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**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**



2022



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**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**



Prepared by the Finance Department

2022



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TOWN OF SAHUARITA, ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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ANNUAL COMPREHENSIVE FINANCIAL REPORT



Introductory Section

2022



December 27, 2022

**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, 2022.

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, 2022. 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 35,337. As of the latest U.S. Census reports, our median age is 37.1 years and our median household income is \$85,247. Sahuarita is an educated population, with 42.4% of our residents having a four-year or greater college or university education.

We believe in the wisdom of governmental checks and balances. Residents elect seven council members. The Town Council appoints a mayor and vice mayor from the seven elected officials. The Council guides policy while the town manager is responsible for ongoing, day-to-day operations of 12 Town departments and 183.9 full-time equivalent employees (FTE). Our residents voice a positive affirmation of the Town's reputation for providing core services such as public safety, well-maintained roadways and parks and recreation facilities.

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

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

CURRENT CONDITION & INITIATIVES

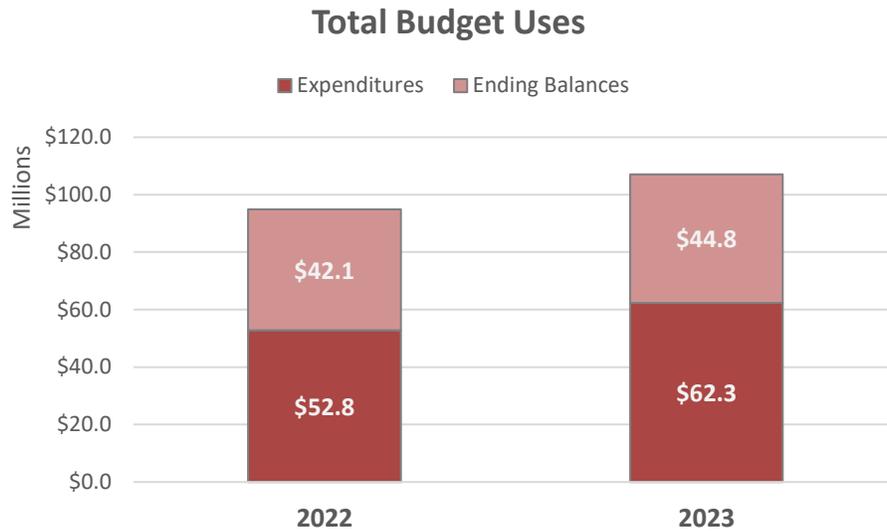
The annual budget is much more than a routine exercise for our Finance Department and Budget Team, it is arguably the Town Council’s most relevant policy document. It is a tangible look at the foundation used to build and achieve the goals outlined in our Strategic Plan and the community’s desires as presented in our various master plans. The budget is also a communication tool, and an exercise in transparency. Furthermore, it’s one way we are accountable to residents for the dollars they entrusted us. Our Finance Department and Budget Team worked hard to make the budget understandable and useful by showing how tax dollars pay for public services.

This 2023 budget totals \$107,114,960. Total funding sources are equal to or exceed expenditures representing a 13% increase over last year’s \$94.9 million budget with more funding available to us this year, as follows:

Total Budget Sources



Budgeted expenditures total \$62,305,630 which is \$9.5 million, or 18%, higher than last year’s adopted budget. As a result, we expect ending balances to decline by \$8.5 million during the year, to a total of \$44,809,330.



Changes to the Budget Process Help Ensure a Highly Performing Organization

This year’s budget development process has some changes over previous years. This year represented a marked change involving more departmental collaboration for Team Sahuarita. For example, the Leadership Team prioritized all new position requests and reclassifications. The Leadership Team approached these positions thoughtfully and holistically by considering the collective needs of the organization and ranking those needs against each other. We also involved our Town Council and Commission members through our Capital Improvement Plan (CIP) study session and a Parks and Recreation Commission ranking of park projects.

Additionally, we endeavored to bring greater collaboration into developing a recommended budget for the Council. We formed a Budget Team consisting of the Town’s Finance Director, Assistant Town Manager, and Human Resources Director to assist the Town Manager with this task. This level of collaboration is critical for any highly-performing organization. It ensures that crucial budget decisions and much-needed internal communication occurs throughout the process and that critical budget decisions are not performed in silos.

The last noteworthy change to this budget season was a re-introduction of a more in-depth and interactive Budget Retreat with the Council, where we presented the Town Manager’s Recommended Budget. It’s been many years since a budgetary engagement at this level with the Council has occurred, but I felt the effort was a success and the Budget Team plans to continue to use this method, going forward.

Organizational Changes in the FY 23 Town Budget

To provide additional support to existing staff and to gain operational efficiencies in the services we render to the public, the following changes in our organizational structure in the 2023 Town Fiscal Budget include:

- Finance Department Reorganization
 - In 2022, procurement services moved from the Town Manager’s Department to the Finance Department.
 - In 2023, one FTE (Full-Time Equivalent) from Public Works will move to the Finance Department. This staff member will provide the town with a designated grant writer and backup/assistance for procurement-related tasks. This move gives centralized grant writing support to the organization. It augments the grant efforts already practiced in each of the Town’s departments.

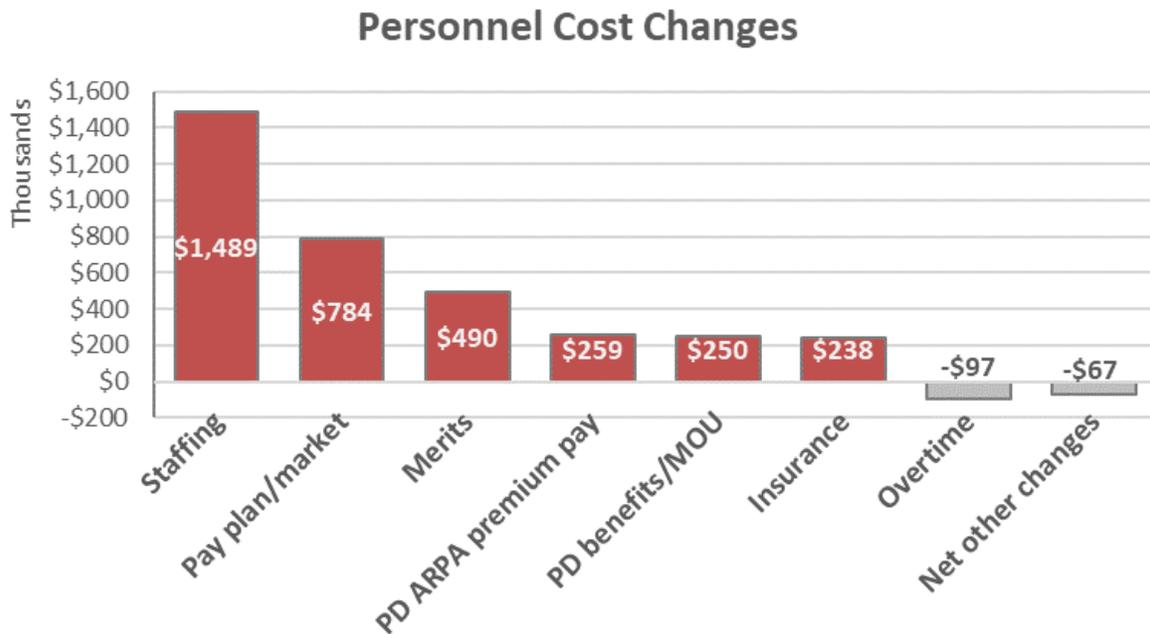
- Public Works Department
 - In 2023, the Public Works Department will reorganize existing employees to add a dedicated Engineering Division to efficiently handle facilities maintenance, capital improvement projects, and engineering.

- Town Manager’s Office & Economic Development Department
 - In keeping with best practices for efficient organizational structure, the Economic Development Department will become the “Economic Development and Public Affairs Department.” The “Public Affairs Division” replaces the Communications Division to more accurately depict the services rendered. This division moves from the Town Manager Department to join the Economic Development Team for a better alignment of services to both the organization and the community.

Our Greatest Asset: Investing in Employees

Our employees are indeed the Town’s greatest asset, and the Town Council continues to prioritize the competitiveness of the Town’s compensation structure and the health and well-being of our employees. It manifests in the FY23 Budget when one dissects the budget increases yearly. The most significant contributor to our year-over-year budget increases in FY23 is personnel changes, with a sizeable portion of those changes approved by the Council as mid-year adjustments in FY22. This change makes sense as, on average, roughly 60% - 70% of the Town’s Operating Budget is tied directly to employee related expenses (EREs). Those mid-year changes consisted largely of new FTEs, and compensation adjustments in response to a recent Market Compensation Study completed before the 2022 calendar year-end.

In FY23, personnel costs are \$20.3 million, an increase of \$3.3 million or 20% more than FY22. Total cost changes stem from the following:



Employee benefits are an important part of a competitive compensation package and what makes an employer’s value proposition compelling. The FY23 Budget includes an improved cost share for employees regarding dental and vision coverage, to mirror medical, in addition to an increase in Town-provided life insurance.

| Benefit | Premium Increase | FY22 Contribution | FY23 Changes | Employee Impact | Fiscal Impact |
|----------|------------------|---------------------------------------|---------------------------------------|--------------------------------------|---------------|
| Medical | 8% | 75% Dependent Coverage | Maintain Cost Share | Proportionate cost increase (8%) | \$101k |
| Dental | 3% | 20-36% Dependent Coverage | 75% Dependent Coverage | 10-65% cost savings dep. on coverage | \$ 99k |
| Vision | 14-19% | No Contribution | 75% Dependent Coverage | 50-75% cost savings dep. on coverage | \$ 30k |
| Life A/D | 0% | \$50k life insurance (since 7/1/2000) | 1 X Annual Salary w/ \$50k guaranteed | Negligible | \$ 8k |

New Guidance Allows for Diversification of ARPA Funds Uses

Fiscal Year 2023 will continue to be a time for economic recovery from the challenges faced during the COVID-19 pandemic. Our Finance Department is mainly at the helm, looking ahead of us at what's around the corner and preparing accordingly. 2020-2021 showed that we were well situated to overcome economic hurdles and return stronger precisely because we planned well financially.

Provisions of federal COVID-19 related aid will continue to help Sahuarita in the coming year. Changes to acceptable uses of America Rescue Plan Act (ARPA) funding have allowed us to distribute this assistance more evenly across our departments and benefit a wider swath of the community. Unfortunately, these one-time funds cannot contribute to debt service or pension deposits. Still, we may direct some of these funds to our Parks CIP in the form of park sewer line upgrades, a future splash pad at Anamax Park, and improvements to Twin Buttes Trail Park.

In addition, our streets will undergo needed improvements, such as the Campbell Avenue Extension. We will continue our Pavement Preservation Program (\$1.22 million from ARPA) to keep our roads in tip-top shape. Our wastewater infrastructure will see numerous improvements totaling just over \$1 million. Additionally, \$259 thousand of ARPA funding will provide our police officers with premium pay. This premium pay will keep Sahuarita an attractive place for law enforcement professionals to grow their careers.

Economic Development and Placemaking Support Community Well-Being

In the third quarter of 2022, the Town's Sahuarita Advanced Manufacturing and Technology Center (SAMTEC) signed two leases with incoming tenants. The new tenants will move into the building in the coming months, likely beginning in the first quarter of Fiscal Year 2023. The first company, PowerPhotonic, designs and manufactures wafer-scale optics for laser and optical systems. Their work is primarily applicable to optical communications, medicine, and defense. Along with bringing some great jobs to Sahuarita, we estimate their presence will have a \$76 million impact on our local economy in the next decade.



Steel Jupiter is the second company to sign a SAMTEC lease in the past couple of months. This firm will bring high-paying jobs and an economic impact of \$58 million over ten years. Steel Jupiter makes an innovative coating for enhancing air filter performance. It applies to multiple air filtration systems, including HVAC, respirators, and masks. This technology has great potential as it traps 99.99% of all airborne viruses, including COVID-19.



In line with our *Grow in Sahuarita* brand of programs and expanding on this foundation in FY 2023, our Economic Development Department will create its master plan for stimulating growth in Sahuarita to support our community’s well-being. This plan will build upon years of previous success, helping fledgling small businesses to flourish and marketing the town as a great place to start a new business and thrive.

Another focus of economic development, in partnership with Public Works and Parks and Recreation, includes maintaining and developing existing relationships with those regional stakeholders who drive our economy with the Parcel 30 Project. Through a partnership with Freeport McMoRan and the AZ Department of Environmental Quality’s Voluntary Remediation Program, this project will remediate and reclaim property formerly used by the mining industry to make the property more suitable for public use by the community. In 2018, the Town of Sahuarita collaborated to co-design the area for open-space use that will incorporate walking trails, educational (STEM) attractions, parking, and gathering locations. This remediation will carry on into this new Fiscal Year. In addition, it will involve improvements to the land and seeding of native plants and trees supporting regional biodiversity, with anticipated completion by the end of December 2022.

Looking back at FY 2022, Parks, Recreation, and Community Services has continuously focused on placemaking and community well-being by expanding existing facilities, events, and recreational programming. Looking forward to FY 2023, we’re excited to build a new playground at Parque Los Arroyos. In addition, we will lay the foundations for the splashpad coming to Anamax Park; and introduce a new signature event for the community – the Sahuarita Classic Car Show.



In addition, we’re budgeting to maintain and expand Parks, Recreation, and Community Services offerings. Perhaps most notably, we’re looking forward to updating and implementing our Master Plan for Parks and Recreation. We’re aware of our community’s growing needs, and that’s why we’ve reached out to the community in FY 2022 for input to help us identify priority items for residents.



Parks and Recreation is also expanding access to outdoor opportunities and open spaces in FY 2023. Most notably with the Twin Buttes Trail Park Master Plan that was first introduced in FY 2021. This Master Plan will develop 93 acres that the Town purchased in 2019. In the coming year, work will begin establishing basic amenities for the park, including a trailhead, restrooms, and multiple looping trails. The Master Plan also designates 20 acres of the property for our Parks, Public Works, and Police Departments. We will use this area to build facilities for materials storage, equipment maintenance, vehicle impound, and employee offices. We anticipate construction of this facility will begin in Fiscal Year 2023.

Infrastructure Literally Brings Our Community Together

The highly anticipated Quail Crossing Blvd Extension Project will see completion in FY 2023. This long-awaited project will bring together two highly populated areas of Town that the Santa Cruz River previously separated. This roadway allows convenient and efficient access to shopping and Quail Creek-Veterans Municipal Park and improves emergency vehicle response times. In addition, development, and improved access for residents to the services and communities on both sides of the river open the possibility of annexing state land into the Town’s boundaries.



Public Safety Supports All Focus Areas of Our Strategy

Public safety may well be the foundation for all other services that a municipal government can offer. A highly performing municipal organization is a safe space. It's a safe space for economic development, maintaining infrastructure, communicating well with residents, and promoting the community's well-being. Last year, the Sahuarita Police Department (SPD) continued using Nixle and Facebook to share Police Department stories and events and quickly solicit crime-fighting tips to and from residents. In 2023, SPD pledges to continue being on the cutting edge of emerging technologies not only with its use of social media but also through the continued development of its drone program. Fiscal Year 2023 will also see the department spend a significant portion of its budget on fuel for its growing fleet of vehicles. In 2023, SPD plans to spend \$1.1 million on new and replacement vehicles and related equipment.

Throughout 2022 the SPD has been working toward law enforcement accreditation through the Arizona Law Enforcement Accreditation Program (ALEAP). SPD is aiming to conclude its ALEAP accreditation at the end of 2022. This certification is a significant advancement for the SPD, resulting in over 100 SPD policies and procedures updates to meet best practices that fit Sahuarita. In addition, accreditation is an essential requirement that allows the SPD to compete for federal grant monies.

Outreach and Communication Promotes a Service-First Culture

All the town's goals and focus areas are achievable when the organization and its employees have an attitude of "service first." There's no better way to develop this culture than to ask ourselves and those we serve how we are presently performing. With outreach and communication are a focus area of our five-year Strategic Plan. In 2023, our newly titled Public Affairs Division will tackle a resident survey to find out how we can best communicate with our residents. What lines of communication do our residents find most useful? What avenues of interacting with us can use improvement? We will also ask residents to rate their satisfaction with our core public services. The information gathered in this survey will help the Town's various departments think critically about how we serve the public, our community's priorities, and how we can improve in operations. Staff plans to provide this information and information gathered in our other master planning efforts, at a Council Retreat scheduled for the first of the new 2023 calendar year.

Budget 2023: A Firm Foundation for Sahuarita's Future

As we move into FY 2023, we're excited to see the Town in great financial shape to meet the needs of residents while also expanding and improving the services we offer. Our history of financial prudence tempered with well-calculated risk has positioned us for the growth of the Town and its ever-changing needs. We will further strengthen our financial resiliency in FY23 by adopting a Recession Plan. In addition, we will look at other fiscal policy reforms that will serve our community well when and if any level of economic downturn confronts us. We are grateful to our residents for entrusting us with the stewardship of our community. We shoulder this responsibility carefully and respectfully, serving at the

pleasure of the Council and the public. May God continue to bless us all as we apply ourselves in the service of this great community in 2023 and beyond.

Sincerely,



Shane D. Dille, ICMA-CM
Town Manager





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Sahuarita
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

Mayor and Council



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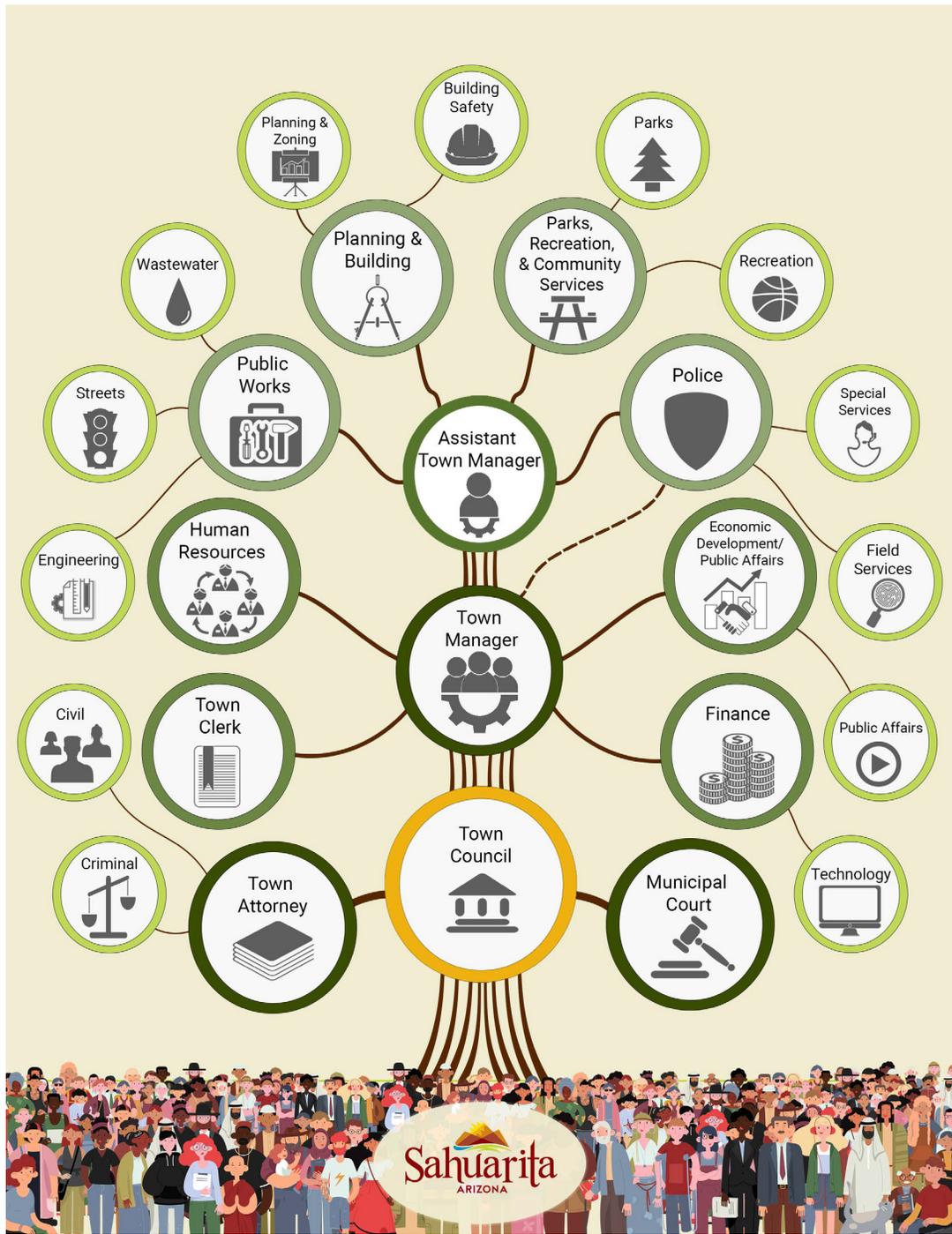
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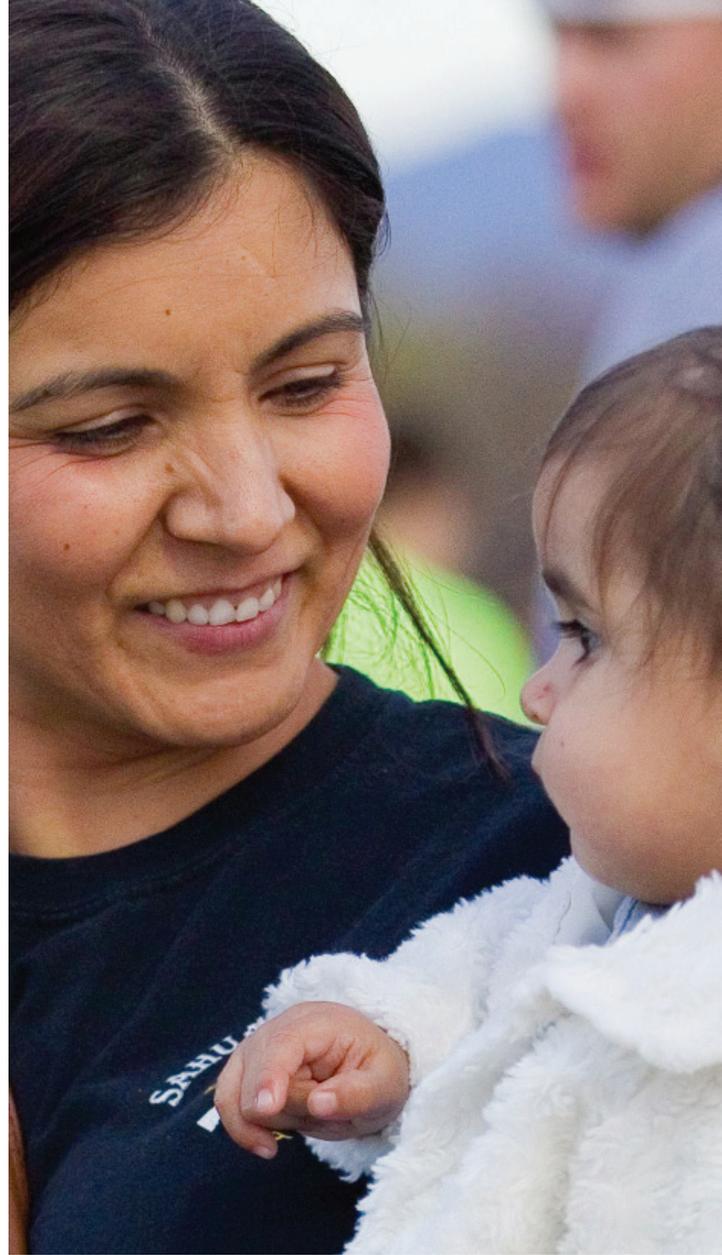
Organization Chart



Sahuarita at a Glance

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

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



TOTAL POPULATION

35,337

47.3% Male
52.7% Female

MEDIAN HOUSEHOLD INCOME

\$85,247

MEDIAN AGE
37.1

EDUCATIONAL ATTAINMENT

High school or higher 94.8%
Bachelor's degree or higher 42.4%



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ANNUAL COMPREHENSIVE FINANCIAL REPORT



Financial Section

2022



INDEPENDENT AUDITORS' REPORT

Town Council
Town of Sahuarita, Arizona
Sahuarita, Arizona

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2022, and the respective changes in financial position, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2021, the Town adopted new accounting guidance for leases. The guidance requires lessors to recognize a lease receivable and corresponding deferred inflows of resources for all leases with lease terms greater than 12 months. The implementation resulted in a restatement of beginning net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2022, 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 27, 2022

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, 2022. Please read it in conjunction with the transmittal letter on pages 2-11 and the Town's basic financial statements, which begin on page 34.

FINANCIAL HIGHLIGHTS

- At June 30, 2022 net position totaled \$157,440, an increase of \$3,210 over last year. Of this amount, \$22,815 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Capital asset balances totaled \$169,531, an increase of \$474 compared to last year. Construction in progress accounted for \$5,938, 3.5% of the total capital assets.
- Long-term liabilities increased \$15,171 from last year to a total of \$71,930 at June 30, 2022. Liabilities related to employee expenses (pension, other postemployment benefits, and compensated absences) accounted for \$9,319, approximately 13% of the total balance.
- As of the close of the current fiscal year, the governmental funds combined ending fund balances had increased \$22,716 to a new balance of \$54,601. Of this amount, \$91 is in a nonspendable form, \$22,463 is restricted for specific purposes due to agreements or laws, \$5,000 is committed for reserves, \$5,402 is assigned to specific purposes by the Town Council, and \$21,645 is unassigned.
- The Wastewater Enterprise Fund's net position increased by \$3,017 during the year, raising net position to \$31,932 at year end. Unrestricted net position was \$172, an increase of \$1,082. This is the first year in more than a decade that the fund ended with a positive unrestricted net position.
- The Town received \$5,247 in American Rescue Plan Act (ARPA) funding from the U.S. Department of Treasury. This represented the first of two installments. The Town spent \$847 and obligated another \$230 on allowable program costs during the year. Unspent ARPA funds totaling \$4,400 were unearned at year end.
- Contributed roadways and sewer lines increased capital assets in governmental activities by \$2,447 and business-type activities by \$910, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, and culture and recreation. The business-type activities of the Town include a sewer treatment operation. The government-wide financial statements can be found on pages 34-35 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, Capital Infrastructure Improvement Fund (CIIF), and Rancho Sahuarita Community Facilities District Fund which are considered to be major funds. Data from the other three 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 36 and 38 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 40-42 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 43-71 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, including (1) budgetary comparison schedules for the General Fund 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 74-83 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

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 87-92 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Current and other assets | \$ 66,555 | \$ 35,609 | \$ 3,061 | \$ 855 | \$ 69,616 | \$ 36,464 |
| Capital assets | 125,793 | 125,832 | 43,738 | 43,225 | 169,531 | 169,057 |
| Total assets | <u>192,348</u> | <u>161,441</u> | <u>46,799</u> | <u>44,080</u> | <u>239,147</u> | <u>205,521</u> |
| Deferred outflows | 3,517 | 8,743 | 190 | 195 | 3,707 | 8,938 |
| Liabilities: | | | | | | |
| Current | 7,183 | 2,142 | 1,317 | 448 | 8,500 | 2,590 |
| Long-term | 58,447 | 41,855 | 13,483 | 14,904 | 71,930 | 56,759 |
| Total liabilities | <u>65,630</u> | <u>43,997</u> | <u>14,800</u> | <u>15,352</u> | <u>80,430</u> | <u>59,349</u> |
| Deferred inflows | 4,727 | 620 | 257 | 8 | 4,984 | 628 |
| Net position: | | | | | | |
| Net investment in capital assets | 98,360 | 102,352 | 30,709 | 29,164 | 129,069 | 131,516 |
| Restricted | 4,505 | 1,361 | 1,051 | 1,005 | 5,556 | 2,366 |
| Unrestricted | 22,643 | 21,854 | 172 | (1,254) | 22,815 | 20,600 |
| Total net position | <u>\$ 125,508</u> | <u>\$ 125,567</u> | <u>\$ 31,932</u> | <u>\$ 28,915</u> | <u>\$ 157,440</u> | <u>\$ 154,482</u> |

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. The Town's net position was \$157,440 at the close of the most recent fiscal year, an increase of \$3,210 over last year.

The largest portion (\$130,122 or 83%) 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 \$5,556 (4%) of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$21,762 (13%) is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

CHANGES IN NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| REVENUES | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 4,020 | \$ 4,029 | \$ 5,009 | \$ 4,959 | \$ 9,029 | \$ 8,988 |
| Operating grants and contributions | 3,747 | 5,517 | - | - | 3,747 | 5,517 |
| Capital grants and contributions | 2,562 | 2,618 | 1,286 | 831 | 3,848 | 3,449 |
| General revenues: | | | | | | |
| Property taxes | 1,376 | 1,042 | - | - | 1,376 | 1,042 |
| Sales taxes | 13,624 | 13,344 | - | - | 13,624 | 13,344 |
| Franchise taxes | 373 | 377 | - | - | 373 | 377 |
| Share of state income tax | 4,435 | 4,490 | - | - | 4,435 | 4,490 |
| Share of state sales tax | 4,798 | 3,728 | - | - | 4,798 | 3,728 |
| Share of state vehicle license tax | 1,549 | 1,633 | - | - | 1,549 | 1,633 |
| Contributions restricted for debt service | 308 | 612 | - | - | 308 | 612 |
| Investment earnings (losses) | (468) | 105 | 6 | (7) | (462) | 98 |
| Miscellaneous | 194 | 272 | 17 | 17 | 211 | 289 |
| Total revenues | <u>36,518</u> | <u>37,767</u> | <u>6,318</u> | <u>5,800</u> | <u>42,836</u> | <u>43,567</u> |
| EXPENSES | | | | | | |
| Program expenses: | | | | | | |
| Governmental activities: | | | | | | |
| General government | 8,117 | 7,391 | - | - | 8,117 | 7,391 |
| Public safety | 11,202 | 10,677 | - | - | 11,202 | 10,677 |
| Culture and recreation | 3,333 | 3,132 | - | - | 3,333 | 3,132 |
| Highways and streets | 12,107 | 11,680 | - | - | 12,107 | 11,680 |
| Interest, amortization, and issuance costs on long-term debt | 1,354 | 951 | - | - | 1,354 | 951 |
| Business-type activities: | | | | | | |
| Sewer | - | - | 3,513 | 3,574 | 3,513 | 3,574 |
| Total expenses | <u>36,113</u> | <u>33,831</u> | <u>3,513</u> | <u>3,574</u> | <u>39,626</u> | <u>37,405</u> |
| Increase (decrease) in net position before losses and transfers | 405 | 3,936 | 2,805 | 2,226 | 3,210 | 6,162 |
| Transfers | (212) | (488) | 212 | 488 | - | - |
| Change in net position | 193 | 3,448 | 3,017 | 2,714 | 3,210 | 6,162 |
| Net position at beginning of year | 125,567 | 122,119 | 28,915 | 26,201 | 154,482 | 148,320 |
| Prior period adjustment | (252) | - | - | - | (252) | - |
| Net position at end of year | <u>\$ 125,508</u> | <u>\$ 125,567</u> | <u>\$ 31,932</u> | <u>\$ 28,915</u> | <u>\$ 157,440</u> | <u>\$ 154,482</u> |

Governmental Activities

The \$193 increase in net position for governmental activities was \$3,255 less than last year's change in net position. Significant variances between fiscal year 2022 and 2021 are explained below:

Revenues and Other Sources

- Operating grants and contributions decreased by \$1,770. In 2021, the Town recognized \$1,939 in AZCares grant funding to pay for Police Department payroll costs. This funding was not available in 2022 and, while the Town did receive ARPA funding in 2022, much of it was unearned during the year and revenues that were recognized were mostly for capital projects.

MANAGEMENT’S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

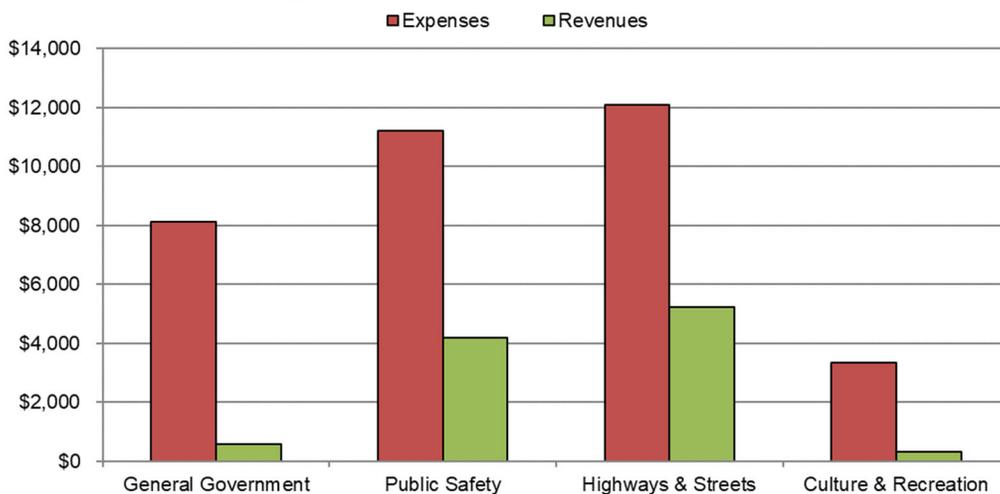
- Share of state sales taxes were \$1,070 higher. Statewide sales transactions were robust in 2022. Federal pandemic aid helped to fuel spending. Also, consumer spending shifted from non-taxable services to taxable durable goods, likely because of the Covid19 pandemic.
- Increased residential and commercial development produced \$174 more in contracting taxes. General transaction privilege taxes increased by \$804. The Town’s population continues to grow and new stores and business have opened. Also, statewide a greater portion of on-line retail activity is being reported and taxed.
- In 2022, investment losses amounted to (\$468). In 2022, investment earnings were \$105, a difference of (\$573). Market interest rates increased significantly during the year in response to the Federal Open Market Committee’s actions to increase the federal funds target rate to mitigate rising inflation. The Town acquired most of its held investments when rates were much lower. This resulted in significant unrealized investment losses in 2022.

Expenses and Other Uses

- Program expenses increased by \$2,282. The Town added 11.2 full-time equivalent staff positions in 2022, provided 3% cost-of-living pay adjustments, and instituted mid-year market-based pay adjustments. These actions came with an estimated \$1,665 cost. Other significant expense items include:
 - Net pension & OPEB expenses decreased by \$1,273. There are a lot of factors that impact these expenses but it much of it was the result of the banner net investment returns earned by the pension & OPEB plans.
 - The Town paid \$684 to fulfill obligations under economic development incentive agreements.
 - Depreciation and amortization expense increased by \$482 as there were more depreciable assets on the books.
 - Interest, amortization, and issuance costs on long-term debt increased by \$403. Two new debt obligations were issued during the year, resulting in debt issuances costs of \$433.

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

Governmental Activities Program Revenues and Expenses



MANAGEMENT'S DISCUSSION AND ANALYSIS

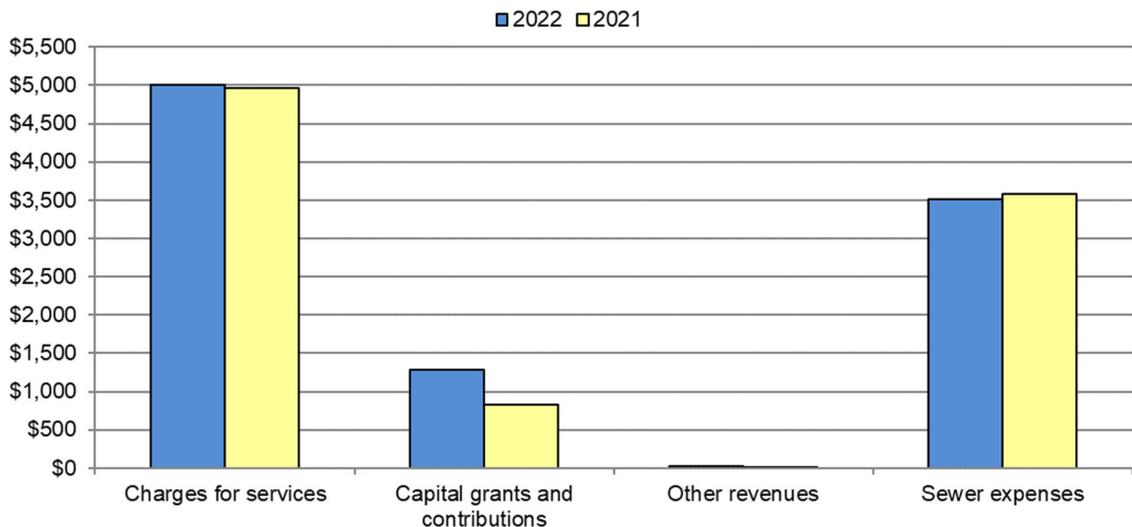
(dollar amounts in thousands)

Business-type Activities

The \$3,017 increase in net position for business-type activities was \$303 more than last year's change in net position. Significant variances between fiscal year 2022 and 2021 are explained below:

- \$600 of ARPA funding was recognized in 2022 to cover the costs incurred on the Wastewater Lab capital project.
- In 2021, a one-time \$500 transfer to the Wastewater Enterprise Fund to reduce fund deficits and offset the need for and severity of sewer user rate increases in the future.
- More homes connected to the wastewater system in 2022 than in 2021. Connection fees were \$255 higher as a result.

Business-type Activities Revenues and Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

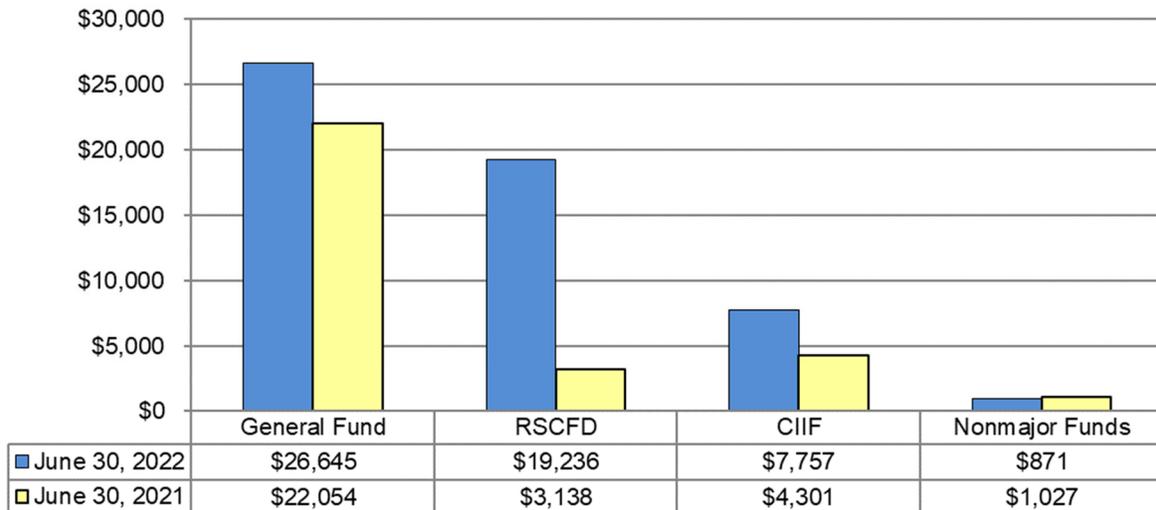
Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements.

At June 30, 2022, the Town's governmental funds reported combined ending fund balances of \$54,601, an increase of \$22,716 from last year. Of the total, \$54,510 constitutes spendable fund balances, which includes the unassigned, assigned, committed, and restricted fund balances. The remaining \$91 is non-spendable to indicate that it is not available because it has already been spent on prepaid items.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

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 132% of total General Fund expenditures. Compared to last year, total fund balance increased by \$3,316 and the spendable portion increased by \$4,591. Revenues exceeded expenditures by \$4,332 but was offset in part by \$1,100 in transfers to other funds to pay for all or a portion of certain program and capital project costs. The Town's budget planned for revenues to exceed expenditures (excluding contingencies). Actual results for the year, however, were even more favorable than the budget plan. Most revenues came in higher than anticipated. New development and economic growth at the local and State level outpaced expectations. Department costs were also lower than budgeted, mostly in payroll (see General Fund Budget Highlights below). Spendable balances increased by \$1,275 more than total fund balances. Last year, the General Fund had an \$1,294 advance receivable from the Wastewater Enterprise Fund to cover the deficits of the utility. This receivable was paid in full this year, increasing spendable balances commensurately.

Fund balances in the RSCFD funds increased by \$16,098. The Rancho Sahuarita CFD issued new debt and the amount unspent by year-end accounts for the increase to fund balances.

The CIIF fund balances, which are all spendable, increased by \$3,456. \$6,378 of new debt was issued during the year. \$3,266 of this was unspent by year-end, accounting for most of the increase to fund balances.

Nonmajor funds' fund balances, which are restricted but spendable, decreased by \$156. This decrease is attributable to the HURF as roadway costs increase at a faster rate than the HURF's revenues (i.e., state shared fuel taxes).

Proprietary fund. The Town's Wastewater Enterprise Fund provides the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the wastewater treatment operation at the end of the year amounted to a balance of \$172, which was a \$1,426 higher than last year. The utility's fee structure is designed to cover on-going costs, to bring the fund out of its deficit position, and ultimately to establish sufficient reserves. This was the first year in over a decade that the fund did not end with a deficit unrestricted net position. Restricted net position was \$1,051 for other postemployment benefits assets and cash held in trust to pay debt service. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Wastewater Enterprise Fund Net Position



GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year, budgeted amendments totaled \$1,934, as follows:

- The Council authorized additional appropriations of \$1,615 to pay for tenant improvements at the SAMTEC facility. Budgeted transfers out were increased by this amount as these costs are paid out of the CIIF.
- The Council authorized additional departmental appropriations totaling \$321 in the General Fund for mid-year cost-of-living and market-based pay adjustments.
- The Council authorized additional appropriations of \$42 for the Department of Law to hire another attorney.
- The Parks, Recreation, & Community Services Department had net budget transfers of \$44 out of its General Fund operating budget and into the CIIF for specific park project costs.

Final budget compared to actual results. Total actual revenues exceeded estimated revenues by \$2,632. The most significant differences were as follows:

| Revenue Sources | Budgeted Revenues | Actual Revenues | Difference |
|-----------------------|-------------------|------------------|-----------------|
| Taxes | \$ 8,493 | \$ 9,129 | \$ 636 |
| Licenses and permits | 2,219 | 3,351 | 1,132 |
| Intergovernmental | 9,567 | 10,783 | 1,216 |
| Charges for services | 1,095 | 1,207 | 112 |
| Fines and forfeitures | 244 | 221 | (23) |
| Investment earnings | 108 | (389) | (497) |
| Miscellaneous | 54 | 110 | 56 |
| | <u>\$ 21,780</u> | <u>\$ 24,412</u> | <u>\$ 2,632</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

- Building and development permit revenues exceeded expectations. There were 1,802 total permits issued during the year, 56% more than last year and the highest volume of permit activity since 2006. This level of permitting activity was not anticipated in the budget.
- Intergovernmental revenues were higher than expected. Share of state sales taxes account for \$1,031 of the variance. Statewide sales transactions were more robust in 2022 than State officials anticipated. Federal pandemic aid helped to fuel spending. Also, consumer spending shifted from non-taxable services to taxable durable goods, likely because of the Covid19 pandemic.
- The budget assumed there would be modest realized gains on its investments, consistent with recent history. However, market interest rates increased significantly during the year in response to the Federal Open Market Committee's actions to increase the federal funds target rate to mitigate rising inflation. The Town acquired most of its held investments when rates were much lower. This resulted in significant unrealized investment losses in 2022
- Other differences were immaterial or fell within a normal and/or acceptable range about the budget amount.

Total actual expenditures were less than appropriations by \$1,497 (excluding contingency reserves), as follows:

| <u>Expenditure Category</u> | <u>Budgeted Expenditures</u> | <u>Actual Expenditures</u> | <u>Difference</u> |
|-----------------------------|----------------------------------|--------------------------------|-------------------|
| Personnel | \$ 14,619 | \$ 13,523 | \$ 1,096 |
| Services | 4,049 | 3,652 | 397 |
| Supplies and equipment | 1,040 | 1,195 | (155) |
| Other | 1,869 | 1,671 | 198 |
| Capital outlay | - | 26 | (26) |
| Debt service | - | 13 | (13) |
| | <u>\$ 21,577</u> | <u>\$ 20,080</u> | <u>1,497</u> |

- Personnel expenditures were less than budget. Much of this is due to position vacancy savings and some due to variances between budget assumptions and actual results.
- Supplies and equipment costs were higher than budget. \$140 of this variance was in the Police Department where rising fuel costs and needed improvements to the Property & Evidence facilities were not anticipated to the degree realized. These costs were covered by savings in other accounts in the department.
- The impacts associated with the implementation of GASB Statement No. 87—Leases were unknown at the time the budget was developed. As such, no budget capacity was included for capital outlay and debt service. Instead, lease payments for the year were budgeted in the respective departments.
- Other differences were immaterial or fell within a normal and/or acceptable 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.

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, 2022, amounted to \$169,531 (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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

CAPITAL ASSETS

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
| | (Restated) | | | | (Restated) | |
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Land | \$ 11,350 | \$ 11,350 | \$ 2,640 | \$ 2,640 | \$ 13,990 | \$ 13,990 |
| Buildings & improvements | 21,981 | 22,270 | 28,923 | 29,691 | 50,904 | 51,961 |
| Sewer conveyance system | - | - | 11,427 | 10,812 | 11,427 | 10,812 |
| Infrastructure | 84,729 | 88,513 | - | - | 84,729 | 88,513 |
| Vehicles | 508 | 489 | 15 | 30 | 523 | 519 |
| Equipment and software | 803 | 744 | - | - | 803 | 744 |
| Intangibles: Right-to-use lease assets | 1,217 | 1,224 | - | - | 1,217 | 1,224 |
| Construction in progress | 5,205 | 990 | 733 | 52 | 5,938 | 1,042 |
| Total capital assets | <u>\$125,793</u> | <u>\$125,580</u> | <u>\$ 43,738</u> | <u>\$ 43,225</u> | <u>\$169,531</u> | <u>\$168,805</u> |

Total capital assets increased by \$726 (<1%) during the year, which is the net difference between new capital acquisitions, disposals, and depreciation. Major capital asset events during the fiscal year included the following:

- Governmental activities added \$4,215 to construction in progress. \$3,957 of this was for the Quail Crossing Boulevard and Low-flow Bridge project.
- Business-type activities added \$681 to construction in progress. \$600 of this was for the Wastewater Lab project.
- Developer contributions of roadways added \$2,447 to infrastructure in governmental activities.
- Developer and CFD contributions of sewer lines added \$910 to sewer conveyance system in business-type activities.
- Depreciation reduced the Town's investment in capital assets for governmental activities and business-type activities by \$10,615 and \$1,095, respectively.

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

Long-term debt. At the end of the current fiscal year, the Town had \$62,611 of total debt outstanding. Of this amount, 57% or \$35,754 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

LONG-TERM DEBT

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Quail Creek CFD G.O. bonds | \$ 7,340 | \$ 8,049 | \$ - | \$ - | \$ 7,340 | \$ 8,049 |
| Rancho Sahuarita CFD G.O. bonds | 28,414 | 9,126 | - | - | 28,414 | 9,126 |
| Loans payable | 12,790 | 8,381 | 12,817 | 13,998 | 25,607 | 22,379 |
| Leases | 1,250 | 1,224 | - | - | 1,250 | 1,224 |
| Total long-term debt | <u>\$ 49,794</u> | <u>\$ 26,780</u> | <u>\$ 12,817</u> | <u>\$ 13,998</u> | <u>\$ 62,611</u> | <u>\$ 40,778</u> |

Major debt activity during the year included the following:

- Principal payments reduced the governmental activities and business-type activities debt liabilities by \$3,440 and \$1,181, respectively.
- Governmental activities issued \$6,378 of long-term revenue obligations to finance the costs of the Quail Crossing Boulevard and Low-flow Bridge project.
- The Rancho Sahuarita Community Facilities District (CFD) issued general obligation bonds totaling \$25,004 for which \$19,292 was used to acquire certain roadways and sewer lines and \$5,712 to refund \$5,515 of the Series 2018 general obligation bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue. In 2022, the Town's debt capacity was \$76,908. The general obligation debt of the community facilities districts, which are legally separate entities, does not apply against the Town's debt capacity.

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

ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

The current estimated population of 35,337 is 2.5% larger than last year's estimated population of 34,485. The Town uses a growth rate of approximately 3.0% for planning purposes.

The Town's taxable net assessed property valuation for 2022 is \$295,801, an increase of 8.0% over 2021. The total full cash property value decreased 1.6% lower than 2021, to \$2,973,358.

The Town's budget for fiscal year 2023 totals \$107,115. Expenditures are expected to exceed revenues and other sources by \$8,534, mostly due to planned capital project activity, where previously accumulated resources (e.g., debt proceeds) are being spent on major infrastructure projects in the Town. Ending fund balances are expected to be \$44,809 by the end of 2023.

No significant rate or fee adjustments are expected in 2023.

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

REQUESTS FOR INFORMATION

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



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ANNUAL COMPREHENSIVE FINANCIAL REPORT



Basic Financial Statements

2022

Town of Sahuarita, Arizona

Statement of Net Position

June 30, 2022

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and investments | \$ 36,037,667 | \$ 1,001,603 | \$ 37,039,270 |
| Receivables, net of allowances for doubtful accounts | 2,779,635 | 878,847 | 3,658,482 |
| Prepaid items | 90,715 | - | 90,715 |
| Restricted assets | 27,646,831 | 1,180,632 | 28,827,463 |
| Capital assets: | | | |
| Not being depreciated/amortized | 16,554,617 | 3,372,529 | 19,927,146 |
| Being depreciated/amortized, net | 109,238,077 | 40,365,618 | 149,603,695 |
| Total capital assets | 125,792,694 | 43,738,147 | 169,530,841 |
| Total assets | 192,347,542 | 46,799,229 | 239,146,771 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charge on debt refunding | 227,296 | - | 227,296 |
| Deferred outflows related to pensions and other postemployment benefits | 3,289,618 | 189,451 | 3,479,069 |
| Total deferred outflows of resources | 3,516,914 | 189,451 | 3,706,365 |
| LIABILITIES | | | |
| Accrued payroll and benefits | 519,740 | 28,690 | 548,430 |
| Payables: | | | |
| Accounts | 2,354,622 | 334,410 | 2,689,032 |
| Interest | 199,242 | 157,220 | 356,462 |
| Contract retention | 188,886 | 26,995 | 215,881 |
| Deposits | 167,038 | 184 | 167,222 |
| Unearned revenues | 3,753,524 | 769,965 | 4,523,489 |
| Noncurrent liabilities: | | | |
| Due within one year | 4,509,064 | 1,251,524 | 5,760,588 |
| Due in more than one year | 53,937,658 | 12,231,309 | 66,168,967 |
| Total noncurrent liabilities | 58,446,722 | 13,482,833 | 71,929,555 |
| Total liabilities | 65,629,774 | 14,800,297 | 80,430,071 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions and other postemployment benefits | 4,620,991 | 256,627 | 4,877,618 |
| Deferred inflows related to leases | 106,189 | - | 106,189 |
| Total deferred inflows of resources | 4,727,180 | 256,627 | 4,983,807 |
| NET POSITION | | | |
| Net investment in capital assets | 98,359,547 | 30,709,035 | 129,068,582 |
| Restricted for: | | | |
| Postemployment benefits | 3,441,779 | 26,594 | 3,468,373 |
| Transportation | 521,789 | - | 521,789 |
| Municipal court | 64,828 | - | 64,828 |
| Law enforcement | 319,292 | - | 319,292 |
| Economic development | 20,785 | - | 20,785 |
| Health safety | 68,752 | - | 68,752 |
| CFD operations and maintenance | 24,819 | - | 24,819 |
| Debt service | 42,959 | 1,024,000 | 1,066,959 |
| Unrestricted | 22,642,952 | 172,127 | 22,815,079 |
| Total net position | \$ 125,507,502 | \$ 31,931,756 | \$ 157,439,258 |

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, 2022

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 8,116,790 | \$ 457,721 | \$ 128,230 | \$ - | \$ (7,530,839) | | \$ (7,530,839) |
| Public safety | 11,201,564 | 3,342,581 | 854,392 | - | (7,004,591) | | (7,004,591) |
| Culture and recreation | 3,332,768 | 188,031 | 24,300 | 114,935 | (3,005,502) | | (3,005,502) |
| Highways and streets | 12,107,301 | 31,964 | 2,739,084 | 2,447,273 | (6,888,980) | | (6,888,980) |
| Interest, amortization, and issuance costs of long-term debt | 1,354,164 | - | - | - | (1,354,164) | | (1,354,164) |
| Total governmental activities | <u>36,112,587</u> | <u>4,020,297</u> | <u>3,746,006</u> | <u>2,562,208</u> | <u>(25,784,076)</u> | | <u>(25,784,076)</u> |
| Business-type activities: | | | | | | | |
| Sewer | 3,513,477 | 5,009,140 | - | 1,286,508 | | \$ 2,782,171 | 2,782,171 |
| Total business-type activities | <u>3,513,477</u> | <u>5,009,140</u> | <u>-</u> | <u>1,286,508</u> | | <u>2,782,171</u> | <u>2,782,171</u> |
| Total primary government | <u>\$ 39,626,064</u> | <u>\$ 9,029,437</u> | <u>\$ 3,746,006</u> | <u>\$ 3,848,716</u> | <u>(25,784,076)</u> | <u>2,782,171</u> | <u>(23,001,905)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 1,375,535 | - | 1,375,535 |
| Sales taxes | | | | | 13,624,269 | - | 13,624,269 |
| Franchise taxes | | | | | 373,336 | - | 373,336 |
| Share of state income tax | | | | | 4,434,706 | - | 4,434,706 |
| Share of state sales tax | | | | | 4,798,306 | - | 4,798,306 |
| Share of state vehicle license tax | | | | | 1,549,449 | - | 1,549,449 |
| Contributions restricted for debt service | | | | | 307,549 | - | 307,549 |
| Investment earnings (losses) | | | | | (468,427) | 5,674 | (462,753) |
| Miscellaneous | | | | | 193,703 | 17,260 | 210,963 |
| Transfers | | | | | (211,777) | 211,777 | - |
| Net general revenues and transfers | | | | | <u>25,976,649</u> | <u>234,711</u> | <u>26,211,360</u> |
| Change in net position | | | | | 192,573 | 3,016,882 | 3,209,455 |
| Net position at beginning of year (as restated) | | | | | 125,314,929 | 28,914,874 | 154,229,803 |
| Net position at end of year | | | | | <u>\$ 125,507,502</u> | <u>\$ 31,931,756</u> | <u>\$ 157,439,258</u> |

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

Town of Sahuarita, Arizona

Balance Sheet Governmental Funds June 30, 2022

| | General Fund | Capital Infrastructure Improvement Fund | Rancho Sahuarita CFD Fund | Total Nonmajor Governmental Funds | Total Governmental Funds |
|--|-----------------|--|------------------------------------|--|--------------------------------|
| Assets | | | | | |
| Cash and investments | \$ 25,860,200 | \$ 9,015,667 | \$ 30,379 | \$ 1,131,421 | \$ 36,037,667 |
| Receivables, net of allowances for doubtful accounts | 2,221,374 | - | 14,217 | 544,044 | 2,779,635 |
| Due from other funds | - | - | - | - | - |
| Prepaid items | 90,715 | - | - | - | 90,715 |
| Restricted assets | - | 3,648,384 | 19,627,373 | 929,295 | 24,205,052 |
| Total assets | \$ 28,172,289 | \$ 12,664,051 | \$ 19,671,969 | \$ 2,604,760 | \$ 63,113,069 |
| Liabilities | | | | | |
| Accrued payroll and benefits | \$ 469,550 | \$ 4,030 | \$ - | \$ 46,160 | \$ 519,740 |
| Payables: | | | | | |
| Accounts | 728,090 | 1,447,830 | 1,155 | 177,547 | 2,354,622 |
| Bonds | - | - | 328,000 | 725,000 | 1,053,000 |
| Interest | - | - | 87,061 | 112,181 | 199,242 |
| Contract retention | - | 188,886 | - | - | 188,886 |
| Deposits | 85,211 | - | - | 81,827 | 167,038 |
| Unearned revenues | 32,753 | 3,265,870 | 7,556 | 447,345 | 3,753,524 |
| Total liabilities | 1,315,604 | 4,906,616 | 423,772 | 1,590,060 | 8,236,052 |
| Deferred inflows of resources | | | | | |
| Related to leases | 106,189 | - | - | - | 106,189 |
| Unavailable revenues | 14,482 | - | 11,820 | 143,512 | 169,814 |
| Total deferred inflows of resources | 120,671 | - | 11,820 | 143,512 | 276,003 |
| Fund balances | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | 90,715 | - | - | - | 90,715 |
| Restricted: | | | | | |
| Transportation | - | - | - | 521,075 | 521,075 |
| Municipal Court | - | - | - | 64,828 | 64,828 |
| Law enforcement | - | - | - | 251,270 | 251,270 |
| Economic development | - | - | - | 20,785 | 20,785 |
| CFD operations and maintenance | - | - | 21,812 | 1,749 | 23,561 |
| Debt service | - | - | 14,892 | 11,481 | 26,373 |
| Capital acquisition | - | 2,355,609 | 19,199,673 | - | 21,555,282 |
| Committed to stabilization reserves | 5,000,000 | - | - | - | 5,000,000 |
| Assigned to capital projects | - | 5,401,826 | - | - | 5,401,826 |
| Unassigned | 21,645,299 | - | - | - | 21,645,299 |
| Total fund balances | 26,736,014 | 7,757,435 | 19,236,377 | 871,188 | 54,601,014 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 28,172,289 | \$ 12,664,051 | \$ 19,671,969 | \$ 2,604,760 | \$ 63,113,069 |

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, 2022

Total fund balances—governmental funds \$ 54,601,014

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

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

| | | |
|---------------------------------------|----------------------|-------------|
| Land | \$ 11,349,589 | |
| Construction in progress | 5,205,028 | |
| Buildings and improvements | 29,700,765 | |
| Infrastructure | 184,408,866 | |
| Vehicles | 2,595,255 | |
| Equipment and software | 3,632,609 | |
| Intangibles | 1,778,528 | |
| Accumulated depreciation/amortization | <u>(112,877,946)</u> | |
| Total | | 125,792,694 |

Net postemployment benefits assets held in trust for future benefits are not available for Town operations and are not reported in the funds. 3,441,779

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 | | 3,289,618 |
| Deferred inflows of resources related to pensions and OPEB | | (4,620,991) |

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. 169,814

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 | 227,296 | |
| Bonds payable | (34,726,000) | |
| Loans payable | (12,790,000) | |
| Unamortized premium on long-term debt | (9,577) | |
| Unamortized discount on long-term debt | 35,111 | |
| Leases | (1,250,111) | |
| Net pension and OPEB liabilities | (7,450,960) | |
| Compensated absences | <u>(1,202,185)</u> | |
| Total | | <u>(57,166,426)</u> |

Net position of governmental activities \$ 125,507,502

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, 2022

| | General Fund | Capital Infrastructure Improvement Fund | Rancho Sahuarita CFD Fund | Total Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|--|------------------------------------|--|--------------------------------|
| Revenues | | | | | |
| Taxes | \$ 9,129,356 | \$ 4,957,134 | \$ 355,552 | \$ 1,019,489 | \$ 15,461,531 |
| Licenses and permits | 3,350,559 | 21,600 | - | 22,800 | 3,394,959 |
| Intergovernmental | 10,782,550 | 364,836 | - | 3,677,886 | 14,825,272 |
| Charges for services | 1,207,013 | - | - | 13,514 | 1,220,527 |
| Fines and forfeitures | 220,776 | - | - | 14,785 | 235,561 |
| Investment earnings (losses) | (388,834) | (71,208) | 2,895 | (11,280) | (468,427) |
| Miscellaneous | 110,229 | 500 | 288,520 | 53,388 | 452,637 |
| Total revenues | <u>24,411,649</u> | <u>5,272,862</u> | <u>646,967</u> | <u>4,790,582</u> | <u>35,122,060</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 7,656,248 | - | 562 | 166,718 | 7,823,528 |
| Public safety | 10,017,598 | - | - | 774,803 | 10,792,401 |
| Culture and recreation | 2,366,955 | - | - | 96,545 | 2,463,500 |
| Highways and streets | - | - | 6,760 | 3,402,239 | 3,408,999 |
| Capital outlay | 26,350 | 6,588,962 | 2,972,159 | - | 9,587,471 |
| Debt service: | | | | | |
| Principal | 12,475 | 2,501,396 | 226,654 | 725,000 | 3,465,525 |
| Interest | 435 | 267,483 | 381,368 | 224,363 | 873,649 |
| Fiscal charges | - | 2,700 | 3,000 | 4,700 | 10,400 |
| Debt issuance costs | - | 88,000 | 345,264 | - | 433,264 |
| Total expenditures | <u>20,080,061</u> | <u>9,448,541</u> | <u>3,935,767</u> | <u>5,394,368</u> | <u>38,858,737</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>4,331,588</u> | <u>(4,175,679)</u> | <u>(3,288,800)</u> | <u>(603,786)</u> | <u>(3,736,677)</u> |
| Other financing sources (uses) | | | | | |
| Lease agreements | 26,350 | 565,372 | - | - | 591,722 |
| Face amount of long-term debt | - | 6,378,000 | 25,004,000 | - | 31,382,000 |
| Payments to refunded debt escrow | - | - | (5,616,346) | - | (5,616,346) |
| Proceeds on asset sales | - | 24,802 | - | - | 24,802 |
| Insurance recoveries | 58,459 | - | - | - | 58,459 |
| Transfers in | - | 664,142 | - | 500,000 | 1,164,142 |
| Transfers out | (1,100,000) | - | - | (52,138) | (1,152,138) |
| Total other financing sources (uses) | <u>(1,015,191)</u> | <u>7,632,316</u> | <u>19,387,654</u> | <u>447,862</u> | <u>26,452,641</u> |
| Net change in fund balances | 3,316,397 | 3,456,637 | 16,098,854 | (155,924) | 22,715,964 |
| Fund balance at beginning of year | 23,419,617 | 4,300,798 | 3,137,523 | 1,027,112 | 31,885,050 |
| Fund balance at end of year | <u>\$ 26,736,014</u> | <u>\$ 7,757,435</u> | <u>\$ 19,236,377</u> | <u>\$ 871,188</u> | <u>\$ 54,601,014</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, 2022

| | | |
|--|---------------------|-------------------|
| Net change in fund balances—governmental funds | | \$ 22,715,964 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. | | |
| Capitalized expenditures | \$ 8,760,414 | |
| Depreciation/amortization expense | <u>(10,615,460)</u> | |
| Excess of depreciation/amortization expense over capitalized expenditures | | (1,855,046) |
| Some capital additions were acquired during the year without cost to the Town. These assets are not recognized in governmental funds, but in the statement of activities, the acquisition values of these assets are reported as revenues. | | |
| | | 2,447,273 |
| 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. | | |
| | | (223,781) |
| 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 | | (289,670) |
| 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 | | 1,414,251 |
| Town proportionate share of State's appropriation to EORP | | 2,518 |
| Pension/OPEB expense | | (974,596) |
| The issuance of long term-debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumed the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued whereas these amounts are amortized in the statement of activities. | | |
| Leases | \$ (591,722) | |
| Face amount of long-term debt | (31,382,000) | |
| Payments to refunded debt escrow | 5,616,346 | |
| Debt service - principal payments | 3,465,525 | |
| Net amortization of discounts, premiums, and deferred amounts | <u>(36,851)</u> | |
| Net effect of long-term debt and related items | | (22,928,702) |
| 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: | | |
| Net gain (loss) on the sale and disposal of capital assets | | (155,222) |
| Net gain (loss) on the early termination of leases | | 20,533 |
| Decrease in compensated absences | | <u>19,051</u> |
| Change in net position of governmental activities | | <u>\$ 192,573</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, 2022

| | <u>Wastewater Enterprise Fund</u> |
|--|---|
| Assets | |
| Current: | |
| Cash and cash equivalents | \$ 1,001,603 |
| Accounts receivable (net of allowance for doubtful accounts of \$233,714) | 878,847 |
| Restricted cash and cash equivalents | 1,154,038 |
| Total current assets | <u>3,034,488</u> |
| Noncurrent assets: | |
| Net other postemployment benefits asset | 26,594 |
| Capital assets: | |
| Land | 2,640,000 |
| Construction in progress | 732,529 |
| Plant and buildings | 38,961,013 |
| Sewage conveyance system | 15,197,166 |
| Vehicles and equipment | 348,086 |
| Accumulated depreciation | <u>(14,140,647)</u> |
| Capital assets, net of accumulated depreciation | <u>43,738,147</u> |
| Total noncurrent assets | <u>43,764,741</u> |
| Total assets | <u>46,799,229</u> |
| Deferred outflows of resources | |
| Deferred outflows related to pensions and other postemployment benefits | 189,451 |
| Total deferred outflows of resources | <u>189,451</u> |
| Liabilities | |
| Current: | |
| Accrued payroll and benefits | 28,690 |
| Accounts payable | 334,410 |
| Deposits payable | 184 |
| Contract retention payable | 26,995 |
| Accrued compensated absences | 41,084 |
| Unearned revenue | 769,965 |
| Interest payable-current | 157,220 |
| Loans payable-current | 1,210,440 |
| Total current liabilities | <u>2,568,988</u> |
| Noncurrent liabilities: | |
| Accrued compensated absences | 31,427 |
| Net pension and other postemployment benefits liability | 593,091 |
| Loans payable | 11,606,791 |
| Total noncurrent liabilities | <u>12,231,309</u> |
| Total liabilities | <u>14,800,297</u> |
| Deferred inflows of resources | |
| Deferred inflows related to pensions and other postemployment benefits | 256,627 |
| Total deferred inflows of resources | <u>256,627</u> |
| Net position | |
| Net investment in capital assets | 30,709,035 |
| Restricted for: | |
| Debt service | 1,024,000 |
| Other postemployment benefits | 26,594 |
| Unrestricted | 172,127 |
| Total net position | <u>\$ 31,931,756</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, 2022

| | Wastewater Enterprise Fund |
|---|---|
| Operating revenues | |
| Charges for services | \$ 4,067,533 |
| Other | 96,907 |
| Total operating revenues | <u>4,164,440</u> |
| Operating expenses | |
| Personal services and employee benefits | 880,380 |
| Operating supplies and services | 621,792 |
| Utilities | 252,299 |
| General and administrative | 349,543 |
| Depreciation | 1,095,023 |
| Total operating expenses | <u>3,199,037</u> |
| Operating income | <u>965,403</u> |
| Nonoperating revenues (expenses) | |
| Sewer connection fees | 844,700 |
| Grants | 600,207 |
| Investment earnings (losses) | 5,674 |
| Miscellaneous revenue | 17,260 |
| Interest expense | (314,440) |
| Total nonoperating revenues (expenses) | <u>1,153,401</u> |
| Net income before contributions and transfers | <u>2,118,804</u> |
| Capital contributions | 910,082 |
| Transfers out | <u>(12,004)</u> |
| Change in net position | 3,016,882 |
| Net position at beginning of year | <u>28,914,874</u> |
| Net position at end of year | <u><u>\$ 31,931,756</u></u> |

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

Town of Sahuarita, Arizona

Statement of Cash Flows Proprietary Fund For the Fiscal Year Ended June 30, 2022

| | <u>Wastewater Enterprise Fund</u> |
|--|---|
| Cash Flows From Operating Activities | |
| Receipts from customers | \$ 4,287,530 |
| Payments to suppliers and providers of goods and services | (1,233,740) |
| Payments for employee wages and benefits | (887,165) |
| Net cash provided by operating activities | <u>2,166,625</u> |
| Cash Flows from Noncapital Financing Activities | |
| Payment on interfund advance | (1,293,991) |
| Cash transfers to other funds | (12,004) |
| Interest received | 5,674 |
| Miscellaneous receipts | 17,260 |
| Net cash used for noncapital financing activities | <u>(1,283,061)</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Sewer connection fees | 844,700 |
| Capital grants | 1,370,172 |
| Acquisition and construction of capital assets | (576,260) |
| Principal payments on debt | (1,180,747) |
| Interest payments on debt | (329,247) |
| Net cash used for capital and related financing activities | <u>128,618</u> |
| Net change in cash and cash equivalents | 1,012,182 |
| Cash and cash equivalents at beginning of year | 1,143,459 |
| Cash and cash equivalents at end of year | <u>\$ 2,155,641</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | \$ 965,403 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 1,095,023 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | |
| Accounts receivable | 123,103 |
| Net other postemployment benefit (OPEB) asset | (22,882) |
| Deferred outflows related to pensions and OPEB | 6,028 |
| Accrued payroll and benefits | 2,244 |
| Accounts payable related to operations | (10,106) |
| Deposits payable | (13) |
| Accrued compensated absences | 9,894 |
| Net pension and OPEB liability | (250,718) |
| Deferred inflows related to pensions | 248,649 |
| Net cash provided by operating activities | <u>\$ 2,166,625</u> |
| NONCASH ITEMS | |
| Infrastructure contributions | \$ 910,082 |

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, 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the year ended June 30, 2022, the Town implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the County's financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract payment provisions.

A. Reporting Entity

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

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

Blended Component Units

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

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

B. Basis of Presentation

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

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

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

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

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

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal value are operating revenues. Other revenues, such as connection fees, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of 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 *Rancho Sahuarita Community Facilities District—Special Revenue Fund* accounts for the District's secondary property tax revenues and costs for operations and maintenance, acquisition, and construction of District facilities and capital assets.

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

The Town reports the following 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 liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

D. Property Tax Calendar

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

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. Non-Capital Intangible Assets

Long-Term Storage Credits (LTSCs)—At June 30, 2022, the Town had 8,515.02 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 |
| Vehicles | 4 to 15 years |
| Equipment | 4 to 15 years |
| Intangibles: | |
| Right-to-use lease assets—vehicles | 5 to 6 years |
| Right-to-use lease assets—equipment | 4 to 5 years |

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

J. Deferred Outflows and Inflows of Resources

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

K. Long-Term Obligations

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

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

L. Postemployment Benefits

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

M. Net Position

In the government-wide and proprietary fund financial statements, net position is reported in three categories: net investment in capital assets, restricted, and unrestricted. The net investment in capital assets balances are separately reported because capital assets make up a significant portion of net position. Restricted balances account for the portion of net position restricted by external resource providers or through enabling legislation. Unrestricted balances are the remaining balances not included in the previous two categories. When both restricted and unrestricted net position is available, it is the Town's policy to use restricted sources first.

N. Fund Balance

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

General policies—In the fund financial statements, governmental funds distinguish between nonspendable and spendable fund balances. Nonspendable balances include amounts that cannot be spent because they are either not in spendable form or have a requirement to remain intact. Spendable balances are further classified as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

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

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.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

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 22, 2020, the Town Council adopted a resolution to establish an amount to maintain in the General Fund's stabilization reserve. The reserve is funded with available (i.e., unrestricted) cash and investments. Other resources may be directed for inclusion in the reserve through the Council's adoption of an ordinance or resolution, which are equally binding. Expenditure of the amounts in the stabilization reserve may occur only when specific circumstances exist. The Town Code directs that these resources may only be used to temporarily divest monies to avoid negative cash balances. This situation can only occur when disbursements would cause unreserved cash balances to fall below \$0. To allow for the withdrawal of the resources, their use must first be approved by the Town Council.

O. Investment Earnings

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

P. Compensated Absences

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

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

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

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

Q. Leases

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

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2—DEPOSITS AND INVESTMENTS

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

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

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

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

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

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, 2022, the carrying amount of the Town's cash in bank was \$3,897,775 and the bank balance was \$3,920,060. The Town's deposits were fully insured or collateralized. The Town has no policy for deposits but follows and complies with State statutes.

Investments—The Town's had total investments of \$58,398,867 at June 30, 2022. The Town categorizes certain investments measures at fair value within the fair value hierarchy 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: | | | | |
| Corporate bonds | \$ 2,782,572 | \$ - | \$ - | \$ 2,782,572 |
| Municipal bonds | 2,619,923 | - | - | 2,619,923 |
| Total investments by fair value level | \$ 5,402,495 | \$ - | \$ - | \$ 5,402,495 |

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

The Town also had investments of \$27,708,514 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 \$25,287,858 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, following State statutes. The policy also requires that fixed income securities have a minimum credit rating of "A" or its equivalent from at least two nationally recognized statistical rating organizations at the time of purchase.

| Investment type: | Rating | Rating Agency | Amount |
|-------------------------------------|-----------------------|---------------------------|---------------|
| State Treasurer's investment pool 5 | AAAf/S1+ | Standard and Poor's (S&P) | \$ 11,570,763 |
| Corporate bonds | A+ to A- / AA3 to A3 | Lower of S&P or Moody's | 2,782,572 |
| Municipal bonds | AA+ to A- / AA2 to A2 | Lower of S&P or Moody's | 2,619,923 |

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

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

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

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's investment policy attempts to mitigate exposure to declines in fair values by specifying that its composite portfolio should be managed to achieve a one-year dollar-weighted average maturity. The following table summarizes the Town's interest rate risk based on maturity dates of its deposits and investments as of June 30, 2022.

| | Maturities (in Months) | | | | Amount | % |
|---|------------------------|--------------|--------------|---------------|---------------|--------|
| | < 6 | 6 to < 12 | 12 to < 18 | 18 to < 24 | | |
| Deposits: | | | | | | |
| Cash on hand | \$ 3,592 | \$ - | \$ - | \$ - | \$ 3,592 | 0.0% |
| Cash in bank | 3,897,775 | - | - | - | 3,897,775 | 6.2% |
| Cash held by fiduciary | 98,126 | - | - | - | 98,126 | 0.2% |
| Investments: | | | | | | |
| Government money market fund | 25,287,858 | - | - | - | 25,287,858 | 40.5% |
| State Treasurer's investment pool 5 | 11,570,763 | - | - | - | 11,570,763 | 18.5% |
| State Treasurer's investment pool 500 | - | - | - | 15,884,956 | 15,884,956 | 25.5% |
| State Treasurer's investment pool 700 | - | - | 252,795 | - | 252,795 | 0.4% |
| Corporate bonds | 125,259 | 928,728 | 1,192,095 | 536,490 | 2,782,572 | 4.4% |
| Municipal bonds | 1,277,835 | 1,002,356 | 98,581 | 241,151 | 2,619,923 | 4.2% |
| Total composite portfolio | \$ 42,261,208 | \$ 1,931,084 | \$ 1,543,471 | \$ 16,662,597 | 62,398,360 | 100.0% |
| Less: Restricted cash and investments | | | | | (25,359,090) | |
| Total non-restricted cash and investments | | | | | \$ 37,039,270 | |

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 3—RESTRICTED ASSETS

At June 30, 2022, restricted assets consisted of the following:

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------|
| Deposits: | | | |
| Amounts held by fiduciary | \$ 98,126 | \$ - | \$ 98,126 |
| Investments: | | | |
| Government money market fund | 24,106,926 | 1,154,038 | 25,260,964 |
| Total restricted cash and investments | 24,205,052 | 1,154,038 | 25,359,090 |
| Pension and other postemployment benefits asset | 3,441,779 | 26,594 | 3,468,373 |
| Total restricted assets | \$ 27,646,831 | \$ 1,180,632 | \$ 28,827,463 |

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

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

| | |
|--|--------------|
| Unspent excise tax debt proceeds, construction: | \$ 3,648,384 |
| Quail Creek CFD general obligation bonds, debt service: | 831,169 |
| Rancho Sahuarita CFD general obligation bonds, debt service: | 427,700 |
| Rancho Sahuarita CFD unspent bond proceeds, capital acquisition: | 19,199,673 |
| Total for governmental activities | \$24,106,926 |
| Wastewater (BTA) system revenues obligations, debt service: | 1,154,038 |
| Total government money market funds | \$25,260,964 |

NOTE 4—RECEIVABLES

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

| | General Fund | RSCFD Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------|-------------------------|-----------------------|--|---|
| Taxes | \$ 1,775,435 | \$ 14,217 | \$ 25,266 | \$ 1,814,918 |
| Accounts | 93,629 | - | 3,894 | 97,523 |
| Intergovernmental | 243,698 | - | 514,884 | 758,582 |
| Leases | 108,612 | - | - | 108,612 |
| Total receivables | \$ 2,221,374 | \$ 14,217 | \$ 544,044 | \$ 2,779,635 |

Lease receivables-The Town leases real property to a third party under the provisions of a lease agreement to use, operate, construct, install and maintain a wireless communications facility.

During the fiscal year ended June 30, 2022, the Town recognized total lease-related revenues of \$27,345.

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2022

NOTE 5—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, follows:

| | (Restated) Balance July 1, 2021 | Increases | Decreases | Balance June 30, 2022 |
|---|---------------------------------------|--------------|--------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 11,349,589 | \$ - | \$ - | \$ 11,349,589 |
| Construction in progress | 990,259 | 4,340,205 | (125,436) | 5,205,028 |
| Total | 12,339,848 | 4,340,205 | (125,436) | 16,554,617 |
| Capital assets being depreciated/amortized: | | | | |
| Buildings and improvements | 29,308,864 | 391,901 | - | 29,700,765 |
| Infrastructure | 179,213,214 | 5,419,433 | (223,781) | 184,408,866 |
| Vehicles | 2,452,631 | 182,434 | (39,810) | 2,595,255 |
| Equipment and software | 3,377,688 | 281,992 | (27,071) | 3,632,609 |
| Intangibles: | | | | |
| Right-to-use lease assets, vehicles | 1,223,793 | 565,372 | (36,987) | 1,752,178 |
| Right-to-use lease assets, equipment | - | 26,350 | - | 26,350 |
| Total | 215,576,190 | 6,867,482 | (327,649) | 222,116,023 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (7,039,273) | (680,903) | - | (7,720,176) |
| Infrastructure | (90,699,973) | (8,979,578) | - | (99,679,551) |
| Vehicles | (1,963,654) | (163,185) | 39,810 | (2,087,029) |
| Equipment and software | (2,633,668) | (223,326) | 27,071 | (2,829,923) |
| Intangibles: | | | | |
| Right-to-use lease assets, vehicles | - | (556,312) | 7,201 | (549,111) |
| Right-to-use lease assets, equipment | - | (12,156) | - | (12,156) |
| Total | (102,336,568) | (10,615,460) | 74,082 | (112,877,946) |
| Total capital assets being depreciated/amortized, net | 113,239,622 | (3,747,978) | (253,567) | 109,238,077 |
| Governmental activities capital assets, net | \$ 125,579,470 | \$ 592,227 | \$ (379,003) | \$125,792,694 |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,640,000 | \$ - | \$ - | \$ 2,640,000 |
| Construction in progress | 52,176 | 680,353 | - | 732,529 |
| Total capital assets not being depreciated | 2,692,176 | 680,353 | - | 3,372,529 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 38,942,920 | 18,093 | - | 38,961,013 |
| Sewer conveyance system | 14,287,084 | 910,082 | - | 15,197,166 |
| Vehicles | 323,129 | - | - | 323,129 |
| Equipment and software | 24,957 | - | - | 24,957 |
| Total capital assets being depreciated | 53,578,090 | 928,175 | - | 54,506,265 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (9,252,392) | (785,475) | - | (10,037,867) |
| Sewer conveyance system | (3,475,253) | (294,544) | - | (3,769,797) |
| Vehicles | (293,022) | (15,004) | - | (308,026) |
| Equipment and software | (24,957) | - | - | (24,957) |
| Total accumulated depreciation | (13,045,624) | (1,095,023) | - | (14,140,647) |
| Total capital assets being depreciated, net | 40,532,466 | (166,848) | - | 40,365,618 |
| Business-type activities capital assets, net | \$ 43,224,642 | \$ 513,505 | \$ - | \$ 43,738,147 |

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

Depreciation/Amortization expense was charged to functions as follows:

Governmental activities:

| | |
|--|---------------|
| General government | \$ 759,539 |
| Public safety | 559,878 |
| Culture and recreation | 909,233 |
| Highways and streets | 8,386,810 |
| Total governmental activities depreciation | \$ 10,615,460 |

Business-type activities:

| | |
|-------|--------------|
| Sewer | \$ 1,095,023 |
|-------|--------------|

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, 2022, 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 pension and OPEB asset | \$ 3,441,779 | \$ 26,594 | \$ 3,468,373 |
| Net pension and OPEB liability | 7,450,960 | 593,091 | 8,044,051 |
| Deferred outflows of resources related to pensions and OPEB | 3,289,618 | 189,451 | 3,479,069 |
| Deferred inflows of resources related to pensions and OPEB | 4,620,991 | 256,627 | 4,877,618 |
| Pension and OPEB expense | 974,596 | 60,338 | 1,034,934 |

The Town's accrued payroll and employee benefits includes \$47,940 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2022. Also, the Town reported \$1,414,251 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, 2022

| | 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, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for the health insurance premium benefit, and 0.19 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 percent for retirement and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022 were \$839,099, \$14,223 and \$12,955, respectively.

During fiscal year 2022, the Town paid for ASRS pension and OPEB contributions as follows: 81 percent from the General Fund, 10 percent from major funds, and 9 percent from other funds.

Liability—At June 30, 2022, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability:

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2022

| | Net pension/OPEB (asset) liability |
|----------------------------------|--|
| Pension | \$ 7,649,849 |
| Health insurance premium benefit | (290,230) |
| Long-term disability | 12,160 |

The net asset and net liabilities were measured as of June 30, 2021. 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, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7–7.2 percent to 2.9–8.4 percent.

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, 2021. The Town's proportions measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

| | Proportion June 30, 2021 | Increase (decrease) from June 30, 2020 |
|----------------------------------|-----------------------------|--|
| Pension | 0.05822% | -0.00138% |
| Health insurance premium benefit | 0.05957% | -0.00147% |
| Long-term disability | 0.05891% | -0.00149% |

Expense—For the year ended June 30, 2022, the Town recognized the following pension and OPEB expense:

| | Pension/OPEB expense |
|----------------------------------|-------------------------|
| Pension | \$ 706,417 |
| Health insurance premium benefit | (33,841) |
| Long-term disability | 9,190 |

Deferred outflows/inflows of resources—At June 30, 2022, 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 | \$ 116,615 | \$ - | \$ - | \$ 100,652 | \$ 3,513 | \$ 991 |
| Changes in assumptions or other inputs | 995,689 | - | 14,389 | 11,734 | 3,889 | 15,322 |
| Net difference between projected and actual earnings on plan investments | - | 2,423,741 | - | 107,661 | - | 8,422 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 99,927 | 140,815 | 503 | 227 | 903 | 740 |
| Town contributions subsequent to the measurement date | 839,099 | - | 14,223 | - | 12,955 | - |
| Total | <u>\$ 2,051,330</u> | <u>\$ 2,564,556</u> | <u>\$ 29,115</u> | <u>\$ 220,274</u> | <u>\$ 21,260</u> | <u>\$ 25,475</u> |

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, 2023. 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:

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

| Year ending June 30, | Pension | Health insurance premium benefit | Long-term disability |
|-------------------------|-----------|-------------------------------------|-------------------------|
| 2023 | \$ 56,456 | \$ (48,165) | \$ (2,281) |
| 2024 | (39,230) | (46,173) | (2,135) |
| 2025 | (534,311) | (50,633) | (2,439) |
| 2026 | (835,240) | (55,928) | (3,711) |
| 2027 | - | (4,483) | (1,397) |
| Thereafter | - | - | (5,207) |

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

| | |
|-----------------------------|--|
| Actuarial valuation date | June 30, 2020 |
| Actuarial roll forward date | June 30, 2021 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.0% |
| Projected salary increases | 2.9-8.4% for pensions/not applicable for OPEB |
| Inflation | 2.3% |
| Permanent benefit increase | Included for pensions/not applicable for OPEB |
| Mortality rates | 2017 SRA Scale U-MP for pension and health insurance premium benefit |
| Recovery rates | 2012 GLDT for long-term disability |
| Healthcare cost trend rate | Not applicable |

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

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage 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% | 4.90% |
| Fixed income – credit | 20% | 5.20% |
| Fixed income – interest rate sensitive | 10% | 0.70% |
| Real estate | <u>20%</u> | 5.70% |
| Total | <u>100%</u> | |

Discount rate— At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

| | 1% Decrease (6.0%) | Current discount rate (7.0%) | 1% Increase (8.0%) |
|---|-----------------------|---------------------------------|-----------------------|
| Town's proportionate share of the net pension liability | \$ 12,032,573 | \$ 7,649,849 | \$ 3,995,871 |
| Net insurance premium benefit liability (asset) | (192,162) | (290,230) | (373,620) |
| Net long-term disability liability | 15,835 | 12,160 | 8,606 |

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

Elected Officials Retirement Plan (EORP)

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

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

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

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

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

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, 2022, 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 61.43 percent of all active EORP members' annual covered payroll. Also, statute required the Town to contribute 49.21 percent to EORP of the annual covered payroll of elected officials who were ASRS members and 55.43 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 2022, the Town's contributions to the EORP pension plan were \$27,103 paid entirely from the General Fund.

Liability—At June 30, 2022, 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 | \$382,042 |
| State's proportionate share of the EORP net pension liability associated with the Town | <u>124,550</u> |
| Total | <u>\$506,592</u> |

The Town also reported an asset of \$81,207 for its proportionate share of EORP's net OPEB asset.

The net asset and net liability were measured as of June 30, 2021, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date.

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, 2021. 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, 2021. The Town's proportion measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

| | Proportion June 30, 2021 | Increase (decrease) from June 30, 2020 |
|----------------------------------|-----------------------------|--|
| Pension | 0.062778% | 0.00409% |
| Health insurance premium benefit | 0.509206% | 0.06239% |

Expense—For the year ended June 30, 2022, the Town recognized pension and OPEB expense for EORP of \$27,950 and (\$11,829), respectively, and revenue of \$2,518 for the Town's proportionate share of the State's appropriation to EORP and the designated court fees.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

Deferred outflows/inflows of resources—At June 30, 2022, 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 | \$ - | \$ 5,084 | \$ - | \$ 6,893 |
| Net difference between projected and actual earnings on plan investments | - | 19,465 | - | 12,695 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 13,540 | - | - | 8,611 |
| Town contributions subsequent to the measurement date | 27,103 | - | - | - |
| Total | \$ 40,643 | \$ 24,549 | \$ - | \$ 28,199 |

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, 2023. 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 |
|----------------------|----------|----------------------------------|
| 2023 | \$ 4,460 | \$ (12,990) |
| 2024 | (4,053) | (7,721) |
| 2025 | (4,787) | (3,130) |
| 2026 | (6,629) | (4,358) |
| 2027 | - | - |
| Thereafter | - | - |

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

| | |
|----------------------------|--|
| Actuarial valuation date | June 30, 2021 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.3% |
| Wage inflation | 3.75% for pensions/not applicable for OPEB |
| Price inflation | 2.5% for pensions/not applicable for OPEB |
| Cost-of-living adjustment | 1.75% for pensions/not applicable for OPEB |
| Mortality rates | PubG-2010 tables |
| Healthcare cost trend rate | Not applicable |

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on EORP plan investments was determined to be 7.3 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, 2022

| <u>Asset class</u> | <u>Target allocation</u> | <u>Long-term expected geometric real rate of return</u> |
|-------------------------------------|--------------------------|---|
| U.S. public equity | 24% | 4.08% |
| International public equity | 16% | 5.20% |
| Global private equity | 20% | 7.67% |
| Other assets (capital appreciation) | 7% | 5.43% |
| Core bonds | 2% | 0.42% |
| Private credit | 20% | 5.74% |
| Diversifying strategies | 10% | 3.99% |
| Cash – Mellon | 1% | -0.31% |
| Total | <u>100%</u> | |

Discount rates—At June 30, 2021, the discount rate used to measure the EORP total pension liability and total OPEB liability was 7.3 percent. 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 7.3 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

| | <u>1% Decrease (6.30%)</u> | <u>Current discount rate (7.30%)</u> | <u>1% Increase (8.30%)</u> |
|---|--------------------------------|--|--------------------------------|
| Town's proportionate share of the net pension liability | \$ 438,997 | \$ 382,042 | \$ 333,163 |
| Town's proportionate share of the net OPEB (asset) | (76,213) | (81,207) | (85,565) |

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, 2022

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

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

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

Employees covered by benefit terms—At June 30, 2022, the following employees were covered by the agent plans' benefit terms:

| | Police | |
|--|---------|--------|
| | Pension | Health |
| Inactive employees or beneficiaries currently receiving benefits | 10 | 10 |
| Inactive employees entitled to but not yet receiving benefits | 6 | 1 |
| Active employees | 31 | 31 |
| Total | 47 | 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, 2022, are indicated below. Rates are a percentage of active members' annual covered payroll.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

| | Active member <u>rate-pension</u> | Town rate- <u>pension</u> | Town rate- health insurance <u>premium benefit</u> |
|--------------------------------------|--------------------------------------|------------------------------|--|
| Police - Tier 1 | 7.65% | 14.64% | 0.03% |
| Police - Tier 2 | 11.65% | 14.64% | 0.03% |
| Police - Tier 3 Defined Benefit | 9.68% | 9.68% | 0.26% |
| Police - Tier 3 Defined Contribution | 9.88% | 9.88% | - |

The Town's contributions to the plans for the year ended June 30, 2022, were:

| | <u>Pension</u> | <u>Health insurance premium benefit</u> |
|--------|----------------|---|
| Police | \$598,158 | \$1,973 |

During fiscal year 2022, the Town paid for PSPRS pension and OPEB contributions as follows: 96 percent from the General Fund and 4 percent from other funds.

Liability—At June 30, 2022, the Town reported the following assets and liabilities.

| | <u>Net pension (asset) liability</u> | <u>Net OPEB (asset) liability</u> |
|--------|--|---------------------------------------|
| Police | (\$2,841,203) | (\$255,733) |

The net assets and net liabilities were measured as of June 30, 2021, 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, 2021 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.3% |
| Wage inflation | 3.5% for pensions/not applicable for OPEB |
| Price inflation | 2.5% for pensions/not applicable for OPEB |
| Cost-of-living adjustment | 1.75% for pensions/not applicable for OPEB |
| Mortality rates | PubS-2010 tables |
| Healthcare cost trend rate | Not applicable |

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 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, 2022

| <u>Asset class</u> | <u>Target allocation</u> | <u>Long-term expected geometric real rate of return</u> |
|-------------------------------------|--------------------------|---|
| U.S. public equity | 24% | 4.08% |
| International public equity | 16% | 5.20% |
| Global private equity | 20% | 7.67% |
| Other assets (capital appreciation) | 7% | 5.43% |
| Core bonds | 2% | 0.42% |
| Private credit | 20% | 5.74% |
| Diversifying strategies | 10% | 3.99% |
| Cash – Mellon | 1% | -0.31% |
| Total | <u>100%</u> | |

Discount rate—At June 30, 2021, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the net pension/OPEB liability:

| | <u>Pension</u> | | | <u>Health insurance premium benefit</u> | | |
|---|--------------------------------|------------------------------------|--------------------------------------|---|------------------------------------|--------------------------------------|
| | <u>Increase (decrease)</u> | | | <u>Increase (decrease)</u> | | |
| | <u>Total pension liability</u> | <u>Plan fiduciary net position</u> | <u>Net pension (asset) liability</u> | <u>Total OPEB liability</u> | <u>Plan fiduciary net position</u> | <u>Net pension (asset) liability</u> |
| | <u>(a)</u> | <u>(b)</u> | <u>(a) - (b)</u> | <u>(a)</u> | <u>(b)</u> | <u>(a) - (b)</u> |
| Balance at June 30, 2021 | \$ 16,520,967 | \$ 12,591,327 | \$ 3,929,640 | \$ 260,937 | \$ 396,089 | \$ (135,152) |
| Changes for the year: | | | | | | |
| Service cost | 680,617 | - | 680,617 | 13,907 | - | 13,907 |
| Interest on the total liability | 1,235,351 | - | 1,235,351 | 19,899 | - | 19,899 |
| Differences between expected and actual experience in the measurement | 22,827 | - | 22,827 | (42,480) | - | (42,480) |
| Contributions-employer | - | 4,678,731 | (4,678,731) | - | 3,929 | (3,929) |
| Contributions-employee | - | 307,831 | (307,831) | - | - | - |
| Net investment income | - | 3,740,539 | (3,740,539) | - | 108,424 | (108,424) |
| Benefit payments, including refunds of employee contributions | (557,923) | (557,923) | - | (4,512) | (4,512) | - |
| Administrative expenses | - | (17,463) | 17,463 | - | (446) | 446 |
| Net changes | <u>1,380,872</u> | <u>8,151,715</u> | <u>(6,770,843)</u> | <u>(13,186)</u> | <u>107,395</u> | <u>(120,581)</u> |
| Balance at June 30, 2022 | <u>\$ 17,901,839</u> | <u>\$ 20,743,042</u> | <u>\$ (2,841,203)</u> | <u>\$ 247,751</u> | <u>\$ 503,484</u> | <u>\$ (255,733)</u> |

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 7.3 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

| | <u>1% Decrease</u> | <u>Current discount</u> | <u>1% Increase</u> |
|-------------------------------|--------------------|-------------------------|--------------------|
| | <u>(6.30%)</u> | <u>rate (7.30%)</u> | <u>(8.30%)</u> |
| Police | | | |
| Net pension (asset) liability | \$ 37,474 | \$ (2,841,203) | \$ (5,154,405) |
| Net OPEB (asset) liability | (222,937) | (255,733) | (283,162) |

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

Expense—For the year ended June 30, 2022, the Town recognized the following pension and OPEB expense:

| | Net pension expense | Net OPEB expense |
|--------|------------------------|---------------------|
| Police | \$381,611 | (\$38,895) |

Deferred outflows/inflows of resources—At June 30, 2022, 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 | \$ 351,630 | \$ 220,784 | \$ - | \$ 154,095 |
| Changes of assumptions or other inputs | 382,923 | - | 2,037 | 15,016 |
| Net difference between projected and actual earnings on plan investments | - | 1,578,513 | - | 46,157 |
| Town contributions subsequent to the measurement date | 598,158 | - | 1,973 | - |
| Total | \$ 1,332,711 | \$ 1,799,297 | \$ 4,010 | \$ 215,268 |

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, 2023. 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 |
|-------------------------|--------------|-------------------------------------|
| 2023 | \$ (152,519) | \$ (42,723) |
| 2024 | (196,305) | (43,050) |
| 2025 | (323,972) | (44,522) |
| 2026 | (471,039) | (36,607) |
| 2027 | 38,119 | (20,301) |
| Thereafter | 40,972 | (26,028) |

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2022

NOTE 7—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2022, was as follows:

| | (Restated) Balance July 1, 2021 | Additions | Reductions | Balance June 30, 2022 | Due within 1 year |
|--|---------------------------------------|--------------|-----------------|--------------------------|----------------------|
| Governmental Activities | | | | | |
| Direct borrowings and direct placements of debt | | | | | |
| Rancho Sahuarita CFD GO bonds | \$ 9,126,000 | \$25,004,000 | \$ (5,716,000) | \$ 28,414,000 | \$ 328,000 |
| Loans payable | 8,381,000 | 6,378,000 | (1,969,000) | 12,790,000 | 2,239,000 |
| Leases payable | 1,223,793 | 591,722 | (565,404) | 1,250,111 | 448,016 |
| Total direct borrowings and direct placements of debt | 18,730,793 | 31,973,722 | (8,250,404) | 42,454,111 | 3,015,016 |
| Other debt and liabilities | | | | | |
| Quail Creek CFD GO bonds | 8,070,000 | - | (705,000) | 7,365,000 | 725,000 |
| Unamortized premiums | 19,543 | - | (9,966) | 9,577 | 5,800 |
| Unamortized discounts | (40,516) | - | 5,405 | (35,111) | (5,405) |
| Net pension and OPEB liability | 13,854,394 | - | (6,403,434) | 7,450,960 | - |
| Compensated absences | 1,221,238 | 761,782 | (780,835) | 1,202,185 | 768,653 |
| Total other debt and liabilities | 23,124,659 | 761,782 | (7,893,830) | 15,992,611 | 1,494,048 |
| Total long-term liabilities | \$ 41,855,452 | \$32,735,504 | \$ (16,144,234) | \$ 58,446,722 | \$ 4,509,064 |
| Business-type Activities | | | | | |
| Direct borrowings and direct placements of debt | | | | | |
| Loans payable | \$ 13,997,978 | \$ - | \$ (1,180,747) | \$ 12,817,231 | \$ 1,210,440 |
| Other liabilities | | | | | |
| Net pension and OPEB liability | 843,809 | - | (250,718) | 593,091 | - |
| Compensated absences | 62,617 | 45,372 | (35,478) | 72,511 | 41,084 |
| Total other liabilities | 906,426 | 45,372 | (286,196) | 665,602 | 41,084 |
| Total long-term liabilities | \$ 14,904,404 | \$ 45,372 | \$ (1,466,943) | \$ 13,482,833 | \$ 1,251,524 |

RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT GENERAL OBLIGATION BONDS Governmental Activities

On May 26, 2022, the District issued general obligation bonds totaling \$25,004,000 for which \$19,292,000 will be used to acquire certain roadways and sewer lines and \$5,712,000 was used to refund \$5,515,000 of outstanding Series 2018 G.O. Bonds that had a 5.05% interest rate. As a result, the Series 2018 G.O. Bonds were considered defeased and the related liabilities are not included in the Town's financial statements. The refunding was undertaken to reduce total debt service payments by \$429,290 over the next 22 years and to obtain a \$286,817 economic gain (the difference between the present values of the old and new debt service payments).

The District issued general obligation bonds to acquire public infrastructure necessary for the development of a master-planned community within the District boundaries. Of the total \$60,000,000 originally authorized from the August 12, 2014 bond election, \$31,453,000 has not been issued. The District repays general obligation bonds from voter-approved ad valorem taxes levied annually against all of the taxable property in the District. This levy is expected to continue through 2047. Additionally, debt service is guaranteed by the Rancho Sahuarita Master Developer pursuant to a standby contribution agreement. The District's general obligation bonds payable at June 30, 2022 follows.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

| Issue | Issue Amount | Interest Rates | Final Maturity | Outstanding June 30, 2022 |
|--------------------------------------|-----------------|-------------------------|-------------------|------------------------------|
| G.O. Bonds Series 2020 | \$ 3,475,000 | 3.15% | 2046 | \$ 3,410,000 |
| G.O. and Refunding Bonds Series 2022 | 25,004,000 | 4.29 - 4.33% | 2048 | 25,004,000 |
| | | Total bonds outstanding | | \$ 28,414,000 |

The following schedule provides the debt service requirements to maturity at June 30, 2022.

| Year Ending June 30 | Principal | Interest |
|------------------------|---------------|--------------|
| 2023 | \$ 328,000 | \$ 1,288,572 |
| 2024 | 603,000 | 1,150,009 |
| 2025 | 743,000 | 1,119,145 |
| 2026 | 771,000 | 1,087,072 |
| 2027 | 805,000 | 1,053,589 |
| 2026-2032 | 4,554,000 | 4,714,769 |
| 2033-2037 | 5,582,000 | 3,640,423 |
| 2038-2042 | 6,852,000 | 2,320,220 |
| 2043-2047 | 6,944,000 | 810,531 |
| 2048 | 1,232,000 | - |
| Total | \$ 28,414,000 | \$17,184,330 |

QUAIL CREEK COMMUNITY FACILITIES DISTRICT GENERAL OBLIGATION BONDS Governmental Activities

The District issued general obligation bonds to acquire and construct public infrastructure within the District boundaries. Of the total \$30,000,000 originally authorized from the November 8, 2005 bond election, \$17,340,000 has not been issued. The District repays general obligation bonds from voter-approved ad valorem taxes levied annually against all of the taxable property in the District. This levy is expected to continue through 2030. Additionally, debt service is guaranteed by the Quail Creek Master Developer pursuant to a standby contribution agreement. The District's general obligation bonds payable at June 30, 2022 follows.

| Issue | Issue Amount | Interest Rates | Final Maturity | Outstanding June 30, 2022 |
|----------------------------|-----------------|-------------------------|-------------------|------------------------------|
| G.O. Refunding Series 2016 | \$9,940,000 | 3.00 - 3.25% | 2031 | \$ 7,365,000 |
| | | Unamortized amounts | | (25,534) |
| | | Total bonds outstanding | | \$ 7,339,466 |

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

The following schedule provides the debt service requirements to maturity at June 30, 2022.

| Year Ending June 30 | Principal | Interest |
|------------------------|--------------|------------|
| 2023 | \$ 725,000 | \$ 202,613 |
| 2024 | 745,000 | 180,263 |
| 2025 | 770,000 | 157,163 |
| 2026 | 795,000 | 133,313 |
| 2027 | 815,000 | 108,863 |
| 2028-2031 | 3,515,000 | 171,275 |
| Total | \$ 7,365,000 | \$ 953,490 |

LOANS PAYABLE Governmental Activities

On November 18, 2021, the Town issued \$6,378,000 of long-term revenue obligations to finance the costs of certain capital improvements in the Town, including the Quail Crossing Boulevard and Low-flow Bridge Project. Principal is due annually and interest, at a 1.28% rate, is due semi-annually over a 10-year term, payable from and secured by a lien on the Town's excise taxes and state shared revenues.

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

| Issue | Issue Amount | Interest Rates | Final Maturity | Outstanding June 30, 2022 |
|------------------------------------|-----------------|---------------------------|-------------------|------------------------------|
| 2015 Refunding Obligation | \$ 8,840,000 | 1.98% | 2025 | \$ 3,615,000 |
| 2017 Refunding Obligation | 4,213,000 | 2.06% | 2028 | 3,186,000 |
| 2021 Excise Tax Revenue Obligation | 6,378,000 | 1.28% | 2031 | 5,989,000 |
| | | Loans payable outstanding | | \$ 12,790,000 |

The following schedule provides the debt service requirements to maturity at June 30, 2022.

| Year Ending June 30 | Principal | Interest |
|------------------------|---------------|------------|
| 2023 | \$ 2,239,000 | \$ 213,868 |
| 2024 | 2,282,000 | 173,618 |
| 2025 | 2,325,000 | 132,565 |
| 2026 | 1,112,000 | 90,708 |
| 2027 | 1,127,000 | 72,926 |
| 2028-2031 | 3,705,000 | 118,166 |
| | \$ 12,790,000 | \$ 801,851 |

The aforementioned loans are payable from the revenues of the Town's governmental funds through 2031. During that timeframe, total principal and interest to be paid on the loans will be \$13,591,850. In the current year, total principal and interest paid was \$2,188,399 and total revenue subject to pledge was \$29,691,699.

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2022

LOANS PAYABLE Business-type Activities

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

For the 2008 WIFA Non-System Revenues Loan, the Town has pledged future State-shared revenues and excise tax revenues towards annual debt service requirements. Annual principal and interest payments on these loans are expected to require approximately 2% of revenues pledged. Pledged revenues shall be maintained so that the amounts pledged shall be at least two times the annual debt service payments. In the current year, total principal and interest paid was \$240,804 and total revenue subject to pledge was \$29,691,699.

For the 2019 System Revenues Refunding Obligations, the Town has pledged wastewater system revenues net of specified operating expenses towards annual debt service requirements. Net revenues shall be maintained so that the amounts pledged shall be at least 120% of the annual debt service payments. Annual principal and interest payments on the loan are expected to require 37% of pledged system revenues. In the current year, total principal and interest paid was \$1,284,075 and total pledged resources were and \$4,184,568.

| Issue | Total Drawn | Interest Rates | Final Maturity | Outstanding June 30, 2022 |
|---|----------------|---------------------|-------------------|------------------------------|
| 2008 WIFA Non-System Revenues Loan | \$3,516,528 | 3.723% | 2029 | \$ 1,460,231 |
| 2019 System Revenues Refunding Obligations | \$13,477,000 | 2.290% | 2032 | 11,357,000 |
| | | Total loans payable | | \$ 12,817,231 |

The following schedule estimates total debt service requirements to maturity at June 30, 2021.

| Year Ending June 30 | Principal | Interest |
|------------------------|---------------|--------------|
| 2023 | \$ 1,210,440 | \$ 284,049 |
| 2024 | 1,240,381 | 252,873 |
| 2025 | 1,271,580 | 220,880 |
| 2026 | 1,303,048 | 188,058 |
| 2027 | 1,336,794 | 154,354 |
| 2028-2032 | 6,454,988 | 289,649 |
| | \$ 12,817,231 | \$ 1,389,863 |

COMPENSATED ABSENCES

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2022, the Town paid for compensated absences as follows: 88 percent from the General Fund, 5 percent from other major funds, and 7 percent from other funds.

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2022

LEASES

The Town has acquired vehicles and equipment under provisions of various lease agreements. The lease agreements for vehicles are under a 60-month term, upon delivery. The office equipment are under state contracts for the lease of copiers and postage meters, not to exceed a five-year term.

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

| | |
|--|----------------------------|
| Total intangible right-to use lease assets | \$ 1,778,528 |
| Less: accumulated amortization | <u>(561,267)</u> |
| Carrying value | <u><u>\$ 1,217,261</u></u> |

The following schedule details minimum lease payments to maturity for the Town's leases payable at June 30, 2022:

| Year Ending June 30 | Governmental Activities | |
|------------------------|----------------------------|-------------------------|
| | Principal | Interest |
| 2023 | \$ 448,016 | \$ 43,819 |
| 2024 | 355,321 | 25,458 |
| 2025 | 239,176 | 13,436 |
| 2026 | 117,209 | 6,247 |
| 2027 | 90,389 | 1,547 |
| | <u><u>\$ 1,250,111</u></u> | <u><u>\$ 90,507</u></u> |

NOTE 8—INTERFUND ACTIVITY

Interfund transfers

The General Fund transfer to the Nonmajor Funds was used to augment the Town's street pavement management program. The General Fund also transferred funds to the CIIF to pay for tenant improvements to the Town's SAMTEC facility. The HURF and Wastewater Funds transfer funds to the CIIF to offset lease costs associated with fleet vehicles used by Streets and Wastewater Departments, respectively.

| | | Transfers to | | |
|----------------|--------------------------|--------------------------|--------------------------|----------------------------|
| | | CIIF Fund | Nonmajor Funds | Total |
| Transfers from | General Fund | \$ 600,000 | \$ 500,000 | \$ 1,100,000 |
| | Nonmajor Funds | 52,138 | - | 52,138 |
| | Total governmental funds | <u>652,138</u> | <u>500,000</u> | <u>1,152,138</u> |
| | Wastewater Fund | 12,004 | - | 12,004 |
| | Total | <u><u>\$ 664,142</u></u> | <u><u>\$ 500,000</u></u> | <u><u>\$ 1,164,142</u></u> |

Further, during the year ended June 30, 2022, the Town's Governmental Activities transferred a sewer line valued at \$233,781 to the Town's Business-type Activities.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 9—DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUES

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

| | Unavailable Receipts | Unearned Revenues |
|---|---------------------------------|------------------------------|
| <u>General Fund</u> | | |
| Advances received for future services | \$ - | \$ 32,753 |
| Delinquent transaction privilege taxes | 8,071 | - |
| Restitution due | 6,411 | - |
| Total General Fund | 14,482 | 32,753 |
| <u>CIIF Fund</u> | | |
| Federal grant advance (ARPA) | - | 3,265,870 |
| Total CIIF Fund | - | 3,265,870 |
| <u>RSCFD Fund</u> | | |
| Deposits for future charges | - | 7,556 |
| Delinquent property taxes | 11,820 | - |
| Total HURF Fund | 11,820 | 7,556 |
| <u>Nonmajor Governmental Funds</u> | | |
| Deposits for future charges | - | 36,140 |
| Federal grant advance (ARPA) | - | 411,205 |
| Intergovernmental grant reimbursements | 136,774 | - |
| Delinquent property taxes | 6,024 | - |
| Restitution due | 714 | - |
| Total Nonmajor Governmental Funds | 143,512 | 447,345 |
| Total for governmental funds | \$ 169,814 | \$ 3,753,524 |
| <u>Wastewater Fund</u> | | |
| Advances received for future services | | \$ 47,062 |
| Federal grant advance (ARPA) | | 722,903 |
| Total for proprietary fund | | \$ 769,965 |

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 10—SIGNIFICANT COMMITMENTS

Governmental Activities

| <u>Project Description</u> | <u>Spent-to-date</u> | <u>Remaining Commitment</u> |
|---------------------------------------|----------------------|---------------------------------|
| Quail Crossing Blvd Extension Phase 2 | <u>\$ 3,655,249</u> | <u>\$ 2,623,492</u> |

Business Type Activities

| <u>Project Description</u> | <u>Spent-to-date</u> | <u>Remaining Commitment</u> |
|------------------------------------|----------------------|---------------------------------|
| Wastewater Laboratory | \$ 521,724 | \$ 275,051 |
| Wastewater Plant Re-Rating Project | 80,145 | 419,855 |
| Total Business Type Activities | <u>\$ 601,869</u> | <u>\$ 694,906</u> |

NOTE 11—RISK MANAGEMENT

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

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

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

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

Town of Sahuarita, Arizona

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2022

NOTE 12—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For the year ended June 30, 2022, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

| <u>Department/Fund</u> | <u>Excess</u> |
|---|------------------|
| Streets Department: | |
| Highway User Revenue Fund | (\$251,962) |
| Quail Creek CFD Fund | (3,953) |
| Rancho Sahuarita CFD Fund | (11,940) |
| Grants & Restricted Sources Fund | (40,836) |
| Capital Infrastructure Improvement Fund | <u>524,900</u> |
| Total Streets Department excess | <u>\$216,209</u> |

The Streets Department exceeded the annual appropriation for the Quail Crossing Boulevard Extension Project. More construction was completed on this project than anticipated in the annual budget. The total project budget, however, as identified in the five-year Capital Improvement Plan, spans multiple years and was not exceeded.

NOTE 13—CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2021, has been restated as follows for the implementation of GASB Statement No. 87, *Leases*, as amended.

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Net position as previously reported at June 30, 2021 | \$ 125,567,574 |
| Prior period adjustment- implemenation of GASB 87: | |
| Change in capital assets | <u>(252,645)</u> |
| Net position as restrated, July 1, 2021 | <u>\$ 125,314,929</u> |

NOTE 14—SUBSEQUENT EVENT

On October 28, 2022, the entered into a \$5,800,000 loan agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) to finance capital improvements to the wastewater treatment facility. The WIFA loan includes \$1,059,384 of principal forgiveness. Principal is due annually and interest, at a 3.281% rate, is due semi-annually over a 20-year term, payable from and secured by a lien on the Wastewater Enterprise Fund's system revenues.



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ANNUAL COMPREHENSIVE FINANCIAL REPORT



Required Supplementary Information
other than MD&A

2022

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, 2022

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|----------------------------|----------------------|---|
| Revenues | | | | |
| Taxes | \$ 8,493,300 | \$ 8,493,300 | \$ 9,129,356 | \$ 636,056 |
| Licenses and permits | 2,219,150 | 2,219,150 | 3,350,559 | 1,131,409 |
| Intergovernmental | 9,566,680 | 9,566,680 | 10,782,550 | 1,215,870 |
| Charges for services | 1,095,350 | 1,095,350 | 1,207,013 | 111,663 |
| Fines and forfeitures | 244,060 | 244,060 | 220,776 | (23,284) |
| Investment earnings (losses) | 108,070 | 108,070 | (388,834) | (496,904) |
| Miscellaneous | 54,250 | 54,250 | 110,229 | 55,979 |
| Total revenues | <u>21,780,860</u> | <u>21,780,860</u> | <u>24,411,649</u> | <u>2,630,789</u> |
| Expenditures | | | | |
| General government: | | | | |
| Mayor and Council | 190,570 | 190,570 | 162,346 | 28,224 |
| Town Manager | 981,500 | 988,460 | 846,901 | 141,559 |
| Economic Development | 1,069,000 | 1,073,500 | 1,062,394 | 11,106 |
| Law | 618,070 | 668,220 | 585,414 | 82,806 |
| Town Clerk | 424,360 | 433,140 | 388,238 | 44,902 |
| Finance | 1,986,730 | 2,000,820 | 1,836,640 | 164,180 |
| Human Resources | 673,470 | 678,580 | 542,182 | 136,398 |
| Municipal Court | 801,380 | 815,730 | 684,846 | 130,884 |
| Planning and Building-Zoning | 692,470 | 696,510 | 569,805 | 126,705 |
| Parks, Recreation & Community Services | 243,130 | 145,980 | 103,879 | 42,101 |
| Public Works-Facilities | 928,250 | 931,570 | 873,603 | 57,967 |
| Total general government | <u>8,608,930</u> | <u>8,623,080</u> | <u>7,656,248</u> | <u>966,832</u> |
| Public safety: | | | | |
| Planning and Building-Building Safety | 1,119,330 | 1,129,630 | 1,069,805 | 59,825 |
| Public Works-Engineering | 528,860 | 536,040 | 567,599 | (31,559) |
| Police | 8,464,540 | 8,682,240 | 8,380,194 | 302,046 |
| Total public safety | <u>10,112,730</u> | <u>10,347,910</u> | <u>10,017,598</u> | <u>330,312</u> |
| Culture and recreation: | | | | |
| Parks, Recreation & Community Services | 2,536,320 | 2,605,960 | 2,366,955 | 239,005 |
| Total culture and recreation | <u>2,536,320</u> | <u>2,605,960</u> | <u>2,366,955</u> | <u>239,005</u> |
| Capital outlay: | | | | |
| General government: Non-departmental | - | - | 26,350 | (26,350) |
| Debt service: | | | | |
| Principal | - | - | 12,475 | (12,475) |
| Interest | - | - | 435 | (435) |
| Total debt service | <u>-</u> | <u>-</u> | <u>12,910</u> | <u>(12,910)</u> |
| Contingency reserves | 22,509,150 | 20,575,180 | - | 20,575,180 |
| Total expenditures | <u>43,767,130</u> | <u>42,152,130</u> | <u>20,080,061</u> | <u>22,098,419</u> |
| Excess (deficiency) of revenues over (under) expenditures | (21,986,270) | (20,371,270) | 4,331,588 | 24,729,208 |
| Other financing sources (uses) | | | | |
| Lease agreements | - | - | 26,350 | 26,350 |
| Insurance recoveries | - | - | 58,459 | 58,459 |
| Transfers out | (500,000) | (2,115,000) | (1,100,000) | 1,015,000 |
| Total other financing sources (uses) | <u>(500,000)</u> | <u>(2,115,000)</u> | <u>(1,015,191)</u> | <u>1,099,809</u> |
| Net change in fund balance | (22,486,270) | (22,486,270) | 3,316,397 | 25,829,017 |
| Fund balance at beginning of year | 22,486,270 | 22,486,270 | 23,419,617 | 933,347 |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 26,736,014</u> | <u>\$ 26,762,364</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, 2022

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|----------------------------|----------------------|---|
| Revenues | | | | |
| Taxes | \$ 338,180 | \$ 338,180 | \$ 355,552 | \$ 17,372 |
| Investment earnings | 250 | 250 | 2,895 | 2,645 |
| Miscellaneous | 1,033,070 | 1,033,070 | 288,520 | (744,550) |
| Total revenues | <u>1,371,500</u> | <u>1,371,500</u> | <u>646,967</u> | <u>(724,533)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,670 | 1,670 | 562 | 1,108 |
| Highways and streets | 18,700 | 18,700 | 6,760 | 11,940 |
| Total current | <u>20,370</u> | <u>20,370</u> | <u>7,322</u> | <u>13,048</u> |
| Capital outlay: | | | | |
| Highways and streets | 7,214,400 | 7,214,400 | 2,748,378 | 4,466,022 |
| Sewer | 1,248,600 | 1,248,600 | 223,781 | 1,024,819 |
| Total capital outlay | <u>8,463,000</u> | <u>8,463,000</u> | <u>2,972,159</u> | <u>5,490,841</u> |
| Debt service: | | | | |
| Principal | 242,000 | 242,000 | 226,654 | 15,346 |
| Interest | 1,104,130 | 1,104,130 | 381,368 | 722,762 |
| Fiscal charges | 5,000 | 5,000 | 3,000 | 2,000 |
| Debt issuance costs | 650,000 | 650,000 | 345,264 | 304,736 |
| Total debt service | <u>2,001,130</u> | <u>2,001,130</u> | <u>956,286</u> | <u>1,044,844</u> |
| Contingency reserves | 9,972,000 | 9,972,000 | - | 9,972,000 |
| Total expenditures | <u>20,456,500</u> | <u>20,456,500</u> | <u>3,935,767</u> | <u>16,520,733</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(19,085,000)</u> | <u>(19,085,000)</u> | <u>(3,288,800)</u> | <u>15,796,200</u> |
| Other financing sources (uses) | | | | |
| Face amount of long-term debt | 15,958,000 | 15,958,000 | 25,004,000 | 9,046,000 |
| Payments to refunded debt escrow | - | - | (5,616,346) | (5,616,346) |
| Total other financing sources (uses) | <u>15,958,000</u> | <u>15,958,000</u> | <u>19,387,654</u> | <u>3,429,654</u> |
| Net change in fund balance | (3,127,000) | (3,127,000) | 16,098,854 | 19,225,854 |
| Fund balance at beginning of year | 3,127,000 | 3,127,000 | 3,137,523 | 10,523 |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 19,236,377</u> | <u>\$ 19,236,377</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) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014-2013 (2013-2012) |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|--|------------------------------|------------------------------|--|
| Pension | | | | | | | | | |
| Town's proportion of the net pension liability | 0.058220% | 0.059600% | 0.057460% | 0.058230% | 0.057280% | 0.057080% | 0.053610% | 0.053523% | Information |
| Town's proportionate share of the net pension liability | \$ 7,649,849 | \$ 10,326,606 | \$ 8,361,099 | \$ 8,121,036 | \$ 8,923,107 | \$ 9,213,285 | \$ 8,350,625 | \$ 7,919,591 | not available |
| Town's covered payroll | \$ 6,377,053 | \$ 6,514,159 | \$ 6,059,981 | \$ 5,787,961 | \$ 5,791,802 | \$ 5,325,968 | \$ 4,936,664 | \$ 4,809,243 | |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 119.96% | 158.53% | 137.97% | 140.31% | 154.06% | 172.99% | 169.16% | 164.67% | |
| Plan fiduciary net position as a percentage of the total pension liability | 78.58% | 69.33% | 73.24% | 73.40% | 69.92% | 67.06% | 68.35% | 69.49% | |
| <hr/> | | | | | | | | | |
| Reporting fiscal year ending June 30, (Measurement Date) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017-2013 (2016-2012) | | | |
| Health insurance premium benefit | | | | | | | | | |
| Town's proportion of the net OPEB (asset) liability | 0.059570% | 0.061040% | 0.058880% | 0.059340% | 0.058120% | Information | | | |
| Town's proportionate share of the net OPEB (asset) liability | \$ (290,230) | \$ (43,216) | \$ (16,272) | \$ (21,368) | \$ (31,641) | not available | | | |
| Town's covered payroll | \$ 6,377,053 | \$ 6,514,159 | \$ 6,059,981 | \$ 5,787,961 | \$ 5,791,802 | | | | |
| Town's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | -4.55% | -0.66% | -0.27% | -0.37% | -0.55% | | | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 130.24% | 104.33% | 101.62% | 102.20% | 103.57% | | | | |
| <hr/> | | | | | | | | | |
| Reporting fiscal year ending June 30, (Measurement Date) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017-2013 (2016-2012) | | | |
| Long-term disability | | | | | | | | | |
| Town's proportion of the net OPEB (asset) liability | 0.058910% | 0.060400% | 0.058340% | 0.058360% | 0.057510% | Information | | | |
| Town's proportionate share of the net OPEB (asset) liability | \$ 12,160 | \$ 45,820 | \$ 38,005 | \$ 30,493 | \$ 20,846 | not available | | | |
| Town's covered payroll | \$ 6,377,053 | \$ 6,514,159 | \$ 6,059,981 | \$ 5,787,961 | \$ 5,791,802 | | | | |
| Town's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | 0.19% | 0.70% | 0.63% | 0.53% | 0.36% | | | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 90.38% | 68.01% | 72.85% | 77.83% | 84.44% | | | | |

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

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

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

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

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

| Reporting fiscal year ending June 30, (Measurement Date) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014-2013 (2013-2012) | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|--|------------------------------|------------------------------|--|---------------|
| <u>Pension liability</u> | | | | | | | | | | |
| Town's proportion of the net pension liability | 0.06278% | 0.05869% | 0.06267% | 0.04938% | 0.05966% | 0.0590467% | 0.0527520% | 0.0650056% | Information | |
| Town's proportionate share of the net pension liability | \$ 382,042 | \$ 396,137 | \$ 415,613 | \$ 311,168 | \$ 727,030 | \$ 557,845 | \$ 353,740 | \$ 435,909 | not available | |
| State's proportionate share of the net pension liability associated with the Town | <u>124,550</u> | <u>102,896</u> | <u>77,857</u> | <u>53,317</u> | <u>150,892</u> | <u>115,181</u> | <u>58,491</u> | <u>133,654</u> | | |
| Total | <u>\$ 506,592</u> | <u>\$ 499,033</u> | <u>\$ 493,470</u> | <u>\$ 364,485</u> | <u>\$ 877,922</u> | <u>\$ 673,026</u> | <u>\$ 412,231</u> | <u>\$ 569,563</u> | | |
| Town's covered payroll | \$ 46,592 | \$ 44,400 | \$ 47,715 | \$ 47,400 | \$ 49,200 | \$ 47,400 | \$ 47,175 | \$ 46,800 | | |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 819.97% | 892.20% | 871.03% | 656.47% | 1477.70% | 1176.89% | 749.85% | 931.43% | | |
| Plan fiduciary net position as a percentage of the total pension liability | 36.28% | 29.80% | 30.14% | 30.36% | 19.66% | 23.42% | 28.32% | 31.91% | | |
| <hr/> | | | | | | | | | | |
| Reporting fiscal year ending June 30, (Measurement Date) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017-2013 (2016-2012) | | | | |
| <u>Health insurance premium benefit (asset) liability</u> | | | | | | | | | | |
| Town's proportion of the net OPEB (asset) liability | 0.50921% | 0.44681% | 0.31912% | 0.42228% | 0.36970% | Information | | | | |
| Town's proportionate share of the net OPEB (asset) liability | \$ (81,207) | \$ (42,673) | \$ (31,256) | \$ (43,638) | \$ (33,665) | Not Available | | | | |
| Town's covered payroll | \$ 46,592 | \$ 44,400 | \$ 47,715 | \$ 47,400 | \$ 49,200 | | | | | |
| Town's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | -174.29% | -96.11% | -65.51% | -92.06% | -68.42% | | | | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 123.29% | 169.89% | 169.72% | 177.16% | 164.84% | | | | | |
| <hr/> | | | | | | | | | | |
| Reporting fiscal year ending June 30, (Measurement Date) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014 (2013) | 2013 |
| <u>Pension contributions</u> | | | | | | | | | | |
| Statutorily required contribution | \$ 27,103 | \$ 28,698 | \$ 26,735 | \$ 28,969 | \$ 11,139 | \$ 11,162 | \$ 10,501 | \$ 13,851 | \$ 14,784 | Information |
| Town's actual contributions | <u>27,103</u> | <u>28,698</u> | <u>26,735</u> | <u>28,969</u> | <u>16,879</u> | <u>11,162</u> | <u>10,501</u> | <u>13,851</u> | <u>14,784</u> | not available |
| Town's contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (5,740)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |
| Town's covered payroll | \$ 43,938 | \$ 46,592 | \$ 44,400 | \$ 47,715 | \$ 47,400 | \$ 49,200 | \$ 47,400 | \$ 47,175 | \$ 46,800 | |
| Town's contribution as a percentage of covered payroll | 61.68% | 61.59% | 60.21% | 60.71% | 35.61% | 22.69% | 22.15% | 29.36% | 31.59% | |

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

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) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014-2013 (2013-2012) |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|--|
| Total pension liability | | | | | | | | | |
| Service cost | \$ 680,617 | \$ 700,070 | \$ 639,742 | \$ 591,771 | \$ 700,269 | \$ 599,492 | \$ 499,231 | \$ 476,570 | Information not available |
| Interest on the total pension liability | 1,235,351 | 1,145,686 | 1,060,952 | 945,250 | 896,911 | 664,509 | 600,242 | 520,977 | |
| Changes of benefit terms | - | - | - | - | 41,004 | 1,262,877 | - | (20,272) | |
| Difference between expected and actual experience | 22,827 | 88,083 | (130,469) | 234,805 | (290,902) | 709,724 | (251,049) | (129,225) | |
| Changes of assumptions or other inputs | - | - | 348,775 | - | 100,958 | 495,755 | - | 202,160 | |
| Benefit payments, including refunds of employee contributions | (557,923) | (814,252) | (430,126) | (674,158) | (484,161) | (93,858) | (65,881) | (37,716) | |
| Net change in total pension liability | 1,380,872 | 1,119,587 | 1,488,874 | 1,097,668 | 964,079 | 3,638,499 | 782,543 | 1,012,494 | |
| Total pension liability-beginning | 16,520,967 | 15,401,380 | 13,912,506 | 12,814,838 | 11,850,759 | 8,212,260 | 7,429,717 | 6,417,223 | |
| Total pension liability-ending (a) | <u>\$ 17,901,839</u> | <u>\$ 16,520,967</u> | <u>\$ 15,401,380</u> | <u>\$ 13,912,506</u> | <u>\$ 12,814,838</u> | <u>\$ 11,850,759</u> | <u>\$ 8,212,260</u> | <u>\$ 7,429,717</u> | |
| Plan fiduciary net position | | | | | | | | | |
| Employer contributions | \$ 4,678,731 | \$ 604,459 | \$ 625,333 | \$ 1,056,768 | \$ 390,243 | \$ 390,062 | \$ 468,919 | \$ 314,125 | |
| Employee contributions | 307,831 | 266,339 | 260,673 | 284,875 | 418,290 | 344,000 | 285,067 | 260,111 | |
| Net investment income | 3,740,539 | 162,343 | 643,977 | 739,857 | 1,107,368 | 49,360 | 273,195 | 833,960 | |
| Benefit payments, including refunds of employee contributions | (557,923) | (814,252) | (430,126) | (674,158) | (484,161) | (93,858) | (65,881) | (37,716) | |
| Administrative expenses | (17,463) | (13,238) | (12,186) | (11,960) | (10,198) | (7,503) | (7,054) | (6,717) | |
| Other changes | - | - | (301,467) | (315,609) | 121,902 | 146,598 | (5,560) | 41,203 | |
| Net change in plan fiduciary net position | 8,151,715 | 205,651 | 786,204 | 1,079,773 | 1,543,444 | 828,659 | 948,686 | 1,404,966 | |
| Plan fiduciary net position-beginning* | 12,591,327 | 12,385,676 | 11,621,609 | 10,546,533 | 9,003,089 | 8,174,430 | 7,225,744 | 5,820,778 | |
| Plan fiduciary net position-ending (b) | <u>\$ 20,743,042</u> | <u>\$ 12,591,327</u> | <u>\$ 12,407,813</u> | <u>\$ 11,626,306</u> | <u>\$ 10,546,533</u> | <u>\$ 9,003,089</u> | <u>\$ 8,174,430</u> | <u>\$ 7,225,744</u> | |
| Town's net pension (asset) liability-ending (a) - (b) | \$ (2,841,203) | \$ 3,929,640 | \$ 2,993,567 | \$ 2,286,200 | \$ 2,268,305 | \$ 2,847,670 | \$ 37,830 | \$ 203,973 | |
| Plan fiduciary net position as a percentage of the total pension liability | 115.87% | 76.21% | 80.56% | 83.57% | 82.30% | 75.97% | 99.54% | 97.25% | |
| Covered payroll | \$ 4,063,851 | \$ 3,570,936 | \$ 3,334,381 | \$ 3,175,063 | \$ 3,309,770 | \$ 3,002,577 | \$ 2,633,747 | \$ 2,516,513 | |
| Town's net pension (asset) liability as a percentage of covered payroll | -69.91% | 110.05% | 89.78% | 72.00% | 68.53% | 94.84% | 1.44% | 8.11% | |

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

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

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

| Reporting fiscal year ending June 30, (Measurement date) | 2022 <u>(2021)</u> | 2021 <u>(2020)</u> | 2020 <u>(2019)</u> | 2019 <u>(2018)</u> | 2018 <u>(2017)</u> | 2017-2013 <u>(2016-2012)</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------------|
| <u>Total health insurance premium subsidy liability</u> | | | | | | |
| Service cost | \$ 13,907 | \$ 14,020 | \$ 8,942 | \$ 9,484 | \$ 11,802 | Information not available |
| Interest on the total OPEB liability | 19,899 | 18,759 | 19,864 | 23,806 | 28,866 | |
| Changes of benefit terms | - | - | - | - | 3,333 | |
| Difference between expected and actual experience | (42,480) | (9,592) | (49,105) | (89,551) | (64,990) | |
| Changes of assumptions or other inputs | - | - | 2,908 | - | (39,791) | |
| Benefit payments | <u>(4,512)</u> | <u>(3,468)</u> | <u>(1,767)</u> | <u>(652)</u> | <u>(1,812)</u> | |
| Net change in total OPEB liability | (13,186) | 19,719 | (19,158) | (56,913) | (62,592) | |
| Total OPEB liability-beginning | <u>260,937</u> | <u>241,218</u> | <u>260,376</u> | <u>317,289</u> | <u>379,881</u> | |
| Total OPEB liability-ending (a) | <u>\$ 247,751</u> | <u>\$ 260,937</u> | <u>\$ 241,218</u> | <u>\$ 260,376</u> | <u>\$ 317,289</u> | |
| <u>Plan fiduciary net position</u> | | | | | | |
| Employer contributions | \$ 3,929 | \$ 1,488 | \$ 7,152 | \$ 12,023 | \$ 15,648 | |
| Net investment income | 108,424 | 4,959 | 19,761 | 23,179 | 34,001 | |
| Benefit payments | (4,512) | (3,468) | (1,767) | (652) | (1,812) | |
| Administrative expenses | (446) | (403) | (341) | (353) | (301) | |
| Other changes | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1)</u> | <u>-</u> | |
| Net change in plan fiduciary net position | 107,395 | 2,576 | 24,805 | 34,196 | 47,536 | |
| Plan fiduciary net position-beginning* | <u>396,089</u> | <u>393,513</u> | <u>368,708</u> | <u>329,814</u> | <u>282,278</u> | |
| Plan fiduciary net position-ending (b) | <u>\$ 503,484</u> | <u>\$ 396,089</u> | <u>\$ 393,513</u> | <u>\$ 364,010</u> | <u>\$ 329,814</u> | |
| Town's net OPEB (asset) liability-ending (a) - (b) | \$ (255,733) | \$ (135,152) | \$ (152,295) | \$ (103,634) | \$ (12,525) | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 203.22% | 151.79% | 163.14% | 139.80% | 103.95% | |
| Covered payroll | \$ 3,953,102 | \$ 3,477,118 | \$ 3,192,331 | \$ 3,073,465 | \$ 3,026,229 | |
| Town's net OPEB (asset) liability as a percentage of covered payroll | -6.47% | -3.89% | -4.77% | -3.37% | -0.41% | |

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

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|--------------------|-----------------------|----------------|----------------|---------------------|----------------|----------------|---------------------|----------------|---------------|
| <u>Pension contributions</u> | | | | | | | | | | |
| Actuarially determined contribution | \$ 572,219 | \$ 838,862 | \$ 655,997 | \$ 625,333 | \$ 633,912 | \$ 390,243 | \$ 390,062 | \$ 366,548 | \$ 314,125 | Information |
| Town's actual contributions | <u>598,158</u> | <u>4,746,372</u> | <u>655,997</u> | <u>625,333</u> | <u>1,056,768</u> | <u>390,243</u> | <u>390,062</u> | <u>468,919</u> | <u>314,125</u> | not available |
| Town's contribution deficiency (excess) | <u>\$ (25,939)</u> | <u>\$ (3,907,510)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (422,856)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (102,371)</u> | <u>\$ -</u> | |
| Town's covered payroll | \$ 4,257,543 | \$ 4,063,851 | \$ 3,570,936 | \$ 3,334,381 | \$ 3,175,063 | \$ 3,309,770 | \$ 3,002,577 | \$ 2,633,747 | \$ 2,516,513 | |
| Town's contribution as a percentage of covered payroll | 14.05% | 116.79% | 18.37% | 18.75% | 33.28% | 11.79% | 12.99% | 17.80% | 12.48% | |
| Actuarial determined contribution as % of covered payroll | 13.44% | 20.64% | 18.37% | 18.75% | 19.97% | 11.79% | 12.99% | 13.92% | 12.48% | |
| | | | | | | | | | | |
| <u>Health insurance premium subsidy contributions</u> | | | | | | | | | | |
| Actuarially determined contribution | \$ 1,973 | \$ 4,847 | \$ 2,857 | \$ 7,152 | \$ 12,023 | \$ 15,648 | Information | | | |
| Town's actual contributions | <u>1,973</u> | <u>4,847</u> | <u>2,857</u> | <u>7,152</u> | <u>12,023</u> | <u>15,648</u> | not available | | | |
| Town's contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | | |
| Town's covered payroll | \$ 3,979,286 | \$ 3,953,102 | \$ 3,477,118 | \$ 3,192,331 | \$ 3,073,465 | \$ 3,026,229 | | | | |
| Town's contribution as a percentage of covered payroll | 0.05% | 0.12% | 0.08% | 0.22% | 0.39% | 0.52% | | | | |

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Required Supplementary Information Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2022

NOTE 1—BUDGETING AND BUDGETARY CONTROL

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

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

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

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

NOTE 2—ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

| | |
|--|--|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percent-of-pay, closed |
| Remaining amortization period as of the 2020 actuarial valuation | 16 years |
| Asset valuation method | 7-year smoothed market value; 80%/120% market corridor |

Actuarial assumptions:

| | |
|---------------------------|---|
| Investment rate of return | In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. |
|---------------------------|---|

| | |
|----------------------------|---|
| 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%. |
|----------------------------|---|

Town of Sahuarita, Arizona

Required Supplementary Information Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2022

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

NOTE 3—FACTORS THAT AFFECT TRENDS

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

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



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ANNUAL COMPREHENSIVE FINANCIAL REPORT



Combining Statements
and Other Schedules

2022

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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.

Town of Sahuarita, Arizona

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2022

| | SPECIAL REVENUE FUNDS | | | Total Nonmajor Governmental Funds |
|---|--|----------------------|-------------------------------------|--|
| | Highway User Revenue Fund | GARS Fund | Quail Creek CFD Fund | |
| Assets | | | | |
| Cash and investments | \$ 419,426 | \$ 710,954 | \$ 1,041 | \$ 1,131,421 |
| Receivables | 305,512 | 213,266 | 25,266 | 544,044 |
| Restricted assets | - | 98,126 | 831,169 | 929,295 |
| Total assets | \$ 724,938 | \$ 1,022,346 | \$ 857,476 | \$ 2,604,760 |
| Liabilities | | | | |
| Accrued payroll and benefits | \$ 32,020 | \$ 14,140 | \$ - | \$ 46,160 |
| Payables: | | | | |
| Accounts | 171,129 | 5,377 | 1,041 | 177,547 |
| Bonds | - | - | 725,000 | 725,000 |
| Interest | - | - | 112,181 | 112,181 |
| Deposits | - | 81,827 | - | 81,827 |
| Unearned revenues | - | 447,345 | - | 447,345 |
| Total liabilities | 203,149 | 548,689 | 838,222 | 1,590,060 |
| Deferred inflows of resources | | | | |
| Unavailable revenues | 714 | 136,774 | 6,024 | 143,512 |
| Total deferred inflows of resources | 714 | 136,774 | 6,024 | 143,512 |
| Fund balances | | | | |
| Restricted: | | | | |
| Transportation | 521,075 | - | - | 521,075 |
| Municipal Court | - | 64,828 | - | 64,828 |
| Law enforcement | - | 251,270 | - | 251,270 |
| Economic development | - | 20,785 | - | 20,785 |
| CFD operations and maintenance | - | - | 1,749 | 1,749 |
| Debt service | - | - | 11,481 | 11,481 |
| Total fund balances | 521,075 | 336,883 | 13,230 | 871,188 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 724,938 | \$ 1,022,346 | \$ 857,476 | \$ 2,604,760 |

Town of Sahuarita, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2022

| | SPECIAL REVENUE FUNDS | | | Total Nonmajor Governmental Funds |
|--|---------------------------------|--------------|----------------------------|--|
| | Highway User Revenue Fund | GARS Fund | Quail Creek CFD Fund | |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ 1,019,489 | \$ 1,019,489 |
| Licenses and permits | 22,800 | | | 22,800 |
| Intergovernmental | 2,746,671 | 931,215 | - | 3,677,886 |
| Charges for services | - | 13,514 | - | 13,514 |
| Fines and forfeitures | - | 14,785 | - | 14,785 |
| Investment earnings (losses) | (11,366) | 448 | (362) | (11,280) |
| Miscellaneous | 559 | 33,800 | 19,029 | 53,388 |
| Total revenues | 2,758,664 | 993,762 | 1,038,156 | 4,790,582 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | 166,026 | 692 | 166,718 |
| Public safety | - | 774,803 | - | 774,803 |
| Culture and recreation | - | 23,800 | 72,745 | 96,545 |
| Highways and streets | 3,378,238 | 9,164 | 14,837 | 3,402,239 |
| Debt service: | | | | |
| Principal | - | - | 725,000 | 725,000 |
| Interest | - | - | 224,363 | 224,363 |
| Fiscal charges | - | - | 4,700 | 4,700 |
| Total expenditures | 3,378,238 | 973,793 | 1,042,337 | 5,394,368 |
| Excess (deficiency) of revenues over (under) expenditures | (619,574) | 19,969 | (4,181) | (603,786) |
| Other financing sources (uses) | | | | |
| Transfers in | 500,000 | - | - | 500,000 |
| Transfers out | (52,138) | - | - | (52,138) |
| Total other financing sources (uses) | 447,862 | - | - | 447,862 |
| Net change in fund balances | (171,712) | 19,969 | (4,181) | (155,924) |
| Fund balance at beginning of year | 692,787 | 316,914 | 17,411 | 1,027,112 |
| Fund balance at end of year | \$ 521,075 | \$ 336,883 | \$ 13,230 | \$ 871,188 |

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, 2022

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|----------------------------|---------------------|---|
| Revenues | | | | |
| Taxes | \$ 5,012,730 | \$ 5,012,730 | \$ 4,957,134 | \$ (55,596) |
| Licenses and permits | 15,000 | 15,000 | 21,600 | 6,600 |
| Intergovernmental | - | 75,750 | 364,836 | 289,086 |
| Investment earnings (losses) | 35,840 | 35,840 | (71,208) | (107,048) |
| Miscellaneous | 112,500 | 112,500 | 500 | (112,000) |
| Total revenues | <u>5,176,070</u> | <u>5,251,820</u> | <u>5,272,862</u> | <u>21,042</u> |
| Expenditures | | | | |
| Capital outlay: | | | | |
| General government | 1,745,000 | 3,423,660 | 1,061,535 | 2,362,125 |
| Public safety | 837,100 | 837,100 | 874,744 | (37,644) |
| Culture and recreation | 956,400 | 1,196,150 | 521,043 | 675,107 |
| Highways and streets | 3,604,260 | 3,606,740 | 4,131,640 | (524,900) |
| Total capital outlay | <u>7,142,760</u> | <u>9,063,650</u> | <u>6,588,962</u> | <u>2,474,688</u> |
| Debt service: | | | | |
| Principal | 2,230,580 | 2,230,580 | 2,501,396 | (270,816) |
| Interest | 468,100 | 468,100 | 267,483 | 200,617 |
| Fiscal charges | 5,000 | 5,000 | 2,700 | 2,300 |
| Debt issuance costs | 150,000 | 150,000 | 88,000 | 62,000 |
| Total debt service | <u>2,853,680</u> | <u>2,853,680</u> | <u>2,859,579</u> | <u>(5,899)</u> |
| Contingency reserves | <u>7,395,550</u> | <u>7,165,410</u> | - | <u>7,165,410</u> |
| Total expenditures | <u>17,391,990</u> | <u>19,082,740</u> | <u>9,448,541</u> | <u>9,634,199</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(12,215,920)</u> | <u>(13,830,920)</u> | <u>(4,175,679)</u> | <u>9,655,241</u> |
| Other financing sources (uses) | | | | |
| Capital leases | 860,360 | 860,360 | 565,372 | (294,988) |
| Face amount of long-term debt | 6,440,000 | 6,440,000 | 6,378,000 | (62,000) |
| Proceeds on the sale of assets | - | - | 24,802 | 24,802 |
| Transfers in | 668,490 | 2,283,490 | 664,142 | (1,619,348) |
| Total other financing sources (uses) | <u>7,968,850</u> | <u>9,583,850</u> | <u>7,632,316</u> | <u>(1,951,534)</u> |
| Net change in fund balance | <u>(4,247,070)</u> | <u>(4,247,070)</u> | <u>3,456,637</u> | <u>7,703,707</u> |
| Fund balance at beginning of year | <u>4,247,070</u> | <u>4,247,070</u> | <u>4,300,798</u> | <u>53,728</u> |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,757,435</u> | <u>\$ 7,757,435</u> |

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, 2022

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|----------------------------|-------------------|---|
| Revenues | | | | |
| Licenses and permits | \$ 13,200 | \$ 13,200 | \$ 22,800 | \$ 9,600 |
| Intergovernmental | 2,614,290 | 2,614,290 | 2,746,671 | 132,381 |
| Investment earnings (losses) | 3,460 | 3,460 | (11,366) | (14,826) |
| Miscellaneous | 5,000 | 5,000 | 559 | (4,441) |
| Total revenues | <u>2,635,950</u> | <u>2,635,950</u> | <u>2,758,664</u> | <u>122,714</u> |
| Expenditures | | | | |
| Current: | | | | |
| Highways and streets | 3,616,430 | 3,630,200 | 3,378,238 | 251,962 |
| Contingency reserves | <u>25,200</u> | <u>11,430</u> | <u>-</u> | <u>11,430</u> |
| Total expenditures | <u>3,641,630</u> | <u>3,641,630</u> | <u>3,378,238</u> | <u>263,392</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,005,680)</u> | <u>(1,005,680)</u> | <u>(619,574)</u> | <u>386,106</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 500,000 | 500,000 | 500,000 | - |
| Transfers out | <u>(71,480)</u> | <u>(71,480)</u> | <u>(52,138)</u> | <u>19,342</u> |
| Total other financing sources (uses) | <u>428,520</u> | <u>428,520</u> | <u>447,862</u> | <u>19,342</u> |
| Net change in fund balance | (577,160) | (577,160) | (171,712) | 405,448 |
| Fund balance at beginning of year | 577,160 | 577,160 | 692,787 | 115,627 |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 521,075</u> | <u>\$ 521,075</u> |

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual Grants and Restricted Sources Fund—Special Revenue Fund For the Fiscal Year Ended June 30, 2022

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|----------------------------|-------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 4,530,910 | \$ 4,530,910 | \$ 931,215 | \$ (3,599,695) |
| Charges for services | 60,000 | 60,000 | 13,514 | (46,486) |
| Fines and forfeitures | 15,930 | 15,930 | 14,785 | (1,145) |
| Investment earnings (losses) | 750 | 750 | 448 | (302) |
| Miscellaneous | 15,000 | 15,000 | 33,800 | 18,800 |
| Total revenues | <u>4,622,590</u> | <u>4,622,590</u> | <u>993,762</u> | <u>(3,628,828)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 62,930 | 162,930 | 166,026 | (3,096) |
| Public safety | 796,610 | 917,590 | 774,803 | 142,787 |
| Culture and recreation | - | - | 23,800 | (23,800) |
| Highways and streets | 50,000 | 50,000 | 9,164 | 40,836 |
| Contingency reserves | 1,886,550 | 1,665,570 | - | 1,665,570 |
| Total expenditures | <u>2,796,090</u> | <u>2,796,090</u> | <u>973,793</u> | <u>1,822,297</u> |
| Excess (deficiency) of revenues over (under) expenditures | 1,826,500 | 1,826,500 | 19,969 | (1,806,531) |
| Other financing sources (uses) | | | | |
| Transfers out | (2,048,180) | (2,048,180) | - | 2,048,180 |
| Total other financing sources (uses) | <u>(2,048,180)</u> | <u>(2,048,180)</u> | <u>-</u> | <u>2,048,180</u> |
| Excess (deficiency) of revenues over (under) expenditures | (221,680) | (221,680) | 19,969 | 241,649 |
| Fund balance at beginning of year | 221,680 | 221,680 | 316,914 | 95,234 |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 336,883</u> | <u>\$ 336,883</u> |

See accompanying notes to required supplementary information.

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, 2022

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|----------------------------|------------------|---|
| Revenues | | | | |
| Taxes | \$ 1,006,910 | \$ 1,006,910 | \$ 1,019,489 | \$ 12,579 |
| Investment earnings (losses) | 100 | 100 | (362) | (462) |
| Miscellaneous | 33,900 | 33,900 | 19,029 | (14,871) |
| Total revenues | <u>1,040,910</u> | <u>1,040,910</u> | <u>1,038,156</u> | <u>(2,754)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 4,320 | 4,320 | 692 | 3,628 |
| Culture and recreation | 63,730 | 63,730 | 72,745 | (9,015) |
| Highways and streets | 18,790 | 18,790 | 14,837 | 3,953 |
| Total current | <u>86,840</u> | <u>86,840</u> | <u>88,274</u> | <u>(1,434)</u> |
| Debt service: | | | | |
| Principal | 725,000 | 725,000 | 725,000 | - |
| Interest | 224,370 | 224,370 | 224,363 | 7 |
| Fiscal charges | 4,700 | 4,700 | 4,700 | - |
| Total debt service | <u>954,070</u> | <u>954,070</u> | <u>954,063</u> | <u>7</u> |
| Total expenditures | <u>1,040,910</u> | <u>1,040,910</u> | <u>1,042,337</u> | <u>(1,427)</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (4,181) | (4,181) |
| Fund balance at beginning of year | - | - | 17,411 | 17,411 |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,230</u> | <u>\$ 13,230</u> |



ANNUAL COMPREHENSIVE FINANCIAL REPORT



Statistical Section

2022

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 | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2013 | 2014 | 2015* | 2016 | 2017^ | 2018**^ | 2019 | 2020 | 2021 | 2022^^ |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$106,716,456 | \$117,809,456 | \$124,700,350 | \$123,086,910 | \$118,091,715 | \$110,923,412 | \$106,646,221 | \$105,508,871 | \$102,352,425 | \$98,359,547 |
| Restricted | 1,004,816 | 1,054,409 | 1,097,795 | 1,333,299 | 1,528,779 | 5,839,147 | 1,828,600 | 1,392,476 | 1,360,769 | 4,505,003 |
| Unrestricted | 27,969,865 | 26,556,831 | 16,575,691 | 16,662,435 | 15,111,723 | 15,748,404 | 13,942,110 | 15,218,014 | 21,854,380 | 22,642,952 |
| Total governmental activities net position | <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> | <u>\$122,119,361</u> | <u>\$125,567,574</u> | <u>\$125,507,502</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$23,016,012 | \$22,959,593 | \$23,334,636 | \$23,918,576 | \$22,579,671 | \$23,455,144 | \$24,748,260 | \$28,041,739 | \$29,163,964 | \$30,709,035 |
| Restricted | 2,108,048 | 2,108,048 | 2,858,048 | 2,858,048 | 2,858,048 | 2,860,706 | 2,859,783 | 1,120,891 | 1,004,712 | 1,050,594 |
| Unrestricted | (4,709,397) | (4,172,413) | (5,789,541) | (5,974,958) | (6,859,515) | (7,155,834) | (2,390,496) | (2,961,545) | (1,253,802) | 172,127 |
| Total business-type activities net position | <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> | <u>\$26,201,085</u> | <u>\$28,914,874</u> | <u>\$31,931,756</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$129,732,468 | \$140,769,049 | \$148,034,986 | \$147,005,486 | \$140,671,386 | \$134,378,556 | \$131,394,481 | \$133,550,610 | \$131,516,389 | \$129,068,582 |
| Restricted | 3,112,864 | 3,162,457 | 3,955,843 | 4,191,347 | 4,386,827 | 8,699,853 | 4,688,383 | 2,513,367 | 2,365,481 | 5,555,597 |
| Unrestricted | 23,260,468 | 22,384,418 | 10,786,150 | 10,687,477 | 8,252,208 | 8,592,570 | 11,551,614 | 12,256,469 | 20,600,578 | 22,815,079 |
| Total primary government net position | <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> | <u>\$148,320,446</u> | <u>\$154,482,448</u> | <u>\$157,439,258</u> |

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

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

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

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

Town of Sahuarita, Arizona

Changes in Net Position

Last 10 Fiscal Years

(accrual basis of accounting)

(Unaudited)

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 4,510,041 | \$ 4,678,867 | \$ 5,222,615 | \$ 5,388,608 | \$ 5,839,797 | \$ 6,161,156 | \$ 5,994,445 | \$ 6,531,342 | \$ 7,390,603 | \$ 8,116,790 |
| Public safety | 6,585,275 | 6,586,449 | 6,881,354 | 7,384,262 | 9,572,787 | 8,599,675 | 8,876,340 | 10,511,173 | 10,677,334 | 11,201,564 |
| Culture and recreation | 2,023,125 | 2,277,660 | 2,076,948 | 2,222,681 | 2,377,461 | 2,976,548 | 3,029,502 | 3,167,428 | 3,132,254 | 3,332,768 |
| Highways and streets | 7,225,326 | 7,224,948 | 7,351,674 | 8,163,637 | 9,646,426 | 10,020,683 | 11,441,554 | 11,728,696 | 11,679,857 | 12,107,301 |
| Interest, amortization, and issuance costs of long-term debt | 1,445,431 | 1,388,415 | 1,332,284 | 1,054,164 | 1,393,696 | 1,114,440 | 945,665 | 1,266,838 | 950,743 | 1,354,164 |
| Total governmental activities expenses | <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> | <u>33,205,477</u> | <u>33,830,791</u> | <u>36,112,587</u> |
| Business-type activities: Sewer | 3,675,890 | 3,523,158 | 3,697,115 | 3,957,491 | 3,872,306 | 3,563,686 | 3,606,201 | 3,762,261 | 3,574,085 | 3,513,477 |
| Total business-type activities expenses | <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> | <u>3,762,261</u> | <u>3,574,085</u> | <u>3,513,477</u> |
| Total primary government expenses | <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> | <u>\$ 36,967,738</u> | <u>\$ 37,404,876</u> | <u>\$ 39,626,064</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 378,578 | \$ 424,426 | \$ 391,278 | \$ 419,942 | \$ 350,842 | \$ 429,723 | \$ 399,847 | \$ 338,288 | \$ 518,811 | \$ 457,721 |
| Public safety | 1,315,158 | 947,254 | 1,087,329 | 1,375,991 | 1,327,093 | 1,906,923 | 1,830,862 | 2,117,021 | 3,281,518 | 3,342,581 |
| Culture and recreation | 99,350 | 90,545 | 133,340 | 121,980 | 134,009 | 178,665 | 162,617 | 156,994 | 213,222 | 188,031 |
| Highways and streets | - | - | - | - | - | - | - | 2,536 | 15,721 | 31,964 |
| Operating grants and contributions | 2,142,958 | 2,079,460 | 2,132,244 | 2,404,762 | 2,528,735 | 2,641,126 | 3,153,131 | 5,105,088 | 5,517,384 | 3,746,006 |
| Capital grants and contributions | 13,759,635 | 14,274,634 | 10,899,898 | 3,992,375 | 2,534,706 | 3,544,003 | 2,288,626 | 3,443,864 | 2,617,913 | 2,562,208 |
| Total governmental activities program revenues | <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> | <u>11,163,791</u> | <u>12,164,569</u> | <u>10,328,511</u> |
| Business-type activities | | | | | | | | | | |
| Charges for services: Sewer | 3,524,391 | 3,349,567 | 3,254,711 | 3,393,582 | 3,407,229 | 3,829,807 | 4,370,315 | 4,795,971 | 4,959,531 | 5,009,140 |
| Capital grants and contributions | - | - | - | 250,000 | - | 359,148 | 367,035 | - | 830,556 | 1,286,508 |
| Total business-type activities program revenues | <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> | <u>4,795,971</u> | <u>5,790,087</u> | <u>6,295,648</u> |
| Total primary government program revenues | <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> | <u>\$ 15,959,762</u> | <u>\$ 17,954,656</u> | <u>\$ 16,624,159</u> |
| Net (Expenses)/Revenues | | | | | | | | | | |
| Governmental activities | \$ (4,093,519) | \$ (4,340,020) | \$ (8,220,786) | \$ (15,898,302) | \$ (21,954,782) | \$ (20,172,062) | \$ (22,452,423) | \$ (22,041,686) | \$ (21,666,222) | \$ (25,784,076) |
| Business-type activities | (151,499) | (173,591) | (442,404) | (313,909) | (465,077) | 625,269 | 1,131,149 | 1,033,710 | 2,216,002 | 2,782,171 |
| Total primary government (expense)/revenue | <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> | <u>\$ (21,007,976)</u> | <u>\$ (19,450,220)</u> | <u>\$ (23,001,905)</u> |

(continued)

Town of Sahuarita, Arizona

Changes in Net Position

Last 10 Fiscal Years

(accrual basis of accounting)

(Unaudited)

(concluded)

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | \$ 289,408 | \$ 299,920 | \$ 354,728 | \$ 411,260 | \$ 468,496 | \$ 523,940 | \$ 657,199 | \$ 805,403 | \$ 1,041,778 | \$ 1,375,535 |
| Sales taxes | 7,487,481 | 6,916,291 | 6,601,243 | 7,101,219 | 6,955,290 | 8,849,348 | 9,788,930 | 10,766,869 | 13,343,651 | 13,624,269 |
| Franchise taxes | 310,304 | 303,598 | 316,332 | 318,035 | 310,987 | 355,583 | 369,157 | 366,966 | 376,714 | 373,336 |
| Share of state income taxes | 2,580,152 | 2,815,436 | 3,057,758 | 3,041,180 | 3,470,987 | 3,566,411 | 3,550,406 | 3,915,901 | 4,490,500 | 4,434,706 |
| Share of state sales taxes | 2,067,495 | 2,198,614 | 2,308,388 | 2,385,534 | 2,620,019 | 2,770,189 | 2,957,158 | 3,137,766 | 3,727,571 | 4,798,306 |
| Share of state vehicle license tax | 925,392 | 962,878 | 1,006,277 | 1,058,242 | 1,215,841 | 1,279,817 | 1,349,348 | 1,383,205 | 1,632,938 | 1,549,449 |
| Grants and contributions not restricted to specific programs | - | - | - | - | - | 83,823 | 171,454 | - | - | - |
| Contributions restricted for debt service* | 746,148 | 729,689 | 683,926 | 636,349 | 276,843 | 176,917 | 709,764 | 524,614 | 612,476 | 307,549 |
| Investment earnings | 59,754 | 368,272 | 191,184 | 319,547 | 171,364 | 246,449 | 715,484 | 646,904 | 104,506 | (468,427) |
| Miscellaneous | 118,693 | 167,961 | 172,989 | 68,988 | 123,661 | 142,817 | 174,125 | 183,536 | 272,297 | 193,703 |
| Extraordinary or special items | - | - | - | - | - | - | (3,168,076) | - | - | - |
| Transfers | - | (693,080) | (699,540) | (733,244) | (9,133) | 3,390 | (4,916,558) | 12,952 | (487,996) | (211,777) |
| Total governmental activities | 14,584,827 | 14,069,579 | 13,993,285 | 14,607,110 | 15,604,355 | 17,998,684 | 12,358,391 | 21,744,116 | 25,114,435 | 25,976,649 |
| Business-type activities | | | | | | | | | | |
| Investment earnings (losses)^ | (16,707) | (41,352) | (25,446) | (42,924) | (23,617) | (40,204) | (7,436) | (54,480) | (7,469) | 5,674 |
| Miscellaneous | 48,312 | 2,428 | 1,612 | 22,112 | 96,552 | - | 17,260 | 17,260 | 17,260 | 17,260 |
| Extraordinary or special items | - | - | - | - | (1,840,453) | - | - | - | - | - |
| Transfers | - | 693,080 | 699,540 | 733,244 | 9,133 | (3,390) | 4,916,558 | (12,952) | 487,996 | 211,777 |
| Total business-type activities | 31,605 | 654,156 | 675,706 | 712,432 | (1,758,385) | (43,594) | 4,926,382 | (50,172) | 497,787 | 234,711 |
| Total primary government | \$ 14,616,432 | \$ 14,723,735 | \$ 14,668,991 | \$ 15,319,542 | \$ 13,845,970 | \$ 17,955,090 | \$ 17,284,773 | \$ 21,693,944 | \$ 25,612,222 | \$ 26,211,360 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 10,491,308 | \$ 9,729,559 | \$ 5,772,499 | \$ (1,291,192) | \$ (6,350,427) | \$ (2,173,378) | \$ (10,094,032) | \$ (297,570) | \$ 3,448,213 | \$ 192,573 |
| Business-type activities | (119,894) | 480,565 | 233,302 | 398,523 | (2,223,462) | 581,675 | 6,057,531 | 983,538 | 2,713,789 | 3,016,882 |
| Total primary government | \$ 10,371,414 | \$ 10,210,124 | \$ 6,005,801 | \$ (892,669) | \$ (8,573,889) | \$ (1,591,703) | \$ (4,036,501) | \$ 685,968 | \$ 6,162,002 | \$ 3,209,455 |

* For years 2011 - 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>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| General Fund | | | | | | | | | | |
| Non-spendable | \$ 2,043,561 | \$ 1,702,265 | \$ 2,767,627 | \$ 2,620,695 | \$ 3,644,673 | \$ 4,066,023 | \$ 2,267,471 | \$ 3,374,406 | \$ 1,365,482 | \$ 90,715 |
| Restricted | 137,294 | - | - | - | - | - | - | - | - | - |
| Committed | 3,772,040 | 3,810,700 | 3,947,700 | 4,336,250 | 4,752,160 | 4,819,510 | 5,355,390 | 5,000,000 | 5,000,000 | 5,000,000 |
| Assigned | - | - | - | 500,000 | 500,000 | - | - | - | - | - |
| Unassigned | 10,123,613 | 11,377,733 | 10,761,488 | 11,233,923 | 10,397,422 | 11,728,429 | 12,375,687 | 13,369,469 | 17,054,135 | 21,645,299 |
| Total general fund | <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> | <u>\$ 21,743,875</u> | <u>\$ 23,419,617</u> | <u>\$ 26,736,014</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Non-spendable | \$ 2,545,717 | \$ 2,545,717 | \$ - | \$ 4,250 | \$ - | \$ 475 | \$ - | \$ - | \$ - | \$ - |
| Restricted | 822,403 | 952,732 | 1,029,692 | 1,216,960 | 1,416,342 | 4,801,853 | 1,377,953 | 4,236,284 | 4,164,635 | 22,463,174 |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned | 10,068,691 | 5,762,916 | 5,092,915 | 6,470,043 | 5,922,601 | 5,070,511 | 2,725,755 | 2,329,660 | 4,300,798 | 5,401,826 |
| Unassigned | - | - | - | (3,750) | - | (3,338) | - | (45,775) | - | - |
| Total all other governmental funds | <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> | <u>\$ 6,520,169</u> | <u>\$ 8,465,433</u> | <u>\$ 27,865,000</u> |
| Total governmental funds | <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> | <u>\$ 28,264,044</u> | <u>\$ 31,885,050</u> | <u>\$ 54,601,014</u> |

Town of Sahuarita, Arizona

Changes in Fund Balances-Governmental Funds

Last 10 Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| | Fiscal Year | | | | | | | | | |
|---|---------------------|-----------------------|-----------------------|---------------------|-------------------|---------------------|-----------------------|---------------------|---------------------|----------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 8,082,127 | \$ 7,522,856 | \$ 7,272,556 | \$ 7,833,935 | \$ 7,733,916 | \$ 9,729,692 | \$ 10,521,394 | \$ 12,083,698 | \$ 14,801,091 | \$ 15,461,531 |
| Licenses and permits | 1,202,273 | 779,759 | 1,112,125 | 1,442,097 | 1,400,104 | 2,023,097 | 1,945,695 | 2,145,417 | 3,310,486 | 3,394,959 |
| Intergovernmental | 24,324,397 | 15,007,062 | 18,033,692 | 12,968,488 | 12,287,093 | 10,207,958 | 11,805,267 | 16,115,234 | 15,640,182 | 14,825,272 |
| Charges for services | 941,508 | 885,253 | 818,730 | 897,726 | 790,468 | 808,810 | 878,237 | 1,001,866 | 1,054,089 | 1,220,527 |
| Fines and forfeitures | 398,853 | 437,903 | 305,497 | 284,850 | 220,717 | 228,990 | 233,294 | 234,156 | 351,497 | 235,561 |
| Investment earnings (losses) | 59,754 | 368,272 | 191,184 | 319,547 | 171,364 | 246,449 | 715,484 | 646,904 | 104,506 | (468,427) |
| Miscellaneous | 883,130 | 903,525 | 948,880 | 3,674,431 | 516,844 | 479,445 | 1,327,314 | 829,542 | 891,881 | 452,637 |
| Total revenues | 35,892,042 | 25,904,630 | 28,682,664 | 27,421,074 | 23,120,506 | 23,724,441 | 27,426,685 | 33,056,817 | 36,153,732 | 35,122,060 |
| Expenditures | | | | | | | | | | |
| General government | 4,225,983 | 4,251,121 | 4,789,425 | 4,949,318 | 5,248,825 | 5,378,887 | 5,911,045 | 6,397,001 | 7,139,333 | 7,823,528 |
| Public safety | 6,344,200 | 6,298,986 | 6,790,927 | 7,265,205 | 8,032,783 | 8,465,327 | 8,925,551 | 9,532,455 | 14,035,010 | 10,792,401 |
| Culture and recreation | 1,327,626 | 1,308,499 | 1,460,244 | 1,522,317 | 1,657,399 | 1,819,692 | 1,905,141 | 2,146,395 | 2,250,476 | 2,463,500 |
| Highways and streets | 1,636,412 | 1,752,307 | 1,680,784 | 1,677,927 | 1,952,810 | 2,044,195 | 3,359,861 | 3,354,911 | 3,294,954 | 3,408,999 |
| Capital outlay | 16,244,947 | 12,156,038 | 13,161,400 | 6,203,139 | 3,907,733 | 5,977,427 | 6,322,416 | 7,483,531 | 1,871,831 | 9,587,471 |
| Debt service: | | | | | | | | | | |
| Principal | 1,320,000 | 1,380,000 | 1,440,000 | 1,532,317 | 1,440,873 | 1,643,257 | 2,424,983 | 2,675,243 | 2,952,350 | 3,465,525 |
| Interest | 1,477,721 | 1,420,705 | 1,207,835 | 1,039,066 | 910,645 | 592,592 | 984,151 | 857,433 | 932,735 | 873,649 |
| Fiscal charges | 5,150 | 5,150 | 5,150 | 5,919 | 5,650 | 8,850 | 9,600 | 9,600 | 10,900 | 10,400 |
| Debt issuance costs | - | - | 113,190 | - | 492,273 | 425,853 | - | 347,250 | - | 433,264 |
| Total expenditures | 32,582,039 | 28,572,806 | 30,648,955 | 24,195,208 | 23,648,991 | 26,356,080 | 29,842,748 | 32,803,819 | 32,487,589 | 38,858,737 |
| Excess (deficiency) of revenues over (under) expenditures | 3,310,003 | (2,668,176) | (1,966,291) | 3,225,866 | (528,485) | (2,631,639) | (2,416,063) | 252,998 | 3,666,143 | (3,736,677) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Face amount of long-term debt | - | - | 8,840,000 | - | 9,940,000 | 9,993,000 | - | 3,475,000 | - | 31,382,000 |
| Payments to refunded debt escrow | - | - | (8,726,810) | - | (9,503,858) | (4,128,702) | - | - | - | (5,616,346) |
| Premium (discount) on long-term debt | - | - | - | - | 57,694 | - | - | - | - | - |
| Capital leases | - | - | - | 286,327 | 298,609 | 612,416 | 611,161 | 398,755 | 419,958 | - |
| Lease agreements | - | - | - | - | - | - | - | - | - | 591,722 |
| Proceeds from the sale of assets | - | - | - | - | - | 1,800 | 106,414 | 22,083 | 22,901 | 24,802 |
| Insurance recoveries | - | - | - | - | - | - | - | - | - | 58,459 |
| Transfers in | 5,345,638 | 3,316,838 | 118,013 | 16,697 | 2,565,863 | 1,284,236 | 715,868 | 2,882,793 | 680,798 | 1,164,142 |
| Transfers out | (5,345,638) | (4,009,918) | (817,553) | (749,941) | (2,574,996) | (1,280,846) | (5,398,587) | (2,869,841) | (1,168,794) | (1,152,138) |
| Net other financing sources (uses) | - | (693,080) | (586,350) | (446,917) | 783,312 | 6,481,904 | (3,965,144) | 3,908,790 | (45,137) | 26,452,641 |
| Net change in fund balances | \$ 3,310,003 | \$ (3,361,256) | \$ (2,552,641) | \$ 2,778,949 | \$ 254,827 | \$ 3,850,265 | \$ (6,381,207) | \$ 4,161,788 | \$ 3,621,006 | \$ 22,715,964 |
| Debt service as a percentage of noncapital expenditures | 11.7% | 14.1% | 12.1% | 16.6% | 15.8% | 12.7% | 16.2% | 14.7% | 16.4% | 14.4% |

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

Town of Sahuarita, Arizona

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

| Fiscal Year | Residential Property | Other Property | Less: Tax-Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Taxable Assessed Value as a Percentage of Actual Taxable Value |
|-------------|----------------------|----------------|---------------------------|------------------------------|-----------------------|--------------------------------|--|
| 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% |
| 2020 | 209,982,549 | 73,698,692 | 28,375,347 | 255,305,894 | 8.2900 | 2,753,885,739 | 9.27% |
| 2021 | 227,663,338 | 76,129,797 | 29,901,771 | 273,891,364 | 8.2900 | 3,020,422,005 | 9.07% |
| 2022 | 245,214,625 | 81,726,492 | 31,139,951 | 295,801,166 | 8.2900 | 2,973,357,890 | 9.95% |

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

Town of Sahuarita, Arizona

Direct and Overlapping Property Tax Rates

Last 10 Fiscal Years

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

(Unaudited)

| TAXING JURISDICTION | Fiscal Year | | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| 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 | 0.3000 | 0.3000 | 0.3000 |
| Rancho Sahuarita CFD -debt service | - | - | - | - | - | - | 4.6900 | 4.6900 | 4.6900 | 4.6900 |
| Total Direct Rate | \$3.3000 | \$3.3000 | \$3.3000 | \$3.6000 | \$3.6000 | \$3.6000 | \$8.2900 | \$8.2900 | \$8.2900 | \$8.2900 |
| Overlapping Rates | | | | | | | | | | |
| State of Arizona Education Assistance | \$0.4717 | \$0.5123 | \$0.5089 | \$0.5054 | \$0.5010 | \$0.4875 | \$0.4741 | \$0.4566 | \$0.4426 | \$0.4263 |
| Central Arizona Water Conservation District | 0.1000 | 0.1400 | 0.1400 | 0.1400 | 0.1400 | 0.1400 | 0.1400 | 0.1400 | 0.1400 | 0.1400 |
| Pima County | 4.1978 | 4.4465 | 4.9779 | 5.0877 | 4.9896 | 5.1596 | 4.7596 | 4.6896 | 4.4420 | 4.3264 |
| Free Library District | 0.3460 | 0.3753 | 0.4353 | 0.5153 | 0.5153 | 0.5053 | 0.5153 | 0.5353 | 0.5353 | 0.5353 |
| Fire District Assistance | 0.0447 | 0.0456 | 0.0472 | 0.0467 | 0.0468 | 0.0459 | 0.0441 | 0.0430 | 0.0416 | 0.0394 |
| Flood Control District | 0.2635 | 0.2635 | 0.3035 | 0.3135 | 0.3335 | 0.3135 | 0.3335 | 0.3335 | 0.3335 | 0.3335 |
| Pima County Community College District | 1.1741 | 1.2933 | 1.3344 | 1.3689 | 1.3733 | 1.3890 | 1.3983 | 1.3758 | 1.3359 | 1.2733 |
| 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 | 5.5183 | 6.6341 | 7.2885 | 7.2847 | 7.3670 | 9.0399 | 8.4240 | 7.8712 | 7.4213 | 7.3042 |
| Continental School District #39 | 1.5729 | 1.7027 | 2.6146 | 2.6512 | 2.4626 | 2.4991 | 2.5037 | 2.1280 | 2.3249 | 2.2488 |
| Green Valley Fire District | 2.0400 | 2.2100 | 2.2800 | 2.3807 | 2.3804 | 2.5299 | 2.5299 | 2.5299 | 2.5298 | 2.7250 |

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 | % |
|-------------------------|------------|-----------------------------|-------|---------------------------------------|----------------------|--------|
| 2013 | \$ 289,408 | \$ 282,819 | 97.7% | \$ 6,066 | \$ 288,885 | 99.8% |
| 2014 | 299,920 | 295,971 | 98.7% | 3,494 | 299,465 | 99.8% |
| 2015 | 354,729 | 349,511 | 98.5% | 4,740 | 354,251 | 99.9% |
| 2016 | 409,390 | 403,518 | 98.6% | 5,573 | 409,091 | 99.9% |
| 2017 | 466,290 | 459,558 | 98.6% | 6,432 | 465,990 | 99.9% |
| 2018 | 521,909 | 514,526 | 98.6% | 6,942 | 521,468 | 99.9% |
| 2019 | 597,653 | 588,900 | 98.5% | 8,281 | 597,181 | 99.9% |
| 2020 | 727,846 | 718,842 | 98.8% | 9,005 | 727,847 | 100.0% |
| 2021 | 881,703 | 859,020 | 97.4% | 22,683 | 881,703 | 100.0% |
| 2022 | 1,016,871 | 995,101 | 97.9% | N/A | 995,101 | 97.9% |

RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT

| Fiscal Year Ended | Tax Levy | Collections in Levy Year | % | Collections in Subsequent Years | Total Collections | % |
|-------------------------|----------|-----------------------------|--------|---------------------------------------|----------------------|--------|
| 2016 | \$ 2,361 | \$ 2,361 | 100.0% | \$ - | \$ 2,361 | 100.0% |
| 2017 | 2,303 | 2,303 | 100.0% | - | 2,303 | 100.0% |
| 2018 | 2,445 | 2,445 | 100.0% | - | 2,445 | 100.0% |
| 2019 | 58,512 | 58,491 | 100.0% | 10 | 58,501 | 100.0% |
| 2020 | 77,792 | 76,791 | 98.7% | 1,001 | 77,792 | 100.0% |
| 2021 | 158,925 | 147,845 | 93.0% | 2,316 | 150,161 | 94.5% |
| 2022 | 346,450 | 341,007 | 98.4% | N/A | 341,007 | 98.4% |

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

Source: Town Finance Department.

Town of Sahuarita, Arizona

Sales Tax Collections by Industry Group

Last 10 Fiscal Years

(Unaudited)

| | Fiscal Year | | | | | | | | | |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| Industry | | | | | | | | | | |
| Communications and utilities | \$ 770,052 | \$ 800,476 | \$ 808,461 | \$ 821,809 | \$ 782,871 | \$ 889,527 | \$ 865,519 | \$ 889,208 | \$ 955,654 | \$ 975,676 |
| Construction | 2,733,333 | 1,910,680 | 1,144,381 | 2,133,101 | 1,860,616 | 3,196,589 | 3,685,302 | 3,859,293 | 5,324,520 | 4,956,853 |
| Manufacturing | 207,854 | 216,527 | 260,282 | - | - | - | - | - | - | - |
| Retail trade | 2,933,239 | 3,085,336 | 3,444,176 | 3,237,825 | 3,325,585 | 3,680,143 | 3,994,842 | 4,602,911 | 5,531,330 | 6,051,659 |
| Real estate, rental and leasing | 267,564 | 282,915 | 326,081 | 299,969 | 335,178 | 332,545 | 425,461 | 441,743 | 581,914 | 536,412 |
| Restaurant and bar | 295,327 | 327,043 | 365,677 | 513,744 | 552,429 | 600,408 | 699,785 | 803,652 | 873,264 | 1,008,493 |
| Services | 61,450 | 73,430 | 86,165 | - | - | - | - | - | - | - |
| Other | 218,662 | 219,884 | 166,020 | 94,771 | 98,611 | 150,136 | 118,021 | 111,584 | 76,969 | 95,176 |
| Total | \$ 7,487,481 | \$ 6,916,291 | \$ 6,601,243 | \$ 7,101,219 | \$ 6,955,290 | \$ 8,849,348 | \$ 9,788,930 | \$ 10,708,391 | \$ 13,343,651 | \$ 13,624,269 |
| 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 | |
| 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% |
| 2020 | 2.00% | 4.00% | 4.00% | 5.60% | 0.50% |
| 2021 | 2.00% | 4.00% | 4.00% | 5.60% | 0.50% |
| 2022 | 2.00% | 4.00% | 4.00% | 5.60% | 0.50% |

Source: Town Code and Town Finance Department.

Town of Sahuarita, Arizona

Principal Sales Tax Remitters

Fiscal Years 2022 and 2013

(Unaudited)

| Tax Remitter ¹ | Fiscal Year 2022 | | | Fiscal Year 2013 | | |
|---------------------------|---------------------|------|------------------------|---------------------|------|------------------------|
| | Tax Liability | Rank | Percentage of Total | Tax Liability | Rank | Percentage of Total |
| Business A | \$ 1,483,308 | 1 | 10.89% | \$ 448,622 | 3 | 5.99% |
| Business B | 1,378,029 | 2 | 10.11% | 1,046,589 | 1 | 13.98% |
| Business C | 862,711 | 3 | 6.33% | | | |
| Business D | 640,491 | 4 | 4.70% | | | |
| Business E | 472,447 | 5 | 3.47% | 313,308 | 5 | 4.18% |
| Business F | 435,161 | 6 | 3.19% | 289,193 | 8 | 3.86% |
| Business G | 412,104 | 7 | 3.02% | 286,192 | 9 | 3.82% |
| Business H | 390,480 | 8 | 2.87% | 321,521 | 4 | 4.29% |
| Business I | 373,792 | 9 | 2.74% | | | |
| Business J | 368,915 | 10 | 2.71% | | | |
| Business K | | | | 960,636 | 2 | 12.83% |
| Business L | | | | 307,705 | 6 | 4.11% |
| Business M | | | | 290,595 | 7 | 3.88% |
| Business N | | | | 203,104 | 10 | 2.71% |
| | <u>\$ 6,817,438</u> | | <u>50.03%</u> | <u>\$ 4,467,465</u> | | <u>59.65%</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)

| Fiscal Year | Average Household Bill | Admin Service Charge | Economy of Scale Factor | Wastewater Flow Contribution Rate (per ccf) | | | | | | | | | | | | | | | | |
|-------------|------------------------|----------------------|-------------------------|--|----------|---------|---------|----------|----------|----------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
| | | | | User Classification | | | | | | | | | | | | | | | | |
| | | | | General | 3C | 3K | 3N | 4E | 4G | 4H | 5A | 5C | 5F | 5G | 5I | 5J | 5K | 5L | 5M | 5S |
| 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 |
| 2020 | \$51.07 | \$18.97 | 1.000 | \$8.390 | \$17.619 | \$9.145 | \$9.145 | \$10.068 | \$17.032 | \$19.465 | \$9.984 | \$6.801 | \$8.474 | \$1.603 | \$8.893 | \$30.456 | \$19.549 | \$10.488 | \$19.968 | \$10.320 |
| 2021 | \$51.07 | \$18.97 | 1.000 | \$8.390 | \$17.619 | \$9.145 | \$9.145 | \$10.068 | \$17.032 | \$19.465 | \$9.984 | \$6.801 | \$8.474 | \$1.603 | \$8.893 | \$30.456 | \$19.549 | \$10.488 | \$19.968 | \$10.320 |
| 2022 | \$51.07 | \$18.97 | 1.000 | \$8.390 | \$17.619 | \$9.145 | \$9.145 | \$10.068 | \$17.032 | \$19.465 | \$9.984 | \$6.801 | \$8.474 | \$1.603 | \$8.893 | \$30.456 | \$19.549 | \$10.488 | \$19.968 | \$10.320 |

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 | 2020 Series RS CFD GO Bonds | 2022 Series RS CFD GO Bonds | 2006A GADA Loan | 2009B GADA Loan | 2015 Refunding Obligation | 2017 Refunding Obligation | 2021 Excise Tax Obligation | Leases | 2008A WIFA Loans | 2008B WIFA Loans | 2019 Refunding Obligation | Leases | | | |
| 2013 | \$ 11,285,000 | | | | | \$ 11,658,502 | \$ 5,913,032 | | | | | \$ 25,073,245 | \$ 2,477,454 | | | \$ 56,407,233 | 7.65% | \$2,061 |
| 2014 | 10,900,000 | | | | | 10,908,752 | 5,650,343 | | | | | 23,898,673 | 2,356,789 | | | 53,714,557 | 7.17% | 1,924 |
| 2015 | 10,495,000 | | | | | 1,602,808 | 5,377,653 | \$ 8,840,000 | | | | 22,680,372 | 2,251,130 | | | 51,246,963 | 6.69% | 1,812 |
| 2016 | 10,070,000 | | | | | 823,940 | 5,094,963 | 8,840,000 | | | \$ 259,010 | 21,416,714 | 2,056,097 | | | 48,560,724 | 5.81% | 1,684 |
| 2017 | - | \$ 9,978,664 | | | | - | 4,802,274 | 8,840,000 | | | 487,984 | 20,106,010 | 2,296,725 | \$ 220,594 | | 46,732,251 | 5.29% | 1,587 |
| 2018 | - | 9,810,431 | \$ 5,780,000 | | | - | 662,797 | 8,120,000 | \$ 4,129,000 | | 936,143 | 18,746,508 | 2,141,428 | 199,741 | | 50,526,048 | 5.38% | 1,669 |
| 2019 | - | 9,428,784 | 5,780,000 | | | - | 338,518 | 7,025,000 | 4,074,000 | | 1,267,320 | 17,336,392 | 1,980,350 | 178,056 | | 47,408,420 | 4.53% | 1,509 |
| 2020 | - | 8,743,440 | 5,780,000 | \$ 3,475,000 | | - | - | 5,910,000 | 4,018,000 | | 1,303,185 | - | 1,813,274 | \$ 13,477,000 | - | 44,519,899 | 3.86% | 1,291 |
| 2021 | - | 8,049,027 | 5,651,000 | 3,475,000 | | - | - | 4,775,000 | 3,606,000 | | 1,223,793 | - | 1,639,978 | 12,358,000 | - | 40,777,798 | 3.38% | 1,154 |
| 2022 | - | 7,339,466 | - | 3,410,000 | 25,004,000 | - | - | 3,615,000 | 3,186,000 | \$ 5,989,000 | 1,250,111 | - | 1,460,231 | 11,357,000 | - | 62,610,808 | 4.82% | 1,676 |

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 |
|--------------------|---|--|--|
| 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 |
| 2020 | 8,743,440 | 40% | 6,645 |
| 2021 | 8,049,027 | 30% | 5,093 |
| 2022 | 7,339,466 | 24% | 4,102 |

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

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, 2022

(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 | \$ 95,961,000 | 3.05% | \$ 2,926,811 |
| Pima County Community College | 53,474,401 | 3.05% | 1,630,969 |
| Sahuarita Unified School District | 49,724,721 | 53.8% | 26,751,900 |
| Continental School District | 11,618,000 | 26.1% | 3,032,298 |
| Green Valley Fire District | 10,935,000 | 36.8% | 4,024,080 |
| Subtotal, overlapping debt | <u>\$ 221,713,122</u> | | <u>38,366,058</u> |
| Town direct debt-governmental activities | | | <u>49,793,577</u> |
| Total direct and overlapping debt | | | <u>\$ 88,159,635</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 2022

| | |
|--|----------------|
| Assessed Value | \$ 295,801,166 |
| Debt Limit: | |
| 6% of assessed value ¹ | 17,748,070 |
| 20% of assessed value ² | 59,160,233 |
| Total debt limit | 76,908,303 |
| Debt applicable to limit: | |
| General obligation bonds ³ | - |
| Less: Amount set aside for repayment of general obligation debt | - |
| Total net debt applicable to limit | - |
| Legal debt margin | \$ 76,908,303 |

| | Fiscal Year | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| Debt Limit: | \$ 52,031,993 | \$ 49,583,099 | \$ 49,469,906 | \$ 54,854,863 | \$ 55,240,973 | \$ 57,749,819 | \$ 60,808,134 | \$ 66,379,533 | \$ 71,211,755 | \$ 76,908,303 |
| Total net debt applicable to limit | - | - | - | - | - | - | - | - | - | - |
| Legal debt margin | \$ 52,031,993 | \$ 49,583,099 | \$ 49,469,906 | \$ 54,854,863 | \$ 55,240,973 | \$ 57,749,819 | \$ 60,808,134 | \$ 66,379,533 | \$ 71,211,755 | \$ 76,908,303 |
| Total net debt applicable to the limit as a percentage of debt limit. | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Notes:

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

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

³ The Community Facilities Districts, legally separate entities, are special taxing districts whose debt was approved by District voters. The Districts' general obligation debt does not count towards the Town's legal debt limit.

Town of Sahuarita, Arizona

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

| Loans¹ | | | | | | | | |
|--------------------------|-------------------------|---------------------|----------------|---------------------|-----------|---------------------------------|----------------|----------------|
| Fiscal Year | Pledged Revenues | | | Debt Service | | | Coverage Ratio | Required Ratio |
| | State Shared Revenues | Excise Tax Revenues | Total Revenues | Principal | Interest | Total Debt Service ² | | |
| 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 |
| 2020 | 8,436,872 | 14,643,990 | 23,080,862 | 1,684,296 | 305,402 | 1,989,698 | 11.60 | 2.00 |
| 2021 | 9,851,009 | 18,374,087 | 28,225,096 | 1,726,748 | 260,845 | 1,987,593 | 14.20 | 2.00 |
| 2022 | 10,782,461 | 18,909,238 | 29,691,699 | 2,155,440 | 273,763 | 2,429,203 | 12.22 | 2.00 |

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

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

Town of Sahuarita, Arizona

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

2008A WIFA Loan

| Fiscal Year | Pledged Resources | | | Total Sources Available for Coverage | Debt Service | | Total Debt Service | Coverage Ratio | Required Ratio |
|-------------------|----------------------------|-------------------------|----------------------------|--------------------------------------|--------------|-----------|--------------------|----------------|----------------|
| | Wastewater System Revenues | Wastewater O&M Expenses | Other Sources ¹ | | Principal | Interest | | | |
| 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 |

2019 System Revenue Refunding Obligations

| Fiscal Year | Pledged Resources | | | Net System Revenues | Debt Service | | Total Debt Service | Coverage Ratio | Required Ratio |
|-------------|----------------------------|-------------------------|--|---------------------|--------------|-----------|--------------------|----------------|----------------|
| | Wastewater System Revenues | Wastewater O&M Expenses | | | Principal | Interest | | | |
| 2020 | \$4,758,751 | \$(1,998,070) | | \$2,760,681 | \$1,119,000 | \$164,599 | \$1,283,599 | 2.15 | 1.20 |
| 2021 | 5,799,878 | (2,147,318) | | 3,652,560 | 1,001,000 | 282,998 | 1,283,998 | 2.84 | 1.20 |
| 2022 | 6,318,582 | (2,104,014) | | 4,214,568 | 1,024,000 | 260,075 | 1,284,075 | 3.28 | 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 |
|---------|------------|--|-------------------------------------|-----------------------|-------------------|
| 2013 | 27,367 | 95.1% | 35.2% | \$ 75,284 | 4.6% |
| 2014 | 27,914 | 94.8% | 32.8% | \$ 76,183 | 3.8% |
| 2015 | 28,287 | 96.0% | 38.0% | \$ 77,250 | 4.6% |
| 2016 | 28,839 | 94.6% | 37.5% | \$ 81,212 | 4.1% |
| 2017 | 29,455 | 94.6% | 39.0% | \$ 84,454 | 3.5% |
| 2018 | 30,282 | 95.5% | 38.9% | \$ 86,713 | 3.7% |
| 2019 | 31,421 | 95.5% | 40.3% | \$ 91,499 | 3.6% |
| 2020 | 34,485 | 94.8% | 42.4% | \$ 94,642 | 3.4% |
| 2021 | 35,337 | 94.8% | 42.4% | \$ 94,642 | N/A |
| 2022 | 37,367 | 94.8% | 42.4% | \$ 94,642 | N/A |

Sources: US Census Bureau, American Fact Finder website.
2022 information is estimated by the Town.

Town of Sahuarita, Arizona

Principal Employers 2022 and 2013 (Unaudited)

| <u>Employer</u> | <u>2022</u> | | <u>2013</u> | |
|-----------------------------------|------------------|--|------------------|--|
| | <u>Employees</u> | <u>Percentage of Total Town Employment</u> | <u>Employees</u> | <u>Percentage of Total Town Employment</u> |
| Sahuarita Unified School District | 809 | 22.48% | 843 | 31.68% |
| La Posada | 575 | 15.98% | | |
| Walmart | 297 | 8.25% | 402 | 15.11% |
| Fry's | 239 | 6.64% | 160 | 6.01% |
| Northwest Medical Center | 221 | 6.14% | | |
| Town of Sahuarita | 173 | 4.81% | 134 | 5.04% |
| Farmers Investment Company | 145 | 4.03% | 233 | 8.76% |
| Safeway | 111 | 3.08% | 90 | 3.38% |
| Sprouts | 84 | 2.33% | | |
| Jim Click Ford | 47 | 1.31% | 48 | 1.80% |
| El Charro | | | 50 | 1.88% |
| Climax Engineered Materials | | | 42 | 1.58% |
| Ross | * | | 33 | 1.24% |
| Total | <u>2,701</u> | <u>75.05%</u> | <u>2,035</u> | <u>76.48%</u> |

* Still an employer but not in the top-10.

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

Town of Sahuarita, Arizona

Full-time Equivalent Town Government Employees

Last 10 Fiscal Years

(Unaudited)

| <u>Function/Department or Division</u> | Authorized Full-time Equivalent Employees as of June 30 | | | | | | | | | |
|--|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| General Government | | | | | | | | | | |
| Town Manager | 6.3 | 5.0 | 6.0 | 6.0 | 6.0 | 6.0 | 4.0 | 6.0 | 6.0 | 6.0 |
| Economic Development | - | - | - | - | - | - | 2.0 | 2.0 | 2.0 | 2.0 |
| Town Clerk | 3.4 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 4.0 | 4.0 | 4.0 |
| Finance | 8.0 | 8.0 | 8.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 11.0 |
| Human Resources | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 3.0 | 3.0 | 3.0 | 4.0 |
| Planning & Zoning | 5.2 | 5.4 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 4.6 | 4.6 | 4.6 |
| Public Works-Facilities | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 1.8 | 2.9 |
| Municipal Court | 8.0 | 8.0 | 8.0 | 8.0 | 7.0 | 6.0 | 6.0 | 6.0 | 8.0 | 9.0 |
| Law | 4.0 | 4.0 | 4.0 | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 4.0 |
| General Government Total | 37.9 | 38.4 | 39.0 | 40.0 | 40.0 | 39.0 | 40.0 | 41.6 | 43.4 | 47.5 |
| Public Safety | | | | | | | | | | |
| Building Safety | 6.0 | 6.0 | 7.0 | 7.0 | 7.0 | 7.0 | 8.0 | 9.4 | 9.4 | 10.4 |
| Public Works-Engineering | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 5.0 | 4.2 | 3.8 | 3.2 |
| Police Dept | 51.0 | 50.0 | 51.0 | 51.0 | 53.0 | 55.0 | 58.0 | 60.0 | 62.0 | 68.0 |
| Public Safety Total | 60.5 | 59.5 | 61.5 | 61.5 | 63.5 | 65.5 | 71.0 | 73.6 | 75.2 | 81.6 |
| Culture & Recreation | | | | | | | | | | |
| Parks & Recreation | 15.1 | 14.7 | 14.7 | 15.1 | 15.3 | 16.3 | 17.4 | 18.4 | 18.4 | 18.7 |
| Highways & Streets | | | | | | | | | | |
| Streets | 14.0 | 14.0 | 12.7 | 12.7 | 9.7 | 10.7 | 10.5 | 11.9 | 11.3 | 11.7 |
| Sewer | | | | | | | | | | |
| Wastewater Utility | 7.3 | 7.3 | 6.9 | 6.9 | 6.3 | 6.3 | 6.5 | 6.5 | 6.5 | 6.5 |
| Finance-Billing & Collections | - | - | - | 1.0 | 2.0 | 2.0 | 2.0 | 2.5 | 2.7 | 2.8 |
| Sewer Total | 7.3 | 7.3 | 6.9 | 7.9 | 8.3 | 8.3 | 8.5 | 9.0 | 9.2 | 9.3 |
| Total | 134.8 | 133.9 | 134.8 | 137.2 | 136.8 | 139.8 | 147.4 | 154.4 | 157.4 | 168.7 |

Source: Town Finance Department.

Town of Sahuarita, Arizona

Operating Indicators Last 10 Fiscal Years (Unaudited)

| Function/Program | Fiscal Year | | | | | | | | | |
|---|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------------|--------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 ² | 2022 |
| Town Clerk | | | | | | | | | | |
| Business licenses issued | 1,152 | 1,272 | 1,277 | 1,485 | 1,514 | 1,507 | 1,422 | 1,394 | 1,320 | 1,328 |
| Building Safety | | | | | | | | | | |
| Building permits-single family residential | 267 | 169 | 206 | 277 | 248 | 370 | 324 | 464 | 559 | 554 |
| Building permits-other | 592 | 686 | 701 | 724 | 711 | 673 | 580 | 691 | 1,243 | 1,435 |
| Police | | | | | | | | | | |
| Traffic citations | 2,116 | 2,209 | 1,452 | 1,221 | 1,183 | 807 | 1,765 | 1,203 | 1,273 | 1,113 |
| Calls for service | 8,380 | 8,259 | 8,111 | 8,429 | 8,129 | 8,416 | 8,504 | 8,136 | 7,299 | 7,386 |
| Human Resources | | | | | | | | | | |
| Number of job openings | 21 | 20 | 22 | 25 | 40 | 42 | 50 | 44 | 45 | 56 |
| Number of applicants | 741 | 611 | 1,027 | 1,103 | 698 | 785 | 844 | 757 | 531 | 900 |
| Turnover rate | 9% | 12% | 11% | 11% | 12% | 18% | 13% | 15% | 10% | 18% |
| Municipal Court | | | | | | | | | | |
| Hearings/Court sessions | 11,090 | 12,007 | 10,304 | 10,007 | Note 1 | 4,794 | 5,532 | 5,841 | 5,544 | 5,390 |
| Filings ¹ | 3,066 | 3,387 | 2,494 | 2,373 | 2,602 | 2,204 | 3,248 | 3,051 | 3,270 | 2,628 |
| Public Works | | | | | | | | | | |
| Street resurfacing (miles) | 17.8 | 18.0 | 18.0 | 20.5 | 28.1 | 3.0 | 32.0 | 24.6 | 60.5 | 12.0 |
| Potholes repaired | 225 | 172 | 122 | 87 | 64 | 8 | 81 | 56 | 147 | 11 |
| Road Overall Condition Index (OCI) | Information Not Available (N/A) | | | | | | | 75 | 76 | 75 |
| Parks and Recreation | | | | | | | | | | |
| Number of recreation programs offered | 42 | 55 | 47 | 43 | 43 | 181 | 114 | 191 | 58 | 799 |
| Athletic court/field permits issued | N/A | | | 127 | 114 | 67 | 84 | 105 | Note 2 | 3,953 |
| Recreation center permits issued | N/A | | | 32 | 27 | 22 | 56 | 101 | 117 | 1,078 |
| Ramada/Gazebo permits issued | N/A | | | 158 | 166 | 141 | 130 | 133 | 48 | 1,024 |
| Special event/commercial permits issued | N/A | | | 57 | 55 | 29 | 29 | 25 | 48 | 46 |
| Special event attendance | N/A | | | 26,400 | 31,919 | 42,878 | 53,546 | 31,135 | 12,100 | 73,000 |
| Recreation program participants | N/A | | | 17,189 | 15,630 | 10,881 | 11,005 | 8,461 | 5,938 | 5,443 |
| Wastewater | | | | | | | | | | |
| Average daily sewage treated (thousands of gallons) | 760.0 | 765.0 | 755.0 | 777.0 | 802.0 | 828.4 | 867.0 | 887.5 | 890.7 | 876.5 |
| Long-term storage credits (acre feet) | 2,301.65 | 2,822.56 | 3,589.54 | 4,117.87 | 4,928.48 | 5,722.21 | 6,617.91 | 7,407.23 | 8,515.02 | N/A |
| Estimated value of LTSCs, CAP rates | \$308,513 | \$543,484 | \$740,809 | \$871,752 | \$1,101,043 | \$1,339,241 | \$1,506,631 | \$1,780,887 | \$2,065,345 | |
| Estimated value of LTSCs, CAGR rates | \$981,884 | \$1,392,087 | \$1,986,810 | \$2,538,667 | \$3,131,556 | \$3,903,692 | \$4,270,537 | \$4,919,882 | \$5,716,984 | |

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

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

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

² COVID-19 pandemic impacted operations throughout the year.

Source: The applicable Town of Sahuarita departments.

Town of Sahuarita, Arizona

Capital Asset Statistics Last 10 Fiscal Years (Unaudited)

| <u>Function/Program</u> | <u>Fiscal Year</u> | | | | | | | | | |
|---|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| Planning & Building | | | | | | | | | | |
| Vehicles | Information not collected | | | | 4 | 4 | 4 | 4 | 3 | 6 |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol vehicles ¹ | 39 | 41 | 42 | 46 | 50 | 50 | 56 | 75 | 81 | 83 |
| Public Works | | | | | | | | | | |
| Streets and highways (<i>miles</i>) | 144 | 144 | 146 | 146 | 156 | 157 | 163 | 169 | 171 | 173 |
| Streetlights | 53 | 53 | 59 | 59 | 69 | 69 | 69 | 69 | 69 | 73 |
| Traffic signals | 15 | 15 | 16 | 16 | 16 | 16 | 16 | 17 | 17 | 18 |
| Parks and Recreation | | | | | | | | | | |
| Park acreage | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 114 | 206 | 206 |
| Basketball courts | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 8 | 8 | 8 |
| Playgrounds | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 6 |
| Skate spots/parks | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Baseball/softball diamonds (lighted) | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 8 | 8 | 8 |
| Soccer/football fields (lighted) | 6 | 6 | 6 | 8 | 8 | 6 | 6 | 7 | 7 | 7 |
| Soccer/football outfield overlays (lighted) | - | - | - | - | - | 2 | 2 | 1 | 1 | 1 |
| Pickleball courts | - | - | - | - | - | - | - | 3 | 3 | 3 |
| Community centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Parks maintenance buildings | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Ramadas | 22 | 22 | 22 | 22 | 22 | 21 | 22 | 25 | 25 | 25 |
| Restroom facilities | 8 | 8 | 8 | 8 | 8 | 9 | 9 | 10 | 10 | 10 |
| Sand volleyball court | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Off-leash dog area | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Vehicles | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 9 | 9 | 9 |
| Wastewater | | | | | | | | | | |
| Permitted treatment capacity (<i>gallons in 1,000s</i>) | 1,500 | 1,500 | 1,500 | 1,500 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |

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

Source: The applicable Town of Sahuarita departments.