

2016

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
TOWN OF SAHUARITA, ARIZONA**

Sahuarita
ARIZONA



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TOWN OF SAHUARITA, ARIZONA



Prepared by the Finance Department



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TOWN OF SAHUARITA, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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Introductory Section

December 16, 2016

**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, 2016.

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, 2016. The independent auditors' report is located at the front of the financial section of this report.

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

GOVERNMENT PROFILE

Our strength stems from our residents. Our Town is ultimately a reflection of its residents, and our vitality stems in great part from a family-oriented population. The Town's estimated population is 29,365. As of the latest U.S. Census reports, our median age is 35.1 years, and our mean household income is \$76,183. Sahuarita is an educated population, with 35.2% 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 136.7 full-time equivalent employees (FTE). Our residents voice a positive affirmation of the Town's reputation for providing core services such as public safety, well-maintained roadways and parks and recreation facilities.

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

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

ECONOMIC CONDITION

We are dedicated to encouraging economic growth, prosperity and quality of life for all residents.

We continue to explore ideas and opportunities that will help the town build a better tomorrow. Strategic and well-planned annexations will help us to find areas of mutual benefit that bring revenue into the town while offering services to new residents and businesses in our community. Additionally, the Sahuarita Advanced Manufacturing and Technology Center (SAMTEC) is a proposed multi-tenant incubator that will provide flexible space for the growth of small business innovation and technologies. SAMTEC will provide the infrastructure for the expansion of Hydronalix (a maritime robotics company) and Control Vision (an optical sensor and control systems company) both already located in Sahuarita. The flex-space and amenities at SAMTEC will support the attraction of other high-value, small firms focused on innovation and commercialization. Given time, the SAMTEC project will establish a small-business, research and technology cluster, with linear business-to-business linkages among its resident companies, further diversifying Sahuarita's economy.

In respect to marketing our community, the Branding Program and Marketing and Communications Plan will establish a strong business, tourism and community identity with the long-term goal of reducing the leakage of local resident incomes being spent elsewhere by bringing amenities and businesses to us. It will also help create a sense of community; increase spending by area tourists, I-19 travelers and businesses; encourage job growth in Sahuarita; and finally, help us become a destination and example for other Southern Arizona communities and municipalities throughout the nation. This program and plan recommends the building of a main street with a programmed plaza for the community, surrounded by businesses that will offer amenities to residents identified through our two most recent citizen surveys. Work done during the 2017 fiscal year will help to position us so that we're able to continue pursuing these long-term goals and making progress toward them.

Looking at Fiscal Year 2017

The Sahuarita Town Council unanimously approved the recommended \$51 million budget for FY 2017 on June 27, 2016, with budget materials available to the public via the Town's website and at the Sahuarita Library. Information and presentations about the FY 2017 budget can be found at sahuaritaaz.gov/FY17.

The FY 2017 budget is balanced: all money that the Town starts the fiscal year with or collects during the fiscal year is appropriated for a specified purpose—to be spent for operations, debt service, capital or saved for the future (as an ending balance).

Of the \$51 million budget, we expect to save \$15.8 million as an ending balance to carry forward into fiscal year 2018, and we continue to leverage revenues purposefully from our years of unprecedented growth to obtain grant, state and federal funds. The Town abides by purpose and policy restrictions in deciding what to do with our surpluses. We currently have three reserve funds in place:

- **Operating Reserve** – At least 25% of budgeted operating expenditures is committed for unforeseen circumstances in the form of stabilization reserves.
- **Capital Reserve** – 20% of the locally funded capital projects costs are set aside for project contingencies.
- **Opportunity Fund** – Town Council adopted a policy to accumulate unassigned balances in the General Fund, with an established target of \$10 million by 2020, for future economic development and other opportunities.

This has been the approach that has put us in the favorable position we are in today, and it will serve us well in the future—keeping us financially sustainable. In keeping with best financial practice and our strategic focus on organizational effectiveness, we seek to realign resources wherever possible. In 2017, one part-time position was eliminated from Public Works and reassigned as a full time position to our Finance Department. Similarly, when the Sahuarita Police Department (SPD) recently identified various areas in need of attention we responded with the creation of two new lieutenant positions for SPD. The lieutenants will help offset some sergeant overtime, and provide supervision, coaching, training and mentoring of sergeants. In addition, they will assist with emergency management, and more fully implement our community policing efforts. Each lieutenant will be responsible for supervision of community policing efforts for their assigned beat. We will reassign administrative duties currently assigned to police officers to the lieutenants and others. This will allow us to move officers back to general policing and community policing efforts. Thus, we maintain our commitment to public safety, and intend to maintain our various rankings as one of the safest places in Arizona to raise a family.

Another department undergoing such changes in FY 2017 is our Department of Law. For the past two years, the functions of the Town Prosecutor were undertaken by an outside attorney who worked only 20 hours per week. We have terminated the contract, and a new full-time employee will start work with us as the Town Prosecutor. With the addition of a full-time Town Prosecutor, attorneys for defendants, defendants, victims, and others involved with our Municipal Court will have much more access to the Town Prosecutor. In addition, the Town Prosecutor will now have twice as much time to work on cases, which will provide increased efficiency and attention to detail in pending cases. The Town Prosecutor is a member of a team that works to keep our community safe, provide services to victims of crimes and reduce repeat offenses. A full-time prosecutor will be much better equipped to work toward these goals. The added position will also benefit those Law Department employees working in the Civil Division, helping them accomplish goals more efficiently. This will directly benefit customer service for Sahuarita residents and those who want to do business with the Town, including developers and business owners.

Our Public Works department is also looking to the Town's future. In this regard, the Sahuarita Water Reclamation Facility currently operates with five constructed recharge basins, three of which are permitted with the Arizona Department of Water Resources (ADWR) and allow the Town to earn credits for the water recharged. The Phase V expansion plans for three additional basins, which were partially excavated to provide fill material for North Santa Cruz Park. The facility currently utilizes the five constructed recharge basins as the most cost-effective method for managing delivery of treated effluent. As part of this effort, the three partially-constructed basins will be completed and ADWR permits will be obtained for the two existing and three additional basins allowing the Town to earn credits for all eight basins.

The addition of the three basins further increases operational flexibility. Maximizing recharge credits is important to the Town's growth strategy. As an enterprise fund, the goal of the wastewater utility is to assure costs are contained and revenues are sufficient to cover those costs. This year, the enterprise will conduct a comprehensive rate study to assess existing sewer rates, develop cost of service models, and recommend rate and fee structures that provide sufficient cost recovery by customer class. The findings will be benchmarked with other, similar utilities. The study will also include best practice recommendations in the industry related to billing and collections.

During FY16 it was decided that the Town should add a separate technology strategic plan to both advise and inform Town staff and residents on allocation of technical resources, prioritization of costs and

foreseeable benefits of technology usage in the years to come. The Town has allocated \$60K for creation of the plan including hiring an external agency to identify key technical focus areas, incorporate ideas with the Town’s Strategic Plan and guide development of technology resources. The plan is expected to include centralizing information systems to promote dissemination between departments and residents, implementing more web-based services with an eye towards ease-of use and data framework re-design to rein in costs. The plan will allow us to take advantage of emerging technologies with a view toward maintaining and improving organizational effectiveness.

As we forge ahead into 2017 and continue to plan for the future of our community, I’m enthusiastic to see us well-placed financially. I’m certain that our Town’s community spirit will be the foundation on which we will build the projects of tomorrow that will set us apart as an exemplary model for other towns in Southern Arizona and throughout the nation. The FY 2017 budget mirrors the priorities identified by our citizens and elected leadership. We intend to boldly pursue a better tomorrow for all Sahuaritans, and we know that as others in the region see what we’re doing and come visit us, they are going to love what we’re continuing to build here: community, economy and an identity of which we can all be proud.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Sahuarita for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the 14th consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



L. Kelly Udall
Town Manager



A.C. Marriotti, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**Town of Sahuarita
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

— Mayor and Council



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



Melissa Hicks
Vice Mayor
mhicks@sahuaritaaz.gov
520-344-7143



Bill Bracco
Councilmember
bbracco@sahuaritaaz.gov
520-344-7141



Kara Egbert
Councilmember
kegbert@sahuaritaaz.gov
520-344-7145



Lynne Skelton
Councilmember
lskelton@sahuaritaaz.gov
520-344-7140



Duane Blumberg
Councilmember
dblumberg@sahuaritaaz.gov
520-344-7146



Gil Lusk
Councilmember
glusk@sahuaritaaz.gov
520-344-7142

Organization



Citizens

Mayor & Council

**Boards
& Commissions**

Municipal Court

Town Manager

Department of Law

Town Clerk

Planning & Building

Finance

Parks & Recreation

Human Resources

Police

Public Works

Streets

Wastewater

About Sahuarita

LOCATION



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

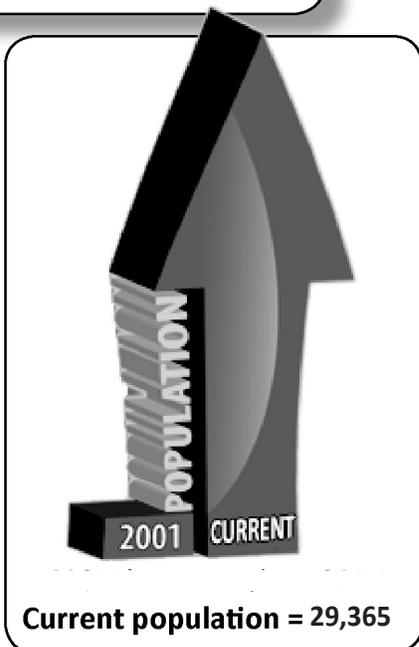
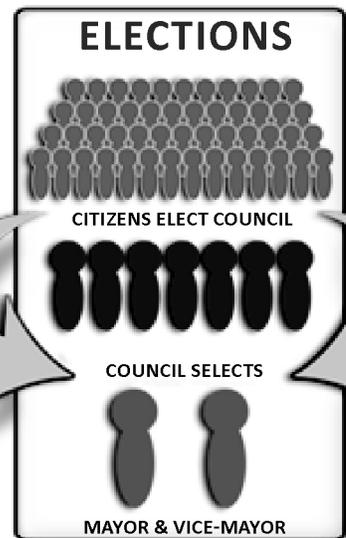
Elevation
2,844 feet

Land Area
30 square miles



HISTORY

The Town of Sahuarita was officially incorporated in 1994.



EDUCATION



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

8 Public Schools
3 Charter Schools





INDEPENDENT AUDITORS' REPORT

Town Council
Town of Sahuarita, Arizona
Sahuarita, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sahuarita, Arizona (Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sahuarita, Arizona as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedules of the General and the Highway User Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion, the Town's proportionate share of the net pension liability and contributions, and the schedule of agent OPEB plan's funding progress on pages 15 through 25, 70 through 72, and 73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Town Council
Town of Sahuarita, Arizona

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

As management of the Town of Sahuarita, Arizona (Town), we are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2016. This overview is presented with all amounts rounded to thousands in order to make it more reader friendly and to focus on significant changes. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which can be found on pages 2-5 of this report.

FINANCIAL HIGHLIGHTS

- At June 30, 2016 net position totaled \$161,884, a decrease of \$892 below last year. Of this amount, \$10,687 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Capital asset balances totaled \$195,736, a decrease of \$2,964 compared to last year. Construction in progress accounted for \$10,005, approximately 5%, of the total balance.
- Long-term liabilities decreased \$1,921 from last year to a total of \$56,985 at June 30, 2016. Liabilities related to employee expenses (pension and compensated absences) accounted for \$9,944, approximately 17%, of the total balance.
- As of the close of the current fiscal year, the governmental funds combined ending fund balances had increased \$2,779 to a new balance of \$26,378. Of this amount, \$2,625 is in a nonspendable form, \$1,215 is restricted for specific purposes due to agreements or laws, \$4,336 is committed for reserves, \$6,970 is assigned by the Town Council, and \$11,232 is unassigned.
- The Wastewater Enterprise Fund's unrestricted net position decreased by \$185 during the year, ending with a deficit balance of (\$5,975).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

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

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

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

The Town maintains six individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund, and for the Capital Infrastructure Improvement 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 statements and schedules have been provided for the governmental funds to demonstrate compliance with the budget.

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's pension plans and progress in funding its obligation to provide OPEB benefits to its employees enrolled in the Public Safety Personnel Retirement System. Required supplementary information can be found on page 70-74 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 77-82 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. The Town's net position was \$161,884 at the close of the most recent fiscal year.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 29,458	\$ 34,609	\$ (1,786)	\$ (1,331)	\$ 27,672	\$ 33,278
Capital assets	147,954	150,434	47,782	48,266	195,736	198,700
Total assets	<u>177,412</u>	<u>185,043</u>	<u>45,996</u>	<u>46,935</u>	<u>223,408</u>	<u>231,978</u>
Deferred outflows	1,781	1,737	64	75	1,845	1,812
Liabilities:						
Current	2,780	7,533	2,063	2,311	4,843	9,844
Long-term	<u>33,871</u>	<u>34,759</u>	<u>23,114</u>	<u>24,147</u>	<u>56,985</u>	<u>58,906</u>
Total liabilities	<u>36,651</u>	<u>42,292</u>	<u>25,177</u>	<u>26,458</u>	<u>61,828</u>	<u>68,750</u>
Deferred inflows	1,460	2,115	81	149	1,541	2,264
Net position:						
Net investment in capital assets	123,087	124,700	23,919	23,335	147,006	148,035
Restricted	1,333	1,098	2,858	2,858	4,191	3,956
Unrestricted	<u>16,662</u>	<u>16,575</u>	<u>(5,975)</u>	<u>(5,790)</u>	<u>10,687</u>	<u>10,785</u>
Total net position	<u><u>\$ 141,082</u></u>	<u><u>\$ 142,373</u></u>	<u><u>\$ 20,802</u></u>	<u><u>\$ 20,403</u></u>	<u><u>\$ 161,884</u></u>	<u><u>\$ 162,776</u></u>

The largest portion of the Town's net position (91%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, vehicles, and equipment), less any related outstanding debt that was used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,687 is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues:						
Charges for services	\$ 1,918	\$ 1,612	\$ 3,394	\$ 3,254	\$ 5,312	\$ 4,866
Operating grants and contributions	2,405	2,132	-	-	2,405	2,132
Capital grants and contributions	3,993	10,900	250	-	4,243	10,900
General revenues:						
Property taxes	411	355	-	-	411	355
Sales taxes	7,101	6,601	-	-	7,101	6,601
Franchise taxes	318	316	-	-	318	316
Share of state income tax	3,041	3,058	-	-	3,041	3,058
Share of state sales tax	2,386	2,308	-	-	2,386	2,308
Share of state vehicle license tax	1,058	1,006	-	-	1,058	1,006
Investment earnings (losses)	320	191	-	-	320	191
Micellaneous	705	857	22	2	727	859
Total revenues	23,656	29,336	3,666	3,256	27,322	32,592
EXPENSES						
Program expenses:						
Governmental activities:						
General government	5,389	5,223	-	-	5,389	5,223
Public safety	7,384	6,881	-	-	7,384	6,881
Highways and streets	8,164	7,351	-	-	8,164	7,351
Culture and recreation	2,223	2,077	-	-	2,223	2,077
Interest and amortization						
on long-term debt	1,054	1,332	-	-	1,054	1,332
Business-type activities:						
Sewer			4,000	3,722	4,000	3,722
Total expenses	24,214	22,864	4,000	3,722	28,214	26,586
Increase (decrease) in net position						
before transfers	(558)	6,472	(334)	(466)	(892)	6,006
Transfers	(733)	(699)	733	699	-	-
Change in net position	(1,291)	5,773	399	233	(892)	6,006
Net position at beginning of year	142,373	136,600	20,403	20,170	162,776	156,770
Net position at end of year	\$ 141,082	\$ 142,373	\$ 20,802	\$ 20,403	\$ 161,884	\$ 162,776

Governmental Activities

The \$1,291 decrease in net position for governmental activities was \$7,064 less than the change in net position last year. Revenues decreased by \$5,680, expenses increased by \$1,350, and transfers out increased by \$34.

The net change in total revenues was primarily attributable to the \$6,907 decline in capital grants revenues. Several of the larger projects were completed in the year. Last year, however, these projects were under construction for the entire year, incurring more costs, resulting in larger reimbursements and revenues. Other revenue changes were much less significant but mostly had a positive impact to on the change in net position compared to the prior year.

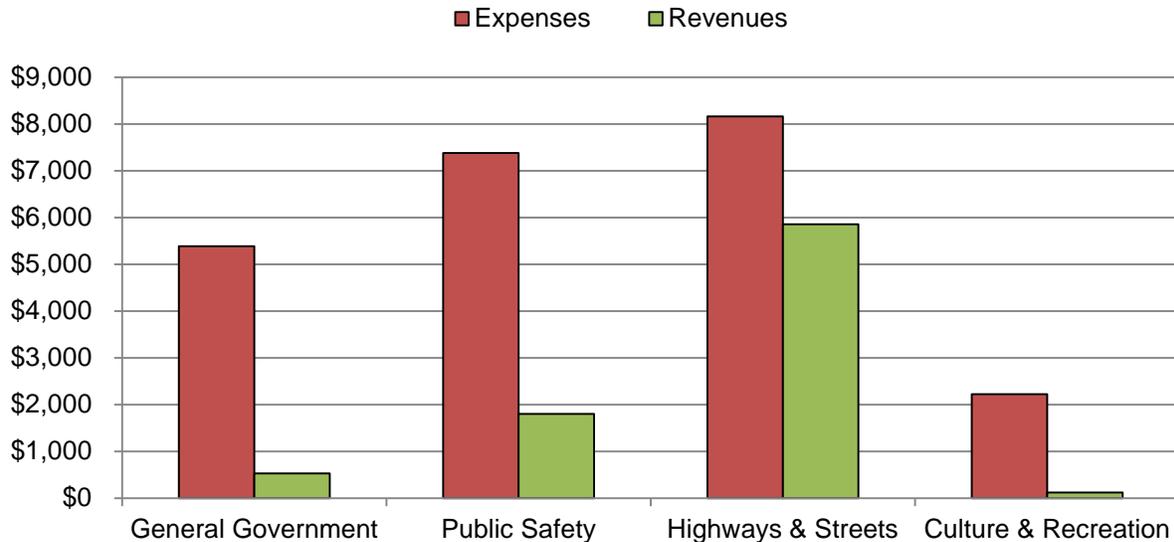
The net change in total expenses was primarily attributable to a \$1,075 increase in depreciation expense, which was recorded across all programs. These expenses increased as there were more depreciable assets; \$185,615 in 2016 compared to \$144,935 in 2015. Other expense changes were comparatively nominal.

MANAGEMENT'S DISCUSSION AND ANALYSIS

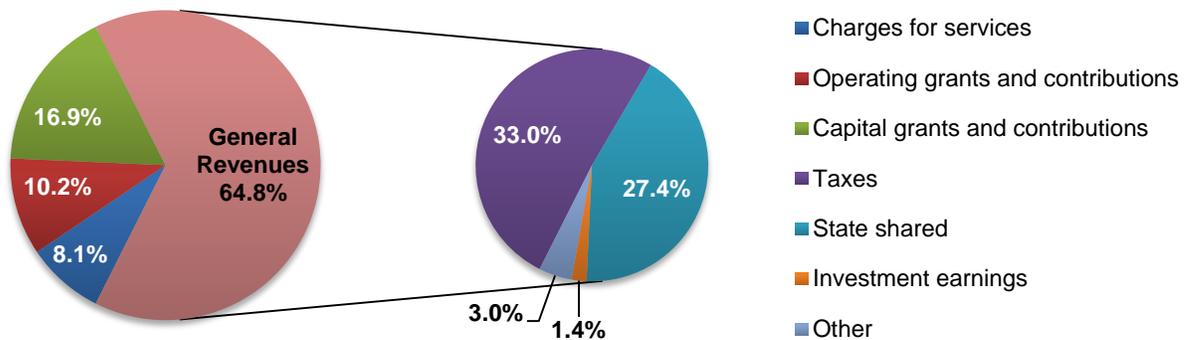
(dollar amounts in thousands)

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

Governmental Activities Program Revenues and Expenses



Governmental Activities Revenues by Source



MANAGEMENT'S DISCUSSION AND ANALYSIS

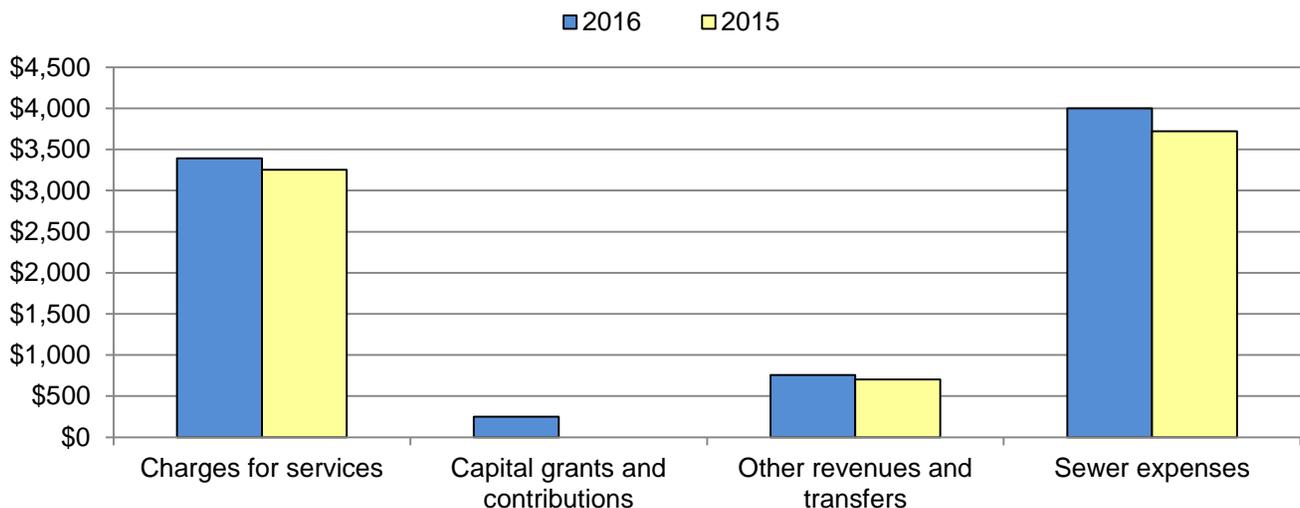
(dollar amounts in thousands)

Business-type Activities

Business-type activities increased the Town's net position by \$399 in fiscal year 2016, a \$166 increase over last year. Significant variances between fiscal year 2016 and 2015 are explained below:

- Charges for services increased \$140 (+4.3%). A 4% rate increase took effect at the beginning of fiscal year 2016, accounting for the increase.
- In 2016 the Town received a \$250 one-time grant to partially fund the construction of a sewer line.
- Sewer expenses increased by \$278 (+7.5%). These additional costs relate to the monthly customer billing and collections process. In 2015, bills were not sent out timely. As a result more billing cycles had to be processed in 2016, adding to costs.

Business-type Activities Revenues and Expenses



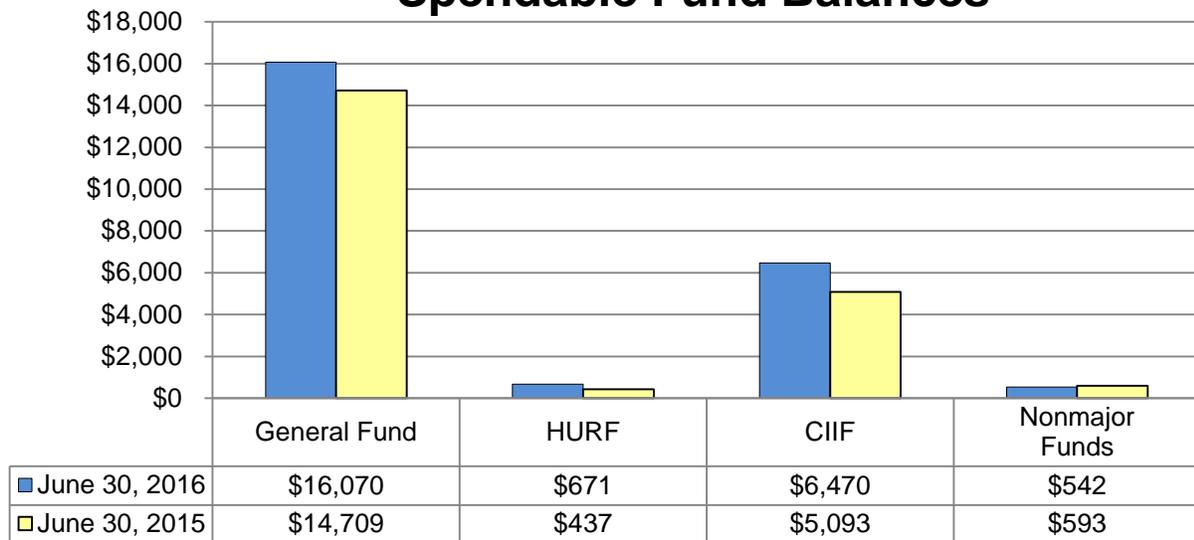
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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, 2016, the Town's governmental funds reported combined ending fund balances of \$26,378, an increase of \$2,779 compared to last year. Of this amount, \$23,753 constitutes spendable fund balances, which includes the unassigned, assigned, committed, and restricted fund balances. The remaining \$2,625 is non-spendable to indicate that it is not available because it has already been spent on prepaid items or associated with long-term notes receivable and general fund advances.

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 123% of total General Fund expenditures. This fund balance increased by \$1,361 because the growth in revenues exceeded the growth in expenditures. The local economy was healthier and more robust than anticipated, resulting in higher tax collections and building permit revenues. Expenditures didn't grow as much as revenues mainly because of savings realized from position vacancies.

The Highway User Revenue Fund (HURF) fund balances increased by \$234 mainly because pavement management and street maintenance costs were deferred, resulting in expenditure savings.

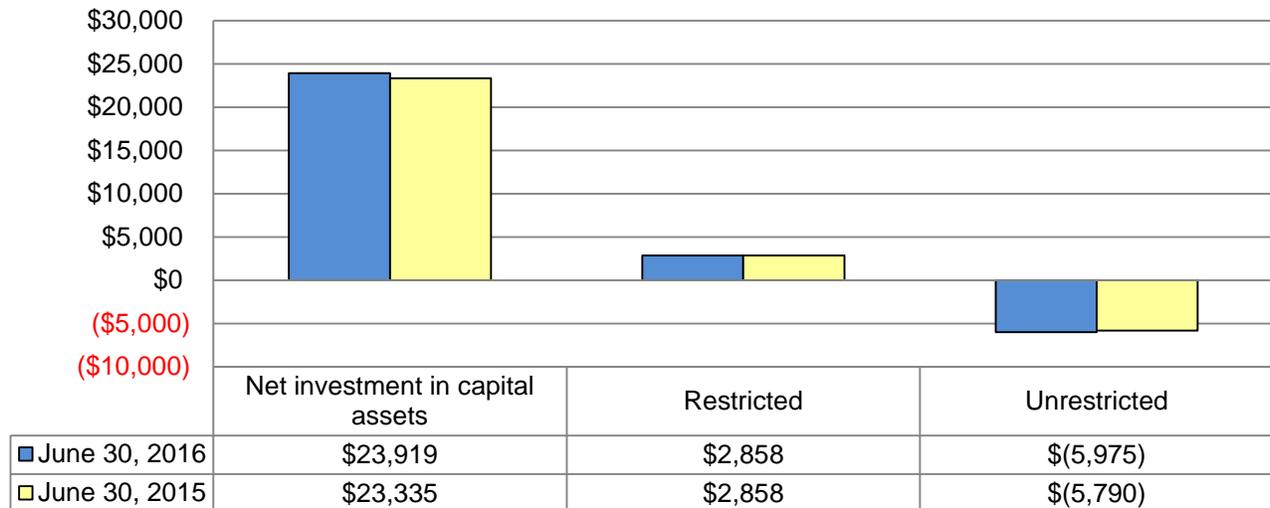
The Capital Infrastructure Improvement Fund (CIIF) fund balances increased by \$1,377. Last year there was a significant amount of grant reimbursements that had not been received timely enough to be recorded in 2015. These were collected and recognized as revenue in 2016, resulting in a positive net change in fund balances for the year.

The Nonmajor Funds consist of three special revenue funds: the Quail Creek Community Facilities District (QC CFD) Fund, Rancho Sahuarita Community Facilities District (RS CFD) Fund, and the Grants and Restricted Sources (GARS) Fund. Spendable fund balances decreased by \$51 as monies that were accumulated in prior years were spent on projects and equipment, namely for the Police Department.

Proprietary fund. The Town's Wastewater Enterprise Fund provides the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the wastewater treatment operation at the end of the year amounted to a deficit balance of \$5,975, which was \$185 lower than last year. The deficit became larger namely because the fund recorded \$240 for bad debt expenses associated with estimated allowances for doubtful accounts. Restricted net position was \$2,858 and represents debt service reserves and the rate stabilization fund, complying with loan agreements. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

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

**Wastewater Enterprise Fund
Net Position**



GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. There were no budget transfers between financial statement reporting elements during the year.

Final budget compared to actual results. Total actual revenues exceeded estimated revenues by \$491. The most significant differences were as follows:

<u>Revenue Sources</u>	<u>Budgeted Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Taxes	\$ 5,140	\$ 5,291	\$ 151
Licenses and permits	1,033	1,442	409

- Retail sales transaction activity was higher than expected when the budget was developed.
- Building valuation tables, which form the basis of permit revenues, were updated last year. The higher valuations are generating more revenues than what our budget modeling predicted.

Total actual expenditures were less than appropriations by \$797 (excluding contingency reserves), realizing savings in each major expenditure category as follows:

<u>Expenditure Category</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Difference</u>
Personnel	\$ 10,293	\$ 9,973	\$ (320)
Services	2,121	1,889	(232)
Supplies and equipment	588	467	(121)
Other	873	749	(124)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

From a departmental perspective, all but three departments had budget savings. The Mayor & Council, Town Manager, and Law departments ended the year over budget by <\$1, \$8, and \$5, respectively. The Mayor & Council and Town Manger departments purchased furniture for the Council Chambers to meet unanticipated needs. The Law Department contracted for specialized legal services that were needed but not anticipated in the budget. The budget variances were covered by expenditure savings from other General Fund areas. None of these budget variations have a significant effect on future service levels or liquidity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$195,736 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, sewer conveyance systems, machinery and equipment, vehicles, park facilities, roads, highways, and bridges.

CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 9,151	\$ 9,151	\$ 2,640	\$ 2,640	\$ 11,791	\$ 11,791
Buildings & improvements	18,092	18,555	-	-	18,092	18,555
Sewer conveyance system	-	-	45,039	45,222	45,039	45,222
Infrastructure	108,911	75,136	-	-	108,911	75,136
Vehicles	1,134	908	103	122	1,237	1,030
Equipment and software	661	747	-	-	661	747
Construction in progress	10,005	45,937	-	282	10,005	46,219
Total assets	<u>\$147,954</u>	<u>\$150,434</u>	<u>\$ 47,782</u>	<u>\$ 48,266</u>	<u>\$195,736</u>	<u>\$198,700</u>

The Town's investment in capital assets decreased by \$2,964 (-1.5%) during the year, which is the net difference between new capital acquisitions, disposals, and depreciation. Major capital asset events during the fiscal year included the following:

- The Town's governmental activities capitalized \$5,464 of project costs to acquire and improve capital assets during the year. Major capital projects included the Sahuarita Road Improvements (\$472), Quail Creek Park Expansion (\$574), and the Pima Mine Road Bridge Reconstruction (\$4,299) projects.
- The Sahuarita Road Improvements and Quail Creek Park Expansion projects were completed during the year, which moved \$38,504 and \$1,724, respectively, out of construction in progress and into infrastructure.
- The Town's business-type activities capitalized \$1,099 of project costs to acquire and improve capital assets during year. Major capital projects included the Region 8 Sewer Line Extension (\$707) and the Wastewater Treatment Plant Headworks (\$372) projects.
- Depreciation reduced the Town's investment in capital assets for governmental activities and business-type activities by \$7,981 and \$1,302, respectively.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

Long-term debt. At the end of the current fiscal year, the Town had total debt outstanding of \$46,782. Of this amount, \$9,620 comprises debt backed by the full faith and credit of the Quail Creek Community Facilities District. The remainder of the debt is secured by specific revenue sources. A summary of outstanding long-term debt follows.

LONG-TERM DEBT

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Quail Creek CFD G.O. bonds	\$ 9,620	\$10,070	\$ -	\$ -	\$ 9,620	\$10,070
Loans payable	14,759	15,821	22,403	23,473	37,162	39,294
Total long-term debt	<u>\$24,379</u>	<u>\$25,891</u>	<u>\$ 22,403</u>	<u>\$ 23,473</u>	<u>\$46,782</u>	<u>\$49,364</u>

Principal payments reduced the governmental activities and business-type activities debt liabilities by \$1,505 and \$1,460, respectively.

The last drawdown was made on the WIFA 2008B loan. This added \$390 to the loan payable balance of the business-type activities.

State statutes limit the amount of general obligation debt a governmental entity may issue. However, as the Quail Creek Community Facilities District is a legally separate entity, its general obligation debt does not apply against the Town's debt capacity, which is \$54,855.

Additional information on the Town's long-term debt can be found in note 6 on pages 48-51 of this report.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

The current estimated population of 29,365 is 2.5% larger than last year's estimated population of 28,626. The Town uses a growth rate of approximately 2.5% for planning purposes.

The secondary assessed property valuation increased .70%, to \$212,465, since last year. The total full cash property value increased .29%, to \$2,112,670, during the same period.

The Town's budget for fiscal year 2017 totals \$50,976. Expenditures are expected to exceed revenues and other sources by \$5,383. This is attributable to the implementation of the Capital Improvement Plan, where previously accumulated resources are being spent on major infrastructure projects in the Town. Ending fund balances are still expected to be \$15,782 by the end of 2017.

The first year of the five-year Capital Improvement Plan is incorporated into the 2017 capital budget and amounts to \$9,947. Significant projects include the completion of the Pima Mine Road Bridge reconstruction, the extension of Quail Crossing Blvd., the construction of new Wastewater recharge basins, and the construction of the SAMTEC facility. The Town intends to finance \$5,556 of the 2017 capital budget with grants and contributions from other entities. The remainder of the capital budget will be financed with Town revenues and beginning fund balances.

There are no Wastewater sewer user fees increases scheduled for fiscal year 2017.

All of these factors were considered in preparing the Town's budget for the 2017 fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts in thousands)

REQUESTS FOR INFORMATION

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



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Basic Financial Statements



Town of Sahuarita, Arizona

Statement of Net Position

June 30, 2016

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 21,617,312	\$ 1,810	\$ 21,619,122
Receivables, net of allowances for doubtful accounts	2,115,740	512,611	2,628,351
Internal balances	5,158,444	(5,158,444)	-
Prepaid items	35,853	-	35,853
Restricted assets	531,131	2,858,048	3,389,179
Capital assets:			
Land and construction in progress	19,155,875	2,640,000	21,795,875
Other capital assets, net of depreciation	128,798,091	45,141,738	173,939,829
Total capital assets	147,953,966	47,781,738	195,735,704
Total assets	177,412,446	45,995,763	223,408,209
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	141,329	-	141,329
Deferred outflows related to pensions	1,640,363	63,946	1,704,309
Total deferred outflows of resources	1,781,692	63,946	1,845,638
LIABILITIES			
Accrued payroll and benefits	587,584	30,006	617,590
Payables:			
Accounts	877,761	130,119	1,007,880
Debt due and payable	450,000	1,460,427	1,910,427
Interest	278,543	438,400	716,943
Contract retention	370,471	-	370,471
Deposits	42,281	4,600	46,881
Unearned revenues	174,036	-	174,036
Noncurrent liabilities:			
Due within one year	2,226,198	1,537,506	3,763,704
Due in more than one year	31,644,526	21,576,307	53,220,833
Total liabilities	36,651,400	25,177,365	61,828,765
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,460,094	80,678	1,540,772
Total deferred inflows of resources	1,460,094	80,678	1,540,772
NET POSITION			
Net investment in capital assets	123,086,910	23,918,576	147,005,486
Restricted for:			
Municipal Court	39,800	-	39,800
Law enforcement	579,595	-	579,595
Transportation	707,974	-	707,974
Community facility districts	6,430	-	6,430
Debt service	-	2,858,048	2,858,048
Unrestricted	16,661,935	(5,974,958)	10,686,977
Total net position	\$ 141,082,644	\$ 20,801,666	\$ 161,884,310

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, 2016

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	\$ 5,388,608	\$ 419,942	\$ 110,779	\$ -	\$ (4,857,887)		\$ (4,857,887)
Public safety	7,384,262	1,375,991	425,080	-	(5,583,191)		(5,583,191)
Highways and streets	8,163,637	-	1,868,903	3,992,375	(2,302,359)		(2,302,359)
Culture and recreation	2,222,681	121,980	-	-	(2,100,701)		(2,100,701)
Interest and amortization on long-term debt	1,054,164	-	-	-	(1,054,164)		(1,054,164)
Total governmental activities	<u>24,213,352</u>	<u>1,917,913</u>	<u>2,404,762</u>	<u>3,992,375</u>	<u>(15,898,302)</u>		<u>(15,898,302)</u>
Business-type activities:							
Sewer	<u>4,000,415</u>	<u>3,393,582</u>	<u>-</u>	<u>250,000</u>		<u>\$ (356,833)</u>	<u>(356,833)</u>
Total business-type activities	<u>4,000,415</u>	<u>3,393,582</u>	<u>-</u>	<u>250,000</u>		<u>(356,833)</u>	<u>(356,833)</u>
Total primary government	<u>\$ 28,213,767</u>	<u>\$ 5,311,495</u>	<u>\$ 2,404,762</u>	<u>\$ 4,242,375</u>	<u>(15,898,302)</u>	<u>(356,833)</u>	<u>(16,255,135)</u>
General revenues:							
Property taxes					411,260	-	411,260
Sales taxes					7,101,219	-	7,101,219
Franchise taxes					318,035	-	318,035
Share of state income tax					3,041,180	-	3,041,180
Share of state sales tax					2,385,534	-	2,385,534
Share of state vehicle license tax					1,058,242	-	1,058,242
Investment earnings					319,547	-	319,547
Miscellaneous					705,337	22,112	727,449
Transfers					(733,244)	733,244	-
Net general revenues and transfers					<u>14,607,110</u>	<u>755,356</u>	<u>15,362,466</u>
Change in net position					(1,291,192)	398,523	(892,669)
Net position at beginning of year					142,373,836	20,403,143	162,776,979
Net position at end of year					<u>\$ 141,082,644</u>	<u>\$ 20,801,666</u>	<u>\$ 161,884,310</u>

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

Town of Sahuarita, Arizona

Balance Sheet Governmental Funds June 30, 2016

	General Fund	Highway User Revenue Fund	Capital Infrastructure Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 16,135,944	\$ 791,023	\$ 4,169,064	\$ 521,281	\$ 21,617,312
Receivables, net of allowances for doubtful accounts	969,632	215,793	492,000	438,315	2,115,740
Due from other funds	7,120	-	-	-	7,120
Prepaid items	31,603	-	-	4,250	35,853
Restricted assets	-	-	-	531,131	531,131
Advances to other funds	2,579,222	-	2,579,222	-	5,158,444
Total assets	\$ 19,723,521	\$ 1,006,816	\$ 7,240,286	\$ 1,494,977	\$ 29,465,600
Liabilities					
Accrued payroll and benefits	\$ 544,876	\$ 31,905	\$ 10,803	\$ -	\$ 587,584
Payables:					
Accounts	329,999	266,937	209,152	71,673	877,761
Bonds	-	-	-	450,000	450,000
Interest	-	-	-	278,543	278,543
Contract retention	-	-	370,471	-	370,471
Deposits	42,281	-	-	-	42,281
Due to other funds	-	-	-	7,120	7,120
Unearned revenues	112,220	-	-	61,816	174,036
Total liabilities	1,029,376	298,842	590,426	869,152	2,787,796
Deferred inflows of resources					
Unavailable revenues	3,277	36,540	179,817	79,799	299,433
Total deferred inflows of resources	3,277	36,540	179,817	79,799	299,433
Fund balances					
Nonspendable:					
Long-term notes receivable	9,870	-	-	-	9,870
Prepaid items	31,603	-	-	4,250	35,853
Advance to Wastewater	2,579,222	-	-	-	2,579,222
Restricted:					
Transportation	-	671,434	-	-	671,434
Rancho Sahuarita CFD	-	-	-	2,144	2,144
Municipal Court	-	-	-	39,800	39,800
Law enforcement	-	-	-	503,582	503,582
Committed for stabilization reserves	4,336,250	-	-	-	4,336,250
Assigned:					
Asset maintenance	500,000	-	-	-	500,000
Advance to Wastewater	-	-	2,579,222	-	2,579,222
Capital projects	-	-	3,659,603	-	3,659,603
Debt service	-	-	231,218	-	231,218
Unassigned	11,233,923	-	-	(3,750)	11,230,173
Total fund balances	18,690,868	671,434	6,470,043	546,026	26,378,371
Total liabilities, deferred inflows of resources, and fund balances	\$ 19,723,521	\$ 1,006,816	\$ 7,240,286	\$ 1,494,977	\$ 29,465,600

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, 2016

Total fund balances—governmental funds \$ 26,378,371

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

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

Land	\$ 9,150,798	
Construction in progress	10,005,077	
Buildings and improvements	22,465,739	
Infrastructure	157,020,737	
Vehicles	2,953,467	
Equipment and software	3,174,735	
Accumulated depreciation	<u>(56,816,587)</u>	
Total capital assets		147,953,966

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

Deferred outflows of resources related to pensions		1,640,363
Deferred inflows of resources related to pensions		(1,460,094)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources. 299,433

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

Bonds payable	(9,620,000)	
Loans payable	(14,775,000)	
Unamortized premium on long-term debt	(13,940)	
Unamortized discount on long-term debt	30,036	
Deferred charge on refunding	141,329	
Capital leases	(259,010)	
Net pension liability	(8,133,911)	
Compensated absences	<u>(1,098,899)</u>	
Total noncurrent liabilities		<u>(33,729,395)</u>

Net position of governmental activities \$ 141,082,644

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, 2016

	General Fund	Highway User Revenue Fund	Capital Infrastructure Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 5,291,375	\$ -	\$ 2,131,797	\$ 410,763	\$ 7,833,935
Licenses and permits	1,442,097	-	-	-	1,442,097
Intergovernmental	6,484,956	1,893,699	4,162,633	427,200	12,968,488
Charges for services	887,526	-	-	10,200	897,726
Fines and forfeitures	232,206	-	-	52,644	284,850
Investment earnings	203,595	7,245	103,460	5,247	319,547
Miscellaneous	42,466	3,368	2,900,000	728,597	3,674,431
Total revenues	<u>14,584,221</u>	<u>1,904,312</u>	<u>9,297,890</u>	<u>1,634,651</u>	<u>27,421,074</u>
Expenditures					
Current:					
General government	4,871,649	-	-	77,669	4,949,318
Public safety	6,726,605	-	-	538,600	7,265,205
Highways and streets	-	1,659,879	-	18,048	1,677,927
Culture and recreation	1,480,089	-	-	42,228	1,522,317
Capital outlay	-	-	6,203,139	-	6,203,139
Debt service:					
Principal	-	-	1,082,317	450,000	1,532,317
Interest	-	-	481,981	557,085	1,039,066
Fiscal charges	-	-	1,900	4,019	5,919
Total expenditures	<u>13,078,343</u>	<u>1,659,879</u>	<u>7,769,337</u>	<u>1,687,649</u>	<u>24,195,208</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,505,878</u>	<u>244,433</u>	<u>1,528,553</u>	<u>(52,998)</u>	<u>3,225,866</u>
Other financing sources (uses)					
Capital leases	-	-	286,327	-	286,327
Transfers in	-	-	10,182	6,515	16,697
Transfers out	(291,825)	(10,182)	(447,934)	-	(749,941)
Total other financing sources (uses)	<u>(291,825)</u>	<u>(10,182)</u>	<u>(151,425)</u>	<u>6,515</u>	<u>(446,917)</u>
Net change in fund balances	1,214,053	234,251	1,377,128	(46,483)	2,778,949
Fund balance at beginning of year	17,476,815	437,183	5,092,915	592,509	23,599,422
Fund balance at end of year	<u>\$ 18,690,868</u>	<u>\$ 671,434</u>	<u>\$ 6,470,043</u>	<u>\$ 546,026</u>	<u>\$ 26,378,371</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, 2016

Net change in fund balances—governmental funds		\$ 2,778,949
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capitalized expenditures	\$ 5,463,817	
Depreciation expense	<u>(7,981,241)</u>	
Excess of depreciation expense over capitalized expenditures		(2,517,424)
Some capital additions were acquired during the year without cost to the Town. These assets are not recognized in governmental funds, but in the statement of activities, the fair market values are reported as revenues.		
		44,880
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		(3,177,275)
Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net position liability is measured a year before the Town's report date. Pension expense, which is the change in net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Town pension contributions		939,279
Town proportionate share of State's appropriation to EORP		34,579
Pension expense		(467,246)
The issuance of long term-debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumed the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums and discounts when debt is first issued whereas these amounts are amortized in the statement of activities.		
Capital leases	\$ (286,327)	
Debt service - principal payments	1,532,317	
Net amortization of discounts, premiums, and deferred amounts	<u>(9,179)</u>	
Net effect of long-term debt and related items		1,236,811
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Book value on the disposal of capital assets		(7,235)
Increase in compensated absences		<u>(156,510)</u>
Change in net position of governmental activities		<u><u>\$ (1,291,192)</u></u>

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

Town of Sahuarita, Arizona
Statement of Revenues, Expenditures,
and Changes in Fund Balance—Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 5,139,510	\$ 5,139,510	\$ 5,291,375	\$ 151,865
Licenses and permits	1,032,820	1,032,820	1,442,097	409,277
Intergovernmental	6,452,060	6,452,060	6,484,956	32,896
Charges for services	908,200	908,200	887,526	(20,674)
Fines and forfeitures	271,640	271,640	232,206	(39,434)
Investment earnings	228,180	228,180	203,595	(24,585)
Miscellaneous	61,050	61,050	42,466	(18,584)
Total revenues	<u>14,093,460</u>	<u>14,093,460</u>	<u>14,584,221</u>	<u>490,761</u>
Expenditures				
General government:				
Mayor and Council	114,390	114,390	114,661	(271)
Town Manager	710,370	710,370	717,938	(7,568)
Law	565,160	565,160	570,336	(5,176)
Town Clerk	536,410	536,410	433,322	103,088
Finance	1,233,260	1,233,260	1,172,566	60,694
Human Resources	234,190	234,190	242,998	(8,808)
Municipal Court	575,440	575,440	530,751	44,689
Planning and Building-Zoning	493,170	493,170	506,857	(13,687)
Public Works-Facilities	480,060	480,060	362,280	117,780
Non-Departmental	232,720	232,720	219,940	12,780
Total general government	<u>5,175,170</u>	<u>5,175,170</u>	<u>4,871,649</u>	<u>303,521</u>
Public safety:				
Planning and Building-Building Safety	692,700	692,700	659,149	33,551
Public Works-Engineering	444,810	444,810	375,087	69,723
Police	5,963,900	5,963,900	5,692,369	271,531
Total public safety	<u>7,101,410</u>	<u>7,101,410</u>	<u>6,726,605</u>	<u>374,805</u>
Culture and recreation:				
Parks and Recreation	1,598,570	1,598,570	1,480,089	118,481
Total culture and recreation	<u>1,598,570</u>	<u>1,598,570</u>	<u>1,480,089</u>	<u>118,481</u>
Contingency reserves				
Total expenditures	<u>16,937,540</u>	<u>16,937,540</u>	-	<u>16,937,540</u>
Total expenditures	<u>30,812,690</u>	<u>30,812,690</u>	<u>13,078,343</u>	<u>17,734,347</u>
Excess (deficiency) of revenues over (under) expenditures	(16,719,230)	(16,719,230)	1,505,878	18,225,108
Other financing sources (uses)				
Transfers out	(305,710)	(305,710)	(291,825)	13,885
Total other financing sources (uses)	<u>(305,710)</u>	<u>(305,710)</u>	<u>(291,825)</u>	<u>13,885</u>
Net change in fund balance	(17,024,940)	(17,024,940)	1,214,053	18,238,993
Fund balance at beginning of year	17,024,940	17,024,940	17,476,815	451,875
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,690,868</u>	<u>\$ 18,690,868</u>

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

Town of Sahuarita, Arizona
Statement of Revenues, Expenditures,
and Changes in Fund Balance—Budget and Actual
Highway User Revenue Fund—Special Revenue Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 5,463,770	\$ 5,463,770	\$ 1,893,699	\$ (3,570,071)
Investment earnings	1,870	1,870	7,245	5,375
Miscellaneous	-	-	3,368	3,368
Total revenues	<u>5,465,640</u>	<u>5,465,640</u>	<u>1,904,312</u>	<u>(3,561,328)</u>
Expenditures				
Current:				
Highways and streets	2,043,990	2,105,110	1,659,879	445,231
Contingency reserves	100,320	39,200	-	39,200
Total expenditures	<u>2,144,310</u>	<u>2,144,310</u>	<u>1,659,879</u>	<u>484,431</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,321,330</u>	<u>3,321,330</u>	<u>244,433</u>	<u>(3,076,897)</u>
Other financing sources (uses)				
Transfers out	<u>(3,600,000)</u>	<u>(3,600,000)</u>	<u>(10,182)</u>	<u>3,589,818</u>
Total other financing sources (uses)	<u>(3,600,000)</u>	<u>(3,600,000)</u>	<u>(10,182)</u>	<u>3,589,818</u>
Net change in fund balance	(278,670)	(278,670)	234,251	512,921
Fund balance at beginning of year	278,670	278,670	437,183	158,513
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 671,434</u>	<u>\$ 671,434</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, 2016

	Wastewater Enterprise Fund
	<u> </u>
Assets	
Current:	
Cash and cash equivalents	\$ 1,810
Accounts receivable (net of allowance for doubtful accounts of \$302,887)	512,611
Total current	<u>514,421</u>
Noncurrent assets:	
Restricted cash and cash equivalents	2,858,048
Capital assets:	
Land	2,640,000
Sewage conveyance system	54,747,718
Vehicles and equipment	369,978
Accumulated depreciation	(9,975,958)
Capital assets, net of accumulated depreciation	<u>47,781,738</u>
Total noncurrent assets	<u>50,639,786</u>
Total assets	<u>51,154,207</u>
Deferred outflows of resources	
Deferred outflows related to pensions	63,946
Total deferred outflows of resources	<u>63,946</u>
Liabilities	
Current:	
Accrued payroll and benefits	30,006
Accounts payable	130,119
Deposits payable	4,600
Interest payable-current	438,400
Loan payable-current	1,460,427
Total current liabilities	<u>2,063,552</u>
Noncurrent liabilities:	
Accrued compensated absences	44,303
Advances from other funds	5,158,444
Net pension liability	666,775
Loan payable	22,402,735
Total noncurrent liabilities	<u>28,272,257</u>
Total liabilities	<u>30,335,809</u>
Deferred inflows of resources	
Deferred inflows related to pensions	80,678
Total deferred inflows of resources	<u>80,678</u>
Net position	
Net investment in capital assets	23,918,576
Restricted for debt service:	
Reserves	2,108,048
Rate Stabilization	750,000
Unrestricted	(5,974,958)
Total net position	<u>\$ 20,801,666</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, 2016

	Wastewater Enterprise Fund
Operating revenues	
Charges for services	\$ 3,198,886
Total operating revenues	<u>3,198,886</u>
Operating expenses	
Personnel	555,574
Operating supplies and services	505,893
Utilities	210,749
General and administrative	519,680
Depreciation	1,302,149
Total operating expenses	<u>3,094,045</u>
Operating income	<u>104,841</u>
Nonoperating revenues (expenses)	
Sewer connection fees	194,696
Other	22,112
Interest expense	<u>(906,370)</u>
Total nonoperating revenues (expenses)	<u>(689,562)</u>
Net income before capital contributions and transfers	<u>(584,721)</u>
Capital contributions	250,000
Transfers in	<u>733,244</u>
Change in net position	398,523
Net position at beginning of year	<u>20,403,143</u>
Net position at end of year	<u><u>\$ 20,801,666</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, 2016

	Wastewater Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 3,771,826
Payments to suppliers and contractors	(1,205,737)
Payments to employees	(569,862)
Miscellaneous receipts	22,112
Net cash provided by operating activities	<u>2,018,339</u>
Cash Flows from Noncapital Financing Activities	
Payments on interfund loans	(111,647)
Transfers from other funds	733,244
Interest paid to other funds	(42,924)
Net cash provided by noncapital financing activities	<u>578,673</u>
Cash Flows From Capital and Related Financing Activities	
Sewer connection fees	194,696
Proceeds from capital debt	390,351
Capital grants	250,000
Acquisition and construction of capital assets	(1,082,512)
Principal payments on capital debt	(1,458,691)
Interest payments on capital debt	(889,146)
Net cash used for capital and related financing activities	<u>(2,595,302)</u>
Net change in cash and cash equivalents	1,710
Cash and cash equivalents at beginning of year	2,858,148
Cash and cash equivalents at end of year	<u>\$ 2,859,858</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 104,841
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,302,149
Other nonoperating revenues	22,112
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	568,340
Deferred outflows related to pensions	11,294
Accrued payroll and benefits	5,462
Accounts payable related to operations	30,585
Deposits payable	4,600
Accrued compensated absences	4,140
Net pension liability	33,208
Deferred inflows related to pensions	(68,392)
Net cash provided by operating activities	<u>\$ 2,018,339</u>

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the year ended June 30, 2016, the Town implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain provisions of GASB Statements 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 72 establish standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 73 amended GASB Statement No. 68 requirements related to note disclosures for pension related required supplementary information and payables to defined benefit pension plans. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles. GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants.

A. Reporting Entity

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

Blended Component Units

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

On March 24, 2015, the Town Council approved Resolution No. 2015-383 which ordered and declared the formation of the Rancho Sahuarita Community Facilities District, a legally separate entity from the Town. The District encompasses an area of approximately 943 acres wholly within the corporate boundaries of the Town. The District was formed as a tax levying public improvement district for the purpose of financing public facilities. The Town Council acts as the District's Board of Directors and the management of the Town has operational responsibility for the District. Accordingly, the District is a blended component unit of the Town and is reported as a special revenue fund in the Town's financial statements. The District does not issue separate financial statements.

B. Basis of Presentation

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

Government-wide statements—Provide information about the primary government (the Town). The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the Town's governmental and business-type activities and between the Town and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

or in part by fees charged to external parties.

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major enterprise fund:

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

C. Basis of Accounting

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The Town's major revenue sources that are susceptible to accrual are taxes, grants submitted for reimbursement, and investment earnings. All other revenue items are

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

considered to be measurable and available only when cash is received by the government. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt are reported as other financing sources.

D. Property Tax Calendar

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

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 fiduciary are classified as restricted assets on the balance sheet, because they are maintained in separate accounts and their use is limited by applicable debt covenants or enabling legislation.

H. Capital Assets

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

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. If material, interest costs on wastewater construction projects are capitalized over a period beginning with project commencement, to when they are substantially complete and ready for use. Other costs for repairs and maintenance are expensed as incurred.

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

I. Deferred Outflows and Inflows of Resources

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

J. Compensated Absences

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

K. Long-Term Obligations

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

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

L. Pensions

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

M. Net Position

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

N. Fund Balance

Flow assumptions—Sometimes the government 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, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken by the Town Council to remove or revise the limitation.

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

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

Minimum fund balance policy—The Town Council has adopted a financial policy to maintain a minimum level of reserves in the funds. Each fund should maintain a fund balance of at least 25% of its adopted operating budget and 20% of its annual adopted capital outlay budget (adjusted for amounts not subjecting the Town to obligation) for the year. The General Fund and the Capital Infrastructure Improvement Fund minimums shall include any fund balance deficiencies of other funds with respect to the operating and capital outlay budgets, respectively. The reserves are intended to provide fiscal stability when economic downturns and other unexpected events occur.

Stabilization arrangement—In accordance with Sahuarita Town Code §3.20, on June 22, 2015, the Town Council adopted a resolution to establish an amount to maintain in the General Fund's stabilization reserve. The reserve is funded with available (i.e., unrestricted) cash and investments. Other resources may be directed for inclusion in the reserve through the Council's adoption of an ordinance or resolution, which are equally binding. Expenditure of the amounts in the stabilization reserve may occur only when specific circumstances exist. The Town Code directs that these resources may only be used to temporarily divest monies to avoid negative cash balances. This situation can only occur when disbursements would cause unreserved cash balances to fall below \$0. To allow for the withdrawal of the resources, their use must first be approved by the Town Council.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 2—DEPOSITS AND INVESTMENTS

Deposits—At June 30, 2016, the Town had cash on hand of \$4,797. The carrying amount of the Town's cash in bank was \$5,004,986 and the bank balance was \$5,128,589. The Town's deposits were insured or fully collateralized with securities held by the Town's custodial bank in the Town's name. Additionally, the Town had deposits of \$60,713 held by Pima County in a fiduciary capacity.

Investments—The Town's investments at June 30, 2016, categorized within the fair value hierarchy established by the generally accepted accounting principles, were as follows:

	Fair Value Measurement Using			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Amount
Investments by fair value level:				
Corporate bonds	\$ 2,363,804	-	-	\$ 2,363,804
Municipal bonds	251,357	-	-	251,357
Certificates of deposit	2,191,645	-	-	2,191,645
Total investments by fair value level	\$ 4,806,806	\$ -	\$ -	4,806,806
External investment pools measured at fair value:				
State Treasurer's investment pools				14,189,967
Total investments measured at fair value				14,189,967
Investments measured at amortized cost:				
Government money market fund				941,032
Total investments measured at amortized cost				941,032
Total investments				\$ 19,937,805

At June 30, 2016, \$14,189,967 of the Town's investment portfolio consisted of deposits in the State Treasurer's Local Government Investment (LGI) Pools. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with Arizona Revised Statutes §35-311. The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the net asset value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. Those shares are not identified with specific investments, are not subject to custodial credit risk, and have no stated interest rate or maturity date. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's investment policy attempts to mitigate exposure to declines in fair values by specifying that its composite portfolio should be managed to achieve a one year dollar-weighted average maturity. The following table summarizes the Town's interest rate risk based on maturity dates of its deposits and investments as of June 30, 2016.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

	Maturities (in Months)				Amount	%
	< 6	6 to < 12	12 to < 18	18 to < 27		
Deposits:						
Cash on hand	\$ 4,797	\$ -	\$ -	\$ -	\$ 4,797	0.0%
Cash in bank	5,004,986	-	-	-	5,004,986	20.0%
Cash held by fiduciary	60,713	-	-	-	60,713	0.2%
Investments:						
Government money market fund	941,032	-	-	-	941,032	3.8%
State Treasurer's LGI Pool 5	4,530	-	-	-	4,530	0.0%
State Treasurer's LGI Pool 500	-	-	-	11,238,452	11,238,452	44.9%
State Treasurer's LGI Pool 700	-	-	-	2,946,985	2,946,985	11.8%
Corporate bonds	2,193,364	170,440	-	-	2,363,804	9.5%
Municipal bonds	-	251,357	-	-	251,357	1.0%
Certificates of deposit	2,191,645	-	-	-	2,191,645	8.8%
Total composite portfolio	<u>\$ 10,401,067</u>	<u>\$ 421,797</u>	<u>\$ -</u>	<u>\$ 14,185,437</u>	<u>25,008,301</u>	<u>100.0%</u>
Less:						
Restricted cash and investments					(3,389,179)	
Total non-restricted cash and investments					<u>\$ 21,619,122</u>	

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

Credit Risk. Credit risk is the risk that an issue or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The Town's investment policy minimizes credit risk by limiting investments to a specific list of the safest types of securities. The State Treasurer's LGI Pool 5 received a credit rating of AAf/S1+ by Standard and Poor's (S&P). The State Treasurer's LGI Pools 500 and 700 did not receive a credit quality rating from a national rating agency. The securities in LGIP Pool 500 had a weighted average credit rating of AA-2 by Moody's. LGI Pool 700 investments are specifically limited to those securities that carry the full faith and credit of the United States Government, having a weighted average credit rating of AAA by Moody's. The certificates of deposit were entirely insured by the FDIC.

<i>Moody's rating</i>					Exempt from	Amount
	Aa2	A1	A2	A3	Disclosure	
Investments:						
Government money market fund	\$ -	\$ -	\$ -	\$ -	\$ 941,032	\$ 941,032
State Treasurer's LGI Pools	-	-	-	-	14,189,967	14,189,967
Corporate bonds	206,758	1,007,415	333,650	815,981	-	2,363,804
Municipal bonds	-	-	-	251,357	-	251,357
Certificates of deposit	-	-	-	-	2,191,645	2,191,645
Total Investments	<u>\$ 206,758</u>	<u>\$ 1,007,415</u>	<u>\$ 333,650</u>	<u>\$ 1,067,338</u>	<u>\$ 17,322,644</u>	<u>\$ 19,937,805</u>

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 3—RESTRICTED ASSETS

At June 30, 2016, restricted assets consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Deposits:			
Amounts held by fiduciary	\$ 60,713	\$ -	\$ 60,713
Investments:			
Government money market fund	470,418	-	470,418
State Treasurer's LGI Pool 700	-	2,858,048	2,858,048
Total restricted assets	<u>\$ 531,131</u>	<u>\$ 2,858,048</u>	<u>\$ 3,389,179</u>

The government money market funds, which were held in trust, represent property tax collections which are obligated for debt service on the Quail Creek Community Facilities District Series 2006 General Obligation Bonds. The Town's share of State RICO funds were held in a fiduciary capacity by Pima County. The Town's Police Department may only use these funds for public safety purposes.

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

NOTE 4—RECEIVABLES AND ALLOWANCES FOR DOUBTFUL ACCOUNTS

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

	<u>General Fund</u>	<u>HURF Fund</u>	<u>CIIF Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$ 717,557	\$ -	\$ 541,481	\$ 7,371	\$ 1,266,409
Accounts	6,380	4,691	-	261,625	272,696
Intergovernmental	238,690	211,102	67,751	169,319	686,862
Notes	9,870	-	-	-	9,870
Gross receivables	<u>972,497</u>	<u>215,793</u>	<u>609,232</u>	<u>438,315</u>	<u>2,235,837</u>
Less: Allowance for doubtful accounts	(2,865)	-	(117,233)	-	(120,098)
Net receivables	<u>\$ 969,632</u>	<u>\$ 215,793</u>	<u>\$ 492,000</u>	<u>\$ 438,315</u>	<u>\$ 2,115,740</u>

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

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 5—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, follows:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,150,798	\$ -	\$ -	\$ 9,150,798
Construction in progress	45,936,812	4,722,696	(40,654,431)	10,005,077
Total capital assets not being depreciated	<u>55,087,610</u>	<u>4,722,696</u>	<u>(40,654,431)</u>	<u>19,155,875</u>
Capital assets being depreciated:				
Buildings and improvements	22,424,718	41,021	-	22,465,739
Infrastructure	116,330,598	40,690,139	-	157,020,737
Vehicles	2,687,852	540,643	(275,028)	2,953,467
Equipment and software	3,491,767	168,629	(485,661)	3,174,735
Total capital assets being depreciated	<u>144,934,935</u>	<u>41,440,432</u>	<u>(760,689)</u>	<u>185,614,678</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,869,977)	(503,629)	-	(4,373,606)
Infrastructure	(41,194,094)	(6,915,735)	-	(48,109,829)
Vehicles	(1,779,830)	(307,792)	267,793	(1,819,829)
Equipment and software	(2,744,899)	(254,085)	485,661	(2,513,323)
Total accumulated depreciation	<u>(49,588,800)</u>	<u>(7,981,241)</u>	<u>753,454</u>	<u>(56,816,587)</u>
Total capital assets being depreciated, net	<u>95,346,135</u>	<u>33,459,191</u>	<u>(7,235)</u>	<u>128,798,091</u>
Governmental activities capital assets, net	<u>\$ 150,433,745</u>	<u>\$ 38,181,887</u>	<u>\$(40,661,666)</u>	<u>\$147,953,966</u>
	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,640,000	\$ -	\$ -	\$ 2,640,000
Construction in progress	281,588	110,433	(392,021)	-
Total capital assets not being depreciated	<u>2,921,588</u>	<u>110,433</u>	<u>(392,021)</u>	<u>2,640,000</u>
Capital assets being depreciated:				
Sewer conveyance system	53,648,381	1,099,337	-	54,747,718
Vehicles	337,524	-	-	337,524
Equipment and software	32,454	-	-	32,454
Total capital assets being depreciated	<u>54,018,359</u>	<u>1,099,337</u>	<u>-</u>	<u>55,117,696</u>
Less accumulated depreciation for:				
Sewer conveyance system	(8,425,945)	(1,282,728)	-	(9,708,673)
Vehicles	(216,159)	(18,672)	-	(234,831)
Equipment and software	(31,705)	(749)	-	(32,454)
Total accumulated depreciation	<u>(8,673,809)</u>	<u>(1,302,149)</u>	<u>-</u>	<u>(9,975,958)</u>
Total capital assets being depreciated, net	<u>45,344,550</u>	<u>(202,812)</u>	<u>-</u>	<u>45,141,738</u>
Business-type activities capital assets, net	<u>\$ 48,266,138</u>	<u>\$ (92,379)</u>	<u>\$(392,021)</u>	<u>\$ 47,781,738</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

Depreciation Expense was charged to functions as follows:

Governmental activities:

General government	\$ 605,263
Public safety	323,976
Highways and streets	6,329,678
Culture and recreation	722,324
Total governmental activities depreciation	\$ 7,981,241

Business-type activities:

Sewer	\$ 1,302,149
	\$ 1,302,149

NOTE 6—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within 1 year
Governmental Activities					
Quail Creek CFD general obligations bonds	\$ 10,070,000	\$ -	\$ (450,000)	\$ 9,620,000	\$ 470,000
Loans payable	15,830,000	-	(1,055,000)	14,775,000	1,105,000
Unamortized premiums	22,808	-	(8,868)	13,940	13,940
Unamortized discounts	(32,347)	-	2,311	(30,036)	(2,310)
Capital Leases	-	286,327	(27,317)	259,010	42,223
Net pension liability	7,925,906	397,826	(189,821)	8,133,911	-
Compensated absences	942,389	710,558	(554,048)	1,098,899	597,345
Total governmental activities long-term liabilities	\$ 34,758,756	\$ 1,394,711	\$ (2,282,742)	\$ 33,870,724	\$ 2,226,198

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within 1 year
Business-Type Activities					
Loans payable	\$ 23,472,811	\$ 390,351	\$ (1,460,427)	\$ 22,402,735	\$ 1,514,799
Net pension liability	633,567	33,208	-	666,775	-
Compensated absences	40,163	25,203	(21,062)	44,303	22,707
Total business-type activities long-term liabilities	\$ 24,146,541	\$ 448,762	\$ (1,481,489)	\$ 23,113,813	\$ 1,537,506

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

QUAIL CREEK COMMUNITY FACILITIES DISTRICT GENERAL OBLIGATION BONDS Governmental Activities

The District's general obligation bonds payable at June 30, 2016 follows. The District issued debt to provide funds for the construction and acquisition of enhanced infrastructure within the District boundaries. Of the total \$30,000,000 originally authorized from the November 8, 2005 bond election, \$17,340,000 has not been issued. Interest is payable semi-annually and is calculated based upon the principal amount of the bonds outstanding during such period. The bonds are payable from the District's property tax revenues through 2030.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2016
Series 2006	\$12,660,000	5.55%	2017 - 2030	\$ 9,620,000

The following schedule provides the debt service requirements to maturity at June 30, 2016.

Year Ending June 30	Principal	Interest
2017	\$ 470,000	\$ 533,910
2018	500,000	507,825
2019	525,000	480,075
2020	555,000	450,938
2021	585,000	420,135
2022-2026	3,460,000	1,574,813
2027-2030	3,525,000	502,553
Total	\$ 9,620,000	\$ 4,470,249

LOANS PAYABLE Governmental Activities

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

The aforementioned loans are payable from the revenues of the Town's governmental funds through 2029. During that timeframe, total principal and interest to be paid on the loans will be \$18,128,706. During fiscal year ended June 30, 2016, total principal and interest paid was \$1,528,903 and the total revenue subject to pledge was \$15,411,715.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2016
2006A GADA Loan	\$ 16,355,000	5.00%	2017	\$ 810,000
2009B GADA Loan	6,700,000	4.25 - 5.00%	2017 - 2029	5,125,000
2015 Refunding Obligation	8,840,000	1.98%	2018 - 2025	8,840,000
			Loans payable outstanding	\$ 14,775,000
			Unamortized amounts	(16,096)
			Total loans outstanding	\$ 14,758,904

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

The following schedule provides the debt service requirements to maturity at June 30, 2016.

Year Ending June 30	Principal	Interest
2017	\$ 1,105,000	\$ 864,107
2018	1,030,000	404,820
2019	1,420,000	376,614
2020	1,455,000	341,120
2021	1,490,000	304,168
2022-2026	6,805,000	913,377
2027-2029	1,470,000	149,500
	<u>\$ 14,775,000</u>	<u>\$ 3,353,706</u>

Prior year defeasance of debt. In prior years, the Town defeased outstanding loan principal by placing the proceeds of the new loan in an irrevocable trust account to provide for future debt service payments on portions of the old loan. Accordingly, the trust account assets and the liability for the defeased loan principal is not included in the Town's financial statements. At June 30, 2016, \$8,125,000 of loan principal is considered defeased.

LOANS PAYABLE Business-type Activities

The Town has two outstanding loan agreements with the Water Infrastructure Finance Authority of Arizona (WIFA), which were used to finance the construction and design of several wastewater treatment plant expansions. Interest is payable semi-annually and is calculated based upon the principal amount of the loans outstanding during such period. Principal and interest payments to maturity are subject to change based upon the total amounts drawn down on the loans. For the 2008 Non-System Revenue Loan, the Town was originally authorized to draw up to \$4,375,525 but had only used \$3,516,528 of this amount. The remaining \$858,997 was not needed and was de-authorized by WIFA during the year.

For the 2008 WIFA System Revenues Loan, the Town has pledged wastewater system resources, net of specified operating expenses. Annual principal and interest payments on the loan are expected to require 100% of pledged revenues. In the current year, total principal and interest paid, and total pledged resources were \$2,108,048 and \$2,623,798, respectively.

For the 2008 WIFA Non-System Revenues Loan, the Town has pledged wastewater system resources, net of specified operating expenses, and the excess of non-system revenues (i.e. excise taxes) not pledged towards other debt. Annual principal and interest payments on the loan are expected to require less than 4% of pledged resources. In the current year, total principal and interest paid, and total pledged resources were \$227,725 and \$12,353,909, respectively.

Issue	Total Drawn	Interest Rates	Maturities	Outstanding June 30, 2016
2008 WIFA System Revenues Loan	\$28,350,000	3.723%	2017 - 2028	\$ 20,106,010
2008 WIFA Non-System Revenues Loan	\$3,516,528	3.723%	2017 - 2028	<u>2,296,725</u>
			Total loans payable	<u>\$ 22,402,735</u>

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

The following schedule estimates total debt service requirements to maturity at June 30, 2016.

Year Ending	Principal	Interest
<u>June 30</u>		
2017	\$ 1,514,799	\$ 834,054
2018	1,571,195	777,658
2019	1,629,690	719,162
2020	1,690,363	658,489
2021	1,753,296	595,557
2022-2026	9,795,588	1,948,674
2027-2028	4,447,804	249,901
	<u>\$ 22,402,735</u>	<u>\$ 5,783,495</u>

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

	Governmental Activities
Vehicles	\$ 286,327
Less: accumulated depreciation	(27,473)
Total	<u>\$ 258,854</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Year ending June 30	Governmental Activities
2017	\$ 52,737
2018	52,736
2019	52,737
2020	52,736
2021	79,017
Total minimum lease payments	289,963
Less amount representing interest	(30,953)
Present value of minimum lease payment	<u>\$ 259,010</u>

NOTE 7—CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The Town has active construction projects at June 30, 2016. At fiscal year end the Town's commitments with construction contractors and engineering firms were as follows:

<u>Project Description</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Sahuarita Road: La Villita to Country Club	\$ 11,187,783	\$ 181,020
Pima Mine Road Bridge Reconstruction	4,552,950	1,764,724
Total	<u>\$ 15,740,733</u>	<u>\$ 1,945,744</u>

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8—DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUES

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

	<u>Unavailable Receipts</u>	<u>Unearned Revenues</u>
<u>General Fund</u>		
Advances received for future services	\$ -	\$ 112,220
Sales tax audit assessment liens	-	-
Restitution	3,277	-
Total General Fund	<u>3,277</u>	<u>112,220</u>
 <u>HURF Fund</u>		
Capital grants from the State	32,816	-
Insurance claims	2,321	-
Restitution	1,403	-
Total HURF Fund	<u>36,540</u>	<u>-</u>
 <u>CIIF Fund</u>		
Construction sales tax audit assessments liens	117,233	-
Capital grants from Regional Transportation Authority	62,584	-
Total CIIF Fund	<u>179,817</u>	<u>-</u>
 <u>Nonmajor Governmental Funds</u>		
Advances received for future services	-	61,816
Operating grants from other governments	67,984	-
Capital grants from Regional Transportation Authority	8,029	-
Delinquent property taxes	3,786	-
Total Nonmajor Governmental Funds	<u>79,799</u>	<u>61,816</u>
Total for governmental funds	<u>\$ 299,433</u>	<u>\$ 174,036</u>

NOTE 9—INTERFUND ACTIVITY

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

Due to/from other funds

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$7,120

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

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

Advances from/to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Wastewater Fund	\$2,579,222
CIIF Fund	Wastewater Fund	<u>2,579,222</u>
Total advances from/to other funds		<u>\$5,158,444</u>

Transfers out of the General Fund were used to (1) acquire recharge credits from the Wastewater Fund and (2) to cover fund balance deficits of the QCCFD Fund, a nonmajor governmental fund. Transfers out of the HURF Fund were used to reimburse the CIIF Fund for capital costs incurred on certain transportation projects. Transfers out of the CIIF Fund were used to reimburse the Wastewater Fund for capital costs related to a sewer line extension.

Interfund transfers

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Wastewater Fund	\$285,310
General Fund	Nonmajor Governmental Funds	6,515
HURF Fund	CIIF Fund	10,182
CIIF Fund	Wastewater Fund	<u>447,934</u>
Total transfers		<u>\$749,941</u>

NOTE 10—PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2016, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes.

<u>Statement of Net Position & Statement of Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net pension liability	\$ 8,133,911	\$ 666,775	\$ 8,800,686
Deferred outflows	1,640,363	63,946	1,704,309
Deferred inflows	1,460,094	80,678	1,540,772
Pension expense	467,246	20,586	487,833

The Town reported accrued payroll and employee benefits of \$51,569 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2016. Also, the Town reported \$939,279 of pension expenditures in the governmental funds related to all pension 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

Town of Sahuarita, Arizona

Notes to the Financial Statements

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issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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

	Retirement	
	Initial Membership Date	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percentage per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

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

Contributions—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for the health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

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

Year Ended June 30,	Health Benefit Supplement Fund	Long-Term Disability Fund
2016	\$26,604	\$ 6,385
2015	29,220	5,922
2014	31,381	11,586

During fiscal year 2016, the Town paid for ASRS pension and OPEB contributions as follows: 80% from the General Fund and 20% from other major funds.

Pension Liability—At June 30, 2016, the Town reported a liability of \$8,350,625 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability

Town of Sahuarita, Arizona

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used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015.

The Town's reported liability at June 30, 2016, increased by \$431,034 from the Town's prior year liability of \$7,919,591 because of changes in the ASRS' net pension liability and the Town's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

The Town's proportion of the net pension liability was based on the Town's fiscal year 2015 contributions. The Town's proportion measured as of June 30, 2015, was 0.053610 percent, which was an increase of 0.000087 from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources—For the year ended June 30, 2016, the Town recognized pension expense for ASRS of \$247,880. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 227,870	\$ 437,581
Net difference between projected and actual earnings on pension plan investments	-	267,619
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,383	270,443
Town contributions subsequent to the measurement date	577,305	-
Total	\$ 814,558	\$ 975,643

The \$577,305 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (380,986)
2018	(358,062)
2019	(192,529)
2020	193,187

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

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry Age Normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

Town of Sahuarita, Arizona

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For the Fiscal Year Ended June 30, 2016

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate Of Return
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.93%
Total	100%	

Discount Rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	\$ 10,942,173	\$ 8,350,625	\$ 6,574,566

Pension Plan Fiduciary Net Position—Detailed information about the pension plan’s 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 and judges who were members of the plan on December 31, 2014. This plan was closed to new members as of January 1, 2015. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The EORP issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on PSPRS’s website at www.psprs.com.

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

Town of Sahuarita, Arizona

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For the Fiscal Year Ended June 30, 2016

	Initial Membership Date	
	Before July 1, 2012	On or After July 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* Any years and age if disabled	10 years, age 62 5 years, age 65 Any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percentage		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10+ years of service 40% with 5 to 10 years of service 20% with <5 years of service	75% with 10+ years of service 37.5% with 5 to 10 years of service 18.75% with <5 years of service
Survivor Benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members	75% of retired member's benefit	50% of retired member's benefit

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

Contributions—State statutes establish active member and employer contribution requirements. 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. For the year ended June 30, 2016, statutes require active EORP members to contribute 13 percent of the members' annual covered payroll, and the Town to contribute 25.06 percent (23.5 percent for retirement and 1.56 percent for health insurance premium benefit) of active EORP members' annual covered payroll. The Town's contributions to the pension plan for the year ended June 30, 2016 were \$10,501. The Town's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Health Insurance Fund
2016	\$697
2015	693
2014	582

During the fiscal year 2016, the Town paid for EORP pension and OPEB contributions entirely from the General Fund.

Town of Sahuarita, Arizona

Notes to the Financial Statements

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Pension Liability—At June 30, 2016, 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	\$ 353,740
State's proportionate share of the EORP net pension liability associated with the Town	58,491
Total	\$ 412,231

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Town's reported liability at June 30, 2016, decreased by \$157,332 from last year's liability of \$569,563 because of changes in the EORP's net pension liability and the Town's proportionate share of that liability. The EORP's publicly available financial report provides details on the change in the net pension liability.

The Town's proportion of the net pension liability was based on fiscal year 2015 employer contributions. The Town's proportion measured as of June 30, 2015, was .0527520 percent, which was .0122536 lower than last year.

Pension Expense and Deferred Outflows/Inflows of Resources—For the year ended June 30, 2016, the Town recognized pension expense for EORP of \$102,499 and revenue of \$34,579 for the Town's proportionate share of the State's appropriation to EORP. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 659	\$ 4,590
Net difference between projected and actual earnings on pension plan investments	2,500	-
Changes of assumptions or other inputs	69,073	-
Change in proportion and differences between Town contributions and proportionate share of contributions	-	37,184
Town contributions subsequent to the measurement date	10,501	-
Total	\$ 82,733	\$ 41,774

The \$10,501 reported as deferred outflows of resources related to EORP pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2017	\$	32,899
2018		(4,529)
2019		206
2020		1,882

Town of Sahuarita, Arizona

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For the Fiscal Year Ended June 30, 2016

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

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Investment rate of return	4.86%
Projected salary increases	4.25%
Inflation	3.0%
Permanent benefit increase, retired \leq July 31, 2011	Included
Mortality rates	RP-2000 table scale AA

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.85 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.

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

Discount Rate—At June 30, 2015, the discount rate used to measure the EORP total pension liability was 4.86 percent, which was a decrease of 0.81 from the discount rate used as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2018. A municipal bond rate of 3.80 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 25, 2015, was applied to periods of projected benefit payments after June 30, 2018.

Sensitivity of the Town's Proportionate Share of the EORP Net Pension Liability to Changes in the Discount Rate—The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 4.86 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.86 percent) or 1 percentage point higher (5.86 percent) than the current rate:

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
Town's proportionate share of the net pension liability	\$ 479,889	\$ 412,231	\$ 355,334

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

Public Safety Personnel Retirement System (PSPRS)

Plan Description—Town police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

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

Employees Covered by Benefit Terms—At June 30, 2016, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	5
Active employees	38
Total	44

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

	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percentage Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%

Town of Sahuarita, Arizona

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For the Fiscal Year Ended June 30, 2016

Disability Retirement

Accidental disability retirement

50% or normal retirement, whichever is greater

Catastrophic disability retirement

90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater

Catastrophic disability retirement

Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20

Survivor Benefit

Retired members

80% to 100% of retired member's pension benefit

Active members

80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015 the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Contributions and Annual OPEB Cost—State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. In addition, the Town was required by statute to make contributions for retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the PSPRS. Contributions rates for the year ended June 30, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Contributions	
	Standard Rate	Alternate Rate
Active Members - Pension	11.65%	-
Town		
Pension	12.55%	28.68%
Health Insurance Premium Benefit	0.58%	-0.06%

For the year ended June 30, 2016, the Town's contributions to the pension plan and health insurance premium benefit totaled \$395,949 and \$17,461, respectively. The annual OPEB cost was \$17,461. During fiscal year 2016, the Town paid for PSPRS pension and OPEB contributions as follows: 94% from the General Fund and 6% from other funds.

Pension Liability—At June 30, 2016, the Town reported a net pension liability of \$37,830. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the Town's net pension liability as a result of the statutory adjustments is not known.

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

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

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	7.85%
Projected salary increases	4.0 - 8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 table (adjusted +105%)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 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:

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

Pension Discount Rates—A discount rate of 7.85% was used to measure the total pension liabilities. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2015	\$ 7,429,717	\$ 7,225,744	\$ 203,973
Changes for the year:			
Service cost	499,231	-	499,231
Interest on the total pension liability	600,242	-	600,242
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	(251,049)	-	(251,049)
Changes of assumptions or other inputs	-	-	-
Contributions-employer	-	468,919	(468,919)
Contributions-employee	-	285,067	(285,067)
Net investment income	-	273,195	(273,195)
Benefit payments, including refunds of employee contributions	(65,881)	(65,881)	-
Administrative expenses	-	(7,054)	7,054
Other (net transfer)	-	(5,560)	5,560
Net changes	<u>782,543</u>	<u>948,686</u>	<u>(166,143)</u>
Balance at June 30, 2016	<u>\$ 8,212,260</u>	<u>\$ 8,174,430</u>	<u>\$ 37,830</u>

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

	1% Decrease (6.85%)	Current Discount Rate (7.85%)	1% Increase (8.85%)
Town's proportionate share of the net pension liability/(asset)	\$ 1,302,748	\$ 37,830	\$ (999,972)

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

Pension Expense—For the year ended June 30, 2016, the Town recognized a pension expense of \$137,454.

Pension Deferred Outflows/Inflows of Resources—At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 318,770
Net difference between projected and actual earnings on pension plan investments	256,431	204,585
Changes of assumptions	154,638	-
Town contributions subsequent to the measurement date	395,949	-
Total	<u>\$ 807,018</u>	<u>\$ 523,355</u>

Town of Sahuarita, Arizona

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For the Fiscal Year Ended June 30, 2016

The \$395,949 reported as deferred outflows of resources related to PSPRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (26,641)
2018	(26,641)
2019	(26,641)
2020	41,553
2021	(22,554)
Thereafter	(51,362)

Agent Plan OPEB Actuarial Assumptions—The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used to establish the fiscal year 2016 contribution requirements are as follows:

OPEB Contribution Requirements

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for underfunded accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4% - 8%
Wage growth	4%

Town of Sahuarita, Arizona

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2016	\$17,461	100%	\$ -
2015	27,064	392%	-
2014	26,371	100%	-

Agent Plan OPEB Funded Status—The health insurance premium benefit plans funded status as of the most recent valuation date, June 30, 2015 follows:

Actuarial value of assets (a)	\$ 270,588
Actuarial accrued liability (b)	311,328
Unfunded actuarial accrued liability (b)-(a)	40,740
Funded ratio (a)/(b)	86.91%
Annual covered payroll (c)	\$ 2,619,917
Unfunded actuarial accrued liability as a percentage of covered payroll (b)-(a)/(c)	1.56%

The actuarial methods and assumptions used for the PSPRS health insurance premium benefit plans for the most recent valuation date are as follows:

OPEB Funded Status

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

NOTE 11—RISK MANAGEMENT

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

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

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

Town of Sahuarita, Arizona

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 12—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Expenditure Limitation

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

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

B. Budgetary Information

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

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

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

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

C. Excess of Expenditures Over Appropriations

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

<u>General Fund</u>	
Mayor & Council	\$ 271
Town Manager	7,568
Law	5,176
Human Resources	8,808
Planning & Building-Zoning Division	13,687
<u>CIIF Fund</u>	
General governmental	\$139,011
Debt service-principal	27,317
<u>Quail Creek CFD Fund</u>	
General governmental	\$ 298

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

Town of Sahuarita, Arizona
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 13—SUBSEQUENT EVENT

Subsequent to June 30, 2016, the Town issued \$9,940,000 in Quail Creek Community Facility District General Obligation Refunding bonds to refund \$9,620,000 of Quail Creek Community Facility District general obligation bonds resulting in net present value savings of \$1,176,578.



CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplementary Information Other Than MD&A



Town of Sahuarita, Arizona

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

Reporting fiscal year ending June 30, (Measurement Date)	<u>2016</u> <u>(2015)</u>	<u>2015</u> <u>(2014)</u>	<u>2014-2007</u> <u>(2013-2006)</u>
<u>Net pension liability</u>			
Proportion of the collective net pension liability	0.053610%	0.053523%	Information
Proportionate share of the collective net pension liability	\$ 8,350,625	\$ 7,919,591	Not Available
Covered-employee payroll	\$ 4,833,886	\$ 4,206,647	
Proportionate share of the collective net pension liability as a percentage of the covered-employee payroll	172.75%	188.26%	
Pension plan's fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	
<u>Contributions</u>			
Required employer contributions	\$ 577,305	\$ 516,246	
Actual employer contributions	<u>577,305</u>	<u>516,246</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Covered-employee payroll	\$ 5,325,968	\$ 4,833,886	
Actual contribution as a percentage of covered-employee payroll	10.84%	10.68%	

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

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

Reporting fiscal year ending June 30, (Measurement Date)	<u>2016</u> <u>(2015)</u>	<u>2015</u> <u>(2014)</u>	<u>2014-2007</u> <u>(2013-2006)</u>
<u>Net pension liability</u>			
Proportion of the collective net pension liability	0.0527520%	0.0650056%	Information
Proportionate share of the collective net pension liability	\$ 412,231	\$ 435,909	Not Available
Covered-employee payroll	\$ 46,800	\$ 46,800	
Proportionate share of the collective net pension liability as a percentage of the covered-employee payroll	880.84%	931.43%	
Pension plan's fiduciary net position as a percentage of the total pension liability	31.91%	31.91%	
<u>Contributions</u>			
Required employer contributions	\$ 10,501	\$ 13,851	
Actual employer contributions	<u>10,501</u>	<u>13,851</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Covered-employee payroll	\$ 46,800	\$ 46,800	
Actual contribution as a percentage of covered-employee payroll	22.44%	29.60%	

See accompanying notes to required supplementary information.

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

Reporting fiscal year ending June 30, (Measurement date)	2016 (2015)	2015 (2014)	2014-2007 (2013-2006)
<u>Total Pension Liability</u>			
Service cost	\$ 499,231	\$ 476,570	Information
Interest on the total pension liability	600,242	520,977	Not Available
Benefit changes	-	(20,272)	
Difference between expected and actual experience	(251,049)	(129,225)	
Assumptions changes	-	202,160	
Benefit payments, including refunds of employee contributions	<u>(65,881)</u>	<u>(37,716)</u>	
Net Change in total pension liability	782,543	1,012,494	
Total pension liability-beginning	<u>7,429,717</u>	<u>6,417,223</u>	
Total pension liability-ending (a)	<u>\$ 8,212,260</u>	<u>\$ 7,429,717</u>	
<u>Plan Fiduciary Net Position</u>			
Employer contributions	\$ 468,919	\$ 314,125	
Employee contributions	285,067	260,111	
Pension plan net investment income	273,195	833,960	
Benefit payments, including refunds of employee contributions	(65,881)	(37,716)	
Administrative expenses	(7,054)	(6,717)	
Other (net transfer)	<u>(5,560)</u>	<u>41,203</u>	
Net Change in Plan Fiduciary Net Position	948,686	1,404,966	
Plan Fiduciary Net Position-Beginning	<u>7,225,744</u>	<u>5,820,778</u>	
Plan Fiduciary Net Position-Ending (b)	<u>\$ 8,174,430</u>	<u>\$ 7,225,744</u>	
Net Pension Liability/(Asset)-Ending (a) - (b)	\$ 37,830	\$ 203,973	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.54%	97.25%	
Covered Valuation Payroll	\$ 2,619,917	\$ 2,590,252	
Net Pension Liability as a Percentage of Covered Valuation Payroll	1.44%	7.87%	
<u>Contributions</u>			
Required employer contributions	\$ 366,548	\$ 314,125	
Actual employer contributions	<u>468,919</u>	<u>314,125</u>	
Contribution deficiency (excess)	<u>\$ (102,371)</u>	<u>\$ -</u>	
Covered-employee payroll	\$ 2,967,907	\$ 2,619,917	
Actual contribution as a percentage of covered-employee payroll	15.80%	11.99%	

See accompanying notes to required supplementary information.

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

Other Post Employment Benefit (Health Insurance Premium Benefit)

Actuarial Valuation Date June 30	Actuarial Valuation Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL	Percent Funded	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2013	\$ -	\$ 241,829	\$ 241,829	0.00%	\$ 2,489,096	9.72%
2014	218,180	297,184	79,004	73.42%	2,590,256	3.05%
2015	270,588	311,328	40,740	86.91%	2,619,917	1.56%

See accompanying notes to required supplementary information.

Town of Sahuarita, Arizona

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2016

NOTE 1—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 Level	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period as of the 2014 Actuarial Valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected Salary Increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%
Wage Growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%.
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2—FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in Fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's pension fund to the new health insurance fund.

NOTE 3—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2016, the Town implemented the provisions of GASB Statement No. 82, *Pension Issues*. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Combining Statements and Other Schedules



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

Town of Sahuarita, Arizona

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	SPECIAL REVENUE FUNDS			Total Nonmajor Governmental Funds
	Quail Creek CFD Fund	Rancho Sahuarita CFD Fund	GARS Fund	
Assets				
Cash and investments	\$ -	\$ 31,496	\$ 489,785	\$ 521,281
Receivables	265,424	72	172,819	438,315
Prepaid items	3,750	-	500	4,250
Restricted assets	470,418	-	60,713	531,131
Total assets	\$ 739,592	\$ 31,568	\$ 723,817	\$ 1,494,977
Liabilities				
Payables:				
Accounts	\$ 215	\$ 98	\$ 71,360	\$ 71,673
Bonds	450,000	-	-	450,000
Interest	278,543	-	-	278,543
Due to other funds	7,120	-	-	7,120
Unearned revenues	-	29,254	32,562	61,816
Total liabilities	735,878	29,352	103,922	869,152
Deferred inflows of resources				
Unavailable revenues	3,714	72	76,013	79,799
Total deferred inflows of resources	3,714	72	76,013	79,799
Fund balances				
Non-spendable: prepaid items	3,750	-	500	4,250
Restricted:				
Rancho Sahuarita CFD	-	2,144	-	2,144
Municipal Court	-	-	39,800	39,800
Law enforcement	-	-	503,582	503,582
Unassigned	(3,750)	-	-	(3,750)
Total fund balances	-	2,144	543,882	546,026
Total liabilities, deferred inflows of resources, and fund balances	\$ 739,592	\$ 31,568	\$ 723,817	\$ 1,494,977

Town of Sahuarita, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2016

	SPECIAL REVENUE FUNDS			Total Nonmajor Governmental Funds
	Quail Creek CFD Fund	Rancho Sahuarita CFD Fund	GARS Fund	
Revenues				
Taxes	\$ 408,402	\$ 2,361	\$ -	\$ 410,763
Intergovernmental	-	-	427,200	427,200
Charges for services	-	-	10,200	10,200
Fines and forfeitures	-	-	52,644	52,644
Investment earnings	(116)	341	5,022	5,247
Miscellaneous	636,349	-	92,248	728,597
Total revenues	1,044,635	2,702	587,314	1,634,651
Expenditures				
Current:				
General government	298	558	76,813	77,669
Public safety	-	-	538,600	538,600
Highways and streets	10,020	-	8,028	18,048
Culture and recreation	29,728	-	12,500	42,228
Debt service:				
Principal	450,000	-	-	450,000
Interest	557,085	-	-	557,085
Fiscal charges	4,019	-	-	4,019
Total expenditures	1,051,150	558	635,941	1,687,649
Excess (deficiency) of revenues over (under) expenditures	(6,515)	2,144	(48,627)	(52,998)
Other financing sources (uses)				
Transfers in	6,515	-	-	6,515
Total other financing sources (uses)	6,515	-	-	6,515
Net change in fund balances	-	2,144	(48,627)	(46,483)
Fund balance at beginning of year	-	-	592,509	592,509
Fund balance at end of year	\$ -	\$ 2,144	\$ 543,882	\$ 546,026

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, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,197,140	\$ 2,197,140	\$ 2,131,797	\$ (65,343)
Intergovernmental	2,107,960	2,142,960	4,162,633	2,019,673
Investment earnings	63,360	63,360	103,460	40,100
Miscellaneous	2,972,440	2,972,440	2,900,000	(72,440)
Total revenues	<u>7,340,900</u>	<u>7,375,900</u>	<u>9,297,890</u>	<u>1,921,990</u>
Expenditures				
Capital outlay:				
General government	611,800	658,800	797,811	(139,011)
Public safety	374,100	374,100	372,766	1,334
Highways and streets	10,046,270	10,081,270	4,419,117	5,662,153
Culture and recreation	721,720	721,720	613,445	108,275
Total capital outlay	<u>11,753,890</u>	<u>11,835,890</u>	<u>6,203,139</u>	<u>5,632,751</u>
Debt service:				
Principal	1,055,000	1,055,000	1,082,317	(27,317)
Interest	507,760	507,760	481,981	25,779
Fiscal charges	5,000	5,000	1,900	3,100
Total debt service	<u>1,567,760</u>	<u>1,567,760</u>	<u>1,566,198</u>	<u>1,562</u>
Contingency reserves	4,527,930	4,480,930	-	4,480,930
Total expenditures	<u>17,849,580</u>	<u>17,884,580</u>	<u>7,769,337</u>	<u>10,115,243</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,508,680)</u>	<u>(10,508,680)</u>	<u>1,528,553</u>	<u>12,037,233</u>
Other financing sources (uses)				
Capital leases	-	-	286,327	286,327
Transfers in	3,600,000	3,600,000	10,182	(3,589,818)
Transfers out	(386,080)	(386,080)	(447,934)	(61,854)
Total other financing sources (uses)	<u>3,213,920</u>	<u>3,213,920</u>	<u>(151,425)</u>	<u>(3,365,345)</u>
Net change in fund balance	(7,294,760)	(7,294,760)	1,377,128	8,671,888
Fund balance at beginning of year	7,294,760	7,294,760	5,092,915	(2,201,845)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,470,043</u>	<u>\$ 6,470,043</u>

Town of Sahuarita, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual Quail Creek Community Facilities District—Special Revenue Fund For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 398,610	\$ 398,610	\$ 408,402	\$ 9,792
Investment earnings (losses)	(170)	(170)	(116)	54
Miscellaneous	645,650	645,650	636,349	(9,301)
Total revenues	<u>1,044,090</u>	<u>1,044,090</u>	<u>1,044,635</u>	<u>545</u>
Expenditures				
Current:				
General government	-	-	298	(298)
Highways and streets	21,880	21,880	10,020	11,860
Culture and recreation	31,020	31,020	29,728	1,292
Total current	<u>52,900</u>	<u>52,900</u>	<u>40,046</u>	<u>12,854</u>
Debt service:				
Principal	450,000	450,000	450,000	-
Interest	557,090	557,090	557,085	5
Fiscal charges	4,500	4,500	4,019	481
Total debt service	<u>1,011,590</u>	<u>1,011,590</u>	<u>1,011,104</u>	<u>486</u>
Total expenditures	<u>1,064,490</u>	<u>1,064,490</u>	<u>1,051,150</u>	<u>13,340</u>
Excess (deficiency) of revenues over (under) expenditures	(20,400)	(20,400)	(6,515)	13,885
Other financing sources (uses)				
Transfers in	20,400	20,400	6,515	(13,885)
Total other financing sources (uses)	<u>20,400</u>	<u>20,400</u>	<u>6,515</u>	<u>(13,885)</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,370	\$ 2,370	\$ 2,361	\$ (9)
Investment earnings (losses)	300	300	341	41
Total revenues	<u>2,670</u>	<u>2,670</u>	<u>2,702</u>	<u>32</u>
Expenditures				
Current:				
General government	1,050	1,050	558	492
Total current	<u>1,050</u>	<u>1,050</u>	<u>558</u>	<u>492</u>
Capital outlay:				
General government	6,873,600	6,873,600	-	6,873,600
Total capital outlay	<u>6,873,600</u>	<u>6,873,600</u>	<u>-</u>	<u>6,873,600</u>
Debt service:				
Debt issuance costs	286,400	286,400	-	286,400
Total debt service	<u>286,400</u>	<u>286,400</u>	<u>-</u>	<u>286,400</u>
Contingency reserves	1,820	1,820	-	1,820
Total expenditures	<u>7,162,870</u>	<u>7,162,870</u>	<u>558</u>	<u>7,162,312</u>
Excess (deficiency) of revenues over (under) expenditures	(7,160,200)	(7,160,200)	2,144	7,162,344
Other financing sources				
Face amount of long-term debt	7,160,000	7,160,000	-	(7,160,000)
Total other financing sources	<u>7,160,000</u>	<u>7,160,000</u>	<u>-</u>	<u>(7,160,000)</u>
Net change in fund balance	(200)	(200)	2,144	2,344
Fund balance at beginning of year	200	200	-	(200)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,144</u>	<u>\$ 2,144</u>

Town of Sahuarita, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual Grants and Restricted Sources Fund—Special Revenue Fund For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 628,490	\$ 628,490	\$ 427,200	\$ (201,290)
Charges for services	15,000	15,000	10,200	(4,800)
Fines and forfeitures	60,870	60,870	52,644	(8,226)
Investment earnings	3,260	3,260	5,022	1,762
Miscellaneous	42,000	138,000	92,248	(45,752)
Total revenues	<u>749,620</u>	<u>845,620</u>	<u>587,314</u>	<u>(258,306)</u>
Expenditures				
Current:				
General government	15,000	111,000	76,813	34,187
Public safety	1,023,090	1,023,090	538,600	484,490
Highways and streets	-	11,660	8,028	3,632
Culture and recreation	20,000	20,000	12,500	7,500
Contingency reserves	351,900	340,240	-	340,240
Total expenditures	<u>1,409,990</u>	<u>1,505,990</u>	<u>635,941</u>	<u>870,049</u>
Excess (deficiency) of revenues over (under) expenditures	(660,370)	(660,370)	(48,627)	611,743
Fund balance at beginning of year	660,370	660,370	592,509	(67,861)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 543,882</u>	<u>\$ 543,882</u>



STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

Town of Sahuarita, Arizona

Net Position by Component

Last 10 Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	<u>2007*</u>	<u>2008*</u>	<u>2009*</u>	<u>2010*</u>	<u>2011*</u>	<u>2012*</u>	<u>2013</u>	<u>2014</u>	<u>2015**</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$57,823,346	\$69,548,343	\$70,498,019	\$92,638,327	\$96,700,769	\$96,269,746	\$106,716,456	\$117,809,456	\$124,700,350	\$123,086,910
Restricted	3,172,002	1,966,475	412,108	440,452	521,782	822,200	1,004,816	1,054,409	1,097,795	1,333,299
Unrestricted	30,387,388	29,551,602	31,814,628	29,134,562	27,649,185	28,107,883	27,969,865	26,556,831	16,575,691	16,662,435
Total governmental activities net assets	<u>\$91,382,736</u>	<u>\$101,066,420</u>	<u>\$102,724,755</u>	<u>\$122,213,341</u>	<u>\$124,871,736</u>	<u>\$125,199,829</u>	<u>\$135,691,137</u>	<u>\$145,420,696</u>	<u>\$142,373,836</u>	<u>\$141,082,644</u>
Business-type activities										
Net investment in capital assets	\$17,842,537	\$21,961,024	\$21,469,386	\$22,472,627	\$23,029,268	\$23,100,686	\$23,016,012	\$22,959,593	\$23,334,636	\$23,918,576
Restricted	-	-	421,610	843,219	1,264,829	1,686,448	2,108,048	2,108,048	2,858,048	2,858,048
Unrestricted	2,182,440	(4,419,912)	(4,593,310)	(2,436,656)	(4,601,737)	(4,252,577)	(4,709,397)	(4,172,413)	(5,789,541)	(5,974,958)
Total business-type activities net assets	<u>\$20,024,977</u>	<u>\$17,541,112</u>	<u>\$17,297,686</u>	<u>\$20,879,190</u>	<u>\$19,692,360</u>	<u>\$20,534,557</u>	<u>\$20,414,663</u>	<u>\$20,895,228</u>	<u>\$20,403,143</u>	<u>\$20,801,666</u>
Primary government										
Net investment in capital assets	\$75,665,883	\$91,509,367	\$91,967,405	\$115,110,954	\$119,730,037	\$119,370,432	\$129,732,468	\$140,769,049	\$148,034,986	\$147,005,486
Restricted	3,172,002	1,966,475	833,718	1,283,671	1,786,611	2,508,648	3,112,864	3,162,457	3,955,843	4,191,347
Unrestricted	32,569,828	25,131,690	27,221,318	26,697,906	23,047,448	23,855,306	23,260,468	22,384,418	10,786,150	10,687,477
Total primary government net assets	<u>\$111,407,713</u>	<u>\$118,607,532</u>	<u>\$120,022,441</u>	<u>\$143,092,531</u>	<u>\$144,564,096</u>	<u>\$145,734,386</u>	<u>\$156,105,800</u>	<u>\$166,315,924</u>	<u>\$162,776,979</u>	<u>\$161,884,310</u>

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

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

Town of Sahuarita, Arizona

Changes in Net Position

Last 10 Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	2007*	2008*	2009*	2010*	2011*	2012*	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 2,831,755	\$ 4,214,983	\$ 4,478,612	\$ 4,339,260	\$ 4,244,787	\$ 4,127,397	\$ 4,510,041	\$ 4,678,867	\$ 5,222,615	\$ 5,388,608
Public safety	4,860,754	6,619,502	6,887,246	6,536,511	6,658,482	6,428,351	6,585,275	6,586,449	6,881,354	7,384,262
Highways and streets	4,022,588	3,766,718	4,824,811	5,214,597	6,760,320	7,400,954	7,225,326	7,224,948	7,351,674	8,163,637
Culture and recreation	1,417,683	1,423,812	1,545,515	1,851,245	1,830,300	1,971,790	2,023,125	2,277,660	2,076,948	2,222,681
Interest, amortization and issuance costs of long-term debt	1,411,575	1,509,529	1,456,509	1,632,328	1,547,519	1,498,452	1,445,431	1,388,415	1,332,284	1,054,164
Total governmental activities expenses	<u>14,544,355</u>	<u>17,534,544</u>	<u>19,192,693</u>	<u>19,573,941</u>	<u>21,041,408</u>	<u>21,426,944</u>	<u>21,789,198</u>	<u>22,156,339</u>	<u>22,864,875</u>	<u>24,213,352</u>
Business-type activities:										
Sewer	1,448,679	2,732,117	3,053,431	3,122,804	3,072,970	3,563,460	3,675,890	3,523,158	3,722,561	4,000,415
Total business-type activities expenses	<u>1,448,679</u>	<u>2,732,117</u>	<u>3,053,431</u>	<u>3,122,804</u>	<u>3,072,970</u>	<u>3,563,460</u>	<u>3,675,890</u>	<u>3,523,158</u>	<u>3,722,561</u>	<u>4,000,415</u>
Total primary government expenses	<u>\$ 15,993,034</u>	<u>\$ 20,266,661</u>	<u>\$ 22,246,124</u>	<u>\$ 22,696,745</u>	<u>\$ 24,114,378</u>	<u>\$ 24,990,404</u>	<u>\$ 25,465,088</u>	<u>\$ 25,679,497</u>	<u>\$ 26,587,436</u>	<u>\$ 28,213,767</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 358,390	\$ 335,242	\$ 471,217	\$ 342,413	\$ 455,865	\$ 348,701	\$ 378,578	\$ 424,426	\$ 391,278	\$ 419,942
Public safety	2,402,734	3,334,354	2,189,179	1,683,220	1,066,204	1,294,328	1,315,158	947,254	1,087,329	1,375,991
Highways and streets	1,147,993	-	-	-	-	-	-	-	-	-
Culture and recreation	228,698	119,869	139,735	140,422	153,157	103,665	99,350	90,545	133,340	121,980
Operating grants and contributions	1,313,449	1,488,296	1,470,809	1,374,028	1,722,145	2,135,292	2,142,958	2,079,460	2,132,244	2,404,762
Capital grants and contributions	9,732,575	5,241,479	1,977,750	23,193,692	9,251,463	4,856,818	13,759,635	14,274,634	10,899,898	3,992,375
Total governmental activities program revenues	<u>15,183,839</u>	<u>10,519,240</u>	<u>6,248,690</u>	<u>26,733,775</u>	<u>12,648,834</u>	<u>8,738,804</u>	<u>17,695,679</u>	<u>17,816,319</u>	<u>14,644,089</u>	<u>8,315,050</u>
Business-type activities										
Charges for services:										
Sewer	1,694,198	2,444,392	2,706,310	2,903,252	2,637,032	4,409,305	3,524,391	3,349,567	3,254,711	3,393,582
Operating grants and contributions	-	35,000	-	-	-	-	-	-	-	-
Capital grants and contributions	1,159,888	1,371,202	-	3,809,800	416,636	-	-	-	-	250,000
Total business-type activities program revenues	<u>2,854,086</u>	<u>3,850,594</u>	<u>2,706,310</u>	<u>6,713,052</u>	<u>3,053,668</u>	<u>4,409,305</u>	<u>3,524,391</u>	<u>3,349,567</u>	<u>3,254,711</u>	<u>3,643,582</u>
Total primary government program revenues	<u>\$ 18,037,925</u>	<u>\$ 14,369,834</u>	<u>\$ 8,955,000</u>	<u>\$ 33,446,827</u>	<u>\$ 15,702,502</u>	<u>\$ 13,148,109</u>	<u>\$ 21,220,070</u>	<u>\$ 21,165,886</u>	<u>\$ 17,898,800</u>	<u>\$ 11,958,632</u>
Net (Expenses)/Revenues										
Governmental activities	\$ 639,484	\$ (7,015,304)	\$ (12,944,003)	\$ 7,159,834	\$ (8,392,574)	\$ (12,688,140)	\$ (4,093,519)	\$ (4,340,020)	\$ (8,220,786)	\$ (15,898,302)
Business-type activities	1,405,407	1,118,477	(347,121)	3,590,248	(19,302)	845,845	(151,499)	(173,591)	(467,850)	(356,833)
Total primary government (expense)/revenue	<u>\$ 2,044,891</u>	<u>\$ (5,896,827)</u>	<u>\$ (13,291,124)</u>	<u>\$ 10,750,082</u>	<u>\$ (8,411,876)</u>	<u>\$ (11,842,295)</u>	<u>\$ (4,245,018)</u>	<u>\$ (4,513,611)</u>	<u>\$ (8,688,636)</u>	<u>\$ (16,255,135)</u>

(continued)

Town of Sahuarita, Arizona

Changes in Net Position

Last 10 Fiscal Years

(accrual basis of accounting)

(Unaudited)

(concluded)

	Fiscal Year									
	<u>2007*</u>	<u>2008*</u>	<u>2009*</u>	<u>2010*</u>	<u>2011*</u>	<u>2012*</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ -	\$ 114,727	\$ 247,864	\$ 272,396	291,464	289,751	289,408	299,920	354,728	411,260
Sales taxes	14,269,688	10,538,648	8,787,580	7,074,851	6,456,154	6,279,865	7,487,481	6,916,291	6,601,243	7,101,219
Franchise taxes	221,911	273,894	293,812	302,295	308,900	313,653	310,304	303,598	316,332	318,035
Share of state income taxes	1,588,364	1,968,813	2,068,932	1,806,256	1,361,686	2,131,878	2,580,152	2,815,436	3,057,758	3,041,180
Share of state sales taxes	1,329,702	1,285,736	1,113,089	1,026,662	1,144,921	1,973,746	2,067,495	2,198,614	2,308,388	2,385,534
Share of state vehicle license tax	612,957	617,476	588,042	550,098	544,747	911,007	925,392	962,878	1,006,277	1,058,242
Grants and contributions not restricted to specific programs	39,504	136,047	122,154	108,854	-	-	-	-	-	-
Investment earnings	2,666,866	1,702,153	593,201	330,383	232,639	337,457	59,754	368,272	191,184	319,547
Miscellaneous	29,740	61,494	787,664	856,957	852,403	778,876	864,841	897,650	856,915	705,337
Transfers	-	-	-	-	(141,945)	-	-	(693,080)	(699,540)	(733,244)
Total governmental activities	20,758,732	16,698,988	14,602,338	12,328,752	11,050,969	13,016,233	14,584,827	14,069,579	13,993,285	14,607,110
Business-type activities										
Investment earnings (losses)	159,324	68,299	(1,083)	(8,744)	(21,574)	(45,978)	(16,707)	(41,352)	-	-
Miscellaneous	-	-	104,778	-	442	42,330	48,312	2,428	1,612	22,112
Extraordinary or special items	-	(3,670,641)	-	-	(1,288,341)	-	-	-	-	-
Transfers	-	-	-	-	141,945	-	-	693,080	699,540	733,244
Total business-type activities	159,324	(3,602,342)	103,695	(8,744)	(1,167,528)	(3,648)	31,605	654,156	701,152	755,356
Total primary government	\$ 20,918,056	\$ 13,096,646	\$ 14,706,033	\$ 12,320,008	\$ 9,883,441	\$ 13,012,585	\$ 14,616,432	\$ 14,723,735	\$ 14,694,437	\$ 15,362,466
Change in Net Position										
Governmental activities	\$ 21,398,216	\$ 9,683,684	\$ 1,658,335	\$ 19,488,586	\$ 2,658,395	\$ 328,093	\$ 10,491,308	\$ 9,729,559	\$ 5,772,499	\$ (1,291,192)
Business-type activities	1,564,731	(2,483,865)	(243,426)	3,581,504	(1,186,830)	842,197	(119,894)	480,565	233,302	398,523
Total primary government	\$ 22,962,947	\$ 7,199,819	\$ 1,414,909	\$ 23,070,090	\$ 1,471,565	\$ 1,170,290	\$ 10,371,414	\$ 10,210,124	\$ 6,005,801	\$ (892,669)

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

Town of Sahuarita, Arizona

Fund Balances-Governmental Funds

Last 10 Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Non-spendable				\$ 69,839	\$ 149,885	\$ 2,225,140	\$ 2,043,561	\$ 1,702,265	\$ 2,767,627	\$ 2,620,695
Restricted				50,000	101,450	166,658	137,294	-	-	-
Committed				-	3,865,030	-	3,772,040	3,810,700	3,947,700	4,336,250
Assigned				-	-	-	-	-	-	500,000
Unassigned				15,102,726	9,325,017	12,154,613	10,123,613	11,377,733	10,761,488	11,233,923
Reserved	\$ 18,516	\$ 71,021	\$ 87,789							
Unreserved	11,565,100	12,816,510	15,492,359							
Total general fund	<u>\$ 11,583,616</u>	<u>\$ 12,887,531</u>	<u>\$ 15,580,148</u>	<u>\$ 15,222,565</u>	<u>\$ 13,441,382</u>	<u>\$ 14,546,411</u>	<u>\$ 16,076,508</u>	<u>\$ 16,890,698</u>	<u>\$ 17,476,815</u>	<u>\$ 18,690,868</u>
All Other Governmental Funds										
Non-spendable				\$ 1,698	\$ 1,822	\$ 2,017,562	\$ 2,545,717	\$ 2,545,717	\$ -	\$ 4,250
Restricted				390,452	420,332	654,018	822,403	952,732	1,029,692	1,216,960
Committed				-	4,065,020	-	-	-	-	-
Assigned				13,823,584	5,176,598	9,387,325	10,068,691	5,762,916	5,092,915	6,470,043
Unassigned				(3,392)	(46,656)	(402,000)	-	-	-	(3,750)
Reserved	\$ 19,921	\$ -	\$ -							
Unreserved, reported in:										
Special revenue funds	30,510,232	20,305,049	19,038,460							
Total all other governmental funds	<u>\$ 30,530,153</u>	<u>\$ 20,305,049</u>	<u>\$ 19,038,460</u>	<u>\$ 14,212,342</u>	<u>\$ 9,617,116</u>	<u>\$ 11,656,905</u>	<u>\$ 13,436,811</u>	<u>\$ 9,261,365</u>	<u>\$ 6,122,607</u>	<u>\$ 7,687,503</u>
Total governmental funds	<u>\$ 42,113,769</u>	<u>\$ 33,192,580</u>	<u>\$ 34,618,608</u>	<u>\$ 29,434,907</u>	<u>\$ 23,058,498</u>	<u>\$ 26,203,316</u>	<u>\$ 29,513,319</u>	<u>\$ 26,152,063</u>	<u>\$ 23,599,422</u>	<u>\$ 26,378,371</u>

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

Town of Sahuarita, Arizona

Changes in Fund Balances-Governmental Funds

Last 10 Fiscal Years

(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 14,491,599	\$ 10,598,868	\$ 9,314,734	\$ 7,673,943	\$ 7,055,647	\$ 6,884,758	\$ 8,082,127	\$ 7,522,856	\$ 7,272,556	\$ 7,833,935
Licenses and permits	2,526,177	2,901,993	1,989,607	1,622,262	801,119	1,034,299	1,202,273	779,759	1,112,125	1,442,097
Intergovernmental	9,620,753	8,064,243	6,522,683	11,003,718	7,137,531	13,405,385	24,324,397	15,007,062	18,033,692	12,968,488
Charges for services	1,493,634	686,951	1,115,383	1,148,856	1,080,804	997,209	941,508	885,253	818,730	897,726
Fines and forfeitures	261,099	490,311	276,177	274,666	456,552	541,803	398,853	437,903	305,497	284,850
Investment earnings	2,666,866	1,702,153	593,201	330,383	232,639	337,457	59,754	368,272	191,184	319,547
Miscellaneous	55,640	144,634	818,057	856,957	852,159	877,867	883,130	903,525	948,880	3,674,431
Total revenues	31,115,768	24,589,153	20,629,842	22,910,785	17,616,451	24,078,778	35,892,042	25,904,630	28,682,664	27,421,074
Expenditures										
General government	2,923,903	3,894,607	4,473,469	4,059,896	4,172,960	4,157,867	4,225,983	4,251,121	4,789,425	4,949,318
Public safety	4,842,011	6,574,466	6,782,108	6,235,440	6,569,662	6,368,664	6,344,200	6,298,986	6,790,927	7,265,205
Highways and streets	2,163,076	1,326,740	1,485,275	1,437,544	1,520,360	1,357,869	1,636,412	1,752,307	1,680,784	1,677,927
Culture and recreation	1,400,893	1,577,739	1,373,622	1,299,302	1,200,861	1,304,619	1,327,626	1,308,499	1,460,244	1,522,317
Capital outlay	29,877,948	18,027,511	9,341,870	12,452,537	7,577,113	4,934,050	16,244,947	12,156,038	13,161,400	6,203,139
Debt service:										
Principal	540,000	560,000	905,000	940,000	1,225,000	1,275,000	1,320,000	1,380,000	1,440,000	1,532,317
Interest	1,450,876	1,383,521	1,361,120	1,661,354	1,578,890	1,529,366	1,477,721	1,420,705	1,207,835	1,039,066
Fiscal charges	450	165,758	12,287	8,413	6,069	6,525	5,150	5,150	5,150	5,919
Debt issuance costs	-	-	122,853	-	-	-	-	-	113,190	-
Total expenditures	43,199,157	33,510,342	25,857,604	28,094,486	23,850,915	20,933,960	32,582,039	28,572,806	30,648,955	24,195,208
Excess (deficiency) of revenues over (under) expenditures	(12,083,389)	(8,921,189)	(5,227,762)	(5,183,701)	(6,234,464)	3,144,818	3,310,003	(2,668,176)	(1,966,291)	3,225,866
Other Financing Sources (Uses)										
Face amount of long-term debt	-	-	6,700,000	-	-	-	-	-	8,840,000	-
Payments to refunded debt escrow	-	-	-	-	-	-	-	-	(8,726,810)	-
Premium (discount) on long-term debt	-	-	(46,210)	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-	286,327
Transfers in	4,243,775	764,271	4,410,695	5,278,279	1,236,694	1,983,609	5,345,638	3,316,838	118,013	16,697
Transfers out	(4,243,775)	(764,271)	(4,410,695)	(5,278,279)	(1,378,639)	(1,983,609)	(5,345,638)	(4,009,918)	(817,553)	(749,941)
Net other financing sources (uses)	-	-	6,653,790	-	(141,945)	-	-	(693,080)	(586,350)	(446,917)
Net change in fund balances	\$(12,083,389)	\$(8,921,189)	\$ 1,426,028	\$(5,183,701)	\$(6,376,409)	\$ 3,144,818	\$ 3,310,003	\$(3,361,256)	\$(2,552,641)	\$ 2,778,949
Debt service as a percentage of noncapital expenditures	15.6%	14.3%	13.7%	16.0%	16.6%	16.8%	16.2%	16.1%	14.5%	13.8%

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
2007	\$ 81,972,340	\$ 41,760,620	\$ 3,962,981	\$ 119,769,979	-	\$ 1,050,888,456	11.40%
2008	118,173,166	62,517,972	7,634,366	173,056,772	\$3.3000	1,532,658,040	11.29%
2009	148,700,798	84,678,032	10,168,906	223,209,924	3.3000	2,031,634,065	10.99%
2010	166,456,657	70,391,863	10,593,259	226,255,261	3.3000	2,054,854,859	11.01%
2011	146,628,703	73,994,871	8,561,345	212,062,229	3.3000	1,950,872,685	10.87%
2012	141,186,905	76,413,857	11,316,951	206,283,811	3.3000	1,916,657,695	10.76%
2013	131,800,379	79,509,552	11,186,883	200,123,048	3.3000	1,856,862,178	10.78%
2014	146,509,080	63,231,794	19,036,647	190,704,227	3.3000	1,827,449,930	10.44%
2015	147,350,240	61,851,496	18,932,866	190,268,870	3.3000	1,824,773,549	10.43%
2016	167,883,435	72,231,731	29,134,924	210,980,242	3.6000	2,106,589,373	10.02%

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

Town of Sahuarita, Arizona

Direct and Overlapping Property Tax Rates

Last 10 Fiscal Years

(rate per \$100 of assessed value)

(Unaudited)

TAXING JURISDICTION	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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
Quail Creek CFD-debt service	-	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
Rancho Sahuarita-debt service	-	-	-	-	-	-	-	-	-	-
Total Direct Rate	-	\$3.3000	\$3.6000							
Overlapping Rates										
State of Arizona Education Assistance	-	-	-	\$0.3306	\$0.3306	\$0.4259	\$0.4717	\$0.5123	\$0.5089	\$0.5054
Central Arizona Water Conservation District	0.1200	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1400	0.1400	0.1400
Pima County	\$4.5570	\$4.2870	\$3.9963	4.0233	4.0633	4.1978	4.1978	4.4465	4.9779	5.0877
Free Library District	0.3675	0.3975	0.3393	0.2643	0.3100	0.3460	0.3460	0.3753	0.4353	0.5153
Fire District Assistance	0.0415	0.0383	0.0411	0.0406	0.0032	0.0418	0.0447	0.0456	0.0472	0.0467
Flood Control District	0.3746	0.3446	0.2935	0.2935	0.2635	0.2635	0.2635	0.2635	0.3035	0.3135
Pima County Community College District	1.2515	1.1845	1.1355	1.0770	1.0848	1.1093	1.1741	1.2933	1.3344	1.3689
Joint Technological Education District	-	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Sahuarita Unified School District #30	7.7345	6.1807	5.9176	5.4230	6.5753	5.4067	5.5183	6.6341	7.2885	7.2847
Continental School District #39	2.0682	1.8970	1.7343	1.6122	1.6945	2.0258	1.5729	1.7027	2.6146	2.6512
Green Valley Fire District	1.7500	1.8000	1.9000	1.9000	1.9000	1.9000	2.0400	2.2100	2.2800	2.3807

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

Town of Sahuarita, Arizona

Property Tax Levies and Collections

Fiscal Years 2008 - 2016

(Unaudited)

QUAIL CREEK COMMUNITY FACILITIES DISTRICT

Fiscal Year Ended	Tax Levy	Collections in Levy Year	%	Collections in Subsequent Years	Total Collections	%
2008	\$ 114,727	\$ 114,481	99.8%	\$ 246	\$ 114,727	100.0%
2009	247,864	247,047	99.7%	817	247,864	100.0%
2010	272,396	269,593	99.0%	2,803	272,396	100.0%
2011	291,464	288,401	98.9%	3,063	291,464	100.0%
2012	276,730	275,207	99.4%	994	276,201	99.8%
2013	289,408	282,819	97.7%	6,066	288,885	99.8%
2014	299,920	295,971	98.7%	3,492	299,463	99.8%
2015	354,729	349,510	98.5%	4,737	354,247	99.9%
2016	408,827	403,518	98.7%		403,518	98.7%

RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT

Fiscal Year Ended	Tax Levy	Collections in Levy Year	%	Collections in Subsequent Years	Total Collections	%
2016	\$ 2,433	\$ 2,361	97.0%		\$ 2,361	97.0%

Note: The Quail Creek Community Facilities District levied its first property tax in 2008.
The Rancho Sahuarita Community Facilities District levied its first property tax in 2016.

Source: Town Finance Department.

Town of Sahuarita, Arizona

Sales Tax Collections by Industry Group

Last 10 Fiscal Years

(Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Industry										
Communications and utilities	\$ 503,490	\$ 623,014	\$ 672,962	\$ 746,139	\$ 737,133	\$ 765,632	\$ 770,052	\$ 800,476	\$ 808,461	\$ 829,197
Construction	6,974,504	5,915,352	4,343,733	2,768,921	1,748,413	1,627,666	2,733,333	1,910,680	1,144,381	1,379,960
Manufacturing	191,822	238,468	198,564	255,246	379,474	248,127	207,854	216,527	260,282	274,703
Retail trade	5,218,071	2,931,619	2,812,337	2,577,503	2,803,117	2,855,447	2,933,239	3,085,336	3,444,176	3,612,125
Real estate, rental and leasing	1,040,549	439,015	309,294	224,851	259,381	247,630	267,564	282,915	326,081	320,023
Restaurant and bar	195,258	231,411	266,846	274,886	315,297	299,601	295,327	327,043	365,677	414,889
Services	100,345	108,068	88,551	73,273	70,586	57,841	61,450	73,430	86,165	87,171
Other	35,412	30,237	75,871	125,462	114,687	148,078	188,937	169,844	166,020	183,151
Total	\$ 14,269,690	\$ 10,538,648	\$ 8,787,580	\$ 7,074,851	\$ 6,456,154	\$ 6,279,863	\$ 7,487,481	\$ 6,916,291	\$ 6,601,243	\$ 7,101,219
Direct sales tax rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

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	
2007	2.00%	4.00%	4.00%	5.60%	0.50%
2008	2.00%	4.00%	4.00%	5.60%	0.50%
2009	2.00%	4.00%	4.00%	5.60%	0.50%
2010	2.00%	4.00%	4.00%	6.60%	0.50%
2011	2.00%	4.00%	4.00%	6.60%	0.50%
2012	2.00%	4.00%	4.00%	6.60%	0.50%
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%

Source: Town Code and Town Finance Department.

Town of Sahuarita, Arizona

Principal Sales Tax Remitters

Fiscal Years 2016 and 2007

(Unaudited)

Tax Remitter ¹	Fiscal Year 2016			Fiscal Year 2007		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Business A	\$ 1,027,308	1	14.47%	\$ 1,072,674	4	7.52%
Business B	708,510	2	9.98%	3,261,644	1	22.86%
Business C	365,636	3	5.15%	325,847	8	2.28%
Business D	345,591	4	4.87%			
Business E	352,281	5	4.96%	546,601	6	3.83%
Business F	327,658	6	4.61%	-		
Business G	226,017	7	3.18%	586,666	5	4.11%
Business H	189,988	8	2.68%			
Business I	144,841	9	2.04%			
Business J	131,298	10	1.85%			
Business K				2,040,207	2	14.30%
Business L				1,719,395	3	12.05%
Business M				506,392	7	3.55%
Business N				284,940	9	2.00%
Business O				224,792	10	1.58%
	<u>\$ 3,819,128</u>		<u>53.79%</u>	<u>\$ 10,569,158</u>		<u>74.08%</u>

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

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

Town of Sahuarita, Arizona

Monthly Sewer User Rates

Last 10 Fiscal Years

(Unaudited)

Wastewater Flow Contribution Rate (per ccf) User Classification

Fiscal Year	Average Household Bill	Admin Service Charge	Economy of Scale Factor	User Classification																
				General	3C	3K	3N	4E	4G	4H	5A	5C	5F	5G	5I	5J	5K	5L	5M	5S
2007	\$12.02	\$3.76	1.000	\$1.180	\$2.478	\$1.286	\$1.286	\$1.416	\$2.395	\$2.738	\$1.404	\$2.379	\$1.192	\$1.614	\$1.251	\$5.168	\$2.749	\$1.475	\$2.808	\$1.451
2008	\$16.83	\$5.72	1.129	\$1.406	\$2.953	\$1.533	\$1.533	\$1.687	\$2.854	\$3.262	\$1.673	\$2.834	\$1.420	\$1.923	\$1.490	\$6.158	\$3.276	\$1.758	\$3.346	\$1.729
2009	\$20.72	\$5.72	1.524	\$1.406	\$2.953	\$1.533	\$1.533	\$1.687	\$2.854	\$3.262	\$1.673	\$2.362	\$1.420	\$1.603	\$1.490	\$5.104	\$3.276	\$1.758	\$3.346	\$1.729
2010	\$31.48	\$9.82	1.000	\$3.094	\$6.497	\$3.372	\$3.372	\$3.713	\$6.281	\$7.178	\$7.178	\$7.178	\$7.178	\$7.178	\$7.178	\$11.231	\$7.178	\$7.178	\$7.178	\$7.178
2011	\$34.28	\$10.46	1.000	\$3.403	\$7.146	\$3.709	\$3.709	\$4.084	\$6.908	\$7.895	\$4.050	\$2.362	\$3.437	\$1.603	\$3.607	\$12.353	\$7.929	\$4.254	\$8.099	\$4.186
2012	\$37.50	\$11.14	1.000	\$3.744	\$7.862	\$4.081	\$4.081	\$4.493	\$7.600	\$8.686	\$4.455	\$6.801	\$3.781	\$1.603	\$3.969	\$13.591	\$8.724	\$4.680	\$8.911	\$4.605
2013	\$40.69	\$12.35	1.000	\$4.048	\$8.501	\$4.412	\$4.412	\$4.858	\$8.217	\$9.391	\$4.817	\$6.801	\$4.088	\$1.603	\$4.291	\$14.694	\$9.432	\$5.060	\$9.634	\$4.979
2014	\$44.34	\$13.30	1.000	\$4.434	\$9.311	\$4.833	\$4.833	\$5.321	\$9.001	\$10.287	\$5.276	\$6.801	\$4.478	\$1.603	\$4.700	\$16.095	\$10.331	\$5.543	\$10.553	\$5.454
2015	\$46.10	\$13.83	1.000	\$4.610	\$9.681	\$5.025	\$5.025	\$5.532	\$9.358	\$10.695	\$5.486	\$6.801	\$4.656	\$1.603	\$4.887	\$16.734	\$10.741	\$5.763	\$10.972	\$5.670
2016	\$47.99	\$14.39	1.000	\$4.800	\$10.080	\$5.232	\$5.232	\$5.760	\$9.744	\$11.136	\$5.712	\$6.801	\$4.848	\$1.603	\$5.088	\$17.424	\$11.184	\$6.000	\$11.424	\$5.904

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

Source: Town of Sahuarita Ordinances.

Town of Sahuarita, Arizona

Ratios of Outstanding Debt by Type

Last 10 Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities				Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	QC CFD GO Bonds	2006A GADA Loan	2009 GADA Loan	2015 Refunding Obligation	2008A WIFA Loans	2008B WIFA Loans			
2007	\$ 12,660,000	\$ 15,612,003	\$ -	\$ -	\$ -	\$ -	\$ 28,272,003	5.04%	\$1,553
2008	12,660,000	15,012,253	-	-	4,500,660	-	32,172,913	4.86%	1,578
2009	12,340,000	14,387,503	6,653,790	-	25,779,195	-	59,160,488	7.59%	2,612
2010	12,005,000	14,405,255	6,656,101	-	27,297,422	1,980,062	62,343,840	7.18%	2,468
2011	11,655,000	13,073,002	6,413,411	-	26,225,657	2,200,888	59,567,958	6.55%	2,316
2012	11,285,000	12,378,252	6,165,722	-	25,073,245	2,477,454	57,379,673	6.02%	2,186
2013	10,900,000	11,658,502	5,913,032	-	23,898,673	2,356,789	54,726,996	5.52%	2,044
2014	10,495,000	10,908,752	5,650,343	-	22,680,372	2,251,130	51,985,597	5.01%	1,892
2015	10,070,000	1,602,808	5,377,653	8,840,000	21,416,714	2,056,097	49,363,272	4.60%	1,760
2016	9,620,000	823,940	5,094,963	8,840,000	20,106,010	2,296,725	46,781,638	4.11%	1,634

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
2007	\$ 12,660,000	819%	\$468,889
2008	12,660,000	364%	319,697
2009	12,340,000	164%	64,071
2010	12,005,000	145%	45,064
2011	11,655,000	132%	34,441
2012	11,285,000	128%	27,258
2013	10,900,000	124%	21,550
2014	10,495,000	115%	18,335
2015	10,070,000	94%	15,627
2016	9,620,000	75%	14,064

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

Town of Sahuarita, Arizona
Direct and Overlapping Governmental Activities Debt
June 30, 2016
(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	\$ 350,135,000	2.77%	\$ 9,698,740
Sahuarita Unified School District	35,095,000	47.7%	16,740,315
Continental School District	14,730,000	16.4%	2,415,720
Green Valley Fire District	8,000,812	32.0%	2,560,260
Subtotal, overlapping debt	<u>\$ 407,960,812</u>		<u>31,415,035</u>
Town direct debt-governmental activities			<u>24,378,903</u>
Total direct and overlapping debt			<u>\$ 55,793,938</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 2015

Assessed Value	\$ 210,980,242
Debt Limit:	
6% of assessed value ¹	12,658,815
20% of assessed value ²	42,196,048
Total debt limit	54,854,863
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	\$ 54,854,863

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Limit:	\$ 31,140,195	\$ 44,994,761	\$ 58,034,580	\$ 58,826,368	\$ 55,136,180	\$ 53,633,791	\$ 52,031,993	\$ 49,583,099	\$ 49,469,906	\$ 54,854,863
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 31,140,195	\$ 44,994,761	\$ 58,034,580	\$ 58,826,368	\$ 55,136,180	\$ 53,633,791	\$ 52,031,993	\$ 49,583,099	\$ 49,469,906	\$ 54,854,863
Total net debt applicable to the limit as a percentage of debt limit.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes:

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

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

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

Town of Sahuarita, Arizona

Pledged Revenue Coverage

Governmental Activities

Last 10 Fiscal Years

(Unaudited)

2006A & 2009B GADA Loans

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

2015 Excise Tax Refunding Obligation

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

¹ Figure represents the actual past payments pursuant to amortization schedule. The highest combined interest and principal requirements for any succeeding fiscal year of these debt obligations is \$1,969,107, which occurs in fiscal year 2017.

Town of Sahuarita, Arizona

Pledged Revenue Coverage

Business-Type Activities

Last 10 Fiscal Years

(Unaudited)

2008A WIFA Loan

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

2008B WIFA Loan

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

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

Town of Sahuarita, Arizona

Demographic and Economic Statistics

Last 10 Fiscal Years

(Unaudited)

Fiscal Year	Population	Percent High School Graduate or Higher	Percent Bachelor's Degree or Higher	Mean Household Income	Unemployment Rate
2007	18,199	Information not available			
2008	20,393				
2009	22,650				
2010	25,259	94.9%	33.3%	\$ 80,376	7.3%
2011	25,722	96.4%	36.0%	\$ 78,367	6.0%
2012	26,244	94.8%	34.8%	\$ 78,777	5.8%
2013	26,772	93.6%	33.1%	\$ 78,529	6.0%
2014	27,476	94.3%	35.1%	\$ 75,284	4.6%
2015	28,051	95.1%	35.2%	\$ 76,183	3.8%
2016	28,626	Information not available			

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

Other informaton obtained from the US Census Bereau, American Fact Finder website.

Town of Sahuarita, Arizona

Principal Employers

2016 and 2007

(Unaudited)

Employer ¹	2016		2007	
	Employees	Percentage of Total Town Employment	Employees	Percentage of Total Town Employment
Sahuarita Unified School District	812	19.40%	505	25.25%
Walmart	326	7.79%	360	19.55%
Farmers Investment Company	252	6.02%	225	12.22%
Fry's	220	5.26%	-	-
Town of Sahuarita	137	3.27%	142	6.84%
Safeway	115	2.75%	120	6.52%
Jim Click Ford	54	1.29%	53	2.88%
Ashley's Furniture	40	0.96%	25	-
Ross Dress for Less	34	0.81%	-	-
Pub22	30	0.72%	-	-
Climax Engineered Materials	28	0.67%	71	3.85%
Bashas	-	-	85	4.61%
Total	2,048	48.94%	1,586	81.72%

¹ Excludes homebuilders not based in the Town.

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

Town of Sahuarita, Arizona
 Full-time Equivalent Town Government Employees
 Last 10 Fiscal Years
 (Unaudited)

<u>Function/Department</u>	Full-time Equivalent Employees as of June 30									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government										
Town Manager	8.0	10.0	7.0	8.0	7.0	6.3	6.3	5.0	6.0	6.0
Town Clerk	3.0	3.0	3.0	3.0	3.5	3.4	3.4	5.0	5.0	5.0
Finance	6.0	7.5	8.0	8.0	8.0	8.0	8.0	8.0	8.0	10.0
Human Resources	-	-	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Planning & Zoning	4.0	5.0	5.0	4.6	4.6	5.0	5.2	5.4	5.0	5.0
Public Works-Facilities	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Municipal Court	8.0	9.0	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Law	2.0	2.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
General Government Total	<u>31.0</u>	<u>37.5</u>	<u>38.0</u>	<u>38.6</u>	<u>38.1</u>	<u>37.7</u>	<u>37.9</u>	<u>38.4</u>	<u>39.0</u>	<u>41.0</u>
Public Safety										
Building Safety	20.0	15.0	12.0	10.8	7.0	6.0	6.0	6.0	7.0	7.0
Public Works-Engineering	-	5.0	3.9	3.9	3.8	3.2	3.5	3.5	3.5	3.5
Police Dept	42.0	46.0	51.0	55.2	52.4	50.5	51.0	50.0	51.0	51.0
Public Safety Total	<u>62.0</u>	<u>66.0</u>	<u>66.9</u>	<u>69.9</u>	<u>63.2</u>	<u>59.7</u>	<u>60.5</u>	<u>59.5</u>	<u>61.5</u>	<u>61.5</u>
Culture & Recreation										
Parks & Recreation	19.6	18.6	16.8	15.1	15.1	15.1	15.1	14.7	14.7	15.1
Highways & Streets										
Public Works	10.0	-	-	-	-	-	-	-	-	-
Streets	8.0	13.0	13.6	14.5	15.1	13.5	14.0	14.0	12.7	12.7
Highways & Streets Total	<u>18.0</u>	<u>13.0</u>	<u>13.6</u>	<u>14.5</u>	<u>15.1</u>	<u>13.5</u>	<u>14.0</u>	<u>14.0</u>	<u>12.7</u>	<u>12.7</u>
Sewer										
Wastewater Utility	6.0	9.0	9.5	8.2	8.2	8.0	7.3	7.3	6.9	6.9
Total	<u>136.6</u>	<u>144.1</u>	<u>144.8</u>	<u>146.3</u>	<u>139.7</u>	<u>134.0</u>	<u>134.8</u>	<u>133.9</u>	<u>134.8</u>	<u>137.2</u>

Source: Town Finance Department.

Town of Sahuarita, Arizona

Operating Indicators Last 10 Fiscal Years (Unaudited)

Function/Program	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Town Clerk										
Business licenses issued	N/A		997	1,029	1,081	1,045	1,152	1,272	1,277	1,485
Building Safety										
Building permits-single family residential	719	790	563	454	185	247	267	169	206	277
Building permits-other	739	618	902	440	559	528	592	686	701	724
Police										
Traffic citations	1,662	2,287	1,897	1,836	1,677	1,433	2,116	2,209	1,452	1,221
Calls for service	7,809	7,137	7,823	7,633	7,746	7,933	8,380	8,259	8,111	8,428
Human Resources										
Number of job openings	75	54	23	16	6	14	21	20	22	25
Number of applicants	982	905	780	344	219	564	741	611	1,027	1,103
Turnover rate	15%	19%	12%	9%	7%	7%	9%	12%	11%	11%
Municipal Court										
Hearings/Court sessions ¹	8,345	9,528	10,574	11,012	11,096	9,596	11,090	12,007	10,304	10,007
Public Works										
Street resurfacing (<i>miles</i>)	12.3	6.1	4.0	6.9	19.7	19.7	17.8	18.0	18.0	20.5
Potholes repaired	98	136	162	211	196	196	225	172	122	87
Parks and Recreation										
Number of recreation programs offered						37	42	55	47	43
Ave. # of daily program participants	Information Not Available (N/A)					35.9	40.9	51.0	78.3	
Ave. # of daily total park participation/visitation	Information Not Available (N/A)					527.6	634.1	793.5	642.8	N/A
Ave. # of daily facility rentals	Information Not Available (N/A)					1.1	1.2	1.0	0.4	
Athletic court/field permits issued	21	24	119	128	170	Information Not Available (N/A)				127
Recreation center permits issued	77	32	34	23	61	Information Not Available (N/A)				79
Ramada/Gazebo permits issued	124	112	133	170	164	Information Not Available (N/A)				158
Special event/commercial permits issued	N/A					Information Not Available (N/A)				57
Special event attendance	8,105	11,024	16,917	18,375	17,531	Information Not Available (N/A)				26,400
Recreation program participants	20,281	18,446	17,204	12,403	13,429	Information Not Available (N/A)				17,189
Wastewater										
Effluent credits (<i>acre feet</i>)	N/A		540.63	762.06	1,284.62	1,630.67	2,238.69	2,759.60	3,526.58	
<i>General Fund portion</i>	N/A		(0)	(0)	(0)	(0)	(0)	(1,192.89)	(2,207.73)	TBD
Average daily sewage treatment (<i>thousands of gallons</i>)	446.2	556.5	586.3	674.2	804.1	807.3	760.0	765.0	755.0	

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

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	43	40	40	32	28	39	39	41	42	46
Public Works										
Streets and highways (<i>miles</i>)	96	119	119	211	144	144	144	144	146	146
Streetlights	5	7	8	47	52	53	53	53	59	59
Traffic signals	5	6	10	9	14	15	15	15	16	16
Parks and Recreation										
Park acreage	67	92	107	107	107	107	107	107	107	107
Basketball courts	2	2	4	4	4	4	4	4	4	4
Playgrounds	2	2	4	4	5	5	5	5	5	5
Skate spots/parks		1	1	2	2	2	2	2	2	2
Baseball/softball fields (lighted)	3	3	5	6	6	6	6	6	6	6
Soccer/football fields (lighted)	-	-	-	-	6	6	6	6	6	8
Community centers	1	1	1	1	1	1	1	1	1	1
Parks maintenance buildings	1	1	1	1	1	1	1	1	1	1
Ramadas	11	11	17	22	22	22	22	22	22	22
Restroom facilities	4	4	5	6	8	8	8	8	8	8
Sand volleyball court		1	1	1	1	1	1	1	1	1
Off-leash dog area	1	1	2	2	2	2	2	2	2	2
Vehicles	7	7	7	7	7	8	8	8	8	8
Wastewater										
Treatment capacity (<i>thousands of gallons</i>)	490	690	690	1,500	1,500	1,500	1,500	1,500	1,500	1,500

Source: The applicable Town of Sahuarita departments.