000	3.723%	2029	\$ 20,106,010
2008 WIFA Non-System Revenues Loan	\$3,516,528	3.723%	2029	<u>2,296,725</u>
		Total loans payable		<u><u>\$ 22,402,735</u></u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

The following schedule estimates total debt service requirements to maturity at June 30, 2017.

Year Ending	Principal	Interest
<u>June 30</u>		
2018	\$ 1,514,799	\$ 828,272
2019	1,571,195	771,661
2020	1,629,690	712,942
2021	1,690,364	652,037
2022	1,753,296	588,865
2023-2027	9,795,587	1,911,286
2028-2029	4,447,804	84,309
	<u>\$ 22,402,735</u>	<u>\$ 5,549,372</u>

Capital leases—The Town entered into various long-term lease agreements as lessee to finance the acquisition of buildings and vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the applicable inception dates.

	Governmental Activities	Business-type Activities
Building (construction in progress)		\$ 250,248
Vehicles	\$ 585,044	-
Less: accumulated depreciation	(110,296)	-
Total	<u>\$ 474,748</u>	<u>\$ 250,248</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Year ending June 30	Governmental Activities	Business-type Activities
2018	\$ 106,367	\$ 29,655
2019	106,367	29,654
2020	106,367	29,655
2021	132,631	29,654
2022	89,354	29,655
2023-2026	-	118,620
Total minimum lease payments	541,086	266,893
Less amount representing interest	(53,102)	(46,299)
Present value of minimum lease payment	<u>\$ 487,984</u>	<u>\$ 220,594</u>

Compensated absences—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2017, the Town paid for compensated absences as follows: 90 percent from the general fund, 9 percent from major funds, and 1 percent from other funds.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 7—SIGNIFICANT COMMITMENTS

On December 13, 2016 the Town entered into an agreement with the developer of *The Crossing at Sahuarita*—a retail development project located in the Town—to encourage economic development, including employment opportunities and generation of tax revenues and other income for the Town. The agreement stipulates that the Town will provide a credit waiver of \$500,000 to offset and defer development fees related to the project. If, by the agreement's December 31, 2026 termination date, the development employs at least 350 employees and includes at least 110,000 square feet of built, leased, and occupied businesses that employ workers, the Town will remit the unapplied (remaining) credit waiver balance to the developer. Additionally, the Town will pay an incentive of up to \$100,000, on a sliding scale, if the development provides the benefits earlier than the termination date. If the development fails to achieve the metrics before the agreement terminates, the developer will be required to pay the Town for any fees previously applied against the credit waiver. During the year, the Town applied \$82,107 of development fees against the credit waiver, leaving a balance of \$417,893 at year-end.

NOTE 8—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	\$ -	\$ 128,056
Restitution	3,277	-
Total General Fund	3,277	128,056
<u>HURF Fund</u>		
Capital grants from the State	101,907	-
Insurance claims	469	-
Restitution	1,602	-
Total HURF Fund	103,978	-
<u>CIIF Fund</u>		
Advances received to pay future project costs	-	133,810
Construction sales tax audit assessments liens	117,233	-
Capital grants from Regional Transportation Authority	6,400	-
Total CIIF Fund	123,633	133,810
<u>Quail Creek CFD Fund</u>		
Delinquent property taxes	4,643	-
Advances received for future debt payments	-	20,624
Total Quail Creek CFD Fund	4,643	20,624
<u>Nonmajor Governmental Funds</u>		
Advances received to pay for future services	-	18,445
Operating grants from other governments	3,816	-
Total Nonmajor Governmental Funds	3,816	18,445
Total for governmental funds	\$ 239,347	\$ 300,935

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 9—INTERFUND ACTIVITY

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

Due to/from other funds

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	Quail Creek CFD Fund	\$ 3,376

Advances from the General and CIIF funds relate to working capital loans made to the Wastewater Fund. No repayment is expected next year. Balances owed are expected to be paid in future years.

Advances from/to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Wastewater Fund	\$3,603,607
CIIF Fund	Wastewater Fund	<u>2,579,222</u>
Total advances from/to other funds		<u>\$6,182,829</u>

Transfers out of the General Fund were used to cover specific capital project costs incurred in CIIF and Wastewater Funds. Transfers out of the HURF Fund were used to cover specific transportation and roadway capital project costs incurred in the CIIF Fund.

Interfund transfers

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	CIIF Fund	\$ 250,000
General Fund	Wastewater Fund	9,133
HURF Fund	CIIF Fund	<u>2,315,863</u>
Total transfers		<u>\$2,574,996</u>

NOTE 10—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, 2017, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes.

<u>Statement of Net Position & Statement of Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net pension liability	\$11,879,577	\$739,223	\$12,618,800
Deferred outflows	4,122,872	172,281	4,295,153
Deferred inflows	1,381,707	98,149	1,479,856
Pension expense	2,175,637	32,358	2,207,995

The Town's accrued payroll and employee benefits includes \$18,631 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the Town reported \$960,131 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 on the basis of age, average monthly compensation, and service credit as follows:

	Retirement	
	Initial Membership Date	
	Before July 1, 2011	On or After July 1, 2011
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 percentage 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.

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, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 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 11.48 percent (10.78 percent for retirement, 0.56 percent for the health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. The Town's contributions to the pension plan for the year ended June 30, 2017 were \$635,992.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

The Town's OPEB contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Health Benefit Supplement Fund	Long-Term Disability Fund
2017	\$31,407	\$ 7,870
2016	26,604	6,385
2015	29,220	5,922

During fiscal year 2017, the Town paid for ASRS pension and OPEB contributions as follows: 82% from the General Fund and 18% from other major funds.

Pension Liability—At June 30, 2017, the Town reported a liability of \$9,213,285 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The Town's proportion of the net pension 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, 2016. The Town's proportion measured as of June 30, 2016, was 0.05708 percent, which was an increase of 0.00347 from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows/Inflows of Resources—For the year ended June 30, 2017, the Town recognized pension expense for ASRS of \$433,009. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,989	\$ 633,807
Net difference between projected and actual earnings on pension plan investments	998,413	-
Changes in assumptions	-	487,456
Changes in proportion and differences between Town contributions and proportionate share of contributions	397,835	62,409
Town contributions subsequent to the measurement date	604,585	-
Total	\$ 2,056,822	\$ 1,183,672

The \$604,585 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ (313,161)
2019	(140,737)
2020	442,511
2021	279,952

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry Age Normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 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 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate Of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

Discount Rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.75 percent. 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 statutes. Based on those assumptions, the pension plan's 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate—The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	\$ 11,747,639	\$ 9,213,285	\$ 7,181,288

Pension Plan Fiduciary Net Position—Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 and judges who were members of the plan on December 31, 2013. This plan was 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 EORP issues a publicly available financial report that includes its financial statements and required supplementary information. 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 benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012
Retirement and Disability		
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 percentage		
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+ years of service 40% with 5 to 10 years of service 20% with <5 years of service	75% with 10+ years of service 37.5% with 5 to 10 years of service 18.75% with <5 years of service
Survivor Benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members	75% of retired member's benefit	50% of retired member's benefit

*With reduced benefits of .25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. 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.

Contributions—State statutes establish active member and employer contribution requirements. Statutes also appropriate \$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, 2017, statutes require active EORP members with an initial membership date on or before July 19, 2011, to contribute 7 percent of the members' annual covered payroll. Statutes require active

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

EORP members with an initial membership date after July 19, 2011 to contribute 13 percent of the members' annual covered payroll. The Town contributes 23.5 percent of all active EORP members' annual covered payroll. The Town's contributions to the pension plan for the year ended June 30, 2017 were \$11,162. No OPEB contributions were required or made for the years ended June 30, 2015, 2016, and 2017.

During the fiscal year 2017, the Town paid for EORP pension contributions entirely from the general fund.

Pension Liability—At June 30, 2017, 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	\$ 557,845
State's proportionate share of the EORP net pension liability associated with the Town	115,181
Total	<u>\$ 673,026</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects a decrease in the investment rate of return actuarial assumption from 7.85 percent to 7.50 percent.

The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2016. The Town's proportion measured as of June 30, 2016, was .0590467 percent, which was an increase of .0062947 higher from its proportion measured as of June 30, 2015.

The collective net pension liability measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town's proportionate share of the collective net pension liability as a result of these changes is not known.

Pension Expense and Deferred Outflows/Inflows of Resources—For the year ended June 30, 2017, the Town recognized pension expense for EORP of \$141,733 and revenue of \$30,736 for the Town's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,490
Net difference between projected and actual earnings on pension plan investments	12,922	-
Changes of assumptions or other inputs	62,632	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,751	13,239
Town contributions subsequent to the measurement date	11,162	-
Total	<u>\$ 110,467</u>	<u>\$ 23,729</u>

The \$11,162 reported as deferred outflows of resources related to EORP pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Year Ended June 30,	
2018	\$47,632
2019	20,660
2020	4,696
2021	2,588

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Investment rate of return	7.50%
Projected salary increases	4.25%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.50 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 arithmetic real rates of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Short-term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	100%	

Discount Rate—At June 30, 2016, the discount rate used to measure the EORP total pension liability was 3.68 percent, which was a decrease of 1.18 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.50 percent was applied to periods of projected benefit payments through the year ended June 30, 2027. A municipal bond rate of 2.85 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2016, was applied to periods of projected benefit payments after June 30, 2027.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Sensitivity of the Town's Proportionate Share of the EORP Net Pension Liability to Changes in the Discount Rate—The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 3.68 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.68 percent) or 1 percentage point higher (4.68 percent) than the current rate:

	1% Decrease (2.68%)	Current Discount Rate (3.68%)	1% Increase (4.68%)
Town's proportionate share of the net pension liability	\$ 649,360	\$ 557,845	\$ 481,454

Pension Plan Fiduciary Net Position—Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan Description—Town police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A nine-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 their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

Employees Covered by Benefit Terms—At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	5
Active employees	40
Total	47

Benefits Provided—The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of 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, 2017

	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012
<u>Retirement</u>		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, 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 percentage 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%	2.5% per year of credited service, not to exceed 80%
<u>Disability Retirement</u>		
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	
Catastrophic 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 excess investment earning. 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. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Contributions and Annual OPEB Cost—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. In addition, the Town was required by statute to make contributions for retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the PSPRS. Contributions rates for the year ended June 30, 2017, are indicated on the following table. Rates are a percentage of active members' annual covered payroll.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

	Contributions	
	Standard Rate	Alternate Rate
Active Members - Pension	7.65%	-
Town		
Pension	12.42%	7.91%
Health Insurance Premium Benefit	0.50%	0.09%

For the year ended June 30, 2017, the Town's contributions to the pension plan and health insurance premium benefit totaled \$395,158 and \$15,846, respectively. The annual OPEB cost was \$15,846. During fiscal year 2017, the Town paid for PSPRS pension and OPEB contributions as follows: 97% from the General Fund and 3% from other funds.

Pension Liability—At June 30, 2017, the Town reported a net pension liability of \$2,847,670. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2017 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the Town's net pension liability as a result of the statutory adjustments is not known.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town's net pension liabilities as a result of these changes is not known.

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Investment rate of return, net of expenses	7.50%
Projected salary increases	4.0 - 8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 table (adjusted +105%)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50 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 arithmetic 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, 2017

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
U.S. equity	16%	6.23%
Non-U.S. equity	14%	8.25%
Private equity	11%	9.50%
Fixed income	7%	2.92%
Credit opportunities	13%	7.08%
Absolute return	5%	4.11%
GTAA	10%	4.38%
Real assets	8%	4.77%
Real estate	10%	4.48%
Risk parity	4%	5.13%
Short-term invstmnts	2%	0.75%
Total	<u>100%</u>	

Pension Discount Rates—At June 30, 2016 the discount rate used to measure the total pension liabilities was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. 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 pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Agent Plans Net Pension Liability—The following tables present changes in the Town's net pension liability for the PSPRS pension plan as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016	\$ 8,212,260	\$ 8,174,430	\$ 37,830
Changes for the year:			
Service cost	599,492	-	599,492
Interest on the total pension liability	664,509	-	664,509
Changes of benefit terms	1,262,877	-	1,262,877
Differences between expected and actual experience in the measurement of the pension liability	709,724	-	709,724
Changes of assumptions or other inputs	495,755	-	495,755
Contributions-employer	-	390,062	(390,062)
Contributions-employee	-	344,000	(344,000)
Net investment income	-	49,360	(49,360)
Benefit payments, including refunds of employee contributions	(93,858)	(93,858)	-
Administrative expenses	-	(7,503)	7,503
Other (net transfer)	-	146,598	(146,598)
Net changes	<u>3,638,499</u>	<u>828,659</u>	<u>2,809,840</u>
Balance at June 30, 2017	<u>\$ 11,850,759</u>	<u>\$ 9,003,089</u>	<u>\$ 2,847,670</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Sensitivity of the Town's Net Pension Liability to Changes in the Discount Rate—The following table presents the Town's net pension liabilities (assets) calculated using the discount rates noted above, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Town's proportionate share of the net pension liability	\$ 4,810,445	\$ 2,847,670	\$ 1,261,415

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

Pension Expense—For the year ended June 30, 2017, the Town recognized a pension expense of \$1,633,253.

Pension Deferred Outflows/Inflows of Resources—At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 616,749	\$ 272,455
Net difference between projected and actual earnings on pension plan investments	554,269	-
Changes of assumptions	561,687	-
Town contributions subsequent to the measurement date	395,158	-
Total	\$ 2,127,863	\$ 272,455

The \$395,158 reported as deferred outflows of resources related to PSPRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ 255,863
2019	255,863
2020	324,057
2021	259,950
2022	135,366
Thereafter	229,151

Agent Plan OPEB Actuarial Assumptions—The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements are as follows:

OPEB Contribution Requirements

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for underfunded accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4% - 8%
Wage growth	4%

Agent Plan OPEB Trend Information—The table on the following page presents the annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2017	\$14,169	100%	\$ -
2016	16,249	100%	-
2015	27,725	100%	-

Agent Plan OPEB Funded Status—The health insurance premium benefit plan's funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

Actuarial value of assets (a)	\$	306,118
Actuarial accrued liability (b)		379,881
Unfunded actuarial accrued liability (b)-(a)		73,763
Funded ratio (a)/(b)		80.58%
Annual covered payroll (c)	\$	3,046,197
Unfunded actuarial accrued liability as a percentage of covered payroll (b)-(a)/(c)		2.42%

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

The actuarial methods and assumptions used for the health insurance premium benefit plan (unless noted), and for the most recent valuation date are as follows:

<u>OPEB Funded Status</u>	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for underfunded accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4% - 8%
Wage growth	4%

NOTE 11—RISK MANAGEMENT

The Town of Sahuarita, Arizona is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool (AMRRP), of which the Town is a participating member. The limit for the basic coverage is for \$2 million per occurrence on a claims-made basis. Excess coverage is for an additional \$10 million per occurrence on a follow form, claims-made basis. Losses have not exceeded these coverage limits in any of the past three 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

A. Expenditure Limitation

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

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

B. Budgetary Information

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

In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget to the Town Council for

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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. The Town's department heads may make transfers of appropriations within a department. Transfers of appropriations from funds, contingency reserves, or between departments require the approval of the Town Council.

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

C. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following General Fund departments or divisions, and functions of other funds:

<u>General Fund</u>	
Planning & Building Department-Zoning Division	\$ 4,790
Police Department	124,076
<u>Quail Creek CFD Fund</u>	
Culture and recreation	\$ 15,679
Debt service-interest	87,422
Debt service-debt issuance costs	287,273
<u>Capital Infrastructure Improvement Fund</u>	
Debt service-principal	\$ 69,731
Debt service-interest	16,973
<u>Rancho Sahuarita CFD Fund</u>	
General government	\$ 241
Highways and streets	20,681
<u>Grants and Restricted Sources Fund</u>	
General government	\$ 1,053

These negative budget variances were funded from positive budget variances in other accounts of the same fund.

NOTE 13—RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE

The Town's Wastewater Utility generates long-term storage credits for effluent recharge. These credits are not available for use in operations. Instead the credits are held for sale. Accordingly, the Town reported a change in accounting principle to record their value in the Wastewater Enterprise Fund and Business-type Activities as a marketable investment.

	Wastewater Enterprise Fund
Beginning net position (as previously stated)	\$ 20,801,666
Prior period adjustment	871,752
Beginning net position (as restated)	\$ 21,673,418

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 14—SPECIAL ITEM, IMPAIRMENT LOSS

During the year, the Town retired the Wastewater Package Plant, a capital asset of the Wastewater Enterprise Fund. The plant was not in use and would require significant restoration costs in order to bring it up to a usable condition. Moreover, the Wastewater Department could not identify any foreseeable uses for the plant in the future. As such, the plant was considered to be impaired, resulting in an impairment loss of \$1,840,453, equivalent to the book value of the package plant at year-end.

NOTE 15—SUBSEQUENT EVENT

On November 7, 2017, the Town entered into a \$4,213,000 loan with Chase Bank to advance refund \$3,855,000 of the GADA 20009B Loan outstanding principal balance. This will reduce total debt service payments over the next 12 years by \$564,457 and will result in net present value savings of \$503,512.



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
Required Supplementary
Information Other Than MD&A

Town of Sahuarita, Arizona

Schedule of Town's Proportionate Share of Net Pension Liability and Contributions Arizona State Retirement System Cost-Sharing Defined Benefit Plan Last 10 Years

Reporting fiscal year ending June 30, (Measurement Date)	<u>2017</u> <u>(2016)</u>	<u>2016</u> <u>(2015)</u>	<u>2015</u> <u>(2014)</u>	<u>2014-2008</u> <u>(2013-2007)</u>
<u>Net pension liability</u>				
Proportion of the collective net pension liability	0.057080%	0.053610%	0.053523%	Information
Proportionate share of the collective net pension liability	\$ 9,213,285	\$ 8,350,625	\$ 7,919,591	Not Available
Covered payroll	\$ 5,325,968	\$ 4,833,886	\$ 4,206,647	
Proportionate share of the collective net pension liability as a percentage of the covered payroll	172.99%	172.75%	188.26%	
Pension plan's fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	
<u>Contributions</u>				
Required employer contributions	\$ 604,585	\$ 577,305	\$ 516,246	\$ 514,170
Actual employer contributions	604,585	577,305	516,246	514,170
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,791,802	\$ 5,325,968	\$ 4,833,886	\$ 4,206,647
Actual contribution as a percentage of covered payroll	10.44%	10.84%	10.68%	12.22%

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

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

Reporting fiscal year ending June 30, (Measurement Date)	2017 (2016)	2016 (2015)	2015 (2014)	2014-2008 (2013-2007)	
Net pension liability					
Proportion of the collective net pension liability	0.0590467%	0.0527520%	0.0650056%		Information
Proportionate share of the collective net pension liability	\$ 557,845	\$ 412,231	\$ 435,909		Not Available
Covered payroll	\$ 46,800	\$ 46,800	\$ 46,800		
Proportionate share of the collective net pension liability as a percentage of the covered payroll	1191.98%	880.84%	931.43%		
Pension plan's fiduciary net position as a percentage of the total pension liability	31.91%	31.91%	31.91%		
Contributions					
Required employer contributions	\$ 11,162	\$ 10,501	\$ 13,851	\$ 14,784	Information
Actual employer contributions	11,162	10,501	13,851	14,784	Not Available
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 46,800	\$ 46,800	\$ 46,800	\$ 46,800	
Actual contribution as a percentage of covered payroll	23.85%	22.44%	29.60%	31.59%	

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona
Schedule of Net Pension Liability, Contributions, and Related Ratios
Public Safety Personnel Retirement System
Agent Defined Benefit Plan
Last 10 Years

Reporting fiscal year ending June 30, (Measurement date)	2017 (2016)	2016 (2015)	2015 (2014)	2014-2008 (2013-2007)
Total Pension Liability				
Service cost	\$ 599,492	\$ 499,231	\$ 476,570	Information
Interest on the total pension liability	664,509	600,242	520,977	Not Available
Benefit changes	1,262,877	-	(20,272)	
Difference between expected and actual experience	709,724	(251,049)	(129,225)	
Assumptions changes	495,755	-	202,160	
Benefit payments, including refunds of employee contributions	<u>(93,858)</u>	<u>(65,881)</u>	<u>(37,716)</u>	
Net Change in total pension liability	3,638,499	782,543	1,012,494	
Total pension liability-beginning	<u>8,212,260</u>	<u>7,429,717</u>	<u>6,417,223</u>	
Total pension liability-ending (a)	<u>\$11,850,759</u>	<u>\$8,212,260</u>	<u>\$7,429,717</u>	
Plan Fiduciary Net Position				
Employer contributions	\$ 390,062	\$ 468,919	\$ 314,125	
Employee contributions	344,000	285,067	260,111	
Pension plan net investment income	49,360	273,195	833,960	
Benefit payments, including refunds of employee contributions	(93,858)	(65,881)	(37,716)	
Administrative expenses	(7,503)	(7,054)	(6,717)	
Other (net transfer)	<u>146,598</u>	<u>(5,560)</u>	<u>41,203</u>	
Net Change in Plan Fiduciary Net Position	828,659	948,686	1,404,966	
Plan Fiduciary Net Position-Beginning	<u>8,174,430</u>	<u>7,225,744</u>	<u>5,820,778</u>	
Plan Fiduciary Net Position-Ending (b)	<u>\$ 9,003,089</u>	<u>\$ 8,174,430</u>	<u>\$ 7,225,744</u>	
Net Pension Liability/(Asset)-Ending (a) - (b)	\$ 2,847,670	\$ 37,830	\$ 203,973	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.97%	99.54%	97.25%	
Covered Payroll	\$ 2,967,907	\$ 2,619,917	\$ 2,590,252	
Net Pension Liability as a Percentage of Covered Payroll	95.95%	1.44%	7.87%	
Contributions				
Required employer contributions	\$ 395,158	\$ 390,062	\$ 468,919	\$ 314,125
Actual employer contributions	<u>395,158</u>	<u>390,062</u>	<u>468,919</u>	<u>314,125</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,309,770	\$ 2,967,907	\$ 2,619,917	\$ 2,590,252
Actual contribution as a percentage of covered payroll	11.94%	13.14%	17.90%	12.13%

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona
 Schedule of Agent OPEB Plan's Funding Progress
 Public Safety Personnel Retirement System (PSPRS)
 Last 3 Years

Other Post Employment Benefit (Health Insurance Premium Benefit)

Actuarial Valuation Date June 30	Actuarial Valuation Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL	Percent Funded	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2014	\$ 218,180	\$ 297,184	\$ 79,004	73.4%	\$ 2,590,256	3.05%
2015	270,588	311,328	40,740	86.9%	2,619,917	1.56%
2016	306,118	379,881	73,763	80.6%	3,046,197	2.42%

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2017

NOTE 1—ACTUARIALY 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 Level	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period as of the 2015 Actuarial Valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
<u>Actuarial Assumptions:</u>	
Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected Salary Increases	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%.
Wage Growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%.
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	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2—FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the Town's net pension liability and related ratios. These changes also increased the PSPRS required contributions beginning in fiscal year 2016 in the schedule of county pension contributions.



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Combining Statements
and Other Schedules**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Rancho Sahuarita Community Facilities District—accounts for accounts for the District's secondary property tax revenues, and costs for operations and maintenance, acquisition, and construction of major capital facilities within the District's boundaries.

Grants and Restricted Sources (GARS) Fund—accounts for revenues and other sources with purpose restrictions that are not accounted for in other funds.

Town of Sahuarita, Arizona

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

	SPECIAL REVENUE FUNDS		Total Nonmajor Governmental Funds
	Rancho Sahuarita CFD Fund	GARS Fund	
Assets			
Cash and investments	\$ 13,448	\$ 364,554	\$ 378,002
Receivables	-	77,154	77,154
Restricted assets	-	64,509	64,509
Total assets	\$ 13,448	\$ 506,217	\$ 519,665
Liabilities			
Payables:			
Accounts	\$ 1,688	\$ 15,636	\$ 17,324
Unearned revenues	11,760	6,685	18,445
Total liabilities	13,448	22,321	35,769
Deferred inflows of resources			
Unavailable revenues	-	3,816	3,816
Total deferred inflows of resources	-	3,816	3,816
Fund balances			
Restricted:			
Municipal Court	-	45,562	45,562
Law enforcement	-	434,518	434,518
Total fund balances	-	480,080	480,080
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,448	\$ 506,217	\$ 519,665

Town of Sahuarita, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2017

	SPECIAL REVENUE FUNDS		Total Nonmajor Governmental Funds
	Rancho Sahuarita CFD Fund	GARS Fund	
Revenues			
Taxes	\$ 2,303	\$ -	\$ 2,303
Intergovernmental	-	372,109	372,109
Charges for services	-	11,250	11,250
Fines and forfeitures	-	29,293	29,293
Investment earnings	142	2,617	2,759
Miscellaneous	17,493	42,652	60,145
Total revenues	19,938	457,921	477,859
Expenditures			
Current:			
General government	1,401	22,053	23,454
Public safety	-	485,695	485,695
Highways and streets	20,681	-	20,681
Culture and recreation	-	13,975	13,975
Total expenditures	22,082	521,723	543,805
Net change in fund balances	(2,144)	(63,802)	(65,946)
Fund balance at beginning of year	2,144	543,882	546,026
Fund balance at end of year	\$ -	\$ 480,080	\$ 480,080

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, 2017

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,912,970	\$ 1,912,970	\$ 1,864,823	\$ (48,147)
Licenses and permits	-	-	3,600	3,600
Intergovernmental	1,185,590	1,185,590	113,779	(1,071,811)
Investment earnings	73,360	73,360	42,565	(30,795)
Miscellaneous	-	-	122,516	122,516
Total revenues	<u>3,171,920</u>	<u>3,171,920</u>	<u>2,147,283</u>	<u>(1,024,637)</u>
Expenditures				
Capital outlay:				
General government	2,319,220	2,319,220	752,826	1,566,394
Public safety	330,000	330,000	325,009	4,991
Highways and streets	5,387,500	5,387,500	2,718,732	2,668,768
Culture and recreation	812,000	812,000	111,166	700,834
Total capital outlay	<u>8,848,720</u>	<u>8,848,720</u>	<u>3,907,733</u>	<u>4,940,987</u>
Debt service:				
Principal	1,105,000	1,105,000	1,174,731	(69,731)
Interest	457,860	457,860	474,833	(16,973)
Fiscal charges	5,000	5,000	1,900	3,100
Total debt service	<u>1,567,860</u>	<u>1,567,860</u>	<u>1,651,464</u>	<u>(83,604)</u>
Contingency reserves	4,011,990	4,011,990	-	4,011,990
Total expenditures	<u>14,428,570</u>	<u>14,428,570</u>	<u>5,559,197</u>	<u>8,869,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,256,650)</u>	<u>(11,256,650)</u>	<u>(3,411,914)</u>	<u>7,844,736</u>
Other financing sources (uses)				
Capital leases	-	-	298,609	298,609
Transfers in	5,381,250	5,381,250	2,565,863	(2,815,387)
Total other financing sources (uses)	<u>5,381,250</u>	<u>5,381,250</u>	<u>2,864,472</u>	<u>(2,516,778)</u>
Net change in fund balance	(5,875,400)	(5,875,400)	(547,442)	5,327,958
Fund balance at beginning of year	5,875,400	5,875,400	6,470,043	594,643
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,922,601</u>	<u>\$ 5,922,601</u>

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, 2017

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,300	\$ 2,300	\$ 2,303	\$ 3
Investment earnings	250	250	142	(108)
Miscellaneous	-	-	17,493	17,493
Total revenues	<u>2,550</u>	<u>2,550</u>	<u>19,938</u>	<u>17,388</u>
Expenditures				
Current:				
General government	1,160	1,160	1,401	(241)
Highways and streets	-	-	20,681	(20,681)
Total current	<u>1,160</u>	<u>1,160</u>	<u>22,082</u>	<u>(20,922)</u>
Contingency reserves	<u>3,070</u>	<u>3,070</u>	-	3,070
Total expenditures	<u>4,230</u>	<u>4,230</u>	<u>22,082</u>	<u>(17,852)</u>
Net change in fund balance	(1,680)	(1,680)	(2,144)	(464)
Fund balance at beginning of year	1,680	1,680	2,144	464
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Sahuarita, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual Grants and Restricted Sources Fund—Special Revenue Fund For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 480,930	\$ 480,930	\$ 372,109	\$ (108,821)
Charges for services	15,000	15,000	11,250	(3,750)
Fines and forfeitures	160,870	160,870	29,293	(131,577)
Investment earnings	4,490	4,490	2,617	(1,873)
Miscellaneous	44,000	44,000	42,652	(1,348)
Total revenues	<u>705,290</u>	<u>705,290</u>	<u>457,921</u>	<u>(247,369)</u>
Expenditures				
Current:				
General government	21,000	21,000	22,053	(1,053)
Public safety	802,730	802,730	485,695	317,035
Culture and recreation	15,000	15,000	13,975	1,025
Contingency reserves	438,960	438,960	-	438,960
Total expenditures	<u>1,277,690</u>	<u>1,277,690</u>	<u>521,723</u>	<u>755,967</u>
Excess (deficiency) of revenues over (under) expenditures	(572,400)	(572,400)	(63,802)	508,598
Fund balance at beginning of year	<u>572,400</u>	<u>572,400</u>	<u>543,882</u>	<u>(28,518)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480,080</u>	<u>\$ 480,080</u>



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
Statistical Section

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									
	<u>2008*</u>	<u>2009*</u>	<u>2010*</u>	<u>2011*</u>	<u>2012*</u>	<u>2013</u>	<u>2014</u>	<u>2015**</u>	<u>2016^</u>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$69,548,343	\$70,498,019	\$92,638,327	\$96,700,769	\$96,269,746	\$106,716,456	\$117,809,456	\$124,700,350	\$123,086,910	\$118,091,715
Restricted	1,966,475	412,108	440,452	521,782	822,200	1,004,816	1,054,409	1,097,795	1,333,299	1,528,779
Unrestricted	29,551,602	31,814,628	29,134,562	27,649,185	28,107,883	27,969,865	26,556,831	16,575,691	16,662,435	15,111,723
Total governmental activities net assets	<u>\$101,066,420</u>	<u>\$102,724,755</u>	<u>\$122,213,341</u>	<u>\$124,871,736</u>	<u>\$125,199,829</u>	<u>\$135,691,137</u>	<u>\$145,420,696</u>	<u>\$142,373,836</u>	<u>\$141,082,644</u>	<u>\$134,732,217</u>
Business-type activities										
Net investment in capital assets	\$21,961,024	\$21,469,386	\$22,472,627	\$23,029,268	\$23,100,686	\$23,016,012	\$22,959,593	\$23,334,636	\$23,918,576	\$22,579,671
Restricted	-	421,610	843,219	1,264,829	1,686,448	2,108,048	2,108,048	2,858,048	2,858,048	2,858,048
Unrestricted	(4,419,912)	(4,593,310)	(2,436,656)	(4,601,737)	(4,252,577)	(4,709,397)	(4,172,413)	(5,789,541)	(5,103,206)	(5,758,472)
Total business-type activities net assets	<u>\$17,541,112</u>	<u>\$17,297,686</u>	<u>\$20,879,190</u>	<u>\$19,692,360</u>	<u>\$20,534,557</u>	<u>\$20,414,663</u>	<u>\$20,895,228</u>	<u>\$20,403,143</u>	<u>\$21,673,418</u>	<u>\$19,679,247</u>
Primary government										
Net investment in capital assets	\$91,509,367	\$91,967,405	\$115,110,954	\$119,730,037	\$119,370,432	\$129,732,468	\$140,769,049	\$148,034,986	\$147,005,486	\$140,671,386
Restricted	1,966,475	833,718	1,283,671	1,786,611	2,508,648	3,112,864	3,162,457	3,955,843	4,191,347	4,386,827
Unrestricted	25,131,690	27,221,318	26,697,906	23,047,448	23,855,306	23,260,468	22,384,418	10,786,150	11,559,229	9,353,251
Total primary government net assets	<u>\$118,607,532</u>	<u>\$120,022,441</u>	<u>\$143,092,531</u>	<u>\$144,564,096</u>	<u>\$145,734,386</u>	<u>\$156,105,800</u>	<u>\$166,315,924</u>	<u>\$162,776,979</u>	<u>\$162,756,062</u>	<u>\$154,411,464</u>

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

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

^ Includes prior period restatement to business-type activities.

Town of Sahuarita, Arizona

Changes in Net Position

Last 10 Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	2008*	2009*	2010*	2011*	2012*	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 4,214,983	\$ 4,478,612	\$ 4,339,260	\$ 4,244,787	\$ 4,127,397	\$ 4,510,041	\$ 4,678,867	\$ 5,222,615	\$ 5,388,608	\$ 5,839,797
Public safety	6,619,502	6,887,246	6,536,511	6,658,482	6,428,351	6,585,275	6,586,449	6,881,354	7,384,262	9,572,787
Highways and streets	3,766,718	4,824,811	5,214,597	6,760,320	7,400,954	7,225,326	7,224,948	7,351,674	8,163,637	9,646,426
Culture and recreation	1,423,812	1,545,515	1,851,245	1,830,300	1,971,790	2,023,125	2,277,660	2,076,948	2,222,681	2,377,461
Interest, amortization and issuance costs of long-term debt	1,509,529	1,456,509	1,632,328	1,547,519	1,498,452	1,445,431	1,388,415	1,332,284	1,054,164	1,393,696
Total governmental activities expenses	<u>17,534,544</u>	<u>19,192,693</u>	<u>19,573,941</u>	<u>21,041,408</u>	<u>21,426,944</u>	<u>21,789,198</u>	<u>22,156,339</u>	<u>22,864,875</u>	<u>24,213,352</u>	<u>28,830,167</u>
Business-type activities:										
Sewer	2,732,117	3,053,431	3,122,804	3,072,970	3,563,460	3,675,890	3,523,158	3,722,561	4,000,415	3,872,306
Total business-type activities expenses	<u>2,732,117</u>	<u>3,053,431</u>	<u>3,122,804</u>	<u>3,072,970</u>	<u>3,563,460</u>	<u>3,675,890</u>	<u>3,523,158</u>	<u>3,722,561</u>	<u>4,000,415</u>	<u>3,872,306</u>
Total primary government expenses	<u>\$ 20,266,661</u>	<u>\$ 22,246,124</u>	<u>\$ 22,696,745</u>	<u>\$ 24,114,378</u>	<u>\$ 24,990,404</u>	<u>\$ 25,465,088</u>	<u>\$ 25,679,497</u>	<u>\$ 26,587,436</u>	<u>\$ 28,213,767</u>	<u>\$ 32,702,473</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 335,242	\$ 471,217	\$ 342,413	\$ 455,865	\$ 348,701	\$ 378,578	\$ 424,426	\$ 391,278	\$ 419,942	\$ 350,842
Public safety	3,334,354	2,189,179	1,683,220	1,066,204	1,294,328	1,315,158	947,254	1,087,329	1,375,991	1,327,093
Culture and recreation	119,869	139,735	140,422	153,157	103,665	99,350	90,545	133,340	121,980	134,009
Operating grants and contributions	1,488,296	1,470,809	1,374,028	1,722,145	2,135,292	2,142,958	2,079,460	2,132,244	2,404,762	2,528,735
Capital grants and contributions	5,241,479	1,977,750	23,193,692	9,251,463	4,856,818	13,759,635	14,274,634	10,899,898	3,992,375	2,534,706
Total governmental activities program revenues	<u>10,519,240</u>	<u>6,248,690</u>	<u>26,733,775</u>	<u>12,648,834</u>	<u>8,738,804</u>	<u>17,695,679</u>	<u>17,816,319</u>	<u>14,644,089</u>	<u>8,315,050</u>	<u>6,875,385</u>
Business-type activities										
Charges for services:										
Sewer	2,444,392	2,706,310	2,903,252	2,637,032	4,409,305	3,524,391	3,349,567	3,254,711	3,393,582	3,407,229
Operating grants and contributions	35,000	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,371,202	-	3,809,800	416,636	-	-	-	-	250,000	-
Total business-type activities program revenues	<u>3,850,594</u>	<u>2,706,310</u>	<u>6,713,052</u>	<u>3,053,668</u>	<u>4,409,305</u>	<u>3,524,391</u>	<u>3,349,567</u>	<u>3,254,711</u>	<u>3,643,582</u>	<u>3,407,229</u>
Total primary government program revenues	<u>\$ 14,369,834</u>	<u>\$ 8,955,000</u>	<u>\$ 33,446,827</u>	<u>\$ 15,702,502</u>	<u>\$ 13,148,109</u>	<u>\$ 21,220,070</u>	<u>\$ 21,165,886</u>	<u>\$ 17,898,800</u>	<u>\$ 11,958,632</u>	<u>\$ 10,282,614</u>
Net (Expenses)/Revenues										
Governmental activities	\$ (7,015,304)	\$(12,944,003)	\$ 7,159,834	\$ (8,392,574)	\$(12,688,140)	\$ (4,093,519)	\$ (4,340,020)	\$ (8,220,786)	\$(15,898,302)	\$(21,954,782)
Business-type activities	1,118,477	(347,121)	3,590,248	(19,302)	845,845	(151,499)	(173,591)	(467,850)	(356,833)	(465,077)
Total primary government (expense)/revenue	<u>\$ (5,896,827)</u>	<u>\$ (13,291,124)</u>	<u>\$ 10,750,082</u>	<u>\$ (8,411,876)</u>	<u>\$ (11,842,295)</u>	<u>\$ (4,245,018)</u>	<u>\$ (4,513,611)</u>	<u>\$ (8,688,636)</u>	<u>\$ (16,255,135)</u>	<u>\$ (22,419,859)</u>

(continued)

Town of Sahuarita, Arizona

Changes in Net Position

Last 10 Fiscal Years

(accrual basis of accounting)

(Unaudited)

(concluded)

	Fiscal Year									
	2008*	2009*	2010*	2011*	2012*	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 114,727	\$ 247,864	\$ 272,396	291,464	289,751	289,408	299,920	354,728	411,260	468,496
Sales taxes	10,538,648	8,787,580	7,074,851	6,456,154	6,279,865	7,487,481	6,916,291	6,601,243	7,101,219	6,955,290
Franchise taxes	273,894	293,812	302,295	308,900	313,653	310,304	303,598	316,332	318,035	310,987
Share of state income taxes	1,968,813	2,068,932	1,806,256	1,361,686	2,131,878	2,580,152	2,815,436	3,057,758	3,041,180	3,470,987
Share of state sales taxes	1,285,736	1,113,089	1,026,662	1,144,921	1,973,746	2,067,495	2,198,614	2,308,388	2,385,534	2,620,019
Share of state vehicle license tax	617,476	588,042	550,098	544,747	911,007	925,392	962,878	1,006,277	1,058,242	1,215,841
Grants and contributions not restricted to specific programs	136,047	122,154	108,854	-	-	-	-	-	-	276,843
Investment earnings	1,702,153	593,201	330,383	232,639	337,457	59,754	368,272	191,184	319,547	171,364
Miscellaneous	61,494	787,664	856,957	852,403	778,876	864,841	897,650	856,915	705,337	123,661
Transfers	-	-	-	(141,945)	-	-	(693,080)	(699,540)	(733,244)	(9,133)
Total governmental activities	16,698,988	14,602,338	12,328,752	11,050,969	13,016,233	14,584,827	14,069,579	13,993,285	14,607,110	15,604,355
Business-type activities										
Investment earnings (losses)	68,299	(1,083)	(8,744)	(21,574)	(45,978)	(16,707)	(41,352)	-	-	205,674
Miscellaneous	-	104,778	-	442	42,330	48,312	2,428	1,612	22,112	96,552
Extraordinary or special items	(3,670,641)	-	-	(1,288,341)	-	-	-	-	-	(1,840,453)
Transfers	-	-	-	141,945	-	-	693,080	699,540	733,244	9,133
Total business-type activities	(3,602,342)	103,695	(8,744)	(1,167,528)	(3,648)	31,605	654,156	701,152	755,356	(1,529,094)
Total primary government	\$ 13,096,646	\$ 14,706,033	\$ 12,320,008	\$ 9,883,441	\$ 13,012,585	\$ 14,616,432	\$ 14,723,735	\$ 14,694,437	\$ 15,362,466	\$ 14,075,261
Change in Net Position										
Governmental activities	\$ 9,683,684	\$ 1,658,335	\$ 19,488,586	\$ 2,658,395	\$ 328,093	\$ 10,491,308	\$ 9,729,559	\$ 5,772,499	\$ (1,291,192)	\$ (6,350,427)
Business-type activities	(2,483,865)	(243,426)	3,581,504	(1,186,830)	842,197	(119,894)	480,565	233,302	398,523	(1,994,171)
Total primary government	\$ 7,199,819	\$ 1,414,909	\$ 23,070,090	\$ 1,471,565	\$ 1,170,290	\$ 10,371,414	\$ 10,210,124	\$ 6,005,801	\$ (892,669)	\$ (8,344,598)

* Due to the implementation of GASB 63 & GASB 65, the expense reported in the governmental activities for the amortization of debt issuance costs has been restated for FY 2008 - 2012.

Town of Sahuarita, Arizona

Fund Balances-Governmental Funds

Last 10 Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund										
Non-spendable			\$ 69,839	\$ 149,885	\$ 2,225,140	\$ 2,043,561	\$ 1,702,265	\$ 2,767,627	\$ 2,620,695	\$ 3,644,673
Restricted			50,000	101,450	166,658	137,294	-	-	-	-
Committed			-	3,865,030	-	3,772,040	3,810,700	3,947,700	4,336,250	4,752,160
Assigned			-	-	-	-	-	-	500,000	500,000
Unassigned			15,102,726	9,325,017	12,154,613	10,123,613	11,377,733	10,761,488	11,233,923	10,397,422
Reserved	\$ 71,021	\$ 87,789								
Unreserved	12,816,510	15,492,359								
Total general fund	\$ 12,887,531	\$ 15,580,148	\$ 15,222,565	\$ 13,441,382	\$ 14,546,411	\$ 16,076,508	\$ 16,890,698	\$ 17,476,815	\$ 18,690,868	\$ 19,294,255
All Other Governmental Funds										
Non-spendable			\$ 1,698	\$ 1,822	\$ 2,017,562	\$ 2,545,717	\$ 2,545,717	\$ -	\$ 4,250	\$ -
Restricted			390,452	420,332	654,018	822,403	952,732	1,029,692	1,216,960	1,416,342
Committed			-	4,065,020	-	-	-	-	-	-
Assigned			13,823,584	5,176,598	9,387,325	10,068,691	5,762,916	5,092,915	6,470,043	5,922,601
Unassigned			(3,392)	(46,656)	(402,000)	-	-	-	(3,750)	-
Reserved	\$ -	\$ -								
Unreserved, reported in:										
Special revenue funds	20,305,049	19,038,460								
Total all other governmental funds	\$ 20,305,049	\$ 19,038,460	\$ 14,212,342	\$ 9,617,116	\$ 11,656,905	\$ 13,436,811	\$ 9,261,365	\$ 6,122,607	\$ 7,687,503	\$ 7,338,943
Total governmental funds	\$ 33,192,580	\$ 34,618,608	\$ 29,434,907	\$ 23,058,498	\$ 26,203,316	\$ 29,513,319	\$ 26,152,063	\$ 23,599,422	\$ 26,378,371	\$ 26,633,198

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

Town of Sahuarita, Arizona
Changes in Fund Balances-Governmental Funds
Last 10 Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 10,598,868	\$ 9,314,734	\$ 7,673,943	\$ 7,055,647	\$ 6,884,758	\$ 8,082,127	\$ 7,522,856	\$ 7,272,556	\$ 7,833,935	\$ 7,733,916
Licenses and permits	2,901,993	1,989,607	1,622,262	801,119	1,034,299	1,202,273	779,759	1,112,125	1,442,097	1,400,104
Intergovernmental	8,064,243	6,522,683	11,003,718	7,137,531	13,405,385	24,324,397	15,007,062	18,033,692	12,968,488	12,287,093
Charges for services	686,951	1,115,383	1,148,856	1,080,804	997,209	941,508	885,253	818,730	897,726	790,468
Fines and forfeitures	490,311	276,177	274,666	456,552	541,803	398,853	437,903	305,497	284,850	220,717
Investment earnings	1,702,153	593,201	330,383	232,639	337,457	59,754	368,272	191,184	319,547	171,364
Miscellaneous	144,634	818,057	856,957	852,159	877,867	883,130	903,525	948,880	3,674,431	516,844
Total revenues	24,589,153	20,629,842	22,910,785	17,616,451	24,078,778	35,892,042	25,904,630	28,682,664	27,421,074	23,120,506
Expenditures										
General government	3,894,607	4,473,469	4,059,896	4,172,960	4,157,867	4,225,983	4,251,121	4,789,425	4,949,318	5,248,825
Public safety	6,574,466	6,782,108	6,235,440	6,569,662	6,368,664	6,344,200	6,298,986	6,790,927	7,265,205	8,032,783
Highways and streets	1,326,740	1,485,275	1,437,544	1,520,360	1,357,869	1,636,412	1,752,307	1,680,784	1,677,927	1,952,810
Culture and recreation	1,577,739	1,373,622	1,299,302	1,200,861	1,304,619	1,327,626	1,308,499	1,460,244	1,522,317	1,657,399
Capital outlay	18,027,511	9,341,870	12,452,537	7,577,113	4,934,050	16,244,947	12,156,038	13,161,400	6,203,139	3,907,733
Debt service:										
Principal	560,000	905,000	940,000	1,225,000	1,275,000	1,320,000	1,380,000	1,440,000	1,532,317	10,944,731
Interest	1,383,521	1,361,120	1,661,354	1,578,890	1,529,366	1,477,721	1,420,705	1,207,835	1,039,066	910,645
Fiscal charges	165,758	12,287	8,413	6,069	6,525	5,150	5,150	5,150	5,919	5,650
Debt issuance costs	-	122,853	-	-	-	-	-	113,190	-	492,273
Total expenditures	33,510,342	25,857,604	28,094,486	23,850,915	20,933,960	32,582,039	28,572,806	30,648,955	24,195,208	33,152,849
Excess (deficiency) of revenues over (under) expenditures	(8,921,189)	(5,227,762)	(5,183,701)	(6,234,464)	3,144,818	3,310,003	(2,668,176)	(1,966,291)	3,225,866	(10,032,343)
Other Financing Sources (Uses)										
Face amount of long-term debt	-	6,700,000	-	-	-	-	-	8,840,000	-	9,940,000
Payments to refunded debt escrow	-	-	-	-	-	-	-	(8,726,810)	-	-
Premium (discount) on long-term debt	-	(46,210)	-	-	-	-	-	-	-	57,694
Capital leases	-	-	-	-	-	-	-	-	286,327	298,609
Transfers in	764,271	4,410,695	5,278,279	1,236,694	1,983,609	5,345,638	3,316,838	118,013	16,697	2,565,863
Transfers out	(764,271)	(4,410,695)	(5,278,279)	(1,378,639)	(1,983,609)	(5,345,638)	(4,009,918)	(817,553)	(749,941)	(2,574,996)
Net other financing sources (uses)	-	6,653,790	-	(141,945)	-	-	(693,080)	(586,350)	(446,917)	10,287,170
Net change in fund balances	\$ (8,921,189)	\$ 1,426,028	\$ (5,183,701)	\$ (6,376,409)	\$ 3,144,818	\$ 3,310,003	\$ (3,361,256)	\$ (2,552,641)	\$ 2,778,949	\$ 254,827
Debt service as a percentage of noncapital expenditures	14.3%	13.7%	16.0%	16.6%	16.8%	16.2%	16.1%	14.5%	13.8%	39.7%

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
2008	\$ 118,173,166	\$ 62,517,972	\$ 7,634,366	\$ 173,056,772	\$3.3000	\$ 1,532,658,040	11.29%
2009	148,700,798	84,678,032	10,168,906	223,209,924	3.3000	2,031,634,065	10.99%
2010	166,456,657	70,391,863	10,593,259	226,255,261	3.3000	2,054,854,859	11.01%
2011	146,628,703	73,994,871	8,561,345	212,062,229	3.3000	1,950,872,685	10.87%
2012	141,186,905	76,413,857	11,316,951	206,283,811	3.3000	1,916,657,695	10.76%
2013	131,800,379	79,509,552	11,186,883	200,123,048	3.3000	1,856,862,178	10.78%
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%

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 assessed value)

(Unaudited)

TAXING JURISDICTION	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	3.0000
Rancho Sahuarita CFD-operations & maintenance	-	-	-	-	-	-	-	-	0.3000	0.3000
Rancho Sahuarita-debt service	-	-	-	-	-	-	-	-	-	-
Total Direct Rate	\$3.3000	\$3.6000	\$3.6000							
Overlapping Rates										
State of Arizona Education Assistance	-	-	\$0.3306	\$0.3306	\$0.4259	\$0.4717	\$0.5123	\$0.5089	\$0.5054	\$0.0501
Central Arizona Water Conservation District	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1400	0.1400	0.1400	0.1400
Pima County	\$4.2870	\$3.9963	4.0233	4.0633	4.1978	4.1978	4.4465	4.9779	5.0877	4.9896
Free Library District	0.3975	0.3393	0.2643	0.3100	0.3460	0.3460	0.3753	0.4353	0.5153	0.5153
Fire District Assistance	0.0383	0.0411	0.0406	0.0032	0.0418	0.0447	0.0456	0.0472	0.0467	0.0468
Flood Control District	0.3446	0.2935	0.2935	0.2635	0.2635	0.2635	0.2635	0.3035	0.3135	0.3335
Pima County Community College District	1.1845	1.1355	1.0770	1.0848	1.1093	1.1741	1.2933	1.3344	1.3689	1.3733
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	6.1807	5.9176	5.4230	6.5753	5.4067	5.5183	6.6341	7.2885	7.2847	7.3670
Continental School District #39	1.8970	1.7343	1.6122	1.6945	2.0258	1.5729	1.7027	2.6146	2.6512	2.4626
Green Valley Fire District	1.8000	1.9000	1.9000	1.9000	1.9000	2.0400	2.2100	2.2800	2.3807	2.3804

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	%
2008	\$ 114,727	\$ 114,481	99.8%	\$ 246	\$ 114,727	100.0%
2009	247,864	247,047	99.7%	817	247,864	100.0%
2010	272,396	269,593	99.0%	2,803	272,396	100.0%
2011	291,464	288,401	98.9%	3,063	291,464	100.0%
2012	276,730	275,207	99.4%	994	276,201	99.8%
2013	289,408	282,819	97.7%	6,066	288,885	99.8%
2014	299,920	295,971	98.7%	3,492	299,463	99.8%
2015	354,729	349,510	98.5%	4,737	354,247	99.9%
2016	409,091	403,518	98.6%	5,570	409,088	100.0%
2017	465,990	459,558	98.6%		459,558	98.6%

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%

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

Industry	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Communications and utilities	\$ 623,014	\$ 672,962	\$ 746,139	\$ 737,133	\$ 765,632	\$ 770,052	\$ 800,476	\$ 808,461	\$ 821,809	\$ 782,871
Construction	5,915,352	4,343,733	2,768,921	1,748,413	1,627,666	2,733,333	1,910,680	1,144,381	2,133,101	1,860,616
Manufacturing	238,468	198,564	255,246	379,474	248,127	207,854	216,527	260,282	-	-
Retail trade	2,931,619	2,812,337	2,577,503	2,803,117	2,855,447	2,933,239	3,085,336	3,444,176	3,233,967	3,325,586
Real estate, rental and leasing	439,015	309,294	224,851	259,381	247,630	267,564	282,915	326,081	299,969	335,178
Restaurant and bar	231,411	266,846	274,886	315,297	299,601	295,327	327,043	365,677	513,744	552,429
Services	108,068	88,551	73,273	70,586	57,841	61,450	73,430	86,165	-	-
Other	30,237	75,871	125,462	114,687	148,078	188,937	169,844	166,020	94,771	98,611
Total	\$ 10,538,648	\$ 8,787,580	\$ 7,074,851	\$ 6,456,154	\$ 6,279,863	\$ 7,487,481	\$ 6,916,291	\$ 6,601,243	\$ 7,097,361	\$ 6,955,291
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	
2008	2.00%	4.00%	4.00%	5.60%	0.50%
2009	2.00%	4.00%	4.00%	5.60%	0.50%
2010	2.00%	4.00%	4.00%	6.60%	0.50%
2011	2.00%	4.00%	4.00%	6.60%	0.50%
2012	2.00%	4.00%	4.00%	6.60%	0.50%
2013	2.00%	4.00%	4.00%	5.60%	0.50%
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%

Source: Town Code and Town Finance Department.

Town of Sahuarita, Arizona

Principal Sales Tax Remitters

Fiscal Years 2017 and 2008

(Unaudited)

Tax Remitter ¹	Fiscal Year 2017			Fiscal Year 2008		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Business A	\$ 1,049,578	1	15.09%	\$ 1,138,377	1	10.80%
Business B	636,607	2	9.15%	1,119,652	2	10.62%
Business C	359,615	3	5.17%	276,002	10	2.62%
Business D	339,493	4	4.88%			
Business E	335,290	5	4.82%			
Business F	308,399	6	4.43%	953,506	4	9.05%
Business G	306,129	7	4.40%			
Business H	176,114	8	2.53%			
Business I	176,069	9	2.53%			
Business J	154,750	10	2.22%			
Business K				976,464	3	9.27%
Business L				568,840	5	5.40%
Business M				528,459	6	5.01%
Business N				375,430	7	3.56%
Business O				365,179	8	3.47%
Business P				342,082	9	3.25%
	<u>\$ 3,842,044</u>		<u>55.22%</u>	<u>\$ 6,643,991</u>		<u>63.05%</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
2008	\$16.83	\$5.72	1.129	\$1.406	\$2.953	\$1.533	\$1.533	\$1.687	\$2.854	\$3.262	\$1.673	\$2.834	\$1.420	\$1.923	\$1.490	\$6.158	\$3.276	\$1.758	\$3.346	\$1.729
2009	\$20.72	\$5.72	1.524	\$1.406	\$2.953	\$1.533	\$1.533	\$1.687	\$2.854	\$3.262	\$1.673	\$2.362	\$1.420	\$1.603	\$1.490	\$5.104	\$3.276	\$1.758	\$3.346	\$1.729
2010	\$31.48	\$9.82	1.000	\$3.094	\$6.497	\$3.372	\$3.372	\$3.713	\$6.281	\$7.178	\$7.178	\$7.178	\$7.178	\$7.178	\$7.178	\$11.231	\$7.178	\$7.178	\$7.178	\$7.178
2011	\$34.28	\$10.46	1.000	\$3.403	\$7.146	\$3.709	\$3.709	\$4.084	\$6.908	\$7.895	\$4.050	\$2.362	\$3.437	\$1.603	\$3.607	\$12.353	\$7.929	\$4.254	\$8.099	\$4.186
2012	\$37.50	\$11.14	1.000	\$3.744	\$7.862	\$4.081	\$4.081	\$4.493	\$7.600	\$8.686	\$4.455	\$6.801	\$3.781	\$1.603	\$3.969	\$13.591	\$8.724	\$4.680	\$8.911	\$4.605
2013	\$40.69	\$12.35	1.000	\$4.048	\$8.501	\$4.412	\$4.412	\$4.858	\$8.217	\$9.391	\$4.817	\$6.801	\$4.088	\$1.603	\$4.291	\$14.694	\$9.432	\$5.060	\$9.634	\$4.979
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

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

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	Per Capita
	2006 Series QC CFD GO Bonds	2016 Refunding QC CFD GO Bonds	2006A GADA Loan	2009B GADA Loan	2015 Refunding Obligation	Capital Leases	2008A WIFA Loans	2008B WIFA Loans	Capital Leases			
2008	\$ 12,660,000		\$ 15,012,253				\$ 4,500,660			\$ 32,172,913	4.86%	\$1,578
2009	12,660,000		14,387,503	\$ 6,653,790			25,779,195			59,480,488	7.63%	2,626
2010	12,340,000		14,405,255	6,656,101			28,187,545	\$ 2,142,516		63,731,417	7.34%	2,523
2011	12,005,000		13,073,002	6,413,411			27,297,422	1,980,062		60,768,897	6.72%	2,378
2012	11,655,000		12,378,252	6,165,722			26,225,657	2,200,888		58,625,519	6.34%	2,230
2013	11,285,000		11,658,502	5,913,032			25,073,245	2,477,454		56,407,233	5.82%	2,109
2014	10,900,000		10,908,752	5,650,343			23,898,673	2,356,789		53,714,557	5.38%	1,966
2015	10,495,000		1,602,808	5,377,653	\$ 8,840,000		22,680,372	2,251,130		51,246,963	4.87%	1,840
2016	10,070,000		823,940	5,094,963	8,840,000	\$ 259,010	21,416,714	2,056,097		48,560,724	4.42%	1,720
2017	-	\$ 9,978,664	-	4,802,274	8,840,000	487,984	20,106,010	2,296,725	\$ 220,594	46,732,251	4.10%	1,623

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
2008	\$ 12,660,000	364%	\$319,697
2009	12,660,000	169%	65,732
2010	12,340,000	149%	46,321
2011	12,005,000	136%	35,476
2012	11,655,000	133%	28,152
2013	11,285,000	129%	22,311
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

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

Town of Sahuarita, Arizona
 Direct and Overlapping Governmental Activities Debt
 June 30, 2017
 (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	\$ 336,954,000	2.70%	\$ 9,097,758
Sahuarita Unified School District	55,600,000	69.8%	38,808,800
Continental School District	14,320,000	30.0%	4,296,000
Green Valley Fire District	7,367,508	51.2%	3,772,164
Subtotal, overlapping debt	<u>\$ 414,241,508</u>		<u>55,974,722</u>
Town direct debt-governmental activities			<u>24,108,922</u>
Total direct and overlapping debt			<u>\$ 80,083,644</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 2017

Assessed Value	\$ 212,465,281
Debt Limit:	
6% of assessed value ¹	12,747,917
20% of assessed value ²	42,493,056
Total debt limit	55,240,973
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	\$ 55,240,973

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt Limit:	\$ 44,994,761	\$ 58,034,580	\$ 58,826,368	\$ 55,136,180	\$ 53,633,791	\$ 52,031,993	\$ 49,583,099	\$ 49,469,906	\$ 54,854,863	\$ 55,240,973
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 44,994,761	\$ 58,034,580	\$ 58,826,368	\$ 55,136,180	\$ 53,633,791	\$ 52,031,993	\$ 49,583,099	\$ 49,469,906	\$ 54,854,863	\$ 55,240,973
Total net debt applicable to the limit as a percentage of debt limit.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes:

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

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

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

Town of Sahuarita, Arizona

Pledged Revenue Coverage

Governmental Activities

Last 10 Fiscal Years

(Unaudited)

2006A & 2009B GADA Loans

Fiscal Year	Pledged Revenues				Debt Service			Coverage Required Ratio	
	State Shared Revenues		Excise Tax Revenues	Total Revenues	Principal	Interest	Total Debt Service ¹		
	State Sales Taxes	Urban Revenue Sharing							
2007	\$ 1,329,702	\$ 1,588,364	\$ 18,752,745	\$ 21,670,811	\$ 540,000	\$ 718,775	\$ 1,258,775	17.22	2.00
2008	1,285,736	1,968,813	14,322,376	17,576,925	560,000	697,175	1,257,175	13.98	2.00
2009	1,113,089	2,068,932	12,422,228	15,604,249	585,000	674,775	1,259,775	12.39	2.00
2010	1,026,662	1,806,256	10,430,564	13,263,482	605,000	990,607	1,595,607	8.31	2.00
2011	1,144,921	1,361,686	8,918,029	11,424,636	875,000	924,313	1,799,313	6.35	2.00
2012	1,973,746	2,131,878	8,845,717	12,951,341	905,000	891,763	1,796,763	7.21	2.00
2013	2,067,495	2,580,152	10,192,501	14,840,148	935,000	858,063	1,793,063	8.28	2.00
2014	2,198,614	2,815,436	8,777,491	13,791,541	975,000	820,875	1,795,875	7.68	2.00
2015	2,308,388	3,057,758	9,082,674	14,448,820	1,015,000	578,297	1,593,297	9.07	2.00
2016	2,385,534	3,041,180	9,985,001	15,411,715	1,055,000	298,871	1,353,871	11.38	2.00
2017	2,620,019	3,470,987	9,637,023	15,728,029	1,105,000	281,034	1,386,034	11.35	2.00

2015 Excise Tax Refunding Obligation

Fiscal Year	Pledged Resources (net of other pledges)			Debt Service			Coverage Required Ratio	
	Excise Tax Revenues		Total Revenues	Principal	Interest	Total Debt Service ¹		
	Excess	Total Revenues						
2015	\$ 11,262,226	\$ 11,262,226	\$ -	\$ 50,565	\$ 50,565	222.73	2.00	
2016	12,703,973	12,703,973	-	175,032	175,032	72.58	2.00	
2017	12,955,961	12,955,961	-	175,032	175,032	74.02	2.00	

¹ Figure represents the actual past payments pursuant to amortization schedule. The highest combined interest and principal requirements for any succeeding fiscal year of these debt obligations is \$1,796,614, which occurs in fiscal year 2019.

Town of Sahuarita, Arizona

Pledged Revenue Coverage

Business-Type Activities

Last 10 Fiscal Years

(Unaudited)

2008A WIFA Loan

Fiscal Year	Pledged Resources				Debt Service			Coverage Ratio	Required Ratio
	Wastewater System Revenues	Wastewater O&M Expenses	Other Sources ¹	Total Sources Available for Coverage	Principal	Interest	Total Debt Service		
2009	\$ 2,810,005	\$ (2,056,785)	\$ -	\$ 753,220	\$ -	\$ 350,217	\$ 350,217	2.15	1.20
2010	2,894,508	(1,316,434)	-	1,578,074	1,052,577	1,055,471	2,108,048	0.75	1.20
2011	2,615,900	(1,164,986)	-	1,450,914	1,091,765	1,016,283	2,108,048	0.69	1.20
2012	4,405,657	(1,326,539)	-	3,079,118	1,132,412	975,636	2,108,048	1.46	1.20
2013	3,555,996	(1,194,730)	-	2,361,266	1,174,571	933,477	2,108,048	1.12	1.20
2014	3,310,643	(1,223,472)	-	2,087,171	1,218,301	889,747	2,108,048	0.99	1.20
2015	3,256,323	(1,457,070)	750,000	2,549,253	1,263,658	844,390	2,108,048	1.21	1.20
2016	3,665,694	(1,791,896)	750,000	2,623,798	1,310,704	797,344	2,108,048	1.24	1.20
2017	3,709,455	(1,751,439)	750,000	2,708,016	1,359,502	748,546	2,108,048	1.28	1.20

2008B WIFA Loan

Fiscal Year	Pledged Resources (net of other above)			Debt Service			Coverage Ratio	Required Ratio
	WW System Revenues Excess	Excise Tax Revenues Excess	Total Revenues	Principal	Interest	Total Debt Service		
2010	\$ -	\$ 10,072,268	\$ 10,072,268	\$ 162,454	\$ 33,835	\$ 196,289	51.31	2.00
2011	-	7,826,010	7,826,010	168,503	78,049	246,552	31.74	2.00
2012	549,460	9,357,815	9,907,275	174,776	83,889	258,665	38.30	2.00
2013	-	11,254,022	11,254,022	181,283	93,364	274,647	40.98	2.00
2014	-	10,568,098	10,568,098	188,032	89,277	277,309	38.11	2.00
2015	-	11,161,096	11,161,096	195,033	83,810	278,843	40.03	2.00
2016	-	12,353,909	12,353,909	149,723	78,002	227,725	54.25	2.00
2017	-	12,605,897	12,605,897	155,297	85,507	240,804	52.35	2.00

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

Town of Sahuarita, Arizona

Demographic and Economic Statistics

Last 10 Fiscal Years

(Unaudited)

Fiscal Year	Population	Percent High School Graduate or Higher	Percent Bachelor's Degree or Higher	Mean Household Income	Unemployment Rate
2008	20,393	Information not available			
2009	22,650	Information not available			
2010	25,259	94.9%	33.3%	\$ 80,376	7.3%
2011	25,555	96.4%	36.0%	\$ 78,367	6.0%
2012	26,294	94.8%	34.8%	\$ 78,777	5.8%
2013	26,747	93.6%	33.1%	\$ 78,529	6.0%
2014	27,322	94.3%	35.1%	\$ 75,284	4.6%
2015	27,856	95.1%	35.2%	\$ 76,183	3.8%
2016	28,230	94.8%	32.8%	\$ 77,250	4.6%
2017	28,794	Information not available			

Sources: US Census Bureau, American Fact Finder website.

Town of Sahuarita, Arizona

Principal Employers

2017 and 2008

(Unaudited)

Employer	2017		2008	
	Employees	Percentage of Total Town Employment	Employees	Percentage of Total Town Employment
Sahuarita Unified School District	812	24.26%	637	30.62%
Walmart	326	9.74%	453	21.77%
Farmers Investment Company	252	7.53%	233	11.20%
Fry's	220	6.57%	201	9.66%
Town of Sahuarita	137	4.09%	149	7.16%
Safeway	115	3.44%	110	5.29%
Jim Click Ford	54	1.61%	40	1.92%
Ashley's Furniture	40	1.20%	27	1.30%
Ross Dress for Less	34	1.02%	-	-
Pub22	30	0.90%	-	-
Climax Engineered Materials	-	-	64	3.08%
Bashas	-	-	56	2.69%
Total	2,020	60.36%	1,942	92.84%

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)

	Full-time Equivalent Employees as of June 30									
<u>Function/Department</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government										
Town Manager	10.0	7.0	8.0	7.0	6.3	6.3	5.0	6.0	6.0	6.0
Town Clerk	3.0	3.0	3.0	3.5	3.4	3.4	5.0	5.0	5.0	5.0
Finance	7.5	8.0	8.0	8.0	8.0	8.0	8.0	8.0	10.0	11.0
Human Resources	-	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Planning & Zoning	5.0	5.0	4.6	4.6	5.0	5.2	5.4	5.0	5.0	5.0
Public Works-Facilities	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Municipal Court	9.0	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0
Law	2.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0
General Government Total	37.5	38.0	38.6	38.1	37.7	37.9	38.4	39.0	41.0	42.0
Public Safety										
Building Safety	15.0	12.0	10.8	7.0	6.0	6.0	6.0	7.0	7.0	7.0
Public Works-Engineering	5.0	3.9	3.9	3.8	3.2	3.5	3.5	3.5	3.5	3.5
Police Dept	46.0	51.0	55.2	52.4	50.5	51.0	50.0	51.0	51.0	53.0
Public Safety Total	66.0	66.9	69.9	63.2	59.7	60.5	59.5	61.5	61.5	63.5
Culture & Recreation										
Parks & Recreation	18.6	16.8	15.1	15.1	15.1	15.1	14.7	14.7	15.1	15.3
Highways & Streets										
Public Works	-	-	-	-	-	-	-	-	-	-
Streets	13.0	13.6	14.5	15.1	13.5	14.0	14.0	12.7	12.7	9.7
Highways & Streets Total	13.0	13.6	14.5	15.1	13.5	14.0	14.0	12.7	12.7	9.7
Sewer										
Wastewater Utility	9.0	9.5	8.2	8.2	8.0	7.3	7.3	6.9	6.9	6.3
Total	144.1	144.8	146.3	139.7	134.0	134.8	133.9	134.8	137.2	136.8

Source: Town Finance Department.

Town of Sahuarita, Arizona

Operating Indicators

Last 10 Fiscal Years

(Unaudited)

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Town Clerk										
Business licenses issued	N/A	997	1,029	1,081	1,045	1,152	1,272	1,277	1,485	1,514
Building Safety										
Building permits-single family residential	790	563	454	185	247	267	169	206	277	248
Building permits-other	618	902	440	559	528	592	686	701	724	711
Police										
Calls for service	7,137	7,823	7,633	7,746	7,933	8,380	8,259	8,111	8,428	8,118
Human Resources										
Number of job openings	54	23	16	6	14	21	20	22	25	40
Number of applicants	905	780	344	219	564	741	611	1,027	1,103	698
Turnover rate	19%	12%	9%	7%	7%	9%	12%	11%	11%	12%
Municipal Court										
Hearings/Court sessions ¹	9,528	10,574	11,012	11,096	9,596	11,090	12,007	10,304	10,007	Note
Public Works										
Street resurfacing (miles)	6.1	4.0	6.9	19.7	19.7	17.8	18.0	18.0	20.5	28.1
Potholes repaired	136	162	211	196	196	225	172	122	87	64
Parks and Recreation										
Number of recreation programs offered	Information Not Available (N/A)				37	42	55	47	43	43
Ave. # of daily program participants	Information Not Available (N/A)				35.9	40.9	51.0	78.3	N/A	N/A
Ave. # of daily total park participation/visitation	Information Not Available (N/A)				527.6	634.1	793.5	642.8	N/A	N/A
Ave. # of daily facility rentals	Information Not Available (N/A)				1.1	1.2	1.0	0.4		
Athletic court/field permits issued	24	119	128	170	Information Not Available (N/A)				127	114
Recreation center permits issued	32	34	23	61	Information Not Available (N/A)				32	27
Ramada/Gazebo permits issued	112	133	170	164	Information Not Available (N/A)				158	166
Special event/commercial permits issued	N/A				Information Not Available (N/A)				57	55
Special event attendance	11,024	16,917	18,375	17,531	Information Not Available (N/A)				26,400	31,919
Recreation program participants	18,446	17,204	12,403	13,429	Information Not Available (N/A)				17,189	15,630
Wastewater										
Effluent credits (acre feet)	N/A	603.59	825.02	1,347.58	1,693.63	2,301.65	2,822.56	3,589.54	4,117.87	4,928.48
Average daily sewage treatment (thousands of gallons)	556.5	586.3	674.2	804.1	807.3	760.0	765.0	755.0	777.0	802.0

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

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

Source: The applicable Town of Sahuarita departments.

Town of Sahuarita, Arizona

Capital Asset Statistics

Last 10 Fiscal Years

(Unaudited)

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	40	40	32	28	39	39	41	42	46	50
Public Works										
Streets and highways (<i>miles</i>)	119	119	211	144	144	144	144	146	146	156
Streetlights	7	8	47	52	53	53	53	59	59	69
Traffic signals	6	10	9	14	15	15	15	16	16	16
Parks and Recreation										
Park acreage	92	107	107	107	107	107	107	107	107	107
Basketball courts	2	4	4	4	4	4	4	4	4	4
Playgrounds	2	4	4	5	5	5	5	5	5	5
Skate spots/parks	1	1	2	2	2	2	2	2	2	2
Baseball/softball fields (lighted)	3	5	6	6	6	6	6	6	6	6
Soccer/football fields (lighted)	-	-	-	6	6	6	6	6	8	8
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	11	17	22	22	22	22	22	22	22	22
Restroom facilities	4	5	6	8	8	8	8	8	8	8
Sand volleyball court	1	1	1	1	1	1	1	1	1	1
Off-leash dog area	1	2	2	2	2	2	2	2	2	2
Vehicles	7	7	7	7	8	8	8	8	8	8
Wastewater										
Treatment capacity (<i>thousands of gallons</i>)	690	690	1,500	1,500	1,500	1,500	1,500	1,500	1,500	3,000

Source: The applicable Town of Sahuarita departments.