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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019



2019



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019



Prepared by the Finance Department

2019



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TOWN OF SAHUARITA, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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COMPREHENSIVE ANNUAL FINANCIAL REPORT



Introductory Section

2019



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

December 20, 2019

**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, 2019.

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, 2019. 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 30,792. 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 14 Town departments and 154.4 full-time equivalent employees (FTE). Our residents voice a positive affirmation of the Town's reputation for providing core services such as public safety, well-maintained roadways and parks and recreation facilities.

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

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

CURRENT CONDITION & INITIATIVES

Our strategic plan continues to guide growth, and will receive considerable revisions as council and town staff meet in the fall of 2019 to update this important document. We will continue to plan for our community's future to support and expand existing public infrastructure, enhance quality of life, and encourage economic development. We are proud of our track record, continuing to find ourselves well-positioned financially, and endeavoring to continually become better as an organization that meets the needs of residents.

Economic Development

SAMTEC: In fiscal year 2019, we received bids for construction contracts on the Sahuarita Advanced Manufacturing and Technology Center (SAMTEC). The town has also contracted with a commercial real estate broker to help find tenants for the facility. The 2020 budget year will see the town break ground on this monumental project. Even though this project has an approved budget of \$6.44 million, the town utilizing competitive bidding processes, has received very favorable construction bids saving in excess of \$2 million on the construction costs. SAMTEC was jumpstarted with a grant of \$3 million from the U.S. Economic Development Administration (EDA). A portion of the construction costs for the project (not covered by grant money) will be either financed with debt to be repaid through future lease revenue or with cash found within the town's fund balance as decided and approved by the Town Council.

SAHUARITA SQUARE: In 2019, the town started a district overlay visioning process that will provide the framework for a future downtown. The district boundaries will extend from Sahuarita Rd. south to Duval Mine Rd, bordered by the Santa Cruz River to the east and bordered just west of La Villita Rd. The district will establish a planned area in which policy, infrastructure, and programming will be directed to encourage mixed use, community connectivity, entertainment, arts and culture.

To date, this visioning process has included public outreach, identifying overall strategies to guide the District's development, socio-economic review, and a land-planning analysis with input from land owners within the proposed district boundaries, as well as by community members. The project was also branded, in a town wide survey, by the community as "Sahuarita Square." For FY 2020, the budget includes \$236 thousand to develop and adopt the Guiding Principles, Strategies and Goals, and the Sahuarita Square Overlay Zone boundaries. Additionally, the Town will pursue opportunities for Phase I funding and site acquisition. To view exhibits, community questionnaire results, and the Visioning Executive Summary visit www.sahuaritanow.com

SAHUARITA MEDICAL CENTER: This Northwest Healthcare Hospital project, broke ground in Fiscal Year 2019. The multi-level facility will total 70,000 square feet with 18 beds, an emergency room, and two

operating rooms. The second floor will house medical offices for primary care, cardiology, orthopedics and general surgery. The development is expected to bring with it 150 full-time jobs and \$37 million in capital investment.

LA POSADA ANNEXATION: With the annexation of La Posada comes an increase of more than \$250 thousand to state-shared revenue for the town that will probably first be seen in 2021. We warmly welcome the assisted living facility into the town boundaries and the Sahuarita community. The partnership will be one of mutual benefit and appreciation. The town's 2020 budget includes \$203 thousand dedicated to intersection improvements, including the installation of a traffic signal at the gateway to La Posada.

LOCAL BUSINESS DEVELOPMENT: With \$50,000 projected grant funding from Freeport McMoRan, the town expects to continue its business development with existing and emerging businesses. This includes the flagship program, BizEDGE (Sahuarita's Shark Tank) where businesses compete to present the best plan to grow their organization while taking part in free business development classes, and BizLaunch where the town partners with Freeport McMoRan, the University of Arizona, and ACCION to provide a business startup mentorship program.

Organizational Effectiveness

NEW POSITIONS: The physical growth of the town and the associated responsibilities to maintain and expand infrastructure and amenities necessitate organizational growth. This year, we are adding seven full-time employees to staff. Of these, two are police officers. With public safety as a primary concern, our police department must be well-supported with staff and equipment. Giving our officers the tools they need to do their jobs well keeps them as safe as possible and ensures that we are planning for the future, and protecting our community's quality of life.

As the town confronts challenges and considers the needs of residents, communication is integral and indispensable to reaching our goals. In fiscal year 2020, we are therefore adding a full-time employee to our communications division, which has been relocated to the Town Manager's Department under the Assistant Town Manager (new re-classified position). The Assistant Town Manager will not only manage communications, but also directly oversee Parks and Recreation, Planning and Building, and Human Resources. Moving the communications division (previously under the Town Clerk Department) will expand the town's ability to provide public information, communicate with traditional media outlets, and provide residents with multiple ways to find information they need. This includes continued expansion and improvement of the town's website, providing mobile-friendly technology, increasing social media presence, and augmenting our marketing efforts. We want to make sure that town programs and events are highly-visible—and Sahuarita itself is well-known as a destination and the perfect place to live. Communications endeavors are crucial to the growth and success of the town and they will work hand-in-glove with our community. Our communications division will serve to support, promote and inform Sahuarita residents and visitors.

Another re-organization at town hall is happening. The Wastewater Billing & Collections Division will now

report to the Wastewater Department instead of the Finance Department. The division will now have a dedicated walk-in desk to serve customers directly, answer questions/concerns, and take payments in-person. This counter service will be located in the Planning and Building lobby at Town Hall. The move and changes will improve customer service and make internal work-flow more efficient for town employees.

Along with the growth of our organization and the aging of our buildings and physical assets, come continuous needs to manage and maintain the facilities that are under town's purview. Therefore in 2020, we are adding a full-time employee to the maintenance staff that takes care of town hall, municipal court, and police department headquarters, which will now have two dedicated employees instead of just one serving the entire municipal campus. Two additional full-time staff are also being added for general maintenance outside the town hall campus; one to maintain parks and facilities and one to maintain streets.

Though there is current need for our Planning and Building Department for additional help with plan review, the town has elected to increase the outsourced plan review contracts budget by \$95 thousand rather than hire on additional staff. Hire of contractors instead of bringing on additional employees will allow for greater flexibility in response to future fluctuations and economic downturns that might impact (residential and commercial) construction contracting industries.

RETAINING AND ATTRACTING QUALIFIED STAFF: In keeping with best practices, and the ability to attract, engage, and retain highly qualified employees, Town Council has approved a continuation of the town's merit-based, annual employee review system with merit increases of up to 4%, as well as a 2% increase to all employee salaries to reflect cost-of-living (COLA). Additionally, our Human Resources department compared Town of Sahuarita pay scales to those of other regional municipal jurisdictions and determined that ours were about 6% lower, so in 2020 the town's pay scales will reflect a 6% increase to classified, pay-scale minimums and maximums. Employees whose pay falls below the minimum for their classification will have their pay adjusted to meet that minimum.

WASTEWATER DEFICITS: Fiscal year 2020 represents year three of the 10-year financial plan to eliminate the Wastewater Fund's unassigned fund deficits and to establish appropriate reserves. The plan calls for 7% user fee increases to be adopted during the year. These fee increases, along with an anticipated 2% growth rate, will generate an additional \$315 thousand in user charges for the utility. The town will continue to pursue a variety of strategies to collect on past-due customer balances, which now amount to over \$750 thousand. An additional \$30 thousand was included in the wastewater budget to begin terminating sewer services on grossly past-due accounts. We expect this will motivate customers to make payment arrangements. By year-end, unassigned deficits are expected to improve to -\$3.8 million.

STRATEGIC TECHNOLOGY PLAN: Following the town's establishment of a Strategic Technology Plan in 2019—which makes a number of recommendations for support and improvement of all aspects of IT—the implementation of that plan in 2020 will require a high investment of \$300 thousand, which is 2.4 times more than last year. The value added through enhanced IT services will result in more efficient and convenient services to our residents.

ANIMAL SERVICES SUCCESS: Fiscal Year 2019 saw successful implementation of the town’s new Animal Services program with the kind of unique, teamwork approach that makes the town especially effective as an organization. Parks and Recreation has aided with dog licensing, while our police department has expanded services to include enforcement of town codes regarding animals and pets that do not otherwise fall under the jurisdiction of the county or state. The program’s success can be seen in the 2020 budget, which will show a reduction in cost of \$30,000 from the previous year.

Infrastructure

ROADWAY MAINTENANCE: With statewide transportation funding being deficient, we are keenly aware of the need for a regional solution. In 2019, the town maintained vigilant watch over roadways in need of maintenance through our Pavement Preservation Program. This kind of attention will continue in 2020 with a \$1.52 million investment towards maintaining our roadways. Additionally, our streets division has developed a program for routine repair and maintenance of traffic signals. In 2020, \$160,000 is allocated for this program.

The Arizona State Legislature approved a late session bill that provides Sahuarita an additional \$197,000; however, because of the late nature of the bill’s approval, it wasn’t included in the 2020 budget. Those proceeds will be retained in ending fund balances and be available to the Town Council for future appropriation.

Quality of Life

EXPANDING PARK AMMENITIES: The 2020 budget provides \$440 thousand for expanded park amenities to Quail Creek-Veterans Municipal Park including construction of pickleball courts and two new picnic ramadas. These park priorities were identified though a resident survey in 2018 which indicated that there was a need for more places to picnic and for leisure-based outdoor opportunities for families.

CELEBRATING 25 YEARS: With the town celebrating its 25th year of incorporation throughout 2019, the 2020 budget provides funding for events and special celebrations throughout the remaining months that fall in this fiscal year. Sahuarita Parks and Recreation has been instrumental in pioneering public art projects in Sahuarita in 2019 with the addition of Tunes at Town Hall and Sabrosita Sahuarita. In 2020, we will continue our partnership with Southern Arizona Arts and Cultural Alliance (SAACA) to bring new and exciting arts/cultural experiences to the town. SAACA is helping coordinate and hire artists for mural work in several of our parks, and will be helping us put on a chalk art festival at Sahuarita Lake this coming September. The town will also be having a birthday celebration, open to the public, on Friday, September 20, the date of our incorporation in 1994, marking 25 years of the Town Government of Sahuarita. The 2020 budget will cover signature events throughout the year including Red, White and Boom!, Canoe Days, Halloween Spooktacular, Winter Festival, Spring Festival, Fiesta Sahuarita, and Live Music at the Lake throughout the year. Improvements will be made in 2020 to the town hall campus garden lighting which has seen more and more traffic in recent years with public events held at town hall. These improvements will make those occasions where community comes together at town hall that much more special.

Planning for Our Community's Future

The past four years have been guided by our Strategic Plan 2016-2019, and this guide has been instrumental in planning for the future of Sahuarita. Its five focus areas have guided our budget processes and given concrete shape to our goals in terms of priorities as a community. It has been the main way for us to visualize how best to meet the needs of our residents. As we move into FY 2020, we will be reconsidering our strategic plan with a staff/council retreat to revise our strategies and continue on the path of constant improvement. We are excited to look back at our successes, and enthusiastic about facing future challenges with the same kind of ingenuity and attention to detail that has made us financially successful and accountable to our residents as we have been in the past. We want to make sure that everything we do comes back to addressing the needs of our residents in an impactful and tangible way. That's how we will ensure that Sahuarita is truly a place where life comes together!

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, 2018. This was the 17th 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, 2018

Christopher P. Morrill

Executive Director/CEO

Mayor and Council



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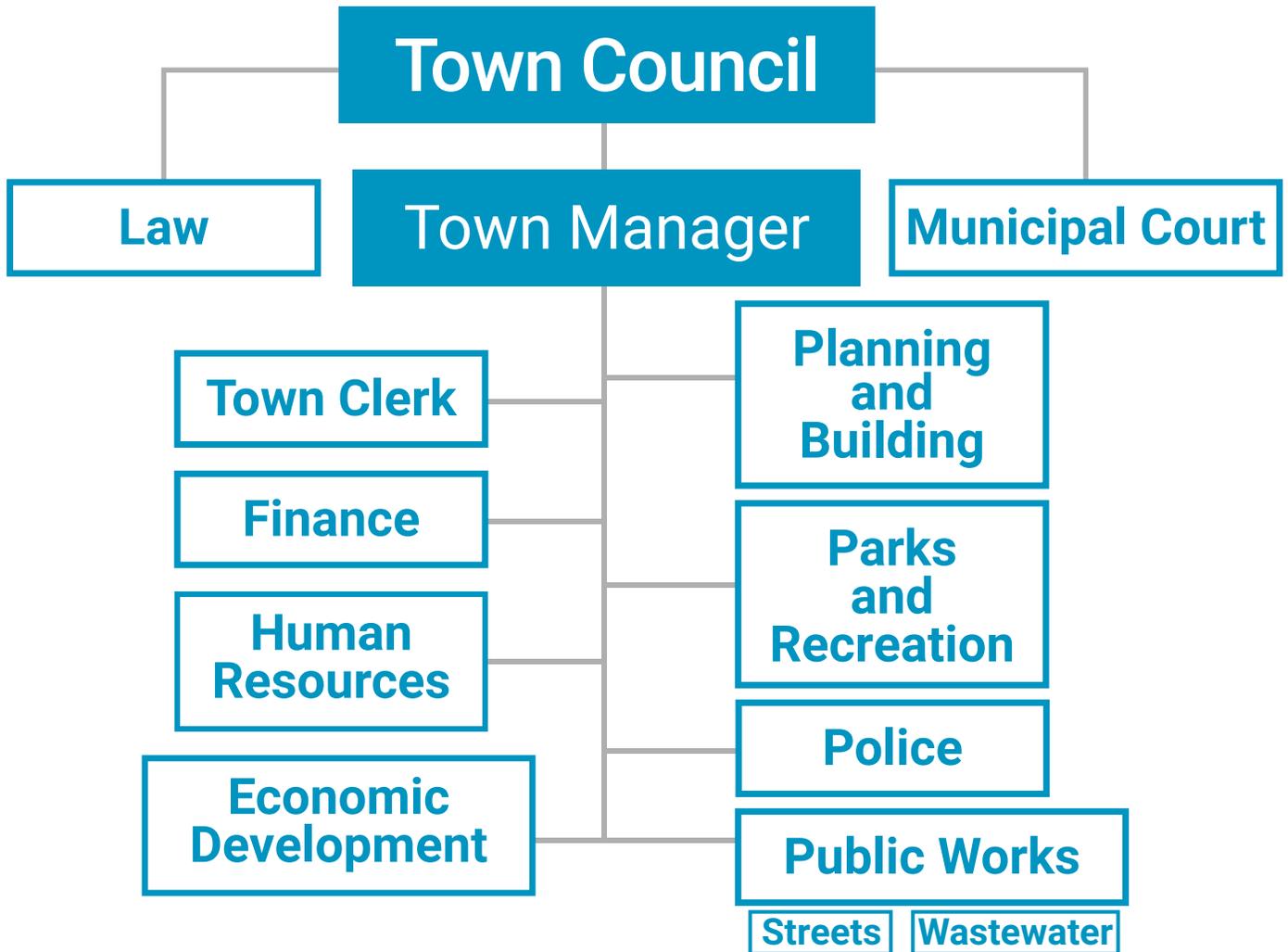


Simon Davis
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Organization Chart

Citizens



Sahuarita at a Glance

CAFR
2019

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

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



AGE DISTRIBUTION

0-9	4,351	40-49	2,772
10-19	3,413	50-59	2,583
20-29	3,446	60-64	1,687
30-39	4,181	65+	6,998

TOTAL POPULATION

30,792
48.08% Male
51.92% Female

MEDIA AGE

34.4

EDUCATIONAL ATTAINMENT

High School	17.65%	Associates Degree	10.84%
Some College	28.58%	Bachelor’s or Higher	33%

MEDIAN INCOME

\$69,425

MEDIAN EXPENDITURES

\$65,246



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COMPREHENSIVE ANNUAL FINANCIAL REPORT



Financial Section

2019



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, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity'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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2019, the Town restated net position in the wastewater enterprise fund and the business-type activities (as disclosed in Note 13 to the financial statements) for the elimination of water storage credits that were previously reported as an investment. It was determined that water credits generated as a byproduct of the wastewater treatment process does not meet the definition of an investment. Our opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, pension and OPEB schedules, and budgetary comparison information, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 20, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Our discussion and analysis of the Town's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2019. Please read it in conjunction with the transmittal letter on pages 2-7 and the Town's basic financial statements, which begin on page 30.

FINANCIAL HIGHLIGHTS

- At June 30, 2019 net position totaled \$147,634, a decrease of \$4,036 below last year. Of this amount, \$11,552 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Capital asset balances totaled \$178,451, a decrease of \$6,135 compared to last year. Construction in progress accounted for \$1,541, less than 1%, of the total balance.
- Long-term liabilities decreased \$4,232 from last year to a total of \$59,389 at June 30, 2019. Liabilities related to employee expenses (pension, other postemployment benefits, and compensated absences) accounted for \$11,981, approximately 20%, of the total balance.
- A \$3,168 impairment loss (special item) on capital asset disposals was reported in 2019 for previously capitalized design costs on a major infrastructure project that will not be completed.
- As of the close of the current fiscal year, the governmental funds combined ending fund balances had decreased \$6,381 to a new balance of \$24,102. Of this amount, \$2,267 is in a nonspendable form, \$1,378 is restricted for specific purposes due to agreements or laws, \$5,355 is committed for reserves, \$2,726 is assigned to specific purposes by the Town Council, and \$12,376 is unassigned.
- The Wastewater Enterprise Fund's net position increased by \$6,058 during the year, raising net position to \$25,218 at year end. The Fund's net investment in capital assets increased by \$1,293. Capital contributions from developers accounted for \$601 of the increase. Most of the remaining increase occurred because debt principal is being retired at a faster rate than capital asset depreciation.

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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

The business-type activities of the Town include a sewer treatment operation. The government-wide financial statements can be found on pages 30-31 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 (HURF), Rancho Sahuarita Community Facilities District Fund and Capital Infrastructure Improvement Fund (CIIF), 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 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 32 and 34 of this report.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-67 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, including (1) budgetary comparison schedules for the General Fund, Highway User Revenue Fund—Special Revenue Fund, and Rancho Sahuarita Community Facilities District—Special Revenue Fund and (2) schedules of the Town's net pension and other postemployment liabilities and contributions associated with the Arizona State Retirement System, the Elected Officials Retirement Plan and the Public Safety Personnel Retirement System. Required supplementary information can be found on page 70-80 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 other funds budgetary comparison schedules can be found on pages 83-87 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	(as restated)	2019	(as restated)
				2018		2018
Current and other assets	\$ 27,538	\$ 34,132	\$ 1,755	\$ (3,015)	\$ 29,293	\$ 31,117
Capital assets	134,208	140,043	44,243	44,543	178,451	184,586
Total assets	161,746	174,175	45,998	41,528	207,744	215,703
Deferred outflows	3,454	3,391	114	117	3,568	3,508
Liabilities:						
Current	1,889	2,182	613	576	2,502	2,758
Long-term	39,196	41,759	20,193	21,862	59,389	63,621
Total liabilities	41,085	43,941	20,806	22,438	61,891	66,379
Deferred inflows	1,698	1,114	88	47	1,786	1,161
Net position:						
Net investment in capital assets	106,646	110,923	24,748	23,455	131,394	134,378
Restricted	1,829	5,840	2,860	2,861	4,689	8,701
Unrestricted	13,942	15,748	(2,390)	(7,156)	11,552	8,592
Total net position	\$ 122,417	\$ 132,511	\$ 25,218	\$ 19,160	\$ 147,635	\$ 151,671

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 \$147,635 at the close of the most recent fiscal year.

The largest portion (89%) 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 \$11,552 (8%) is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.

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

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program revenues:						
Charges for services	\$ 2,393	\$ 2,515	\$ 4,370	\$ 3,830	\$ 6,763	\$ 6,345
Operating grants and contributions	3,153	2,641	-	-	3,153	2,641
Capital grants and contributions	2,289	3,544	367	359	2,656	3,903
General revenues:						
Property taxes	657	524	-	-	657	524
Sales taxes	9,789	8,849	-	-	9,789	8,849
Franchise taxes	369	356	-	-	369	356
Share of state income tax	3,550	3,566	-	-	3,550	3,566
Share of state sales tax	2,957	2,770	-	-	2,957	2,770
Share of state vehicle license tax	1,349	1,280	-	-	1,349	1,280
Unrestricted grants and contributions	171	84	-	-	171	84
Contributions restricted for debt service	710	177	-	-	710	177
Investment earnings	716	247	(7)	(40)	709	207
Miscellaneous	174	143	17	-	191	143
Total revenues	28,277	26,696	4,747	4,149	33,024	30,845
EXPENSES						
Program expenses:						
Governmental activities:						
General government	5,994	6,161	-	-	5,994	6,161
Public safety	8,876	8,600	-	-	8,876	8,600
Culture and recreation	3,029	2,976	-	-	3,029	2,976
Highways and streets	11,441	10,021	-	-	11,441	10,021
Interest and amortization on long-term debt	946	1,114	-	-	946	1,114
Business-type activities:						
Sewer	-	-	3,606	3,564	3,606	3,564
Total expenses	30,286	28,872	3,606	3,564	33,892	32,436
Increase (decrease) in net position before losses and transfers	(2,009)	(2,176)	1,141	585	(868)	(1,591)
Special item-impairment loss	(3,168)	-	-	-	(3,168)	-
Transfers	(4,917)	3	4,917	(3)	-	-
Change in net position	(10,094)	(2,173)	6,058	582	(4,036)	(1,591)
Net position at beginning of year	132,511	134,684	19,160	18,578	151,671	153,262
Net position at end of year	\$ 122,417	\$ 132,511	\$ 25,218	\$ 19,160	\$ 147,635	\$ 151,671

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

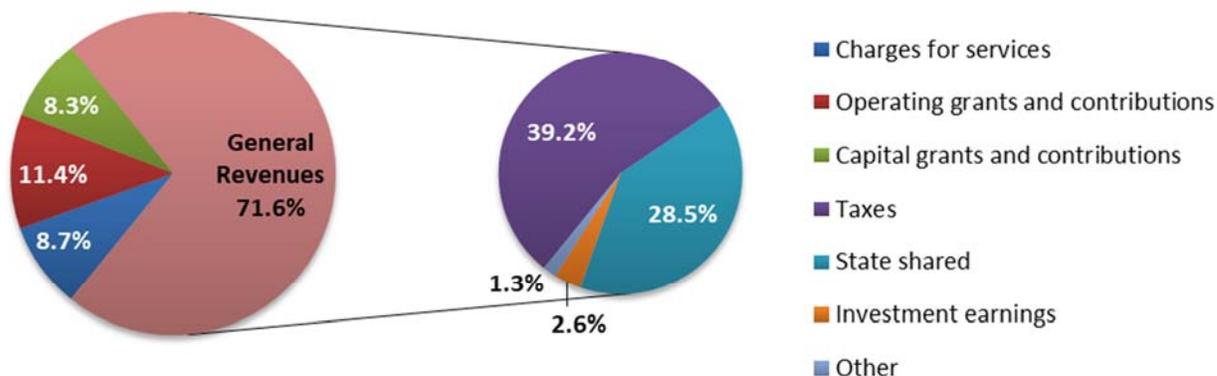
Governmental Activities

The \$10,094 decrease in net position for governmental activities was \$7,921 more of a decrease compared to last year's change in net position. Significant variances between fiscal year 2019 and 2018 are explained below:

Revenues and Other Sources

- Capital grants and contributions decreased by \$1,255. Over the years, there has been a steady decline of grant funding available to finance the Town's capital projects. Also, in 2019 developer infrastructure contributions were valued \$799 less than the prior year.
- Sales taxes were \$940 higher. The overall local economy has been improving. The increase in residential and commercial development produced \$489 more in contracting sales taxes. General sales taxes increased by \$451 primarily because there were more people living and shopping in the Town.
- Operating grants and contributions increased by \$512. Most of this increase pertains to grants secured by the Police Department to acquire new equipment, hire additional officers, and for various programs and initiatives.

Governmental Activities Revenues by Source



Expenses and Other Uses

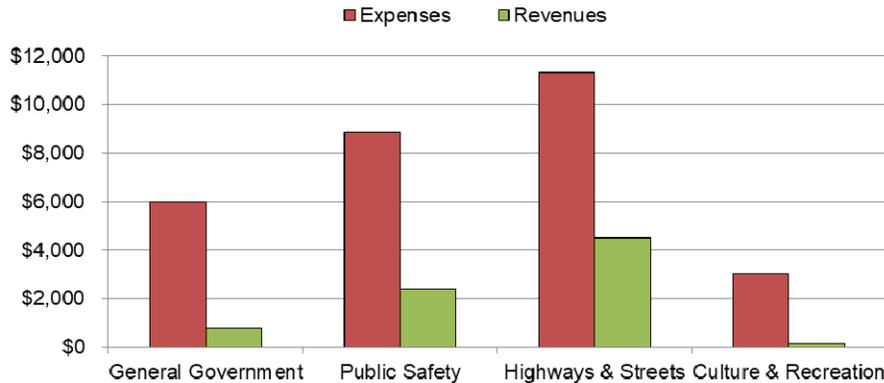
- Highways and streets program expenses increased by \$1,420. In 2019, the Town spent \$1,254 more in 2019 on the pavement management program than the prior year.
- A \$3,168 impairment loss (special item) on capital asset disposals was reported in 2019 for previously capitalized design costs on a major infrastructure project that will not be completed. See the Capital Assets section for more information.
- In 2019, there were \$4,917 of net transfers from governmental activities to business-type activities. Of this, \$4,692 was a partial write-off of interfund advances/loans, done in accordance with recommended action items outlined in the 10-Year Wastewater Financial Plan & Rate Study, and \$234 was a transfer of sewer lines initially acquired by governmental activities. Both of these transfers were unique to 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

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

Governmental Activities Program Revenues and Expenses

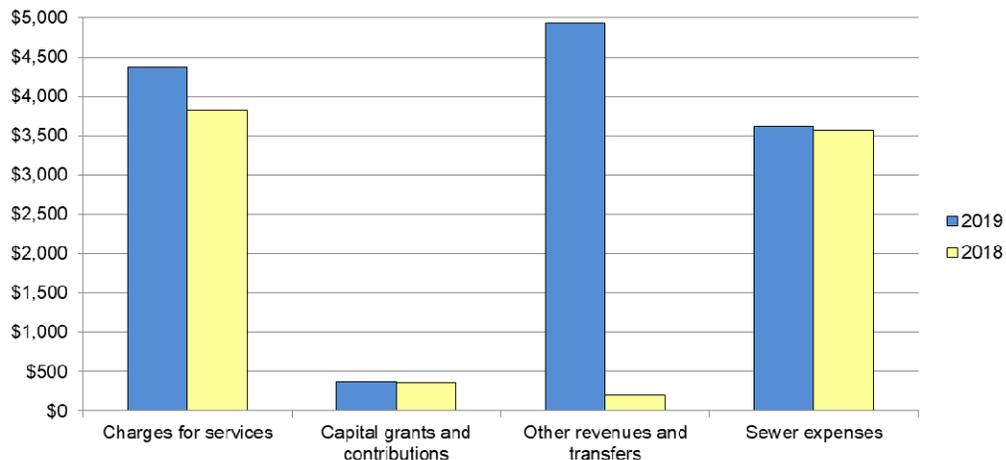


Business-type Activities

The \$6,058 increase in net position for business-type activities was \$5,476 more than last year's change in net position. Significant variances between fiscal year 2019 and 2018 are explained below:

- Sewer connection fees were \$227 more than the prior year because there was a significant commercial user that connected to the wastewater system.
- User charges increased by \$203 because of a 7% sewer user rate increase that became effective for the last half of 2019.
- In 2019, net transfers from governmental activities to business-type activities totaled \$4,917. Of this, \$4,692 was a partial write-off of interfund advances/loans, done in accordance with recommended action items outlined in the 10-Year Wastewater Financial Plan & Rate Study, and \$234 was a transfer of sewer lines initially acquired by governmental activities. Both of these transfers were unique to 2019.

Business-type Activities Revenues and Expenses



MANAGEMENT'S DISCUSSION AND ANALYSIS

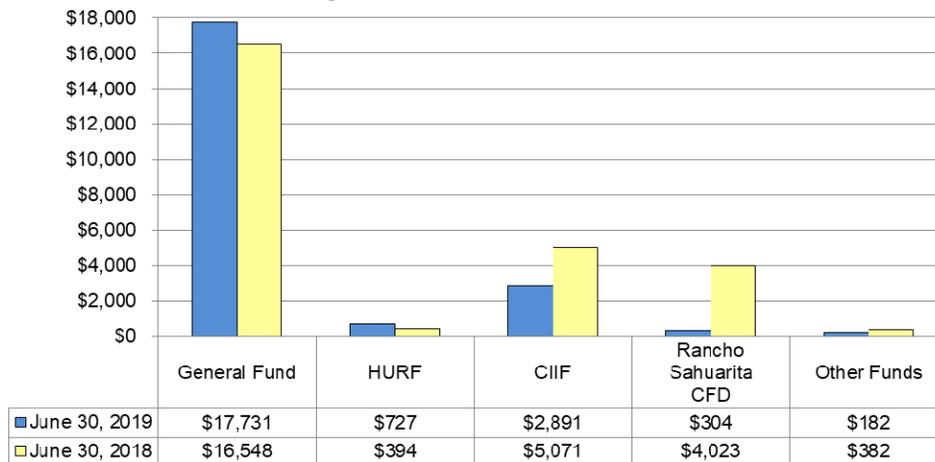
(dollar amounts in thousands)

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, 2019, the Town's governmental funds reported combined ending fund balances of \$24,102, a decrease of \$6,381 from last year. Of the total, \$21,835 constitutes spendable fund balances, which includes the unassigned, assigned, committed, and restricted fund balances. The remaining \$2,268 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 advances to other funds.

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 112% of total General Fund expenditures. Compared to last year, total fund balance decreased by \$615 but the spendable portion actually increased by \$1,183. Revenues exceeded expenditures by \$1,997. This coincided with the Town's conservative budget approach, where revenues are budgeted to exceed expenditures. Actual results for the year were even more favorable than the budget construct as described under the General Fund Budgetary Highlights section. The overall net decrease to fund balance, however, is primarily attributable to a \$2,113 transfer to the Wastewater Enterprise Fund which is a partial write-off of the General Fund advance (interfund loan), done in accordance with recommended action items outlined in the 10-Year Wastewater Financial Plan & Rate Study. The General Fund also transferred \$500 to the HURF to help pay for the pavement management program.

The HURF fund balances, which are restricted but spendable, increased by \$332. The budget anticipated fund balances would decline by \$712 but because (1) actual revenues exceeded the budget by \$899, \$891 stemming from amounts deferred last year, and actual (2) Street Department expenditures were \$143 less than budget (normal annual variation), fund balances actually increased.

The CIIF fund balances, which are all spendable, decreased by \$2,180. This decrease was mostly attributable to a \$2,579 transfer to the Wastewater Enterprise Fund representing a write-off of the CIIF advance (interfund loan), done in accordance with recommended action items outlined in the 10-Year Wastewater Financial Plan & Rate Study.

The Rancho Sahuarita CFD fund balances, which are all spendable, decreased by \$3,719. The CFD had more than \$4 million of unspent general obligation bond proceeds at the beginning of the year. The CFD used \$3,775 of those proceeds to acquire infrastructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Other Funds reported a \$200 decrease in fund balances, all of it in spendable form. The Police Department spent \$206 of previously accumulated anti-racketeering (RICO) funds on various public safety programs and initiatives.

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 \$2,390, which was a \$4,766 improvement from last year. Restricted net position was \$2,860 which mostly 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 several budget amendments during the year, as follows, but none of them significantly impact liquidity or future service levels:

<u>Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Difference</u>
Town Manager	\$ 577	\$ 632	\$ 55
Parks and Recreation	2,057	1,943	(114)
Non-Departmental	184	199	15
Contingency Reserves	16,959	17,003	44
			<u>\$ -</u>

- The Town Manager Department needed increased budget capacity to accommodate a \$25 allocation of costs from the Pima Association of Governments for efforts related to the upcoming 2020 U.S. Census and to accommodate an additional \$30 in costs associated with the Town's 25th anniversary since incorporation. These budgeted costs were transferred out of the contingency reserves.
- The Parks and Recreation Department reduced its operating budget in the General Fund and increased its capital budget in the CIIF Fund by \$114 to accommodate additional costs associated with the Maintenance Building Replacement project. Reducing the operating budget had the impact of increasing General Fund contingency reserves by \$114.
- The Non-Department budget was increased by \$15 to support two non-profit social service organizations in the Town providing assistance to federal employees impacted by the federal government shutdown. These budgeted costs were transferred out of the contingency reserves.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Final budget compared to actual results. Total actual revenues exceeded estimated revenues by \$455. The most significant differences were as follows:

<u>Revenue Sources</u>	<u>Budgeted Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Taxes	\$ 6,492	\$ 6,181	\$ (311)
Licenses and permits	1,537	1,926	389
Investment earnings	316	511	195
Miscellaneous	59	233	174

- Taxes fell short of budget. Sales taxes of \$292 had to be deferred as they were not paid timely for revenue recognition in 2019.
- Building and development permit revenues exceeded expectations. There was more actual commercial and residential development in the Town than anticipated when the budget was developed. The budget assumed there would be 306 new single family residences permitted in the year but actual activity resulted in the issuance of 324 permits. Moreover, permit valuations were collectively around 19% higher than what the budget model would have accounted for.
- Investment earnings exceeded the budget as more funds were available to invest and rates of returns were higher than anticipated in the budget.
- Miscellaneous revenues exceeded budget because the Town received a one-time, unanticipated dividend of \$171 from the Arizona Municipal Risk Retention Pool.

Total actual expenditures were less than appropriations by \$727 (excluding contingency reserves), as follows:

<u>Expenditure Category</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Difference</u>
Personnel	\$ 11,800	\$ 11,089	\$ 711
Services	2,648	2,690	(42)
Supplies and equipment	799	875	(76)
Other	944	848	96
Capital outlay	299	261	38

Personnel expenditures were less than budget, primarily due to position vacancies but the Town's conservative budget practices also factors into it. By way of example, the budget amount is built upon assumptions that employees will take the most costly insurance benefit and receive the maximum allowable merit increases, and that all position vacancies are filled immediately and new hires will start at a higher rate of pay in the position pay range. Actual results almost invariably fall under the budget allowance. Other differences noted above are either immaterial or fell within a normal and expected range about the budget amount.

Total revenue and expenditures had a favorable budget variance. None of the negative line-item budget variances had or have a significant effect on future service levels or liquidity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$178,451 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, sewer conveyance systems, machinery and equipment, vehicles, park facilities, roads, highways, and bridges.

CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 9,564	\$ 9,564	\$ 2,640	\$ 2,640	\$ 12,204	\$ 12,204
Buildings & improvements	17,437	17,241	30,881	31,626	48,318	48,867
Sewer conveyance system	-	-	10,528	10,190	10,528	10,190
Infrastructure	103,696	106,774	-	-	103,696	106,774
Vehicles	1,795	1,611	57	78	1,852	1,689
Equipment and software	312	449	-	-	312	449
Construction in progress	1,404	4,404	137	9	1,541	4,413
Total capital assets	\$134,208	\$140,043	\$ 44,243	\$ 44,543	\$178,451	\$184,586

Total capital assets decreased by \$6,135 (-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 acquired streets and sewer lines costing \$3,541 and \$234, respectively, which were funded by the Rancho Sahuarita CFD bond proceeds. The sewer lines were transferred to the Town's Wastewater Enterprise Fund (business-type activities).
- The Town's governmental activities purchased 18 vehicles costing \$680. Fourteen of those were acquired for \$611 through capital lease financing.
- Governmental activities added \$301 to construction in progress for the design of the Sahuarita Advanced Manufacturing and Technology Center (SAMTEC) project.
- The Wrightson Ridge K-8 School Field Lighting project, costing \$585, was completed during the year.
- During the year, developers contributed streets and sewer lines valued at \$1,840 and \$367, respectively, to the Town's governmental and business-type activities.
- Construction in progress was reduced by \$3,168 for previously capitalized design costs for the Interstate 19 Interchange at Sahuarita Road Project, which was an Arizona Department of Transportation (ADOT) funded project. It appears, however, that ADOT no longer has plans to fund the completion of this project as designed.
- Depreciation reduced the Town's investment in capital assets for governmental activities and business-type activities by \$9,808 and \$1,047, respectively.

Additional information on the Town's capital assets can be found in note 5 on pages 47-48 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Long-term debt. At the end of the current fiscal year, the Town had \$47,409 of total debt outstanding. Of this amount, \$15,209 comprises debt backed by the full faith and credit of the community facilities districts, which are legally separate blended component units of the Town. The remainder of the debt is secured by specific revenue sources. A summary of outstanding long-term debt follows.

LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	Quail Creek CFD G.O. bonds	\$ 9,429	\$ 9,810	\$ -	\$ -	\$ 9,429
Rancho Sahuarita CFD G.O. bonds	5,780	5,780	-	-	5,780	5,780
Loans payable	11,438	12,912	19,317	20,888	30,755	33,800
Capital leases	1,267	936	178	200	1,445	1,136
Total long-term debt	<u>\$ 27,914</u>	<u>\$ 29,438</u>	<u>\$ 19,495</u>	<u>\$ 21,088</u>	<u>\$ 47,409</u>	<u>\$ 50,526</u>

Major debt activity during the year included the following:

- Governmental activities added \$611 in capital lease debt to acquire new vehicles.
- Principal payments reduced the governmental activities and business-type activities debt liabilities by \$2,135 and \$1,593, respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue. In 2019, the Town's debt capacity was \$60,808. The general obligation debt of the community facilities districts, which are legally separate entities, does not apply against the Town's debt capacity.

Additional information on the Town's long-term debt can be found in note 7 on pages 60-64 of this report.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

The current estimated population of 30,792 is 1.7% larger than last year's estimated population of 30,282. The Town uses a growth rate of approximately 2.0% for planning purposes.

The Town's taxable net assessed property valuation for 2020 is \$255,306, an increase of 9.2% over 2019. The total full cash property value increased 16.0% over 2019, to \$2,753,886.

The Town's budget for fiscal year 2020 totals \$63,694. Expenditures are expected to exceed revenues and other sources by \$6,175, mostly due to planned capital project activity, where previously accumulated resources are being spent on major infrastructure projects in the Town. Ending fund balances are still expected to be \$21,995 by the end of 2020.

The first year of the five-year Capital Improvement Plan is incorporated into the 2020 budget and amounts to \$11,505. Significant projects and acquisitions include the construction of the SAMTEC facility, the Quail Crossing Boulevard Extension, and the Pickleball Court projects; the pavement preservation program; and vehicle acquisitions. The Town intends to finance \$3,251 of the 2020 capital budget with grants and contributions from other entities and \$4,153 from debt. The remainder of the capital budget will be financed with Town revenues and sources accumulated in prior years.

Wastewater sewer user fees are tentatively planned to be increased by approximately 7% in fiscal year 2020. Ultimately this may not occur, however, as the Town will pursue debt refinancing first. The fee increases (or debt

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

service savings) 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 2020 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.



COMPREHENSIVE ANNUAL FINANCIAL REPORT



Basic Financial Statements

2019

Town of Sahuarita, Arizona

Statement of Net Position

June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 21,128,108	\$ 34	\$ 21,128,142
Receivables, net of allowances for doubtful accounts	3,025,223	1,133,522	4,158,745
Internal balances	2,238,301	(2,238,301)	-
Prepaid items	19,300	-	19,300
Restricted assets	1,127,046	2,859,783	3,986,829
Capital assets:			
Land and construction in progress	10,968,856	2,776,706	13,745,562
Other capital assets, net of depreciation	123,239,341	41,466,352	164,705,693
Total capital assets	<u>134,208,197</u>	<u>44,243,058</u>	<u>178,451,255</u>
Total assets	<u>161,746,175</u>	<u>45,998,096</u>	<u>207,744,271</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding	351,646	-	351,646
Deferred outflows related to pensions and other postemployment benefits	3,102,756	113,777	3,216,533
Total deferred outflows of resources	<u>3,454,402</u>	<u>113,777</u>	<u>3,568,179</u>
LIABILITIES			
Accrued payroll and benefits	261,211	12,419	273,630
Payables:			
Accounts	1,067,718	229,918	1,297,636
Interest	285,676	366,686	652,362
Deposits	190,720	4,401	195,121
Unearned revenues	84,247	-	84,247
Noncurrent liabilities:			
Due within one year	2,995,237	1,680,619	4,675,856
Due in more than one year	36,200,889	18,512,753	54,713,642
Total noncurrent liabilities	<u>39,196,126</u>	<u>20,193,372</u>	<u>59,389,498</u>
Total liabilities	<u>41,085,698</u>	<u>20,806,796</u>	<u>61,892,494</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	1,697,948	87,530	1,785,478
Total deferred inflows of resources	<u>1,697,948</u>	<u>87,530</u>	<u>1,785,478</u>
NET POSITION			
Net investment in capital assets	106,646,221	24,748,260	131,394,481
Restricted for:			
Other postemployment benefits	166,905	1,735	168,640
Municipal court	56,844	-	56,844
Law enforcement	123,570	-	123,570
Transportation	1,001,385	-	1,001,385
Capital projects	165,454	-	165,454
Debt service	314,442	2,858,048	3,172,490
Unrestricted	13,942,110	(2,390,496)	11,551,614
Total net position	<u>\$ 122,416,931</u>	<u>\$ 25,217,547</u>	<u>\$ 147,634,478</u>

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

Town of Sahuarita, Arizona

Statement of Activities

For the Fiscal Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating		Capital	Primary Government		
		Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 5,994,445	\$ 399,847	\$ 68,803	\$ 287,203	\$ (5,238,592)		\$ (5,238,592)
Public safety	8,876,340	1,830,862	571,991	-	(6,473,487)		(6,473,487)
Culture and recreation	3,029,502	162,617	420	-	(2,866,465)		(2,866,465)
Highways and streets	11,441,554	-	2,511,917	2,001,423	(6,928,214)		(6,928,214)
Interest and amortization on long-term debt	945,665	-	-	-	(945,665)		(945,665)
Total governmental activities	<u>30,287,506</u>	<u>2,393,326</u>	<u>3,153,131</u>	<u>2,288,626</u>	<u>(22,452,423)</u>		<u>(22,452,423)</u>
Business-type activities:							
Sewer	3,606,201	4,370,315	-	367,035		\$ 1,131,149	1,131,149
Total business-type activities	<u>3,606,201</u>	<u>4,370,315</u>	<u>-</u>	<u>367,035</u>		<u>1,131,149</u>	<u>1,131,149</u>
Total primary government	<u>\$ 33,893,707</u>	<u>\$ 6,763,641</u>	<u>\$ 3,153,131</u>	<u>\$ 2,655,661</u>	<u>(22,452,423)</u>	<u>1,131,149</u>	<u>(21,321,274)</u>
General revenues:							
Property taxes					657,199	-	657,199
Sales taxes					9,788,930	-	9,788,930
Franchise taxes					369,157	-	369,157
Share of state income tax					3,550,406	-	3,550,406
Share of state sales tax					2,957,158	-	2,957,158
Share of state vehicle license tax					1,349,348	-	1,349,348
Grants and contributions not restricted to specific programs					171,454	-	171,454
Contributions restricted for debt service					709,764	-	709,764
Investment earnings (losses)					715,484	(7,436)	708,048
Miscellaneous					174,125	17,260	191,385
Special item-impairment loss					(3,168,076)	-	(3,168,076)
Transfers					<u>(4,916,558)</u>	<u>4,916,558</u>	<u>-</u>
Net general revenues, special item, and transfers					12,358,391	4,926,382	17,284,773
Change in net position					(10,094,032)	6,057,531	(4,036,501)
Net position at beginning of year, as restated					132,510,963	19,160,016	151,670,979
Net position at end of year					<u>\$ 122,416,931</u>	<u>\$ 25,217,547</u>	<u>\$ 147,634,478</u>

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

Town of Sahuarita, Arizona

Balance Sheet Governmental Funds June 30, 2019

	General Fund	Highway User Revenue Fund	Rancho Sahuarita CFD Fund	Capital Infrastructure Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 17,410,199	\$ 595,122	\$ 8,775	\$ 3,111,253	\$ 2,759	\$ 21,128,108
Receivables, net of allowances for doubtful accounts	1,833,794	421,495	21	117,233	652,680	3,025,223
Prepaid items	19,300	-	-	-	-	19,300
Restricted assets	-	-	449,643	-	510,498	960,141
Advances to other funds	2,238,301	-	-	-	-	2,238,301
Total assets	<u>\$ 21,501,594</u>	<u>\$ 1,016,617</u>	<u>\$ 458,439</u>	<u>\$ 3,228,486</u>	<u>\$ 1,165,937</u>	<u>\$ 27,371,073</u>
Liabilities						
Accrued payroll and benefits	\$ 221,531	\$ 10,569	\$ -	\$ 29,111	\$ -	\$ 261,211
Payables:						
Accounts	727,465	72,564	1,219	190,933	75,537	1,067,718
Bonds	-	-	-	-	670,000	670,000
Interest	-	-	145,945	-	139,731	285,676
Deposits	190,720	-	-	-	-	190,720
Unearned revenues	55,060	-	7,563	-	21,624	84,247
Total liabilities	<u>1,194,776</u>	<u>83,133</u>	<u>154,727</u>	<u>220,044</u>	<u>906,892</u>	<u>2,559,572</u>
Deferred inflows of resources						
Unavailable revenues	308,270	206,759	21	117,233	76,962	709,245
Total deferred inflows of resources	<u>308,270</u>	<u>206,759</u>	<u>21</u>	<u>117,233</u>	<u>76,962</u>	<u>709,245</u>
Fund balances						
Nonspendable:						
Long-term notes receivable	9,870	-	-	-	-	9,870
Prepaid items	19,300	-	-	-	-	19,300
Advance to Wastewater	2,238,301	-	-	-	-	2,238,301
Restricted:						
Transportation	-	726,725	-	-	-	726,725
Municipal Court	-	-	-	-	56,844	56,844
Law enforcement	-	-	-	-	119,921	119,921
SAMTEC Project	-	-	-	165,454	-	165,454
Debt service	-	-	303,691	-	5,318	309,009
Committed to stabilization reserves	5,355,390	-	-	-	-	5,355,390
Assigned to capital projects	-	-	-	2,725,755	-	2,725,755
Unassigned	12,375,687	-	-	-	-	12,375,687
Total fund balances	<u>19,998,548</u>	<u>726,725</u>	<u>303,691</u>	<u>2,891,209</u>	<u>182,083</u>	<u>24,102,256</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,501,594</u>	<u>\$ 1,016,617</u>	<u>\$ 458,439</u>	<u>\$ 3,228,486</u>	<u>\$ 1,165,937</u>	<u>\$ 27,371,073</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, 2019

Total fund balances—governmental funds \$ 23,936,802

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	\$ 9,564,358	
Construction in progress	1,404,498	
Buildings and improvements	23,290,210	
Infrastructure	176,898,577	
Vehicles	4,104,808	
Equipment and software	2,821,989	
Accumulated depreciation	<u>(83,876,243)</u>	
Total		134,208,197

Net postemployment benefits (OPEB) assets held in trust for future benefits are not available for Town operations and are not reported in the funds. 166,905

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

Deferred outflows of resources related to pensions and OPEB		3,102,756
Deferred inflows of resources related to pensions and OPEB		(1,697,948)

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. 709,245

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

Deferred charge on debt refundings	351,646	
Bonds payable	(14,535,000)	
Loans payable	(11,439,000)	
Unamortized premium on long-term debt	(55,109)	
Unamortized discount on long-term debt	52,807	
Capital leases	(1,267,320)	
Net pension and OPEB liabilities	(10,103,510)	
Compensated absences	<u>(1,178,994)</u>	
Total		<u>(38,174,480)</u>

Net position of governmental activities \$ 122,251,477

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, 2019

	General Fund	Highway User Revenue Fund	Rancho Sahuarita CFD Fund	Capital Infrastructure Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 6,180,497	\$ -	\$ 59,145	\$ 3,685,309	\$ 596,443	\$ 10,521,394
Licenses and permits	1,926,495	-	-	19,200	-	1,945,695
Intergovernmental	7,856,912	3,247,382	-	8,569	692,404	11,805,267
Charges for services	854,375	-	12,012	-	11,850	878,237
Fines and forfeitures	198,728	-	-	-	34,566	233,294
Investment earnings	510,990	18,464	72,828	104,750	8,452	715,484
Miscellaneous	232,714	17,448	305,345	282,532	489,275	1,327,314
Total revenues	<u>17,760,711</u>	<u>3,283,294</u>	<u>449,330</u>	<u>4,100,360</u>	<u>1,832,990</u>	<u>27,426,685</u>
Expenditures						
Current:						
General government	5,826,919	-	2,933	-	81,193	5,911,045
Public safety	8,075,154	-	-	-	850,397	8,925,551
Culture and recreation	1,861,302	-	-	-	43,839	1,905,141
Highways and streets	-	3,244,720	12,264	-	102,877	3,359,861
Capital outlay	-	-	3,774,578	2,547,838	-	6,322,416
Debt service:						
Principal	-	-	-	1,754,983	670,000	2,424,983
Interest	-	-	377,025	327,664	279,462	984,151
Fiscal charges	-	-	1,500	3,400	4,700	9,600
Total expenditures	<u>15,763,375</u>	<u>3,244,720</u>	<u>4,168,300</u>	<u>4,633,885</u>	<u>2,032,468</u>	<u>29,842,748</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,997,336</u>	<u>38,574</u>	<u>(3,718,970)</u>	<u>(533,525)</u>	<u>(199,478)</u>	<u>(2,416,063)</u>
Other financing sources (uses)						
Capital leases	-	-	-	611,161	-	611,161
Proceeds on the sale of assets	-	-	-	106,414	-	106,414
Transfers in	-	500,000	-	215,868	-	715,868
Transfers out	(2,612,750)	(206,617)	-	(2,579,220)	-	(5,398,587)
Total other financing sources (uses)	<u>(2,612,750)</u>	<u>293,383</u>	<u>-</u>	<u>(1,645,777)</u>	<u>-</u>	<u>(3,965,144)</u>
Net change in fund balances	(615,414)	331,957	(3,718,970)	(2,179,302)	(199,478)	(6,381,207)
Fund balance at beginning of year	20,613,962	394,768	4,022,661	5,070,511	381,561	30,483,463
Fund balance at end of year	<u>\$ 19,998,548</u>	<u>\$ 726,725</u>	<u>\$ 303,691</u>	<u>\$ 2,891,209</u>	<u>\$ 182,083</u>	<u>\$ 24,102,256</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, 2019

Net change in fund balances—governmental funds		\$ (6,546,661)
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	\$ 5,666,180	
Depreciation expense	<u>(9,807,627)</u>	
Excess of depreciation expense over capitalized expenditures		(4,141,447)
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.		
		1,840,423
Some capital assets of the governmental activities were transferred to the business-type activities during the year. This activity is not reported in governmental funds.		
		(233,839)
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		(391,659)
Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in net pension/OPEB liability adjusted for changes in deferred outflows and inflows related to pension/OPEB, is reported in the statement of activities.		
Town pension/OPEB contributions		1,316,019
Town proportionate share of State's appropriation to EORP		(20,900)
Pension/OPEB expense		(562,829)
The issuance of long term-debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumed the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued whereas these amounts are amortized in the statement of activities.		
Capital leases	\$ (611,161)	
Debt service - principal payments	2,424,983	
Net amortization of discounts, premiums, and deferred amounts	<u>(25,486)</u>	
Net effect of long-term debt and related items		1,788,336
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		(3,299,955)
Decrease in interest payable		73,572
Increase in compensated absences		<u>(80,546)</u>
Change in net position of governmental activities		<u><u>\$ (10,259,486)</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, 2019

	Wastewater Enterprise Fund
Assets	
Current:	
Cash and cash equivalents	\$ 34
Accounts receivable (net of allowance for doubtful accounts of \$482,345)	820,911
Total current	<u>820,945</u>
Noncurrent assets:	
Restricted cash and cash equivalents	2,858,048
Accounts receivable	312,611
Net other postemployment benefits asset	1,735
Capital assets:	
Land	2,640,000
Construction in progress	136,706
Plant and buildings	38,578,109
Sewage conveyance system	13,456,528
Vehicles and equipment	329,423
Accumulated depreciation	<u>(10,897,708)</u>
Capital assets, net of accumulated depreciation	44,243,058
Total noncurrent assets	<u>47,415,452</u>
Total assets	<u>48,236,397</u>
Deferred outflows of resources	
Deferred outflows related to pensions and other postemployment benefits	113,777
Total deferred outflows of resources	<u>113,777</u>
Liabilities	
Current:	
Accrued payroll and benefits	12,419
Accounts payable	229,918
Deposits payable	4,401
Accrued compensated absences	28,379
Interest payable-current	366,686
Loans and capital leases payable-current	1,652,240
Total current liabilities	<u>2,294,043</u>
Noncurrent liabilities:	
Accrued compensated absences	24,808
Advances from other funds	2,238,301
Net pension and other postemployment benefits liability	645,387
Capital lease payable	155,506
Loans payable	17,687,052
Total noncurrent liabilities	<u>20,751,054</u>
Total liabilities	<u>23,045,097</u>
Deferred inflows of resources	
Deferred inflows related to pensions and other postemployment benefits	87,530
Total deferred inflows of resources	<u>87,530</u>
Net position	
Net investment in capital assets	24,748,260
Restricted for:	
Debt service reserves	2,108,048
Debt rate stabilization fund	750,000
Other postemployment benefits	1,735
Unrestricted	<u>(2,390,496)</u>
Total net position	<u>\$ 25,217,547</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, 2019

	Wastewater Enterprise Fund
Operating revenues	
Charges for services	\$ 3,629,713
Other	203,970
Total operating revenues	3,833,683
Operating expenses	
Personal services and employee benefits	689,619
Operating supplies and services	529,710
Utilities	234,759
General and administrative	378,762
Depreciation	1,047,084
Total operating expenses	2,879,934
Operating income	953,749
Nonoperating revenues (expenses)	
Sewer connection fees	536,632
Investment earnings (losses)	(7,436)
Miscellaneous revenue	17,260
Interest expense	(726,267)
Total nonoperating revenues (expenses)	(179,811)
Net income before contributions and transfers	773,938
Capital contributions	600,874
Transfers in	4,691,970
Transfers out	(9,251)
Change in net position	6,057,531
Net position at beginning of year, as restated	19,160,016
Net position at end of year	\$ 25,217,547

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, 2019

	Wastewater Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 3,722,039
Payments to suppliers and providers of goods and services	(1,145,696)
Payments for employee wages and benefits	(723,194)
Net cash provided by operating activities	1,853,149
Cash Flows from Noncapital Financing Activities	
Net interfund loan repayments	(4,348,428)
Cash transfers from other funds	4,691,970
Cash transfers to other funds	(9,251)
Interest paid to other funds	(7,436)
Miscellaneous receipts	17,260
Net cash provided by noncapital financing activities	344,115
Cash Flows From Capital and Related Financing Activities	
Sewer connection fees	224,021
Acquisition and construction of capital assets	(72,254)
Principal payments on capital debt	(1,592,879)
Interest payments on capital debt	(756,380)
Net cash used for capital and related financing activities	(2,197,492)
Net change in cash and cash equivalents	(228)
Cash and cash equivalents at beginning of year	2,858,310
Cash and cash equivalents at end of year	\$ 2,858,082
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 953,749
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,047,084
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	(107,245)
Net other postemployment benefit (OPEB) asset	923
Deferred outflows related to pensions	3,381
Accrued payroll and benefits	(2,307)
Accounts payable related to operations	(2,465)
Deposits payable	(4,399)
Accrued compensated absences	(5,008)
Net pension and OPEB liability	(71,216)
Deferred inflows related to pensions	40,652
Net cash provided by operating activities	\$ 1,853,149
NONCASH ITEMS	
Capital asset contributions	\$ 600,874

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, 2019

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.

For the year ended June 30, 2019, the Town implemented the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. GASB Statement No. 88 establishes standards to improve note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt.

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

On March 24, 2016, the Town Council approved Resolution No. 2016-383 which ordered and declared the formation of the Rancho Sahuarita Community Facilities District, a legally separate entity from the Town. The District encompasses an area of approximately 943 acres wholly within the corporate boundaries of the Town. The District was formed as a tax levying public improvement district for the purpose of financing and maintaining public facilities. The Town Council acts as the District's Board of Directors and Town Management has operational responsibility for the District. Accordingly, the District is a blended component unit of the Town and is reported as a special revenue fund in the Town's financial statements. The District does not issue separate financial statements.

B. Basis of Presentation

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

Government-wide statements—Provide information about the primary government (the Town). The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities. They also distinguish between the Town's governmental and business-type activities 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.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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

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

Proprietary 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.

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

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

The Town reports the following major enterprise fund:

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

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 and acquisitions under capital lease agreements are reported as other financing sources.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

D. Property Tax Calendar

The Community Facilities Districts levy real and personal property taxes on or before the Third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next 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.

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.

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. Intangible Assets

Long-Term Storage Credits (LTSCs)—At June 30, 2019, the Town had 6,617.91 LTSCs on account with the Arizona Department of Water Resources (ADWR). The ADWR certifies the balance of LTSCs held on account and generated each year for the Wastewater Utility's recharge of effluent. These credits are intangible assets with a book value of \$0.

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

I. Capital Assets

Capital assets are reported in the applicable governmental activities or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. General infrastructure assets acquired prior to July 1, 2004 are not reported in the basic financial statements.

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

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

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

J. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net 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.

K. 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 without limitation 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.

L. 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.

M. Postemployment Benefits

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

N. 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.

O. 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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

in spendable form or have a requirement to remain intact. Spendable balances are further classified as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by external resource providers or through enabling legislation.

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

Amounts in the *assigned* fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. The Town Council assigns amounts to specific purposes.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Stabilization arrangement—In accordance with Sahuarita Town Code §3.20, on June 25, 2018, 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.

NOTE 2—DEPOSITS AND INVESTMENTS

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

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

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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

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

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

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

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

Deposits—At June 30, 2019, the carrying amount of the Town's cash in bank was \$4,128,154 and the bank balance was \$4,314,275.

Investments—The Town's had total investments of \$20,709,385 at June 30, 2019. The Town categorizes certain investments measures at fair value within the fair value established by the generally accepted accounting principles as follows:

	Fair Value Measurement Using			Amount
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments by fair value level:				
Negotiable certificates of deposit	\$ 1,491,763	\$ -	\$ -	\$ 1,491,763
Corporate bonds	3,424,685	-	-	3,424,685
Total investments by fair value level	\$ 4,916,448	\$ -	\$ -	\$ 4,916,448

The Town also had investments of \$14,927,243 in the State Treasurer's investment pools measured at fair value. Investments in these pools are valued at the pool's share price multiplied by the number of shares the Town held. The fair value of the participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

The Town also had investments of \$865,694 in government money market funds measured at amortized cost.

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 investment pool 5 had a credit rating of AAf/S1+ by Standard and Poor's. The State Treasurer's investment pools 500 and 700 did not receive a credit quality rating from a national rating agency. The securities in pool 500, however, had a weighted average credit rating of AA-2 by Moody's. Pool 700 investments are specifically limited to those securities that carry the full faith and credit of the United States Government, and had a weighted average credit rating of AAA by Moody's. The certificates of deposit were entirely insured by the FDIC.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

<i>Lower of Standard & Poor's & Moody's Composite Rating</i>	AA-	A+	A	A-	BBB+	Exempt from Disclosure	Amount
Investments:							
Government money market fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 865,694	\$ 865,694
State Treasurer's investment pools	-	-	-	-	-	14,927,243	14,927,243
Negotiable certificates of deposit	-	-	-	-	-	1,491,763	1,491,763
Corporate bonds	556,175	554,347	929,741	1,056,051	328,371	-	3,424,685
Total Investments	\$ 556,175	\$ 554,347	\$ 929,741	\$ 1,056,051	\$ 328,371	\$ 17,284,700	\$ 20,709,385

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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.

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, 2019.

	Maturities (in Months)				Amount	%
	< 6	6 to < 12	12 to < 18	18 to < 27		
Deposits:						
Cash on hand	\$ 3,606	\$ -	\$ -	\$ -	\$ 3,606	0.0%
Cash in bank	4,128,154	-	-	-	4,128,154	16.5%
Cash held by fiduciary	105,186	-	-	-	105,186	0.4%
Investments:						
Government money market fund	865,694	-	-	-	865,694	3.5%
State Treasurer's investment pool 5	1,027,790	-	-	-	1,027,790	4.1%
State Treasurer's investment pool 500	-	-	10,819,313	-	10,819,313	43.4%
State Treasurer's investment pool 700	-	-	-	3,080,140	3,080,140	12.3%
Negotiable certificates of deposit	1,491,763	-	-	-	1,491,763	6.0%
Corporate bonds	882,168	1,916,217	626,300	-	3,424,685	13.7%
Total composite portfolio	\$ 8,504,361	\$ 1,916,217	\$ 11,445,613	\$ 3,080,140	24,946,331	100.0%
Less: Restricted cash and investments					(3,818,189)	
Total non-restricted cash and investments					\$ 21,128,142	

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

NOTE 3—RESTRICTED ASSETS

At June 30, 2019, restricted assets consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Deposits:			
Amounts held by fiduciary	\$ 105,186	\$ -	\$ 105,186
Investments:			
Government money market fund	854,955	-	854,955
State Treasurer's investment pool 700	-	2,858,048	2,858,048
Total restricted cash and investments	<u>960,141</u>	<u>2,858,048</u>	<u>3,818,189</u>
Other postemployment benefits asset	166,905	1,735	168,640
Total restricted assets	<u>\$ 1,127,046</u>	<u>\$ 2,859,783</u>	<u>\$ 3,986,829</u>

The government money market funds, which were held in trust, comprise \$405,312 and \$145,951 of property tax collections that are obligated for debt service on the Quail Creek CFD Series 2016 General Obligation Refunding Bonds and Rancho Sahuarita CFD 2018 General Obligation Bonds, respectively; and \$303,692 of unspent bond proceeds obligated for Rancho Sahuarita CFD debt service.

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 specific law enforcement activities.

The State Treasurer's investment 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>RS CFD Funds</u>	<u>CIIF Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$ 1,422,389	\$ -	\$ 21	\$ 234,466	\$ 11,151	\$ 1,668,027
Accounts	248,500	2,416	-	-	447,077	697,993
Intergovernmental	155,900	419,079	-	-	194,452	769,431
Notes	9,870	-	-	-	-	9,870
Gross receivables	<u>1,836,659</u>	<u>421,495</u>	<u>21</u>	<u>234,466</u>	<u>652,680</u>	<u>3,145,321</u>
Less: Allowance for doubtful accounts	(2,865)	-	-	(117,233)	-	(120,098)
Net receivables	<u>\$ 1,833,794</u>	<u>\$ 421,495</u>	<u>\$ 21</u>	<u>\$ 117,233</u>	<u>\$ 652,680</u>	<u>\$ 3,025,223</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, 2019

NOTE 5—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,564,358	\$ -	\$ -	\$ 9,564,358
Construction in progress	4,404,241	850,104	(3,849,847)	1,404,498
Total capital assets not being depreciated	<u>13,968,599</u>	<u>850,104</u>	<u>(3,849,847)</u>	<u>10,968,856</u>
Capital assets being depreciated:				
Buildings and improvements	22,627,276	717,688	(54,754)	23,290,210
Infrastructure	171,340,956	5,791,460	(233,839)	176,898,577
Vehicles	3,885,885	680,183	(461,260)	4,104,808
Equipment and software	3,091,385	51,786	(321,182)	2,821,989
Total capital assets being depreciated	<u>200,945,502</u>	<u>7,241,117</u>	<u>(1,071,035)</u>	<u>207,115,584</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,386,392)	(520,982)	54,754	(5,852,620)
Infrastructure	(64,566,831)	(8,636,655)	-	(73,203,486)
Vehicles	(2,275,059)	(476,563)	441,917	(2,309,705)
Equipment and software	(2,642,803)	(173,427)	305,798	(2,510,432)
Total accumulated depreciation	<u>(74,871,085)</u>	<u>(9,807,627)</u>	<u>802,469</u>	<u>(83,876,243)</u>
Total capital assets being depreciated, net	<u>126,074,417</u>	<u>(2,566,510)</u>	<u>(268,566)</u>	<u>123,239,341</u>
Governmental activities capital assets, net	<u>\$ 140,043,016</u>	<u>\$ (1,716,405)</u>	<u>\$ (4,118,413)</u>	<u>\$ 134,208,197</u>

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,640,000	\$ -	\$ -	\$ 2,640,000
Construction in progress	9,134	127,572	-	136,706
Total capital assets not being depreciated	<u>2,649,134</u>	<u>127,572</u>	<u>-</u>	<u>2,776,706</u>
Capital assets being depreciated:				
Buildings and improvements	38,559,233	18,876	-	38,578,109
Sewer conveyance system	12,855,655	600,873	-	13,456,528
Vehicles	352,870	-	(48,404)	304,466
Equipment and software	32,454	-	(7,497)	24,957
Total capital assets being depreciated	<u>51,800,212</u>	<u>619,749</u>	<u>(55,901)</u>	<u>52,364,060</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,933,819)	(762,732)	-	(7,696,551)
Sewer conveyance system	(2,665,559)	(263,123)	-	(2,928,682)
Vehicles	(274,693)	(21,229)	48,404	(247,518)
Equipment and software	(32,454)	-	7,497	(24,957)
Total accumulated depreciation	<u>(9,906,525)</u>	<u>(1,047,084)</u>	<u>55,901</u>	<u>(10,897,708)</u>
Total capital assets being depreciated, net	<u>41,893,687</u>	<u>(427,335)</u>	<u>-</u>	<u>41,466,352</u>
Business-type activities capital assets, net	<u>\$ 44,542,821</u>	<u>\$ (299,763)</u>	<u>\$ -</u>	<u>\$ 44,243,058</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

Depreciation Expense was charged to functions as follows:

Governmental activities:

General government	\$ 582,408
Public safety	402,424
Culture and recreation	814,682
Highways and streets	8,008,113
Total governmental activities depreciation	\$ 9,807,627

Business-type activities:

Sewer	\$ 1,047,084
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NOTE 6—PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2019, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes.

Statement of net positions and statement of activities	Governmental activities	Business-type activities	Total
Net OPEB asset	\$ 166,905	\$ 1,735	\$ 168,640
Net pension and OPEB liability	10,103,510	645,387	10,748,897
Deferred outflows of resources related to pensions and OPEB	3,102,756	113,777	3,216,533
Deferred inflows of resources related to pensions and OPEB	1,697,948	87,530	1,785,478
Pension and OPEB expense	562,829	35,045	597,874

The Town's accrued payroll and employee benefits includes \$24,798 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2019. Also, the Town reported \$1,316,019 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

Arizona State Retirement System (ASRS)

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

Benefits provided—The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated 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, 2019

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

*With actuarially reduced benefits.

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

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

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

Contributions—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.8 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.8 percent (11.18 percent for retirement, 0.46 percent for the health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019 were \$677,228, \$27,864 and \$9,691, respectively.

During fiscal year 2019, the Town paid for ASRS pension and OPEB contributions as follows: 81% from the General Fund and 19% from other major funds.

Liability—At June 30, 2019, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPB asset or liability:

	Net pension/OPEB <u>(asset) liability</u>
Pension	\$ 8,121,036
Health insurance premium benefit	(21,368)
Long-term disability	30,493

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

The net asset and net liabilities were measured as of June 30, 2018. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

The Town's proportion of the net asset or net liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The Town's proportions measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	0.05823%	0.00095%
Health insurance premium benefit	0.05934%	0.00122%
Long-term disability	0.05836%	0.00085%

Expense—For the year ended June 30, 2019, the Town recognized the following pension and OPEB expense:

	Pension/OPEB expense
Pension	\$ 357,618
Health insurance premium benefit	21,249
Long-term disability	11,062

Deferred outflows/inflows of resources—At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health insurance premium benefit		Long-term disability	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 223,728	\$ 44,770	\$ -	\$ 19,722	\$ 780	\$ -
Changes in assumptions or other inputs	214,897	720,041	41,208	-	6,605	-
Net difference between projected and actual earnings on plan investments	-	195,292	-	42,685	-	2,954
Changes in proportion and differences between Town contributions and proportionate share of contributions	146,473	-	40	32	293	3
Town contributions subsequent to the measurement date	677,228	-	27,864	-	9,691	-
Total	\$ 1,262,326	\$ 960,103	\$ 69,112	\$ 62,439	\$ 17,369	\$ 2,957

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending June 30,	Pension	Health insurance premium benefit	Long-term disability
2020	\$ 159,352	\$ (8,274)	\$ 130
2021	(150,533)	(8,274)	129
2022	(296,243)	(8,274)	130
2023	(87,581)	824	922
2024	-	2,807	1,067
Thereafter	-	-	2,343

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pension and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected geometric real rate of return</u>
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	<u>20%</u>	5.85%
Total	<u>100%</u>	

Discount rate—At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the Town’s proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the Town’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the Town’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension liability	\$ 11,576,723	\$ 8,121,036	\$ 5,233,865
Net insurance premium benefit liability (asset)	75,711	(21,368)	(104,060)
Net long-term disability liability	34,557	30,493	26,550

Plan fiduciary net position—Detailed information about the plans’ 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, 2019

Elected Officials Retirement Plan (EORP)

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

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

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

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

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

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

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2019, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the Town to contribute at the actuarially determined rate of 61.5 percent of all active EORP

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

members' annual covered payroll. Also, statute required the Town to contribute 49.86 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.5 percent to EORP of the annual covered payroll of elected officials who were EODCRS members, in addition to the Town's required contributions to ASRS and EODCRS for these elected officials.

During fiscal year 2019, the Town's contributions to the EORP pension plan were \$28,969 paid entirely from the general fund.

Liability—At June 30, 2019, 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	\$311,168
State's proportionate share of the EORP net pension liability associated with the Town	<u>53,317</u>
Total	<u>\$364,485</u>

The Town also reported an asset of \$43,638 for its proportionate share of EORP's net OPEB asset.

The net asset and net liability were measured as of June 30, 2018, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2018, reflect statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.

The Town's proportion of the net pension liability was based on the Town's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2018. The Town's proportion of the net OPEB asset was based on the Town's present value of benefits relative to the total of all participating employers' present value of benefits for the year ended June 30, 2018. The Town's proportion measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	0.049381%	-0.01028%
Health insurance premium benefit	0.422276%	0.05258%

Expense—For the year ended June 30, 2019, the Town recognized pension and OPEB expense for EORP of -\$207,844 and -\$4,386, respectively, and revenue of -\$20,900 for the Town's proportionate share of the State's appropriation to EORP and the designated court fees.

Deferred outflows/inflows of resources—At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

	Pension		Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 4,853	\$ 525	\$ 2,039
Changes in assumptions or other inputs	1,939	129,542	148	-
Net difference between projected and actual earnings on plan investments	2,700	-	-	2,361
Changes in proportion and differences between Town contributions and proportionate share of contributions	454	62,609	-	2,614
Town contributions subsequent to the measurement date	28,969	-	-	-
Total	<u>\$ 34,062</u>	<u>\$ 197,004</u>	<u>\$ 673</u>	<u>\$ 7,014</u>

The amounts reported as deferred outflows of resources related to EORP pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions and OPEB will be recognized as expenses as follows:

Year ending June 30,	Pension	Health insurance premium benefit
2020	\$ (177,715)	\$ (3,799)
2021	(13,095)	(1,768)
2022	(1,146)	(794)
2023	45	20
2024	-	-
Thereafter	-	-

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

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on EORP plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected geometric real rate of return</u>
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Discount rates—At June 30, 2018, the discount rate used to measure the EORP total pension liability and total OPEB liability was 7.4 percent which was an increase of 3.49 for pension and no change for OPEB from the discount rates used as of June 30, 2017. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the Town's proportionate share of the EORP net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the Town's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.4 percent, as well as what the Town's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	1% Decrease (6.4%)	Current discount rate (7.4%)	1% Increase (8.4%)
Town's proportionate share of the net pension liability	\$ 357,294	\$ 311,168	\$ 271,961
Town's proportionate share of the net OPEB (asset)	\$ (38,789)	\$ (43,638)	\$ (47,828)

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

Public Safety Personnel Retirement System (PSPRS)

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

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

Benefits provided—The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated 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, 2019

	Initial membership date:	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012 and before July 1, 2017</u>
<u>Retirement and disability</u>		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor benefit</u>		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

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

Employees covered by benefit terms—At June 30, 2019, the following employees were covered by the agent plans' benefit terms:

	Police	
	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	6	6
Inactive employees entitled to but not yet receiving benefits	11	3
Active employees	33	33
Total	50	42

Contributions—State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2019, are indicated below. Rates are a

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

percentage of active members' annual covered payroll.

	<u>Active member rate-pension</u>	<u>Town rate- pension</u>	<u>Town rate- health insurance premium benefit</u>
Police	7.65%-11.65%	15.31%-19.82%	0.26%-0.35%

Also, statute required the Town and active members to each contribute at the actuarially determined rate of 15.62% (15.20 percent for pension and 0.42 percent for health insurance premium benefit) of the annual covered payroll of Town police employees who were PSPRS Tier 3 Risk Pool members.

The Town's contributions to the plans for the year ended June 30, 2019, were:

	<u>Pension</u>	<u>Health insurance premium benefit</u>
Police	\$622,743	\$10,829

During fiscal year 2019, the Town paid for PSPRS pension and OPEB contributions as follows: 90 percent from the general fund and 10 percent from other funds.

Liability—At June 30, 2019, the Town reported the following assets and liabilities.

	<u>Net pension (asset) liability</u>	<u>Net OPEB (asset) liability</u>
Police	\$2,286,200	(\$103,634)

The net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected geometric real rate of return</u>
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

Discount rate—At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

The projection of cash flows used to determine the PSPRS discount rates 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 PSPRS plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments for these plans to determine the total pension/OPEB liability.

Changes in the net pension/OPEB liability:

	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension (asset) liability (a) - (b)	Total OPEB liability (a)	Plan fiduciary net position (b)	Net pension (asset) liability (a) - (b)
Balance at June 30, 2018	\$ 12,814,838	\$ 10,546,533	\$ 2,268,305	\$ 317,289	\$ 329,814	\$ (12,525)
Changes for the year:						
Service cost	591,771	-	591,771	9,484	-	9,484
Interest on the total liability	945,250	-	945,250	23,806	-	23,806
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement	234,805	-	234,805	(89,551)	-	(89,551)
Changes of assumptions or other inputs	-	-	-	-	-	-
Contributions-employer	-	1,056,768	(1,056,768)	-	12,023	(12,023)
Contributions-employee	-	284,875	(284,875)	-	-	-
Net investment income	-	739,857	(739,857)	-	23,179	(23,179)
Benefit payments, including refunds of employee contributions	(674,158)	(674,158)	-	(652)	(652)	-
Administrative expenses	-	(11,960)	11,960	-	(353)	353
Other (net transfer)	-	(315,609)	315,609	-	(1)	1
Net changes	<u>1,097,668</u>	<u>1,079,773</u>	<u>17,895</u>	<u>(56,913)</u>	<u>34,196</u>	<u>(91,109)</u>
Balance at June 30, 2019	<u>\$ 13,912,506</u>	<u>\$ 11,626,306</u>	<u>\$ 2,286,200</u>	<u>\$ 260,376</u>	<u>\$ 364,010</u>	<u>\$ (103,634)</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

Sensitivity of the Town's net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the Town's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4 percent, as well as what the Town's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	1% Decrease (6.4%)	Current discount rate (7.4%)	1% Increase (8.4%)
Police			
Net pension (asset) liability	\$4,519,245	\$2,286,200	\$497,111
Net OPEB (asset) liability	(64,507)	(103,634)	(135,690)

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

Expense—For the year ended June 30, 2019, the Town recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
Police	\$434,892	(\$14,717)

Deferred outflows/inflows of resources—At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 635,334	\$ 391,535	\$ -	\$ 128,460
Changes of assumptions or other inputs	457,749	-	-	29,881
Net difference between projected and actual earnings on plan investments	106,336	-	-	6,085
Town contributions subsequent to the measurement date	622,743	-	10,829	-
Total	\$ 1,822,162	\$ 391,535	\$ 10,829	\$ 164,426

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending June 30,	Pension	Health insurance premium benefit
2020	\$ 255,949	\$ (25,081)
2021	191,842	(25,081)
2022	67,260	(25,079)
2023	146,200	(22,616)
2024	102,414	(22,943)
Thereafter	44,219	(43,626)

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 7—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019, was as follows:

Governmental Activities	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within 1 year
Direct borrowings and direct placements of debt					
Rancho Sahuarita CFD GO bonds	\$ 5,780,000	\$ -	\$ -	\$ 5,780,000	\$ -
Loans payable	12,914,000	-	(1,475,000)	11,439,000	1,511,000
Unamortized discounts	(2,203)	-	721	(1,482)	1,482
Capital leases	936,143	611,161	(279,984)	1,267,320	278,408
Total direct borrowings and direct placements of debt	<u>19,627,940</u>	<u>611,161</u>	<u>(1,754,263)</u>	<u>18,484,838</u>	<u>1,790,890</u>
Other debt and liabilities					
Quail Creek CFD GO bonds	9,790,000	-	(365,000)	9,425,000	670,000
Unamortized premiums	77,160	-	(22,051)	55,109	20,748
Unamortized discounts	(56,729)	-	5,404	(51,325)	(5,405)
Net pension and OPEB liability	11,222,684	26,674	(1,145,848)	10,103,510	-
Compensated absences	1,098,448	564,093	(483,547)	1,178,994	519,004
Total other debt and liabilities	<u>22,131,563</u>	<u>590,767</u>	<u>(2,011,042)</u>	<u>20,711,288</u>	<u>1,204,347</u>
Total long-term liabilities	<u>\$ 41,759,503</u>	<u>\$ 1,201,928</u>	<u>\$ (3,765,305)</u>	<u>\$ 39,196,126</u>	<u>\$ 2,995,237</u>
Business-type Activities					
Direct borrowings and direct placements of debt					
Loans payable	\$ 20,887,936	\$ -	\$ (1,571,194)	\$ 19,316,742	\$ 1,629,690
Capital lease	199,741	-	(21,685)	178,056	22,550
Total direct borrowings and direct placements of debt	<u>21,087,677</u>	<u>-</u>	<u>(1,592,879)</u>	<u>19,494,798</u>	<u>1,652,240</u>
Other liabilities					
Net pension and OPEB liability	716,603	868	(72,084)	645,387	-
Compensated absences	58,195	26,043	(31,051)	53,187	28,379
Total other debt and liabilities	<u>774,798</u>	<u>26,911</u>	<u>(103,135)</u>	<u>698,574</u>	<u>28,379</u>
Total long-term liabilities	<u>\$ 21,862,475</u>	<u>\$ 26,911</u>	<u>\$ (1,696,014)</u>	<u>\$ 20,193,372</u>	<u>\$ 1,680,619</u>

RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT
GENERAL OBLIGATION BONDS
Governmental Activities

On March 30, 2018, the District issued general obligation bonds to provide for the financing of certain public infrastructure necessary for the development of a master-planned community within the District boundaries. Of the total \$60,000,000 originally authorized from the August 12, 2014 bond election, \$54,220,000 has not been issued. The bonds are payable from a continuing, direct, annual, ad valorem tax levied against all of the taxable property in the District through 2043. Additionally, debt service is guaranteed pursuant to a standby contribution agreement with the Master Developer. The District's general obligation bonds payable at June 30, 2019 follows.

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2019</u>
G.O. Bonds Series 2018	\$5,780,000	5.05%	2044	\$ 5,780,000

The following schedule provides the debt service requirements to maturity at June 30, 2019.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ 291,890
2021	129,000	285,376
2022	136,000	278,508
2023	142,000	271,337
2024	150,000	263,762
2025-2029	869,000	1,191,447
2030-2034	1,112,000	936,472
2035-2039	1,422,000	610,242
2040-2044	1,820,000	192,860
Total	<u>\$ 5,780,000</u>	<u>\$ 4,321,894</u>

QUAIL CREEK COMMUNITY FACILITIES DISTRICT
GENERAL OBLIGATION BONDS
Governmental Activities

The District issued general obligation bonds 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. The bonds are payable from a continuing, direct, annual, ad valorem tax levied against all of the taxable property in the District through 2030. Additionally, debt service is guaranteed pursuant to a standby contribution agreement with the Master Developer. The District's general obligation bonds payable at June 30, 2019 follows.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2019</u>
G.O. Refunding Series 2016	\$9,940,000	3.00 - 3.25%	2031	\$ 9,425,000
		Unamortized amounts		3,784
		Total bonds outstanding		<u>\$ 9,428,784</u>

The following schedule provides the debt service requirements to maturity at June 30, 2019.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 670,000	\$ 266,063
2021	685,000	245,513
2022	705,000	224,363
2023	725,000	202,613
2024	745,000	180,263
2025-2029	4,085,000	540,713
2030-2031	1,810,000	29,900
Total	<u>\$ 9,425,000</u>	<u>\$ 1,689,428</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

LOANS PAYABLE Governmental Activities

The Town issued debt 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 annual debt service requirements on the following loans. Annual principal and interest payments on these loans are expected to require approximately 17% of revenues pledged. Pledged revenues shall be maintained so that the amounts pledged shall be at least two times the annual debt service payments. The 2009B GADA Loan also contains a provision that in the event of default, GADA may direct the State Treasurer to withhold state shared revenues as provided in Arizona Revised Statutes.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2018</u>
2009B GADA Loan	\$ 6,700,000	4.375%	2020	\$ 340,000
2015 Refunding Obligation	8,840,000	1.98%	2025	7,025,000
2017 Refunding Obligation	4,213,000	2.06%	2028	4,074,000
			Loans payable outstanding	11,439,000
			Unamortized amounts	(1,482)
			Total loans outstanding	<u>\$ 11,437,518</u>

The following schedule provides the debt service requirements to maturity at June 30, 2019.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,511,000	\$ 237,894
2021	1,547,000	199,789
2022	1,580,000	168,829
2023	1,607,000	137,209
2024	1,642,000	105,048
2025-2028	3,552,000	169,769
	<u>\$ 11,439,000</u>	<u>\$ 1,018,538</u>

The aforementioned loans are payable from the revenues of the Town's governmental funds through 2028. During that timeframe, total principal and interest to be paid on the loans will be \$12,457,538. During fiscal year ended June 30, 2019, total principal and interest paid was \$1,749,521 and the total revenue subject to pledge was \$20,721,516.

Prior year defeasance of debt. In prior years, the Town defeased outstanding loan principal by placing the proceeds of the new loan in an irrevocable trust to provide for future debt service payments on portions of the old loan. Accordingly, the trust account assets and the liability for the defeased loan principal is not included in the Town's financial statements. At June 30, 2019, \$3,918,597 of loan principal is considered defeased.

LOANS PAYABLE Business-type Activities

The Town has two 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.

For the 2008 WIFA System Revenues Loan, the Town has pledged wastewater system revenues and other resources (rate stabilization fund), net of specified operating expenses. Net revenues shall be maintained so that the amounts pledged shall be at least 120 percent of the annual debt service payments. Annual principal and interest payments on the loan are expected to require 99% of pledged system revenues. In the current year, total debt service and total pledged resources were \$2,108,048 and \$3,297,289, respectively.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

For the 2008 WIFA Non-System Revenues Loan, the Town has pledged future State-shared revenues and excise tax revenues towards annual debt service requirements. Annual principal and interest payments on these loans are expected to require approximately 2% of revenues pledged. Pledged revenues shall be maintained so that the amounts pledged shall be at least two times the annual debt service payments. In the current year, total debt service and total pledged resources were \$240,804 and \$20,721,516, respectively.

<u>Issue</u>	<u>Total Drawn</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2019</u>
2008 WIFA System Revenues Loan	\$28,350,000	3.723%	2029	\$ 17,336,392
2008 WIFA Non-System Revenues Loan	\$3,516,528	3.723%	2029	1,980,350
Total loans payable				<u>\$ 19,316,742</u>

The following schedule estimates total debt service requirements to maturity at June 30, 2019.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,629,690	\$ 658,489
2021	1,690,364	595,557
2022	1,753,295	530,282
2023	1,818,571	462,576
2024	1,886,276	392,350
2025-2029	10,538,546	813,561
	<u>\$ 19,316,742</u>	<u>\$ 3,452,815</u>

COMPENSATED ABSENCES

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2019, the Town paid for compensated absences as follows: 90 percent from the general fund and 10 percent from other major funds.

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.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Building		\$ 250,248
Vehicles	\$ 1,808,620	-
Less: accumulated depreciation	(504,406)	(7,507)
Total	<u>\$ 1,304,214</u>	<u>\$ 242,741</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Year ending June 30	Governmental Activities	Business-type Activities
2020	\$ 335,755	\$ 29,655
2021	362,020	29,655
2022	318,743	29,655
2023	245,919	29,655
2024	144,975	29,655
2025-2026	-	59,308
Total minimum lease payments	1,407,412	207,583
Less amount representing interest	(140,092)	(29,527)
Present value of minimum lease payment	<u>\$ 1,267,320</u>	<u>\$ 178,056</u>

The lease agreements includes provisions that in the event of default, the lessor may repossess the assets acquired under the agreements.

NOTE 8—SIGNIFICANT COMMITMENTS

At June 30, 2019, the Town had the following significant commitments.

<u>Project Description</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Quail Crossing Blvd Extension Phase 2	\$ 83,949	\$ 452,049

On June 25, 2018 the Town entered into an agreement with Northwest Hospital, LLC (hospital) to lease and develop a 70,000 square foot medical facility, which includes a neighborhood hospital, medical offices, related uses and employment of approximately 180 full-time equivalent (FTE) employees. The Town strongly believes that the hospital will be of extraordinary benefit to its residents and visitors and will enhance the economic vitality of the Town by increasing revenues and enhancing employment opportunities. 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, prior to July 1, 2021 evidence documenting employment of at least 140 FTE for more than 60 consecutive days, the Town shall remit the unapplied (remaining) credit waiver balance to the hospital. If this occurs, the Town will provide a second credit waiver of \$200,000 to offset and defer additional development fees related to future phases of the project. If, prior to July 1, 2025, evidence documenting employment of at least 180 FTE for more than 60 consecutive days, the Town shall remit the unapplied (remaining) credit waiver balance to the hospital. If aforementioned employment figures are not met in the specified timeframes, the hospital will be required to pay the Town for any fees previously applied against the credit waivers. As of June 30, 2019, there were \$188,031 in development fees applied against the credit waiver, leaving a balance of \$311,969 at year-end.

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 \$12,963 of development fees against the credit waiver, leaving a balance of \$362,650 at year-end.

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 9—DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUES

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

	<u>Unavailable Receipts</u>	<u>Unearned Revenues</u>
<u>General Fund</u>		
Advances received for future services	\$ -	\$ 55,060
Unpaid transaction privilege taxes due from business(es)	292,282	-
Restitution due	15,988	-
Total General Fund	<u>308,270</u>	<u>55,060</u>
<u>HURF Fund</u>		
Capital grant reimbursements due from the State	204,343	-
Restitution due	2,416	-
Total HURF Fund	<u>206,759</u>	<u>-</u>
<u>CIIF Fund</u>		
Construction sales tax audit assessments liens	117,233	-
Total CIIF Fund	<u>117,233</u>	<u>-</u>
<u>Rancho Sahuarita CFD Fund</u>		
Developer contributions	-	7,563
Delinquent property taxes	21	-
Total Quail Creek CFD Fund	<u>21</u>	<u>7,563</u>
<u>Nonmajor Governmental Funds</u>		
Operating grant advances from private donor(s)	-	13,052
Developer contributions	-	8,572
Delinquent property taxes	5,412	-
Capital grant reimbursements due from other governments	71,550	-
Total Nonmajor Governmental Funds	<u>76,962</u>	<u>21,624</u>
Total for governmental funds	<u>\$ 709,245</u>	<u>\$ 84,247</u>

NOTE 10—INTERFUND ACTIVITY

Advances from/to other funds

Advances from the General Fund to the Wastewater Fund relates to working capital loans made to the Wastewater Fund. Remaining balances are expected to be paid over the next 9 years.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Wastewater Fund	\$2,238,301

Interfund transfers

The General Fund and CIIF Fund transfers to the Wastewater Fund were needed to reflect the forgiveness of previous cash advances made to the Wastewater Fund. The General Fund transfers to the HURF Fund were contributions towards the pavement management program. The HURF Fund and Wastewater Fund transfers were needed to reimburse the CIIF

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

Fund for applicable leased vehicles and capital project costs incurred in the CIIF Fund. Lastly, during the year, the Governmental Activities acquired sewer lines that were transferred to the Wastewater Fund.

		Transfers to				Total
		HURF Fund	CIIF Fund	Subtotal governmental funds	Wastewater Fund (BTA)	
Transfers from	General Fund	\$ 500,000	\$ -	\$ 500,000	\$ 2,112,750	\$ 2,612,750
	HURF Fund	-	206,617	206,617	-	206,617
	CIIF Fund	-	-	-	2,579,220	2,579,220
	Subtotal governmental funds	500,000	206,617	706,617	4,691,970	<u>5,398,587</u>
	Wastewater Fund	-	9,251	9,251		
	Total	<u>\$ 500,000</u>	<u>\$ 215,868</u>	<u>\$ 715,868</u>		
Governmental Activities					233,839	
Adjustment to net activity					(9,251)	
Net transfers					<u>\$ 4,916,558</u>	

NOTE 11—RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; 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 fiscal years.

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

The Town is insured by Arizona Municipal Workers Compensation Pool for potential worker-related accidents. The Town is responsible for paying a premium on an experience-rating formula that allocates pool expenditures and liabilities among its members.

NOTE 12—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For the year ended June 30, 2019, expenditures exceeded final budget amounts at the departmental level (the legal level of budgetary control) as follows:

<u>Parks and Recreation Department</u>	
General Fund	\$(81,398)
Quail Creek CFD Fund	(4,558)
CIIF	300,118
Grants and Restricted Sources Fund	<u>(15,493)</u>
Total excess	<u>\$198,669</u>

The Parks and Recreation Department exceeded its budget as capital project costs expected to be incurred last year carried forward to the current year. These additional costs were covered by excess fund balances that also carried forward from the prior year.

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 13—CORRECTON OF A MISTATEMENT-PRIOR PERIOD ADJUSTMENT

Net position as of July 1, 2018, has been restated to correct a misclassification of long-term storage credits in the Wastewater Fund that were erroneously reported as investments having a fair value of \$1.34 million rather than as intangible assets having a book value of \$0.

	(Wastewater Fund) Business-type activities
Net position as previously reported at June 30, 2018	\$ 20,499,256
Prior period adjustment—error:	
Long-term storage credits	(1,339,240)
Net position as restated, July 1, 2018	<u>\$ 19,160,016</u>

NOTE 14—SPECIAL ITEM-IMPAIRMENT LOSS

During the year, the Town disposed of construction in progress for previously capitalized design costs, which were funded by an Arizona Department of Transportation (ADOT) grant, for the Interstate 19 Interchange at Sahuarita Road Project. Currently, there is no funding to complete the construction of this project. It is very likely, when funding is identified, that the project will need to be redesigned to accommodate other regional and ADOT plans impacting Interstate 19 and using applicable design standards for the time. As such, the asset was considered to be impaired, resulting in a loss of \$3,168,076.

NOTE 15—SUBSEQUENT EVENT

On November 12, 2019, the Town Council authorized the refunding of the WIFA 2008A System Revenues Loan (WIFA Loan). On December 5, 2019, the Town agreed to terms with BBVA Compass Bank to refund the WIFA Loan. The anticipated closing date of the refunding obligations is December 19, 2019. The refunding obligations total \$13,477,000. That, in addition to \$2,858,048, coming from the WIFA debt service reserves and rate stabilization fund, will be used to refund the entire WIFA Loan that has outstanding principal balance of \$16,167,627. Total debt service payments will be reduced by \$3,568,934 in total over the next 12 years and will result in a net present value savings of \$822,690. Wastewater system revenues will be pledged toward repayment of the refunding obligations.



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CAFR

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COMPREHENSIVE ANNUAL FINANCIAL REPORT



Required Supplementary Information
other than MD&A

2019

Town of Sahuarita, Arizona

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

For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 6,491,810	\$ 6,491,810	\$ 6,180,497	\$ (311,313)
Licenses and permits	1,537,270	1,537,270	1,926,495	389,225
Intergovernmental	7,781,140	7,781,140	7,856,912	75,772
Charges for services	927,080	927,080	854,375	(72,705)
Fines and forfeitures	193,540	193,540	198,728	5,188
Investment earnings	316,270	316,270	510,990	194,720
Miscellaneous	58,850	58,850	232,714	173,864
Total revenues	<u>17,305,960</u>	<u>17,305,960</u>	<u>17,760,711</u>	<u>454,751</u>
Expenditures				
General government:				
Mayor and Council	169,690	169,690	163,162	6,528
Town Manager	576,820	631,820	622,647	9,173
Economic Development	266,530	266,530	234,556	31,974
Law	701,180	701,180	679,274	21,906
Town Clerk	652,980	652,980	563,220	89,760
Finance	1,446,600	1,446,600	1,380,646	65,954
Human Resources	373,730	373,730	309,539	64,191
Municipal Court	617,020	617,020	572,538	44,482
Planning and Building-Zoning	624,630	624,630	606,815	17,815
Public Works-Facilities	503,350	503,350	510,690	(7,340)
Non-Departmental	183,920	198,920	183,832	15,088
Total general government	<u>6,116,450</u>	<u>6,186,450</u>	<u>5,826,919</u>	<u>359,531</u>
Public safety:				
Planning and Building-Building Safety	824,440	824,440	846,650	(22,210)
Public Works-Engineering	614,920	614,920	580,513	34,407
Police	6,921,930	6,921,930	6,647,991	273,939
Total public safety	<u>8,361,290</u>	<u>8,361,290</u>	<u>8,075,154</u>	<u>286,136</u>
Culture and recreation:				
Parks and Recreation	2,056,600	1,942,700	1,861,302	81,398
Total culture and recreation	<u>2,056,600</u>	<u>1,942,700</u>	<u>1,861,302</u>	<u>81,398</u>
Contingency reserves				
Total expenditures	<u>16,958,980</u>	<u>17,002,880</u>	-	17,002,880
Total expenditures	<u>33,493,320</u>	<u>33,493,320</u>	<u>15,763,375</u>	<u>17,729,945</u>
Excess (deficiency) of revenues over (under) expenditures	(16,187,360)	(16,187,360)	1,997,336	18,184,696
Other financing sources (uses)				
Transfers out	(3,725,250)	(3,725,250)	(2,612,750)	1,112,500
Total other financing sources (uses)	<u>(3,725,250)</u>	<u>(3,725,250)</u>	<u>(2,612,750)</u>	<u>1,112,500</u>
Net change in fund balance	(19,912,610)	(19,912,610)	(615,414)	19,297,196
Fund balance at beginning of year	19,912,610	19,912,610	20,613,962	701,352
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,998,548</u>	<u>\$ 19,998,548</u>

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual Highway User Revenue Fund—Special Revenue Fund For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental	\$ 2,377,880	\$ 2,377,880	\$ 3,247,382	\$ 869,502
Investment earnings	5,760	5,760	18,464	12,704
Miscellaneous	-	-	17,448	17,448
Total revenues	<u>2,383,640</u>	<u>2,383,640</u>	<u>3,283,294</u>	<u>899,654</u>
Expenditures				
Current:				
Highways and streets	3,387,480	3,387,480	3,244,720	142,760
Contingency reserves	144,730	144,730	-	144,730
Total expenditures	<u>3,532,210</u>	<u>3,532,210</u>	<u>3,244,720</u>	<u>287,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,148,570)</u>	<u>(1,148,570)</u>	<u>38,574</u>	<u>1,187,144</u>
Other financing sources (uses)				
Transfers in	500,000	500,000	500,000	-
Transfers out	(63,380)	(63,380)	(206,617)	(143,237)
Total other financing sources (uses)	<u>436,620</u>	<u>436,620</u>	<u>293,383</u>	<u>(143,237)</u>
Net change in fund balance	(711,950)	(711,950)	331,957	1,043,907
Fund balance at beginning of year	711,950	711,950	394,768	(317,182)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 726,725</u>	<u>\$ 726,725</u>

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual Rancho Sahuarita Community Facilities District—Special Revenue Fund For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 57,620	\$ 57,620	\$ 59,145	\$ 1,525
Charges for services	-	-	12,012	12,012
Investment earnings	20,130	20,130	72,828	52,698
Miscellaneous	344,320	344,320	305,345	(38,975)
Total revenues	<u>422,070</u>	<u>422,070</u>	<u>449,330</u>	<u>27,260</u>
Expenditures				
Current:				
General government	800	800	2,933	(2,133)
Highways and streets	19,110	19,110	12,264	6,846
Total current	<u>19,910</u>	<u>19,910</u>	<u>15,197</u>	<u>4,713</u>
Capital outlay:				
Highways and streets	4,055,190	4,055,190	3,774,578	280,612
Total capital outlay	<u>4,055,190</u>	<u>4,055,190</u>	<u>3,774,578</u>	<u>280,612</u>
Debt service:				
Interest	377,030	377,030	377,025	5
Fiscal charges	5,000	5,000	1,500	3,500
Total debt service	<u>382,030</u>	<u>382,030</u>	<u>378,525</u>	<u>3,505</u>
Contingency reserves				
Total expenditures	<u>4,457,130</u>	<u>4,457,130</u>	<u>4,168,300</u>	<u>288,830</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,035,060)</u>	<u>(4,035,060)</u>	<u>(3,718,970)</u>	<u>316,090</u>
Net change in fund balance	(4,035,060)	(4,035,060)	(3,718,970)	316,090
Fund balance at beginning of year	4,035,060	4,035,060	4,022,661	(12,399)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,691</u>	<u>\$ 303,691</u>

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

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

Reporting fiscal year ending June 30, (Measurement Date)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014-2010 (2013-2009)
<u>Pension</u>						
Town's proportion of the net pension liability	0.058230%	0.057280%	0.057080%	0.053610%	0.053523%	Information
Town's proportionate share of the net pension liability	\$8,121,036	\$8,923,107	\$9,213,285	\$8,350,625	\$7,919,591	not available
Town's covered payroll	\$5,787,961	\$5,791,802	\$5,325,968	\$4,936,664	\$4,809,243	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	140.31%	154.06%	172.99%	169.16%	164.67%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	
<hr/>						
Reporting fiscal year ending June 30, (Measurement Date)	2019 (2018)	2018 (2017)	2017-2010 (2016-2009)			
<u>Health insurance premium benefit</u>						
Town's proportion of the net OPEB (asset) liability	0.059340%	0.058120%	Information			
Town's proportionate share of the net OPEB (asset) liability	\$ (21,368)	\$ (31,641)	not available			
Town's covered payroll	\$5,787,961	\$5,791,802				
Town's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-0.37%	-0.55%				
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	103.57%				
<hr/>						
Reporting fiscal year ending June 30, (Measurement Date)	2019 (2018)	2018 (2017)	2017-2010 (2016-2009)			
<u>Long-term disability</u>						
Town's proportion of the net OPEB (asset) liability	0.058360%	0.057510%	Information			
Town's proportionate share of the net OPEB (asset) liability	\$ 30,493	\$ 20,846	not available			
Town's covered payroll	\$5,787,961	\$5,791,802				
Town's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	0.53%	0.36%				
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	84.44%				

See accompanying notes to required supplementary information.

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

Pension	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013-2010</u>
Statutorily required contribution	\$ 677,228	\$ 630,731	\$ 602,259	\$ 577,305	\$ 516,246	\$ 514,170	Information
Town's actual contributions	<u>677,228</u>	<u>630,731</u>	<u>602,259</u>	<u>577,305</u>	<u>516,246</u>	<u>514,170</u>	not available
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$6,059,981	\$5,787,961	\$5,791,802	\$5,325,968	\$4,936,664	\$4,809,243	
Town's contribution as a percentage of covered payroll	11.18%	10.90%	10.40%	10.84%	10.46%	10.69%	
<hr/>							
<u>Health insurance premium benefit</u>	<u>2019</u>	<u>2018</u>	<u>2017-2010</u>				
Statutorily required contribution	\$ 27,864	\$ 25,452	Information				
Town's actual contributions	<u>27,864</u>	<u>25,452</u>	not available				
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>					
Town's covered payroll	\$6,059,981	\$5,787,961					
Town's contribution as a percentage of covered payroll	0.46%	0.44%					
<hr/>							
<u>Long-term disability</u>	<u>2019</u>	<u>2018</u>	<u>2017-2010</u>				
Statutorily required contribution	\$ 9,691	\$ 9,258	Information				
Town's actual contributions	<u>9,691</u>	<u>9,258</u>	not available				
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>					
Town's covered payroll	\$6,059,981	\$5,787,961					
Town's contribution as a percentage of covered payroll	0.16%	0.16%					

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

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

Reporting fiscal year ending June 30, (Measurement Date)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014-2010 (2013-2009)	
<u>Pension liability</u>							
Town's proportion of the net pension liability	0.04938%	0.05966%	0.0590467%	0.0527520%	0.0650056%	Information	
Town's proportionate share of the net pension liability	\$ 311,168	\$ 727,030	\$ 557,845	\$ 353,740	\$ 435,909	not available	
State's proportionate share of the net pension liability associated with the Town	<u>53,317</u>	<u>150,892</u>	<u>115,181</u>	<u>58,491</u>	<u>133,654</u>		
Total	<u>\$ 364,485</u>	<u>\$ 877,922</u>	<u>\$ 673,026</u>	<u>\$ 412,231</u>	<u>\$ 569,563</u>		
Town's covered payroll	\$ 47,400	\$ 49,200	\$ 47,400	\$ 47,175	\$ 46,800		
Town's proportionate share of the net pension liability as a percentage of its covered payroll	656.47%	1477.70%	1176.89%	749.85%	931.43%		
Plan fiduciary net position as a percentage of the total pension liability	30.36%	19.66%	23.42%	28.32%	31.91%		
<hr/>							
Reporting fiscal year ending June 30, (Measurement Date)	2019 (2018)	2018 (2017)	2014-2010 (2013-2009)				
<u>Health insurance premium benefit (asset) liability</u>							
Town's proportion of the net OPEB (asset) liability	0.42228%	0.36970%	Information				
Town's proportionate share of the net OPEB (asset) liability	\$ (43,638)	\$ (33,665)	Not Available				
Town's covered payroll	\$ 47,400	\$ 49,200					
Town's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-92.06%	-68.42%					
Plan fiduciary net position as a percentage of the total OPEB liability	177.16%	164.84%					
<hr/>							
<u>Pension contributions</u>	2019	2018	2017	2016	2015	2014	2013-2010
Statutorily required contribution	\$ 28,969	\$ 11,139	\$ 11,162	\$ 10,501	\$ 13,851	\$ 14,784	Information
Town's actual contributions	<u>28,969</u>	<u>16,879</u>	<u>11,162</u>	<u>10,501</u>	<u>13,851</u>	<u>14,784</u>	not available
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (5,740)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 47,715	\$ 47,400	\$ 49,200	\$ 47,400	\$ 47,175	\$ 46,800	
Town's contribution as a percentage of covered payroll	60.71%	35.61%	22.69%	22.15%	29.36%	31.59%	

The Town was not required and did not contribute to the EORP health insurance premium benefit plan.

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

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

Reporting fiscal year ending June 30, (Measurement date)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014-2010 (2013-2009)
Total pension liability						
Service cost	\$ 591,771	\$ 700,269	\$ 599,492	\$ 499,231	\$ 476,570	Information not available
Interest on the total pension liability	945,250	896,911	664,509	600,242	520,977	
Changes of benefit terms	-	41,004	1,262,877	-	(20,272)	
Difference between expected and actual experience	234,805	(290,902)	709,724	(251,049)	(129,225)	
Changes of assumptions or other inputs	-	100,958	495,755	-	202,160	
Benefit payments, including refunds of employee contributions	(674,158)	(484,161)	(93,858)	(65,881)	(37,716)	
Net change in total pension liability	1,097,668	964,079	3,638,499	782,543	1,012,494	
Total pension liability-beginning	12,814,838	11,850,759	8,212,260	7,429,717	6,417,223	
Total pension liability-ending (a)	<u>\$ 13,912,506</u>	<u>\$ 12,814,838</u>	<u>\$ 11,850,759</u>	<u>\$ 8,212,260</u>	<u>\$ 7,429,717</u>	
Plan fiduciary net position						
Employer contributions	\$ 1,056,768	\$ 390,243	\$ 390,062	\$ 468,919	\$ 314,125	
Employee contributions	284,875	418,290	344,000	285,067	260,111	
Net investment income	739,857	1,107,368	49,360	273,195	833,960	
Benefit payments, including refunds of employee contributions	(674,158)	(484,161)	(93,858)	(65,881)	(37,716)	
Administrative expenses	(11,960)	(10,198)	(7,503)	(7,054)	(6,717)	
Other changes	(315,609)	121,902	146,598	(5,560)	41,203	
Net change in plan fiduciary net position	1,079,773	1,543,444	828,659	948,686	1,404,966	
Plan fiduciary net position-beginning	10,546,533	9,003,089	8,174,430	7,225,744	5,820,778	
Plan fiduciary net position-ending (b)	<u>\$ 11,626,306</u>	<u>\$ 10,546,533</u>	<u>\$ 9,003,089</u>	<u>\$ 8,174,430</u>	<u>\$ 7,225,744</u>	
Town's net pension (asset) liability-ending (a) - (b)	\$ 2,286,200	\$ 2,268,305	\$ 2,847,670	\$ 37,830	\$ 203,973	
Plan fiduciary net position as a percentage of the total pension liability	83.57%	82.30%	75.97%	99.54%	97.25%	
Covered payroll	\$ 3,175,063	\$ 3,309,770	\$ 3,002,577	\$ 2,633,747	\$ 2,516,513	
Town's net pension (asset) liability as a percentage of covered payroll	72.00%	68.53%	94.84%	1.44%	8.11%	

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

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

Reporting fiscal year ending June 30, (Measurement date)	2019 (2018)	2018 (2017)	2017-2010 (2016-2009)
<u>Total health insurance premium subsidy liability</u>			
Service cost	\$ 9,484	\$ 11,802	Information not available
Interest on the total OPEB liability	23,806	28,866	
Changes of benefit terms	-	3,333	
Difference between expected and actual experience	(89,551)	(64,990)	
Changes of assumptions or other inputs	-	(39,791)	
Benefit payments	<u>(652)</u>	<u>(1,812)</u>	
Net change in total OPEB liability	(56,913)	(62,592)	
Total OPEB liability-beginning	<u>317,289</u>	<u>379,881</u>	
Total OPEB liability-ending (a)	<u>\$ 260,376</u>	<u>\$ 317,289</u>	
<u>Plan fiduciary net position</u>			
Employer contributions	\$ 12,023	\$ 15,648	
Net investment income	23,179	34,001	
Benefit payments	(652)	(1,812)	
Administrative expenses	(353)	(301)	
Other changes	<u>(1)</u>	<u>-</u>	
Net change in plan fiduciary net position	34,196	47,536	
Plan fiduciary net position-beginning	<u>329,814</u>	<u>282,278</u>	
Plan fiduciary net position-ending (b)	<u>\$ 364,010</u>	<u>\$ 329,814</u>	
Town's net OPEB (asset) liability-ending (a) - (b)	\$ (103,634)	\$ (12,525)	
Plan fiduciary net position as a percentage of the total OPEB liability	139.80%	103.95%	
Covered payroll	\$ 3,073,465	\$ 3,026,229	
Town's net OPEB (asset) liability as a percentage of covered payroll	-3.37%	-0.41%	

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013-2010</u>
<u>Pension contributions</u>							
Actuarially determined contribution	\$ 622,743	\$ 633,912	\$ 390,243	\$ 390,062	\$ 366,548	\$ 314,125	Information
Town's actual contributions	<u>622,743</u>	<u>1,056,768</u>	<u>390,243</u>	<u>390,062</u>	<u>468,919</u>	<u>314,125</u>	not available
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (422,856)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (102,371)</u>	<u>\$ -</u>	
Town's covered payroll	\$ 3,334,381	\$ 3,175,063	\$ 3,309,770	\$ 3,002,577	\$ 2,633,747	\$ 2,516,513	
Town's contribution as a percentage of covered payroll	18.68%	33.28%	11.79%	12.99%	17.80%	12.48%	
Actuarial determined contribution as % of covered payroll	18.68%	19.97%	11.79%	12.99%	13.92%	12.48%	
<hr/>							
<u>Health insurance premium subsidy contributions</u>			<u>2017-2010</u>				
Actuarially determined contribution	\$ 10,829	\$ 12,023	Information				
Town's actual contributions	<u>10,829</u>	<u>12,023</u>	not available				
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>					
Town's covered payroll	\$ 3,192,331	\$ 3,073,465					
Town's contribution as a percentage of covered payroll	0.34%	0.39%					

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Required Supplementary Information

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

NOTE 1—BUDGETING AND BUDGETARY CONTROL

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

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

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

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

NOTE 2—EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2019, expenditures exceeded final budget amounts at the departmental level (the legal level of budgetary control) as follows:

<u>Planning and Building Department</u>	
General Fund	\$ 4,590

The Planning and Building Department exceeded its budget as it incurred unanticipated costs related to providing services to home builders developing residential areas in the Town. The pace of growth exceeded what was anticipated in the budget. The department collected more revenues than anticipated as well, which more than covered the additional costs.

NOTE 3—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 method	Level percent-of-pay, closed
Remaining amortization period as of the 2017 actuarial valuation	20 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor

Actuarial assumptions:
Investment rate of return

In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.

Town of Sahuarita, Arizona

Required Supplementary Information

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generation projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 4—FACTORS THAT AFFECT TRENDS

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

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

CAFR

The letters 'CAFR' are rendered in a large, grey, sans-serif font. Below the letters are several horizontal bars of varying lengths and colors: a long dark red bar under 'C', a blue bar under 'A', a green bar under 'F', and a short orange bar under 'R'. A thin red line runs horizontally across the page below the bars.

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Combining Statements
and Other Schedules

2019

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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, 2019

	SPECIAL REVENUE FUNDS		Total Nonmajor Governmental Funds
	Quail Creek CFD Fund	GARS Fund	
Assets			
Cash and investments	\$ -	\$ 2,759	\$ 2,759
Receivables	424,142	228,538	652,680
Restricted assets	405,312	105,186	510,498
Total assets	<u>\$ 829,454</u>	<u>\$ 336,483</u>	<u>\$ 1,165,937</u>
Liabilities			
Payables:			
Accounts	\$ 421	\$ 75,116	\$ 75,537
Bonds	670,000	-	670,000
Interest	139,731	-	139,731
Unearned revenues	8,572	13,052	21,624
Total liabilities	<u>818,724</u>	<u>88,168</u>	<u>906,892</u>
Deferred inflows of resources			
Unavailable revenues	5,412	71,550	76,962
Total deferred inflows of resources	<u>5,412</u>	<u>71,550</u>	<u>76,962</u>
Fund balances			
Restricted:			
Municipal Court	-	56,844	56,844
Law enforcement	-	119,921	119,921
Debt service	5,318	-	5,318
Total fund balances	<u>5,318</u>	<u>176,765</u>	<u>182,083</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 829,454</u>	<u>\$ 336,483</u>	<u>\$ 1,165,937</u>

Town of Sahuarita, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2019

	SPECIAL REVENUE FUNDS		Total Nonmajor Governmental Funds
	Quail Creek CFD Fund	GARS Fund	
Revenues			
Taxes	\$ 596,443	\$ -	\$ 596,443
Intergovernmental	-	692,404	692,404
Charges for services	-	11,850	11,850
Fines and forfeitures	-	34,566	34,566
Investment earnings	3,885	4,567	8,452
Miscellaneous	404,419	84,856	489,275
Total revenues	1,004,747	828,243	1,832,990
Expenditures			
Current:			
General government	57	81,136	81,193
Public safety	-	850,397	850,397
Culture and recreation	36,622	7,217	43,839
Highways and streets	8,588	94,289	102,877
Debt service:			
Principal	670,000	-	670,000
Interest	279,462	-	279,462
Fiscal charges	4,700	-	4,700
Total expenditures	999,429	1,033,039	2,032,468
Excess (deficiency) of revenues over (under) expenditures	5,318	(204,796)	(199,478)
Fund balance at beginning of year	-	381,561	381,561
Fund balance at end of year	\$ 5,318	\$ 176,765	\$ 182,083

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, 2019

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 3,013,540	\$ 3,013,540	\$ 3,685,309	\$ 671,769
Licenses and permits	-	-	19,200	19,200
Intergovernmental	4,094,840	4,094,840	8,569	(4,086,271)
Investment earnings	37,460	37,460	104,750	67,290
Miscellaneous	249,800	249,800	282,532	32,732
Total revenues	<u>7,395,640</u>	<u>7,395,640</u>	<u>4,100,360</u>	<u>(3,295,280)</u>
Expenditures				
Capital outlay:				
General government	4,766,620	4,766,620	881,337	3,885,283
Public safety	300,000	300,000	350,419	(50,419)
Culture and recreation	363,000	476,900	777,018	(300,118)
Highways and streets	2,121,920	2,121,920	539,064	1,582,856
Total capital outlay	<u>7,551,540</u>	<u>7,665,440</u>	<u>2,547,838</u>	<u>5,117,602</u>
Debt service:				
Principal	1,708,870	1,708,870	1,754,983	(46,113)
Interest	472,910	472,910	327,664	145,246
Fiscal charges	5,000	5,000	3,400	1,600
Total debt service	<u>2,186,780</u>	<u>2,186,780</u>	<u>2,086,047</u>	<u>100,733</u>
Contingency reserves	<u>825,000</u>	<u>711,100</u>	<u>-</u>	<u>711,100</u>
Total expenditures	<u>10,563,320</u>	<u>10,563,320</u>	<u>4,633,885</u>	<u>5,929,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,167,680)</u>	<u>(3,167,680)</u>	<u>(533,525)</u>	<u>2,634,155</u>
Other financing sources (uses)				
Capital leases	570,000	570,000	611,161	41,161
Proceeds on the sale of assets	54,000	54,000	106,414	52,414
Transfers in	1,182,770	1,182,770	215,868	(966,902)
Transfers out	<u>(2,579,220)</u>	<u>(2,579,220)</u>	<u>(2,579,220)</u>	<u>-</u>
Total other financing sources (uses)	<u>(772,450)</u>	<u>(772,450)</u>	<u>(1,645,777)</u>	<u>(873,327)</u>
Net change in fund balance	<u>(3,940,130)</u>	<u>(3,940,130)</u>	<u>(2,179,302)</u>	<u>1,760,828</u>
Fund balance at beginning of year	<u>3,940,130</u>	<u>3,940,130</u>	<u>5,070,511</u>	<u>1,130,381</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,891,209</u>	<u>\$ 2,891,209</u>

Town of Sahuarita, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual Quail Creek Community Facilities District—Special Revenue Fund For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 582,290	\$ 582,290	\$ 596,443	\$ 14,153
Investment earnings	50	50	3,885	3,835
Miscellaneous	425,980	425,980	404,419	(21,561)
Total revenues	<u>1,008,320</u>	<u>1,008,320</u>	<u>1,004,747</u>	<u>(3,573)</u>
Expenditures				
Current:				
General government	800	800	57	743
Culture and recreation	41,180	41,180	36,622	4,558
Highways and streets	12,360	12,360	8,588	3,772
Total current	<u>54,340</u>	<u>54,340</u>	<u>45,267</u>	<u>9,073</u>
Debt service:				
Principal	670,000	670,000	670,000	-
Interest	279,480	279,480	279,462	18
Fiscal charges	4,500	4,500	4,700	(200)
Total debt service	<u>953,980</u>	<u>953,980</u>	<u>954,162</u>	<u>(182)</u>
Total expenditures	<u>1,008,320</u>	<u>1,008,320</u>	<u>999,429</u>	<u>8,891</u>
Net change in fund balance	-	-	5,318	5,318
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,318</u>	<u>\$ 5,318</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, 2019

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental	\$ 599,700	\$ 731,517	\$ 692,404	\$ (39,113)
Charges for services	15,000	15,000	11,850	(3,150)
Fines and forfeitures	34,000	34,000	34,566	566
Investment earnings	1,690	1,690	4,567	2,877
Miscellaneous	30,000	117,650	84,856	(32,794)
Total revenues	<u>680,390</u>	<u>899,857</u>	<u>828,243</u>	<u>(71,614)</u>
Expenditures				
Current:				
General government	8,000	72,000	81,136	(9,136)
Public safety	960,710	1,048,927	850,397	198,530
Culture and recreation	22,710	22,710	7,217	15,493
Highways and streets	-	67,250	94,289	(27,039)
Contingency reserves	113,910	113,910	-	113,910
Total expenditures	<u>1,105,330</u>	<u>1,324,797</u>	<u>1,033,039</u>	<u>291,758</u>
Excess (deficiency) of revenues over (under) expenditures	(424,940)	(424,940)	(204,796)	220,144
Fund balance at beginning of year	424,940	424,940	381,561	(43,379)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,765</u>	<u>\$ 176,765</u>



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COMPREHENSIVE ANNUAL FINANCIAL REPORT



Statistical Section

2019

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>2010*</u>	<u>2011*</u>	<u>2012*</u>	<u>2013</u>	<u>2014</u>	<u>2015**</u>	<u>2016</u>	<u>2017^</u>	<u>2018***^</u>	<u>2019</u>
Governmental activities										
Net investment in capital assets	\$92,638,327	\$96,700,769	\$96,269,746	\$106,716,456	\$117,809,456	\$124,700,350	\$123,086,910	\$118,091,715	\$110,923,412	\$106,646,221
Restricted	440,452	521,782	822,200	1,004,816	1,054,409	1,097,795	1,333,299	1,528,779	5,839,147	1,828,600
Unrestricted	29,134,562	27,649,185	28,107,883	27,969,865	26,556,831	16,575,691	16,662,435	15,111,723	15,748,404	13,942,110
Total governmental activities net position	<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>	<u>\$132,510,963</u>	<u>\$122,416,931</u>
Business-type activities										
Net investment in capital assets	\$22,472,627	\$23,029,268	\$23,100,686	\$23,016,012	\$22,959,593	\$23,334,636	\$23,918,576	\$22,579,671	\$23,455,144	\$24,748,260
Restricted	843,219	1,264,829	1,686,448	2,108,048	2,108,048	2,858,048	2,858,048	2,858,048	2,860,706	2,859,783
Unrestricted	(2,436,656)	(4,601,737)	(4,252,577)	(4,709,397)	(4,172,413)	(5,789,541)	(5,974,958)	(6,859,515)	(7,155,834)	(2,390,496)
Total business-type activities net position	<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>\$20,801,666</u>	<u>\$18,578,204</u>	<u>\$19,160,016</u>	<u>\$25,217,547</u>
Primary government										
Net investment in capital assets	\$115,110,954	\$119,730,037	\$119,370,432	\$129,732,468	\$140,769,049	\$148,034,986	\$147,005,486	\$140,671,386	\$134,378,556	\$131,394,481
Restricted	1,283,671	1,786,611	2,508,648	3,112,864	3,162,457	3,955,843	4,191,347	4,386,827	8,699,853	4,688,383
Unrestricted	26,697,906	23,047,448	23,855,306	23,260,468	22,384,418	10,786,150	10,687,477	8,252,208	8,592,570	11,551,614
Total primary government net position	<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>\$161,884,310</u>	<u>\$153,310,421</u>	<u>\$151,670,979</u>	<u>\$147,634,478</u>

* Due to the implementation of GASB 63 & GASB 65, the reported balance of net position of the governmental activities was restated for years 2009 - 2012.

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

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

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

Town of Sahuarita, Arizona

Changes in Net Position

Last 10 Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	<u>2010*</u>	<u>2011*</u>	<u>2012*</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Expenses										
Governmental activities:										
General government	\$ 4,339,260	\$ 4,244,787	\$ 4,127,397	\$ 4,510,041	\$ 4,678,867	\$ 5,222,615	\$ 5,388,608	\$ 5,839,797	\$ 6,161,156	\$ 5,994,445
Public safety	6,536,511	6,658,482	6,428,351	6,585,275	6,586,449	6,881,354	7,384,262	9,572,787	8,599,675	8,876,340
Culture and recreation	1,851,245	1,830,300	1,971,790	2,023,125	2,277,660	2,076,948	2,222,681	2,377,461	2,976,548	3,029,502
Highways and streets	5,214,597	6,760,320	7,400,954	7,225,326	7,224,948	7,351,674	8,163,637	9,646,426	10,020,683	11,441,554
Interest, amortization and issuance costs of long-term debt	1,632,328	1,547,519	1,498,452	1,445,431	1,388,415	1,332,284	1,054,164	1,393,696	1,114,440	945,665
Total governmental activities expenses	<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>	<u>28,872,502</u>	<u>30,287,506</u>
Business-type activities: Sewer	<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>3,697,115</u>	<u>3,957,491</u>	<u>3,872,306</u>	<u>3,563,686</u>	<u>3,606,201</u>
Total business-type activities expenses	<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>3,697,115</u>	<u>3,957,491</u>	<u>3,872,306</u>	<u>3,563,686</u>	<u>3,606,201</u>
Total primary government expenses	<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>\$ 26,561,990</u>	<u>\$ 28,170,843</u>	<u>\$ 32,702,473</u>	<u>\$ 32,436,188</u>	<u>\$ 33,893,707</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 342,413	\$ 455,865	\$ 348,701	\$ 378,578	\$ 424,426	\$ 391,278	\$ 419,942	\$ 350,842	\$ 429,723	\$ 399,847
Public safety	1,683,220	1,066,204	1,294,328	1,315,158	947,254	1,087,329	1,375,991	1,327,093	1,906,923	1,830,862
Culture and recreation	140,422	153,157	103,665	99,350	90,545	133,340	121,980	134,009	178,665	162,617
Operating grants and contributions	1,374,028	1,722,145	2,135,292	2,142,958	2,079,460	2,132,244	2,404,762	2,528,735	2,641,126	3,153,131
Capital grants and contributions	23,193,692	9,251,463	4,856,818	13,759,635	14,274,634	10,899,898	3,992,375	2,534,706	3,544,003	2,288,626
Total governmental activities program revenues	<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>	<u>8,700,440</u>	<u>7,835,083</u>
Business-type activities										
Charges for services: Sewer	2,903,252	2,637,032	4,409,305	3,524,391	3,349,567	3,254,711	3,393,582	3,407,229	3,829,807	4,370,315
Capital grants and contributions	3,809,800	416,636	-	-	-	-	250,000	-	359,148	367,035
Total business-type activities program revenues	<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>	<u>4,188,955</u>	<u>4,737,350</u>
Total primary government program revenues	<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>	<u>\$ 12,889,395</u>	<u>\$ 12,572,433</u>
Net (Expenses)/Revenues										
Governmental activities	\$ 7,159,834	\$ (8,392,574)	\$ (12,688,140)	\$ (4,093,519)	\$ (4,340,020)	\$ (8,220,786)	\$ (15,898,302)	\$ (21,954,782)	\$ (20,172,062)	\$ (22,452,423)
Business-type activities	3,590,248	(19,302)	845,845	(151,499)	(173,591)	(442,404)	(313,909)	(465,077)	625,269	1,131,149
Total primary government (expense)/revenue	<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>\$ (8,663,190)</u>	<u>\$ (16,212,211)</u>	<u>\$ (22,419,859)</u>	<u>\$ (19,546,793)</u>	<u>\$ (21,321,274)</u>

(continued)

Town of Sahuarita, Arizona

Changes in Net Position Last 10 Fiscal Years

(accrual basis of accounting)
(Unaudited)

(concluded)

	Fiscal Year									
	<u>2010*</u>	<u>2011*</u>	<u>2012*</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 272,396	\$ 291,464	\$ 289,751	\$ 289,408	\$ 299,920	\$ 354,728	\$ 411,260	\$ 468,496	\$ 523,940	\$ 657,199
Sales taxes	7,074,851	6,456,154	6,279,865	7,487,481	6,916,291	6,601,243	7,101,219	6,955,290	8,849,348	9,788,930
Franchise taxes	302,295	308,900	313,653	310,304	303,598	316,332	318,035	310,987	355,583	369,157
Share of state income taxes	1,806,256	1,361,686	2,131,878	2,580,152	2,815,436	3,057,758	3,041,180	3,470,987	3,566,411	3,550,406
Share of state sales taxes	1,026,662	1,144,921	1,973,746	2,067,495	2,198,614	2,308,388	2,385,534	2,620,019	2,770,189	2,957,158
Share of state vehicle license tax	550,098	544,747	911,007	925,392	962,878	1,006,277	1,058,242	1,215,841	1,279,817	1,349,348
Grants and contributions not restricted to specific programs	108,854	-	10,746	-	-	-	-	-	83,823	171,454
Contributions restricted for debt service~	748,163	781,060	712,311	746,148	729,689	683,926	636,349	276,843	176,917	709,764
Investment earnings	330,383	232,639	337,457	59,754	368,272	191,184	319,547	171,364	246,449	715,484
Miscellaneous	108,794	71,343	55,819	118,693	167,961	172,989	68,988	123,661	142,817	174,125
Extraordinary or special items	-	-	-	-	-	-	-	-	-	(3,168,076)
Transfers	-	(141,945)	-	-	(693,080)	(699,540)	(733,244)	(9,133)	3,390	(4,916,558)
Total governmental activities	12,328,752	11,050,969	13,016,233	14,584,827	14,069,579	13,993,285	14,607,110	15,604,355	17,998,684	12,358,391
Business-type activities										
Investment earnings (losses)^	(8,744)	(21,574)	(45,978)	(16,707)	(41,352)	(25,446)	(42,924)	(23,617)	(40,204)	(7,436)
Miscellaneous	-	442	42,330	48,312	2,428	1,612	22,112	96,552	-	17,260
Extraordinary or special items	-	(1,288,341)	-	-	-	-	-	(1,840,453)	-	-
Transfers	-	141,945	-	-	693,080	699,540	733,244	9,133	(3,390)	4,916,558
Total business-type activities	(8,744)	(1,167,528)	(3,648)	31,605	654,156	675,706	712,432	(1,758,385)	(43,594)	4,926,382
Total primary government	\$ 12,320,008	\$ 9,883,441	\$ 13,012,585	\$ 14,616,432	\$ 14,723,735	\$ 14,668,991	\$ 15,319,542	\$ 13,845,970	\$ 17,955,090	\$ 17,284,773
Change in Net Position										
Governmental activities	\$ 19,488,586	\$ 2,658,395	\$ 328,093	\$ 10,491,308	\$ 9,729,559	\$ 5,772,499	\$ (1,291,192)	\$ (6,350,427)	\$ (2,173,378)	\$ (10,094,032)
Business-type activities	3,581,504	(1,186,830)	842,197	(119,894)	480,565	233,302	398,523	(2,223,462)	581,675	6,057,531
Total primary government	\$ 23,070,090	\$ 1,471,565	\$ 1,170,290	\$ 10,371,414	\$ 10,210,124	\$ 6,005,801	\$ (892,669)	\$ (8,573,889)	\$ (1,591,703)	\$ (4,036,501)

* 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 2010 - 2012.

~ For years 2010 - 2018, reclassified applicable amounts from miscellaneous revenues.

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

Town of Sahuarita, Arizona

Fund Balances-Governmental Funds

Last 10 Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</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	\$ 4,066,023	\$ 2,267,471
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	4,819,510	5,355,390
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	11,728,429	12,375,687
Total general fund	<u>\$15,222,565</u>	<u>\$13,441,382</u>	<u>\$14,546,411</u>	<u>\$16,076,508</u>	<u>\$16,890,698</u>	<u>\$17,476,815</u>	<u>\$18,690,868</u>	<u>\$19,294,255</u>	<u>\$20,613,962</u>	<u>\$19,998,548</u>
All Other Governmental Funds										
Non-spendable	\$ 1,698	\$ 1,822	\$ 2,017,562	\$ 2,545,717	\$ 2,545,717	\$ -	\$ 4,250	\$ -	\$ 475	\$ -
Restricted	390,452	420,332	654,018	822,403	952,732	1,029,692	1,216,960	1,416,342	4,801,853	1,377,953
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	5,070,511	2,725,755
Unassigned	(3,392)	(46,656)	(402,000)	-	-	-	(3,750)	-	(3,338)	-
Total all other governmental funds	<u>\$14,212,342</u>	<u>\$ 9,617,116</u>	<u>\$11,656,905</u>	<u>\$13,436,811</u>	<u>\$ 9,261,365</u>	<u>\$ 6,122,607</u>	<u>\$ 7,687,503</u>	<u>\$ 7,338,943</u>	<u>\$ 9,869,501</u>	<u>\$ 4,103,708</u>
Total governmental funds	<u>\$29,434,907</u>	<u>\$23,058,498</u>	<u>\$26,203,316</u>	<u>\$29,513,319</u>	<u>\$26,152,063</u>	<u>\$23,599,422</u>	<u>\$26,378,371</u>	<u>\$26,633,198</u>	<u>\$30,483,463</u>	<u>\$24,102,256</u>

Town of Sahuarita, Arizona

Changes in Fund Balances-Governmental Funds

Last 10 Fiscal Years

(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 7,673,943	\$ 7,055,647	\$ 6,884,758	\$ 8,082,127	\$ 7,522,856	\$ 7,272,556	\$ 7,833,935	\$ 7,733,916	\$ 9,729,692	\$ 10,521,394
Licenses and permits	1,622,262	801,119	1,034,299	1,202,273	779,759	1,112,125	1,442,097	1,400,104	2,023,097	1,945,695
Intergovernmental	11,003,718	7,137,531	13,405,385	24,324,397	15,007,062	18,033,692	12,968,488	12,287,093	10,207,958	11,805,267
Charges for services	1,148,856	1,080,804	997,209	941,508	885,253	818,730	897,726	790,468	808,810	878,237
Fines and forfeitures	274,666	456,552	541,803	398,853	437,903	305,497	284,850	220,717	228,990	233,294
Investment earnings	330,383	232,639	337,457	59,754	368,272	191,184	319,547	171,364	246,449	715,484
Miscellaneous	856,957	852,159	877,867	883,130	903,525	948,880	3,674,431	516,844	479,445	1,327,314
Total revenues	22,910,785	17,616,451	24,078,778	35,892,042	25,904,630	28,682,664	27,421,074	23,120,506	23,724,441	27,426,685
Expenditures										
General government	4,059,896	4,172,960	4,157,867	4,225,983	4,251,121	4,789,425	4,949,318	5,248,825	5,378,887	5,911,045
Public safety	6,235,440	6,569,662	6,368,664	6,344,200	6,298,986	6,790,927	7,265,205	8,032,783	8,465,327	8,925,551
Culture and recreation	1,299,302	1,200,861	1,304,619	1,327,626	1,308,499	1,460,244	1,522,317	1,657,399	1,819,692	1,905,141
Highways and streets	1,437,544	1,520,360	1,357,869	1,636,412	1,752,307	1,680,784	1,677,927	1,952,810	2,044,195	3,359,861
Capital outlay	12,452,537	7,577,113	4,934,050	16,244,947	12,156,038	13,161,400	6,203,139	3,907,733	5,977,427	6,322,416
Debt service:										
Principal	940,000	1,225,000	1,275,000	1,320,000	1,380,000	1,440,000	1,532,317	10,944,731	1,643,257	2,424,983
Interest	1,661,354	1,578,890	1,529,366	1,477,721	1,420,705	1,207,835	1,039,066	910,645	592,592	984,151
Fiscal charges	8,413	6,069	6,525	5,150	5,150	5,150	5,919	5,650	8,850	9,600
Debt issuance costs	-	-	-	-	-	113,190	-	492,273	425,853	-
Total expenditures	28,094,486	23,850,915	20,933,960	32,582,039	28,572,806	30,648,955	24,195,208	33,152,849	26,356,080	29,842,748
Excess (deficiency) of revenues over (under) expenditures	(5,183,701)	(6,234,464)	3,144,818	3,310,003	(2,668,176)	(1,966,291)	3,225,866	(10,032,343)	(2,631,639)	(2,416,063)
Other Financing Sources (Uses)										
Face amount of long-term debt	-	-	-	-	-	8,840,000	-	9,940,000	9,993,000	-
Payments to refunded debt escrow	-	-	-	-	-	(8,726,810)	-	-	(4,128,702)	-
Premium (discount) on long-term debt	-	-	-	-	-	-	-	57,694	-	-
Capital leases	-	-	-	-	-	-	286,327	298,609	612,416	611,161
Proceeds from the sale of assets	-	-	-	-	-	-	-	-	1,800	106,414
Transfers in	5,278,279	1,236,694	1,983,609	5,345,638	3,316,838	118,013	16,697	2,565,863	1,284,236	715,868
Transfers out	(5,278,279)	(1,378,639)	(1,983,609)	(5,345,638)	(4,009,918)	(817,553)	(749,941)	(2,574,996)	(1,280,846)	(5,398,587)
Net other financing sources (uses)	-	(141,945)	-	-	(693,080)	(586,350)	(446,917)	10,287,170	6,481,904	(3,965,144)
Net change in fund balances	\$ (5,183,701)	\$ (6,376,409)	\$ 3,144,818	\$ 3,310,003	\$ (3,361,256)	\$ (2,552,641)	\$ 2,778,949	\$ 254,827	\$ 3,850,265	\$ (6,381,207)
Debt service as a percentage of noncapital expenditures	16.0%	16.6%	16.8%	16.2%	16.1%	14.5%	13.8%	39.7%	10.5%	14.1%

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
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%
2018	181,651,462	62,285,619	21,822,392	222,114,689	3.6000	2,193,370,464	10.13%
2019	193,201,417	61,318,460	20,642,439	233,877,438	8.2900	2,374,128,211	9.85%

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	0.3000	0.3000
Rancho Sahuarita CFD -debt service	-	-	-	-	-	-	-	-	-	4.6900
Total Direct Rate	\$3.3000	\$3.3000	\$3.3000	\$3.3000	\$3.3000	\$3.3000	\$3.6000	\$3.6000	\$3.6000	\$8.2900
Overlapping Rates										
State of Arizona Education Assistance	\$0.3306	\$0.3306	\$0.4259	\$0.4717	\$0.5123	\$0.5089	\$0.5054	\$0.5010	\$0.4875	\$0.4741
Central Arizona Water Conservation District	0.1000	0.1000	0.1000	0.1000	0.1400	0.1400	0.1400	0.1400	0.1400	0.1400
Pima County	4.0233	4.0633	4.1978	4.1978	4.4465	4.9779	5.0877	4.9896	5.1596	4.7596
Free Library District	0.2643	0.3100	0.3460	0.3460	0.3753	0.4353	0.5153	0.5153	0.5053	0.5153
Fire District Assistance	0.0406	0.0032	0.0418	0.0447	0.0456	0.0472	0.0467	0.0468	0.0459	0.0441
Flood Control District	0.2935	0.2635	0.2635	0.2635	0.2635	0.3035	0.3135	0.3335	0.3135	0.3335
Pima County Community College District	1.0770	1.0848	1.1093	1.1741	1.2933	1.3344	1.3689	1.3733	1.3890	1.3983
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	5.4230	6.5753	5.4067	5.5183	6.6341	7.2885	7.2847	7.3670	9.0399	8.4240
Continental School District #39	1.6122	1.6945	2.0258	1.5729	1.7027	2.6146	2.6512	2.4626	2.4991	2.5037
Green Valley Fire District	1.9000	1.9000	1.9000	2.0400	2.2100	2.2800	2.3807	2.3804	2.5299	2.5299

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	%
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%	3,491	299,462	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%	6,429	465,987	100.0%
2018	521,467	514,526	98.7%	6,906	521,432	100.0%
2019	598,016	588,900	98.5%	N/A	588,900	98.5%

RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT

Fiscal Year Ended	Tax Levy	Collections in Levy Year	%	Collections in Subsequent Years	Total Collections	%
2016	\$ 2,361	\$ 2,361	100.0%	\$ -	\$ 2,361	100.0%
2017	2,303	2,303	100.0%	-	2,303	100.0%
2018	2,445	2,445	100.0%	-	2,445	100.0%
2019	58,512	58,491	100.0%	N/A	58,491	100.0%

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

Source: Town Finance Department.

Town of Sahuarita, Arizona

Sales Tax Collections by Industry Group

Last 10 Fiscal Years

(Unaudited)

Industry	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Communications and utilities	\$ 746,139	\$ 737,133	\$ 765,632	\$ 770,052	\$ 800,476	\$ 808,461	\$ 821,809	\$ 782,871	\$ 889,526	\$ 865,519
Construction	2,768,921	1,748,413	1,627,666	2,733,333	1,910,680	1,144,381	2,133,101	1,860,616	3,196,588	3,685,302
Manufacturing	255,246	379,474	248,127	207,854	216,527	260,282	-	-	-	-
Retail trade	2,577,503	2,803,117	2,855,447	2,933,239	3,085,336	3,444,176	3,233,967	3,325,586	3,680,142	3,702,560
Real estate, rental and leasing	224,851	259,381	247,630	267,564	282,915	326,081	299,969	335,178	332,544	425,461
Restaurant and bar	274,886	315,297	299,601	295,327	327,043	365,677	513,744	552,429	600,407	699,785
Services	73,273	70,586	57,841	61,450	73,430	86,165	-	-	-	-
Other	154,032	142,753	177,919	218,662	219,884	166,020	94,771	98,611	150,135	118,021
Total	\$ 7,074,851	\$ 6,456,154	\$ 6,279,863	\$ 7,487,481	\$ 6,916,291	\$ 6,601,243	\$ 7,097,361	\$ 6,955,291	\$ 8,849,342	\$ 9,496,648
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	
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%
2018	2.00%	4.00%	4.00%	5.60%	0.50%
2019	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 2019 and 2010

(Unaudited)

Tax Remitter ¹	Fiscal Year 2019			Fiscal Year 2010		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Business A	\$ 1,286,736	1	13.14%	\$ 414,984	4	5.87%
Business B	1,155,649	2	11.81%	1,107,652	1	15.66%
Business C	459,626	3	4.70%	481,793	2	6.81%
Business D	393,725	4	4.02%	276,807	6	3.91%
Business E	380,452	5	3.89%	332,304	3	4.70%
Business F	370,357	6	3.78%	241,134	7	3.41%
Business G	357,597	7	3.65%	266,755	9	3.77%
Business H	253,791	8	2.59%			
Business I	242,387	9	2.48%			
Business J	222,881	10	2.28%	255,101	10	3.61%
Business L				388,090	5	5.49%
Business M				272,700	8	3.85%
	<u>\$ 5,123,201</u>		<u>52.34%</u>	<u>\$ 4,037,320</u>		<u>57.08%</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
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
				Wastewater Flow Contribution Rate (per Kgal)																
2018	\$50.24	\$16.60	1.000	\$8.120	\$17.052	\$8.851	\$8.851	\$9.744	\$16.484	\$18.838	\$9.663	\$6.801	\$8.201	\$1.603	\$8.607	\$29.476	\$18.920	\$10.150	\$19.326	\$9.988
2019	\$51.07	\$18.97	1.000	\$8.390	\$17.619	\$9.145	\$9.145	\$10.068	\$17.032	\$19.465	\$9.984	\$6.801	\$8.474	\$1.603	\$8.893	\$30.456	\$19.549	\$10.488	\$19.968	\$10.320

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

Source: Town of Sahuarita Ordinances.

Town of Sahuarita, Arizona

Ratios of Outstanding Debt by Type

Last 10 Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities								Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	2006 Series QC CFD GO Bonds	2016 Refunding QC CFD GO Bonds	2018 Series RS CFD GO Bonds	2006A GADA Loan	2009B GADA Loan	2015 Refunding Obligation	2017 Refunding Obligation	Capital Leases	2008A WIFA Loans	2008B WIFA Loans	Capital Leases			
2010	\$12,340,000			\$14,405,255	\$6,656,101				\$28,187,545	\$2,142,516		\$63,731,417	7.04%	\$2,492
2011	12,005,000			13,073,002	6,413,411				27,297,422	1,980,062		60,768,897	6.56%	2,307
2012	11,655,000			12,378,252	6,165,722				26,225,657	2,200,888		58,625,519	6.04%	2,188
2013	11,285,000			11,658,502	5,913,032				25,073,245	2,477,454		56,407,233	5.64%	2,061
2014	10,900,000			10,908,752	5,650,343				23,898,673	2,356,789		53,714,557	5.09%	1,924
2015	10,495,000			1,602,808	5,377,653	\$8,840,000			22,680,372	2,251,130		51,246,963	4.65%	1,812
2016	10,070,000			823,940	5,094,963	8,840,000		\$259,010	21,416,714	2,056,097		48,560,724	4.26%	1,684
2017	-	\$9,978,664		-	4,802,274	8,840,000		487,984	20,106,010	2,296,725	\$220,594	46,732,251	3.86%	1,587
2018	-	9,810,431	\$5,780,000	-	662,797	8,120,000	\$4,129,000	936,143	18,746,508	2,141,428	199,741	50,526,048	3.96%	1,669
2019	-	9,428,784	5,780,000	-	338,518	7,025,000	4,074,000	1,267,320	17,336,392	1,980,350	178,056	47,408,420	3.55%	1,535

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
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
2018	9,810,431	62%	9,874
2019	9,428,784	52%	8,531

Fiscal Year	Rancho Sahuarita CFD¹ General Obligation	Percentage of Actual Taxable Value of District Property	Estimated Per Capita Amount in District
2018	\$5,780,000	706%	n/a
2019	5,780,000	488%	n/a

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

Town of Sahuarita, Arizona
Direct and Overlapping Governmental Activities Debt
June 30, 2019
(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	\$ 236,572,000	2.81%	\$ 6,647,673
Pima County Community College	2,300,018	2.81%	64,631
Sahuarita Unified School District	46,835,000	51.6%	24,166,860
Continental School District	13,350,000	23.4%	3,123,900
Green Valley Fire District	6,544,202	33.8%	2,211,940
Subtotal, overlapping debt	<u>\$ 305,601,220</u>		<u>36,215,004</u>
Town direct debt-governmental activities			<u>27,913,622</u>
Total direct and overlapping debt			<u>\$ 64,128,626</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 2019

Assessed Value	\$ 233,877,438
Debt Limit:	
6% of assessed value ¹	14,032,646
20% of assessed value ²	46,775,488
Total debt limit	<u>60,808,134</u>
Debt applicable to limit:	
General obligation bonds ³	-
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 60,808,134</u>

	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt Limit:	\$58,826,368	\$55,136,180	\$53,633,791	\$52,031,993	\$49,583,099	\$ 49,469,906	\$ 54,854,863	\$ 55,240,973	\$ 57,749,819	\$ 60,808,134
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$58,826,368</u>	<u>\$55,136,180</u>	<u>\$53,633,791</u>	<u>\$52,031,993</u>	<u>\$49,583,099</u>	<u>\$ 49,469,906</u>	<u>\$ 54,854,863</u>	<u>\$ 55,240,973</u>	<u>\$ 57,749,819</u>	<u>\$ 60,808,134</u>
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 State Shared and Excise Tax Revenues Last 10 Fiscal Years (Unaudited)

Loans¹									
Fiscal Year	Pledged Revenues			Debt Service			Coverage Ratio	Required Ratio	
	State Shared Revenues	Excise Tax Revenues	Total Revenues	Principal	Interest	Total Debt Service ²			
2010	\$ 3,383,016	\$ 10,430,564	\$ 13,813,580	\$ 767,454	\$ 1,024,442	\$ 1,791,896	7.71	2.00	
2011	3,051,354	8,918,029	11,969,383	1,043,503	1,002,362	2,045,865	5.85	2.00	
2012	5,016,631	8,845,717	13,862,348	1,079,776	975,652	2,055,428	6.74	2.00	
2013	5,573,039	10,192,501	15,765,540	1,116,283	951,427	2,067,710	7.62	2.00	
2014	5,976,928	8,777,491	14,754,419	1,163,032	910,152	2,073,184	7.12	2.00	
2015	6,372,423	9,082,674	15,455,097	1,210,033	712,672	1,922,705	8.04	2.00	
2016	6,484,956	9,985,001	16,469,957	1,204,723	551,905	1,756,628	9.38	2.00	
2017	7,306,847	9,637,023	16,943,870	1,260,297	541,573	1,801,870	9.40	2.00	
2018	7,616,417	12,208,957	19,825,374	1,275,079	353,807	1,628,886	12.17	2.00	
2019	7,856,912	12,864,604	20,721,516	1,642,076	348,249	1,990,325	10.41	2.00	

¹ Includes the 2009B GADA Loan, 2015 Refunding Obligation, 2017 Refunding Obligation, and the 2008B WIFA Non-System Revenues Loan.

² The highest total debt service requirements for any succeeding fiscal year for these debt obligations is \$1,989,991, which occurs in fiscal year 2025.

Town of Sahuarita, Arizona

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

2008A WIFA Loan

Fiscal Year	Pledged Resources				Debt Service					
	Wastewater System Revenues	Wastewater O&M Expenses	Other Sources ¹	Total Sources Available for Coverage	Principal	Interest	Total Debt Service	Coverage Ratio	Required Ratio	
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	3,230,877	(1,457,070)	750,000	2,523,807	1,263,658	844,390	2,108,048	1.20	1.20	
2016	3,622,770	(1,791,896)	750,000	2,580,874	1,310,704	797,344	2,108,048	1.22	1.20	
2017 [^]	3,480,164	(1,751,439)	750,000	2,478,725	1,359,502	748,546	2,108,048	1.18	1.20	
2018 [^]	3,789,603	(1,750,830)	750,000	2,788,773	1,410,115	697,933	2,108,048	1.32	1.20	
2019	4,380,139	(1,832,850)	750,000	3,297,289	1,462,615	645,433	2,108,048	1.56	1.20	

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

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

Town of Sahuarita, Arizona

Demographic and Economic Statistics

Last 10 Fiscal Years

(Unaudited)

July 1,	Population	Percent High School Graduate or Higher	Percent Bachelor's Degree or Higher	Mean Household Income	Unemployment Rate
2010	25,576	94.9%	33.3%	\$ 80,376	7.3%
2011	26,338	96.4%	36.0%	\$ 78,367	6.0%
2012	26,791	94.8%	34.8%	\$ 78,777	5.8%
2013	27,367	93.6%	33.1%	\$ 78,529	6.0%
2014	27,914	94.3%	35.1%	\$ 75,284	4.6%
2015	28,287	95.1%	35.2%	\$ 76,183	3.8%
2016	28,839	94.8%	32.8%	\$ 77,250	4.6%
2017	29,455	96.0%	38.0%	\$ 84,454	
2018	30,282	Information not available (N/A)			
2019	30,792				

Sources: US Census Bureau, American Fact Finder website.
2019 Town estimated population

Town of Sahuarita, Arizona

Principal Employers

2019 and 2010

(Unaudited)

Employer	2019		2010	
	Employees	Percentage of Total Town Employment	Employees	Percentage of Total Town Employment
Sahuarita Unified School District	931	23.55%	747	29.27%
La Posada	615	15.56%		
Walmart	330	8.35%	475	18.61%
Farmers Investment Company	270	6.83%	194	7.60%
Fry's	220	5.57%	200	7.84%
Town of Sahuarita	158	4.00%	161	6.31%
Safeway	115	2.91%	91	3.57%
Sprouts	90	2.28%		
TJ Maxx	60	1.52%		
Jim Click Ford	54	1.37%	45	1.76%
Ashley's Furniture	40	1.01%	30	1.18%
Climax Engineered Materials			62	2.43%
Total	2,883	72.95%	2,005	78.57%

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)

<u>Function/Department</u>	Full-time Equivalent Employees as of June 30									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Government										
Town Manager	8.0	7.0	6.3	6.3	5.0	6.0	6.0	6.0	6.0	4.0
Economic Development	-	-	-	-	-	-	-	-	-	2.0
Town Clerk	3.0	3.5	3.4	3.4	5.0	5.0	5.0	5.0	5.0	5.0
Finance	8.0	8.0	8.0	8.0	8.0	8.0	9.0	9.0	9.0	9.0
Human Resources	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0
Planning & Zoning	4.6	4.6	5.0	5.2	5.4	5.0	5.0	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	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0	6.0	6.0
Law	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0
General Government Total	38.6	38.1	37.7	37.9	38.4	39.0	40.0	40.0	39.0	40.0
Public Safety										
Building Safety	10.8	7.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0	8.0
Public Works-Engineering	3.9	3.8	3.2	3.5	3.5	3.5	3.5	3.5	3.5	5.0
Police Dept	55.2	52.4	50.5	51.0	50.0	51.0	51.0	53.0	55.0	58.0
Public Safety Total	69.9	63.2	59.7	60.5	59.5	61.5	61.5	63.5	65.5	71.0
Culture & Recreation										
Parks & Recreation	15.1	15.1	15.1	15.1	14.7	14.7	15.1	15.3	16.3	17.4
Highways & Streets										
Streets	14.5	15.1	13.5	14.0	14.0	12.7	12.7	9.7	10.7	10.5
Sewer										
Wastewater Utility	8.2	8.2	8.0	7.3	7.3	6.9	6.9	6.3	6.3	6.5
Finance-Billing & Collections	-	-	-	-	-	-	1.0	2.0	2.0	2.0
Sewer Total	8.2	8.2	8.0	7.3	7.3	6.9	7.9	8.3	8.3	8.5
Total	146.3	139.7	134.0	134.8	133.9	134.8	137.2	136.8	139.8	147.4

Source: Town Finance Department.

Town of Sahuarita, Arizona

Operating Indicators Last 10 Fiscal Years

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Town Clerk										
Business licenses issued	1,029	1,081	1,045	1,152	1,272	1,277	1,485	1,514	1,507	1,422
<i>Licenses with Sahuarita or Green Valley address</i>	205	237	269	328	397	505	612	602	615	664
Building Safety										
Building permits-single family residential	454	185	247	267	169	206	277	248	370	324
Building permits-other	440	559	528	592	686	701	724	711	1,043	904
Police										
Traffic citations	1,836	1,677	1,433	2,116	2,209	1,452	1,221	1,183	807	1,765
Calls for service	7,633	7,746	7,933	8,380	8,259	8,111	8,429	8,129	8,416	8,504
Human Resources										
Number of job openings	16	6	14	21	20	22	25	40	42	50
Number of applicants	344	219	564	741	611	1,027	1,103	698	785	844
Turnover rate	9%	7%	7%	9%	12%	11%	11%	12%	18%	13%
Municipal Court										
Hearings/Court sessions	11,012	11,096	9,596	11,090	12,007	10,304	10,007	Note	4,794	5,532
Filings ¹	3,098	3,286	2,279	3,066	3,387	2,494	2,373	2,602	2,204	3,248
Public Works										
Street resurfacing (<i>miles</i>)	6.9	19.7	19.7	17.8	18.0	18.0	20.5	28.1	3.0	32.0
Potholes repaired	211	196	196	225	172	122	87	64	8	81
Parks and Recreation										
Number of recreation programs offered	N/A		37	42	55	47	43	43	181	114
Athletic court/field permits issued	128	170	Information Not Available (N/A)				127	114	67	84
Recreation center permits issued	23	61	Information Not Available (N/A)				32	27	22	56
Ramada/Gazebo permits issued	170	164	Information Not Available (N/A)				158	166	141	130
Special event/commercial permits issued	N/A		Information Not Available (N/A)				57	55	29	29
Special event attendance	18,375	17,531	Information Not Available (N/A)				26,400	31,919	42,878	53,546
Recreation program participants	12,403	13,429	Information Not Available (N/A)				17,189	15,630	10,881	11,005
Wastewater										
Long-term storage credits (<i>acre feet</i>)	825.02	1,347.58	1,693.63	2,301.65	2,822.56	3,589.54	4,117.87	4,928.48	5,722.21	6,617.91
<i>Estimated value of LTSCs</i>	\$129,899	\$217,904	\$273,860	\$308,513	\$543,484	\$740,809	\$871,752	\$1,101,043	\$1,339,241	\$1,506,631
Average daily sewage treated (thousands of gallons)	674.2	804.1	807.3	760.0	765.0	755.0	777.0	802.0	828.4	867.0

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

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

Source: The applicable Town of Sahuarita departments.

Town of Sahuarita, Arizona

Capital Asset Statistics Last 10 Fiscal Years

Function/Program	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Planning & Building										
Vehicles	Information not collected							4	4	4
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	32	28	39	39	41	42	46	50	50	56
Public Works										
Streets and highways (<i>miles</i>)	211	144	144	144	144	146	146	156	157	163
Streetlights	47	52	53	53	53	59	59	69	69	69
Traffic signals	9	14	15	15	15	16	16	16	16	16
Parks and Recreation										
Park acreage	107	107	107	107	107	107	107	107	107	107
Basketball courts	4	4	4	4	4	4	4	4	5	5
Playgrounds	4	5	5	5	5	5	5	5	5	5
Skate spots/parks	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds (lighted)	6	6	6	6	6	6	6	6	6	6
Soccer/football fields (lighted)	-	6	6	6	6	6	8	8	6	6
Soccer/football outfield overlays (lighted)	-	-	-	-	-	-	-	-	2	2
Community centers	1	1	1	1	1	1	1	1	1	1
Parks maintenance buildings	1	1	1	1	1	1	1	1	1	1
Ramadas	22	22	22	22	22	22	22	22	21	22
Restroom facilities	6	8	8	8	8	8	8	8	9	9
Sand volleyball court	1	1	1	1	1	1	1	1	1	1
Off-leash dog area	2	2	2	2	2	2	2	2	2	2
Vehicles	7	7	8	8	8	8	8	8	8	8
Wastewater										
Permitted treatment capacity (<i>gallons in 1,000s</i>)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	3,000	3,000	3,000

Source: The applicable Town of Sahuarita departments.