

# TOWN OF SAHUARITA, ARIZONA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Fiscal Year Ended June 30, 2004**

# **TOWN OF SAHUARITA, ARIZONA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the fiscal year ended  
June 30, 2004

Prepared by:  
Finance Department

**TOWN OF SAHUARITA, ARIZONA**  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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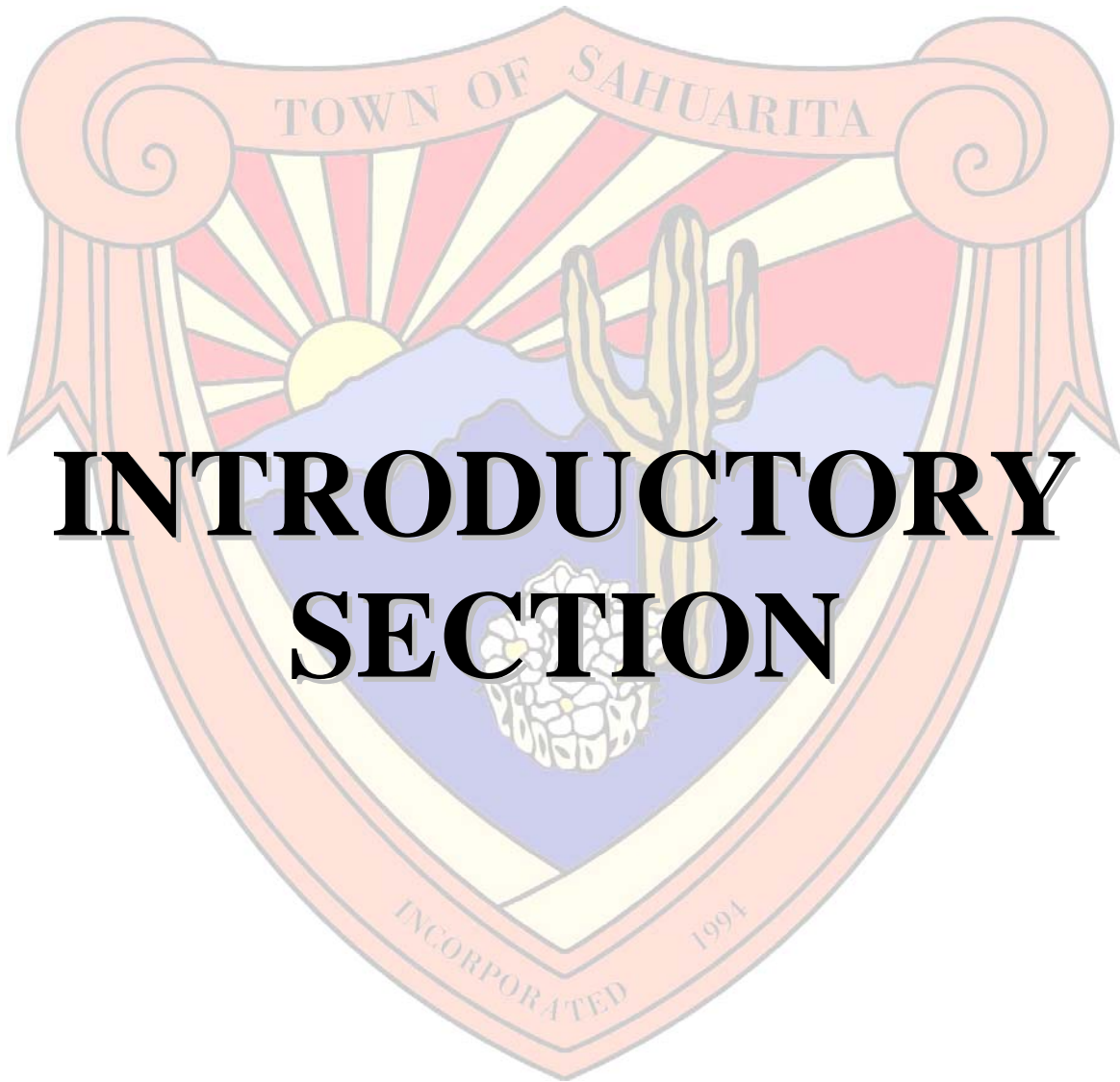
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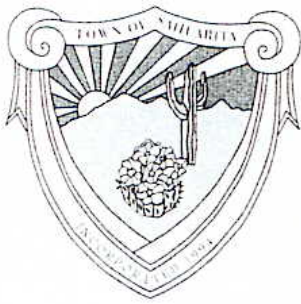
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# **INTRODUCTORY SECTION**

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# The Town of Sahuarita

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November 24, 2004

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

State law requires that every general-purpose local government publish within 120 days of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2004.

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.

Cronstrom & Trbovich, P.C., Certified Public Accountants, have issued an unqualified opinion on the Town of Sahuarita's financial statements for the year ended June 30, 2004. 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 auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## **GOVERNMENT PROFILE**

**Basic information.** In 1994, the citizens, wanting to preserve the Town's identity as a family community, chose to incorporate as a Town in order to have local control over development of the area. The Town currently occupies 30.03 square miles and serves an estimated population of 9,745. The Town is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The Town of Sahuarita operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor, vice-mayor, and five other members. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with four council members elected every two years. The mayor is elected by the council from among its members.

The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the Town Manager, Town Clerk, Town Magistrate, and Town Attorney. The manager is responsible for carrying out the policies and ordinances of

the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Town of Sahuarita provides a full range of services, including police protection; the construction and maintenance of highways, streets, and other infrastructure, and recreational activities and cultural events.

***Budget.*** The Council is required to adopt a final budget on or before the third Monday in August. This annual 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 appropriations within a department. Transfers of appropriations from funds, contingency reserves, or between departments, however, require the special approval of the Town Council.

## **ECONOMIC CONDITION**

***Local economy, long-term financial planning, and relevant financial policies.*** Due to the rapid residential growth in the Town, extensive commercial development is planned to follow the rooftops. It is this business development that will provide the Town with a reliable, long-term, source of revenue. Further information on the history of the Town's revenues can be found in the statistical section of the Comprehensive Annual Financial Report and in the MD&A.

During the coming year, the Town is faced with the challenge to accommodate growth while ensuring that it develops as a place that people want to live, work, and play. Increases in population, tax base, development fees, commercial and retail activity, and the Town's economic development efforts continue to provide additional revenue to offset the costs related to continuing and expanding services and facilities.

However, because of the economic uncertainty of the future, the Town administration recognizes the need to assure reserves for future revenue shortfalls in case of economic downturns. Accordingly, we are deliberately accumulating fund balance in the General Fund to offset the long-term increases in operating costs connected with growth in the community.

The capital budget calls for future construction to be advance funded rather than financed by debt (i.e., pay as you go). The Town Council has designated sales taxes on construction activity, which are one-time revenues, to be used for current and future capital improvements. Therefore, fund balances in the Capital Infrastructure Improvement Fund continue to accumulate until funding is available to purchase or construct the capital improvements.

***Major initiatives.*** As we look to the future with a commitment to ensure that the Town remains a viable community, it is important to celebrate some accomplishments attained over the past year. The guidance provided by the Mayor and Council, along with the expertise and dedication of Town staff, have made these accomplishments possible.

At the beginning of the fiscal year 2003-2004, the Town created a Parks and Recreation Department as a stand-alone Department. In addition, the Council created a Parks and Recreation Commission to help guide our community's parks development and recreation programming.



This past winter, a new recreation center was completed at Anamax Park. This replacement facility is 4,950 square feet, has a large multi-purpose room, a small conference room and a medium-sized classroom and has been used for summer camp and many public meetings.

The Town completed plans for Phase 1 of the La Canada Drive reconstruction (from Via Santo Tomas to El Toro Road). Construction is intended for completion on Phase I in July of 2005. The Town also awarded engineering design contracts on Phase 2.

The Public Works department has continued to make major improvements to the wastewater treatment plant. Phase II construction of the wastewater treatment plant was approximately 65% complete as of June 30, 2004.

During fiscal year 2003-04, the Town accepted the Nogales Highway B-19 Route, between Abrego and Pima Mine Road, from the Arizona Department of Transportation into the Town road system. This roadway is now owned and maintained by the Town.

The Town completed a transaction with the Sahuarita Unified School District in which the Town paid for construction of the new District Administration Building in exchange for receiving 22 acres of land adjacent to Anamax Park. The Town will use the 22 acres for the expansion of Anamax Park.

The Town entered into an agreement with a local developer (Sharpe and Associates) and settled on property for a temporary Municipal Complex (Town Hall). The property includes ten acres of land across Sahuarita Road from Sahuarita High School.

## **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, 2003. This was the second consecutive year that the Town has received 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 entire Finance department staff. Additionally, we would like to express our appreciation to the many members of other departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and Council for their leadership and support.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James R. Stahle". The signature is fluid and cursive, with a long horizontal stroke at the end.

James R. Stahle  
Town Manager

A handwritten signature in black ink, appearing to read "A.C. Marriotti". The signature is cursive and somewhat stylized, with a prominent initial "A" and a long horizontal stroke at the end.

A.C. Marriotti, CPA  
Finance Director

# 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, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

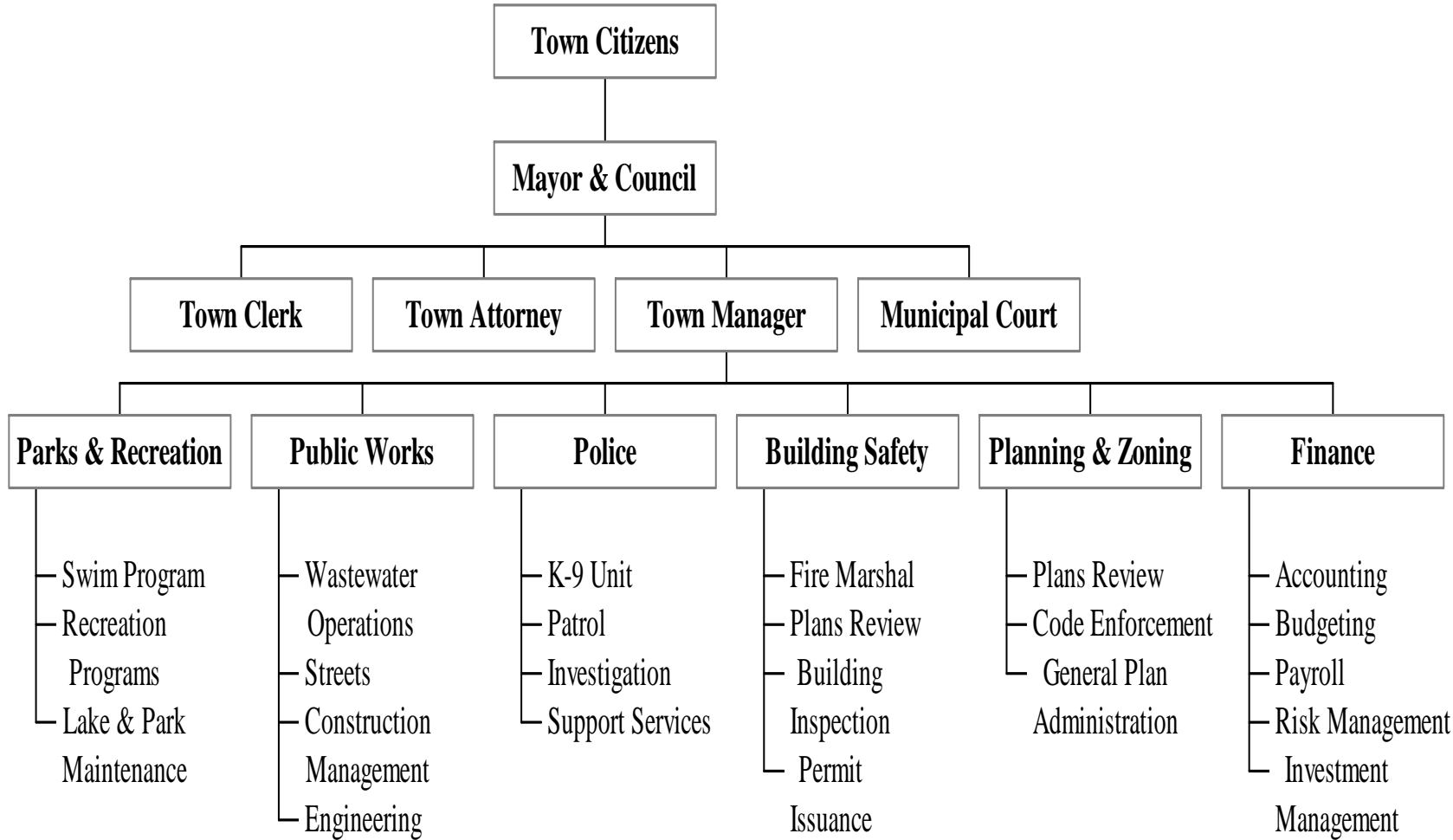


President

Executive Director



# Town of Sahuarita, Arizona Organizational Chart



**TOWN OF SAHUARITA, ARIZONA**

List of Principal Officials

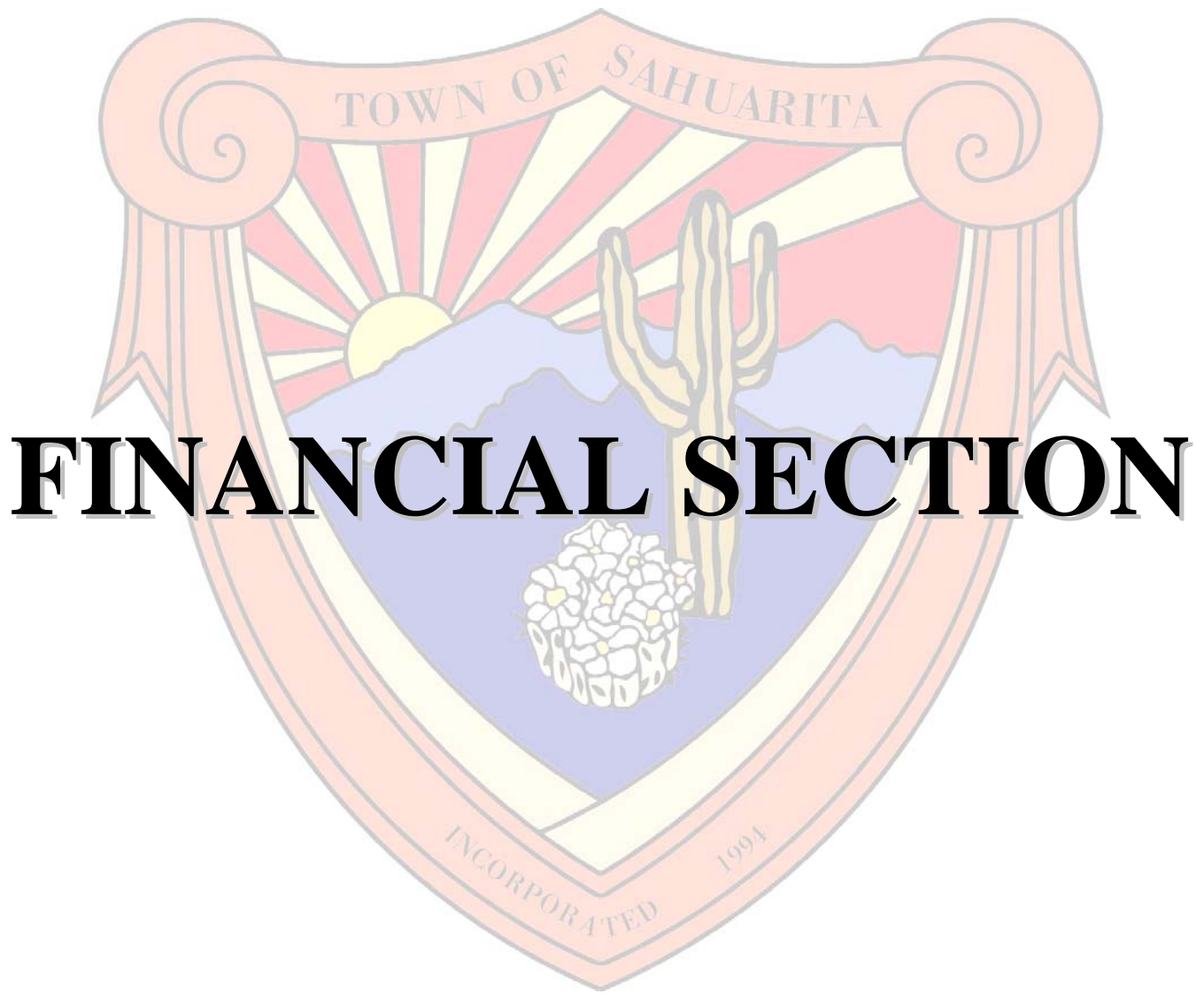
**ELECTED OFFICIALS**

Mayor	Charles Oldham
Vice-Mayor	Marty Moreno
Councilmember	Lynne Skelton
Councilmember	Joseph Taylor
Councilmember	Zachery Freeland
Councilmember	Gordon Van Camp
Councilmember	Phil Conklin

**DEPARTMENT HEADS**

Town Manager	James R. Stahle
Town Clerk	Sandra Olivas
Town Attorney	Daniel J. Hochuli
Magistrate	Maria M. Avilez
Building Official	Andrew S. Kelley
Planning Director	John Neunuebel
Town Engineer	Martin Roush
Parks and Recreation Director	Deborah Summers
Finance Director	A.C. Marriotti
Police Chief	Stuart Heller

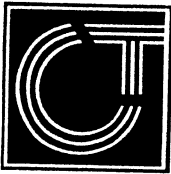
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# FINANCIAL SECTION



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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and the Town Council of the  
Town of Sahuarita, Arizona

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, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A prior period adjustment was recorded and is presented in Note 11 in the notes to the basic financial statements to correct an error in the previously issued financial statements.

The management's discussion and analysis on pages 15-23 and the Required Supplementary Information Other than MD&A on pages 49-52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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 express no opinion on them.

As described in Note 11, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

*Cronstrom & Trbovich, P.C.*

Cronstrom & Trbovich, P.C.

November 24, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2004. As this is our first financial report implemented pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34, we do not have comparative figures for all information in this analysis. When referring to prior year data in this analysis we will be drawing upon information from last year's audited financial report. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-6 of this report.

### Financial Highlights

- The assets of the Town of Sahuarita, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$51,199,803 (*net assets*). Of this amount, \$13,883,763 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$26,300,785. Approximately 73% of the increase was attributable to a capital contribution received from the Arizona Department of Transportation.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$13,289,509, an increase of \$4,275,879 in comparison with the prior year. Approximately 99 percent of this total amount, \$13,139,294, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,137,944, or 115 percent of total general fund expenditures.
- The Town changed the capitalization threshold on July 1, 2003 from \$1,000 to \$5,000 and applied that change retroactively. The change in capitalization threshold did not affect the proprietary fund capital assets.
- A prior period adjustment of \$1,041,024 was made to properly record the activity of sales tax pertaining to construction activity in the Capital Infrastructure Improvement Fund that was recorded in error in the General Fund in previous years.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Sahuarita, Arizona's basic financial statements. The Town of Sahuarita's 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 assets* presents information on all of the Town of Sahuarita's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Sahuarita is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 27-28 of this report.

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

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

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

The Town of Sahuarita, Arizona maintains five individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital infrastructure improvement fund, both of 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* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 29-32 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 33-35 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 36-46 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 budgetary statements for the general fund and capital infrastructure improvement fund, and the progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 49-52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 55-59 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as useful indicators of a government's financial position. In the case of the Town of Sahuarita, Arizona assets exceeded liabilities by \$51,999,803 at the close of the most recent fiscal year. The largest portion of the Town's net assets (69.9 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, vehicles, and equipment). The Town of Sahuarita uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. A prior year comparison of government-wide assets, liabilities, and net assets, however is not available since this is the implementation year of the government-wide statements.

### TOWN OF SAHUARITA, ARIZONA NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$14,219,484	\$ 2,458,192	\$16,677,676
Capital assets	26,090,232	9,688,370	35,778,602
Total assets	<u>40,309,716</u>	<u>12,146,562</u>	<u>52,456,278</u>
Current liabilities	929,975	204,386	1,134,361
Long-term liabilities	<u>122,114</u>	<u>-</u>	<u>122,114</u>
Total liabilities	<u>1,052,089</u>	<u>204,386</u>	<u>1,256,475</u>
Net assets:			
Invested in capital assets	26,090,232	9,688,370	35,778,602
Restricted	1,537,438	-	1,537,438
Unrestricted	<u>11,629,957</u>	<u>2,253,806</u>	<u>13,883,763</u>
Total net assets	<u>\$39,257,627</u>	<u>\$11,942,176</u>	<u>\$51,199,803</u>

An additional portion of the Town’s net assets (3.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$13,883,763) may be used to meet the government’s ongoing obligations to citizens and creditors.

The government’s net assets increased by \$26,300,785 in total. Governmental and business-type activities increased the Town’s net assets by \$24,716,621 (94.0% of total increase) and \$1,584,164 (6.0% of total increase), respectively. About 73% of the total increase is attributable to the Nogales Highway contribution from the Arizona Department of Transportation. The remainder of this growth largely reflects increases in revenues generated from construction activity (e.g., permits, taxes, and sewer connection fees).

A summary of the change in net assets follows. A prior-year comparison of government-wide revenues and expenses, however, is not available as this is the Town’s first year to implement government-wide financial statements. This comparison will be presented in future years’ reports.

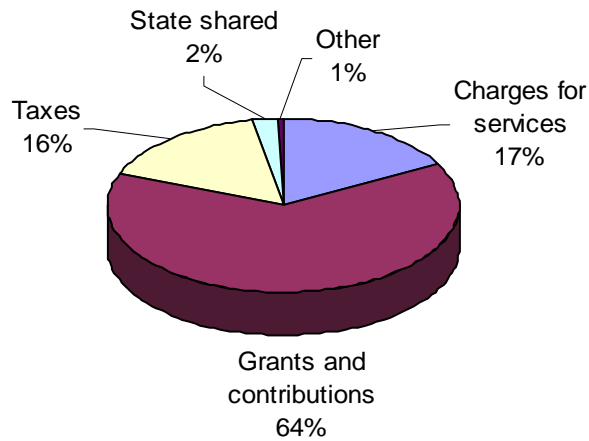
**TOWN OF SAHUARITA, ARIZONA  
CHANGES IN NET ASSETS**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 3,636,138	\$1,868,735	\$ 5,504,873
Grants and contributions	20,737,350	39,828	20,777,178
General revenues:			
Sales taxes	5,212,630	-	5,212,630
Franchise taxes	69,292	-	69,292
Share of state income tax	292,329	-	292,329
Share of state sales tax	272,750	-	272,750
Share of state vehicle license tax	140,331	-	140,331
Unrestricted grants and contributions	15,223	-	15,223
Investment earnings	145,408	22,278	167,686
Miscellaneous	39,949	-	39,949
Total revenues	<u>30,561,400</u>	<u>1,930,841</u>	<u>32,492,241</u>
<b>EXPENSES</b>			
Program expenses:			
Governmental activities:			
General government	1,449,702	-	1,449,702
Public safety	1,927,284	-	1,927,284
Highways and streets	1,947,957	-	1,947,957
Culture and recreation	519,836	-	519,836
Business-type activities:			
Sewer	-	346,677	346,677
Total expenses	<u>5,844,779</u>	<u>346,677</u>	<u>6,191,456</u>
Increase in net assets	24,716,621	1,584,164	26,300,785
Net assets at beginning of year	<u>14,541,006</u>	<u>10,358,012</u>	<u>24,899,018</u>
Net assets at end of year	<u>\$39,257,627</u>	<u>\$11,942,176</u>	<u>\$51,199,803</u>



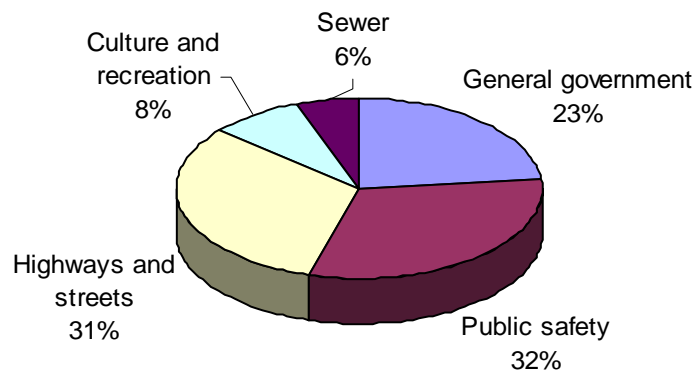
The chart below depicts the composition of the Town's revenues for the year ended June 30, 2004. Grants and contributions make up the largest component of total revenues. Approximately 92% (\$19,145,468) of grants and contributions came from a one-time occurrence—the Nogales Highway B-19 Route capital contribution.

**Revenues by Source  
For the Year Ended June 30, 2004**



The chart below presents the composition of the Town's expenses for the year ended June 30, 2004. The public safety function makes up the largest portion of total expenses followed closely by the highways and streets function. This public safety function includes the costs associated with police protection and building inspections. The highways and streets function accounts for transportation and infrastructure maintenance costs.

**Expenses by Function/Program  
For the Year Ended June 30, 2004**



## Financial Analysis of the Government's Funds

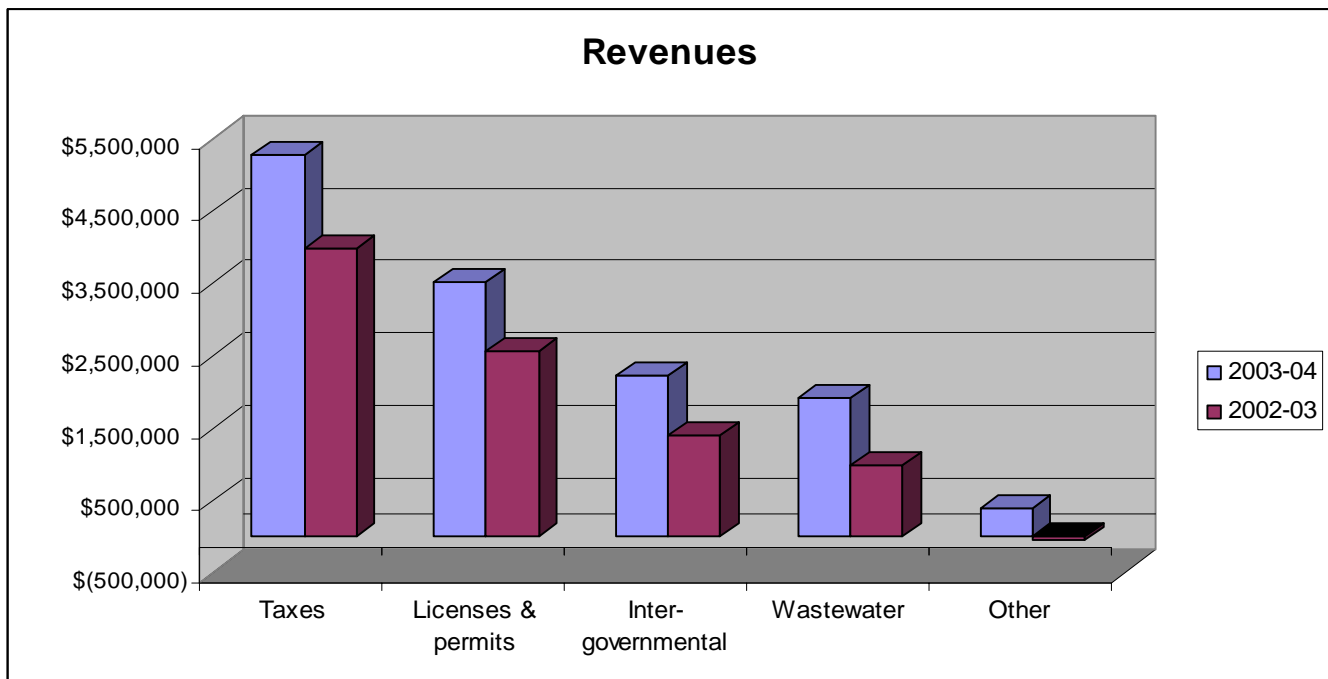
**Governmental funds.** The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$13,289,509, an increase of \$4,275,879 (47.4%) in comparison with the prior year. Almost the entire amount (\$13,139,294) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate purchase orders of the prior period (\$143,639) and to account for prepaid items (\$6,576).

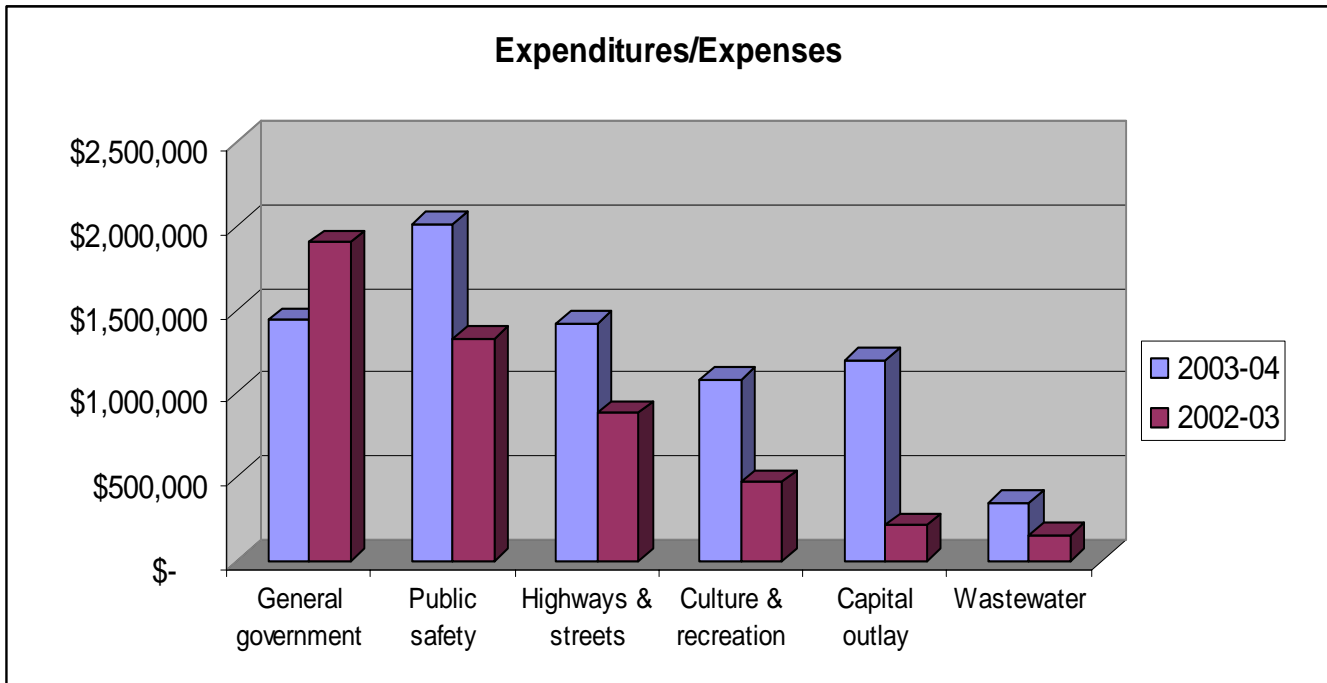
The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,137,944, while total fund balance reached \$6,158,362. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 115 percent of total general fund expenditures.

The Capital Infrastructure Improvement Fund is a special revenue fund. The primary revenue source for this fund is the construction sales tax, which the Town Council has designated to be used for the acquisition, construction, improvement, and/or maintenance of major capital facilities other than those financed by the proprietary fund. As of June 30, 2004 total unreserved fund balance was \$6,038,779.

**Proprietary fund.** The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the wastewater treatment operation at the end of the year amounted to \$2,253,806. The total growth in net assets was \$1,584,164. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.



The preceding chart shows changes in the types of revenues recognized in the fund financial statements between fiscal years 2002-03 and 2003-04. As shown, increases occurred in each revenue category. The growth in revenues is directly related to the construction activity in the community, which generated additional sales taxes, permit fees, capital grants and contributions, and sewer connection fees.



The chart above presents changes in the types of expenditures/expenses in the fund financial statements between fiscal years 2002-03 and 2003-04. Most expenditure/expense categories show increases. The public safety function expenditures rose because of the additional police officers and building inspectors needed to provide adequate services to the rising population and to the builders and developers. The highways and streets, culture and recreation, and capital outlay categories increased because extra costs were incurred to provide needed roadway and park maintenance, and infrastructure improvements to the Town's capital assets. Wastewater costs increased due to the higher volume of sewer usage resulting from the growth in certain developments.

### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor and can be briefly summarized as follows:

- \$27,000 in increases allocated to general government activities
- \$74,250 in increases allocated to the Building Safety Department

These increases allowed the Town to contract for information technology support and to hire an additional building inspector in order to provide more effective and efficient services to customers and residents. These increases were funded out of contingency reserves.

Actual functional expenditures were \$957,982 below final budget amounts (excluding the budget for contingency reserves). The most significant positive variance (\$283,620) occurred in the non-

departmental category, primarily because the affordable housing project and the Fiesta Sahuarita event were postponed. Positive variances also occurred in most of the other general fund departments.

On the other hand, resources generated from tax revenues were \$741,185 below the final budget amount. This occurred because the budget projection was based on an improper allocation of tax revenues—between funds—in prior years. During fiscal year 2003-04, however, actual tax revenues were allocated properly. This shortfall was offset by positive variances in several other types of revenues. The most significant positive variance (\$1.1 million) was in licenses and permits revenues, which occurred because actual permits issued during the year exceeded expectations developed during the preparation of the budget.

### Capital Assets

The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$35,778,602 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, sewage conveyance systems, machinery and equipment, vehicles, park facilities, roads, highways, and bridges.

#### TOWN OF SAHUARITA, ARIZONA CAPITAL ASSETS

	<u>Governmental</u>		<u>Business-type</u>		<u>Primary</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 5,496,256	\$4,907,174	\$2,640,000	\$2,640,000	\$ 8,136,256	\$ 7,547,174
Buildings and improvements	990,574	84,251	-	-	990,574	84,251
Sewer conveyance system			6,107,308	6,230,450	6,107,308	6,230,450
Infrastructure	18,629,799	-	-	-	18,629,799	-
Vehicles	396,681	231,345	-	-	396,681	231,345
Equipment	60,834	50,594	-	-	60,834	50,594
Construction in progress	516,088	328,229	941,062	84,891	1,457,150	413,120
	<u>\$26,090,232</u>	<u>\$5,601,593</u>	<u>\$9,688,370</u>	<u>\$8,955,341</u>	<u>\$35,778,602</u>	<u>\$14,556,934</u>

The total increase in the Town’s investment in capital assets for the current fiscal year was 146% (a 366% increase for governmental activities and an 8% increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- The Arizona Department of Transportation turned 6.9 roadway miles of the Nogales Highway B-19 Route over to the Town. The fair market value on the date of donation was estimated to be \$37,982 for the right-of-way (i.e., land) and \$19,107,486 for the roadway and bridges (i.e., infrastructure).
- A variety of street construction projects in new residential developments and widening and expansion projects for existing streets and bridges began; construction in progress as of the end of the current fiscal year was \$516,088.

- Construction to expand the capacity of the wastewater treatment facility continued throughout the year; construction in progress for business-type activities as of the close of the fiscal year was \$941,062.
- The Town changed the capitalization threshold on July 1, 2003 from \$1,000 to \$5,000 and applied that change retroactively. As a result, capital asset balances were reduced by approximately \$230,000 as of July 1, 2003.

The Town's fiscal year 2004-05 capital budget forecasts another \$13.7 million for capital projects, principally for the completion of the La Canada Drive road improvements, the Wastewater Treatment Plant expansion, and various park and park facility improvements. The Town has no plans to issue debt during fiscal year 2004-05 to finance these projects. Rather, cash carryforwards will be used.

Additional information on the Town's capital assets can be found in note 4 on pages 40-41 of this report.

### **Economic Factors, Next Year's Budget, and Rates**

- The current estimated population of 9,745 is over three times larger than the population in 2000 which was 3,242. The growth rate since that time has averaged 32% annually and is expected to be 30% during fiscal year 2004-05.
- The secondary assessed property valuation increased 30.0% to \$58,546,119 over last year. The total full cash property value increased 48.0% to \$529,909,740 during the same period.
- Building permits issued for single-family residents continued to increase in fiscal year 2003-04 with 1,271 issued, compared to 821 the previous year. Commercial permits issued also rose, from 21 to 26 during that same time.

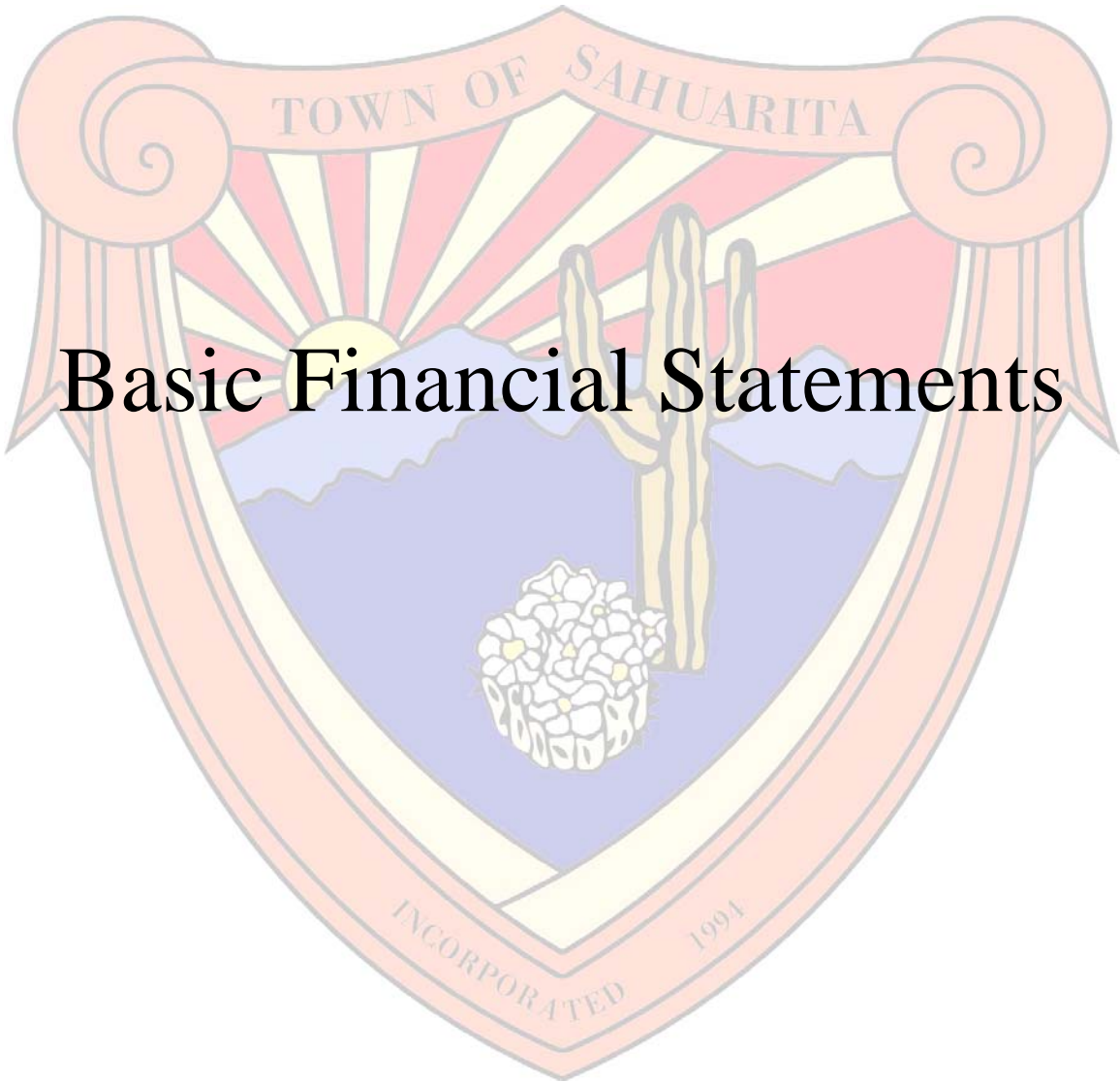
The Town's budget for fiscal year 2004-05 totaled \$30,956,823, a 50.2% increase over the fiscal year 2003-04 budget. Most of this increase is related to additional payroll costs, capital outlay, and larger contingency reserves, which are planned to fund future capital improvements.

The Wastewater sewer connection fees were increased during the fiscal year. Overall the rates were incrementally increased by an average of 57 percent for all customers over the course of the year. The fee increases were necessary to cover the cost of providing sewer services to the Town.

### **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, P.O. Box 879, Sahuarita, AZ 85629.

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# Basic Financial Statements



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# Town of Sahuarita, Arizona

## Statement of Net Assets

June 30, 2004

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,121,774	\$ 2,370,863	\$ 14,492,637
Receivables:			
Taxes	736,950	-	736,950
Accounts	206,798	87,329	294,127
Intergovernmental	234,288	-	234,288
Investment income	16,910	-	16,910
Prepaid items	6,576	-	6,576
Restricted assets:			
Cash and cash equivalents	896,188	-	896,188
Capital assets:			
Land and construction in progress	6,012,344	3,581,062	9,593,406
Other capital assets, net of depreciation	20,077,888	6,107,308	26,185,196
Total capital assets	<u>26,090,232</u>	<u>9,688,370</u>	<u>35,778,602</u>
Total assets	<u>40,309,716</u>	<u>12,146,562</u>	<u>52,456,278</u>
<b>LIABILITIES</b>			
Accrued payroll and benefits	128,143	-	128,143
Payables:			
Accounts	623,531	204,386	827,917
Intergovernmental	8,741	-	8,741
Deposits	100,246	-	100,246
Unearned revenues	69,314	-	69,314
Noncurrent liabilities:			
Due within one year	102,631	-	102,631
Due in more than one year	19,483	-	19,483
Total liabilities	<u>1,052,089</u>	<u>204,386</u>	<u>1,256,475</u>
<b>NET ASSETS</b>			
Invested in capital assets	26,090,232	9,688,370	35,778,602
Restricted for:			
Public safety	17,500	-	17,500
Transportation	1,519,938	-	1,519,938
Unrestricted	11,629,957	2,253,806	13,883,763
Total net assets	<u>\$ 39,257,627</u>	<u>\$ 11,942,176</u>	<u>\$ 51,199,803</u>

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

# Town of Sahuarita, Arizona

## Statement of Activities

For the Fiscal Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 1,449,702	\$ 444,364	\$ -	\$ -	\$ (1,005,338)		\$ (1,005,338)
Public safety	1,927,284	2,856,122	63,347	-	992,185		992,185
Highways and streets	1,947,957	295,297	323,181	19,947,826	18,618,347		18,618,347
Culture and recreation	519,836	40,355	11,050	391,946	(76,485)		(76,485)
Total governmental activities	<u>5,844,779</u>	<u>3,636,138</u>	<u>397,578</u>	<u>20,339,772</u>	<u>18,528,709</u>		<u>18,528,709</u>
Business-type activities:							
Sewer	346,677	1,868,735	39,828	-		\$ 1,561,886	1,561,886
Total business-type activities	<u>346,677</u>	<u>1,868,735</u>	<u>39,828</u>	<u>-</u>		<u>1,561,886</u>	<u>1,561,886</u>
Total primary government	<u>\$ 6,191,456</u>	<u>\$ 5,504,873</u>	<u>\$ 437,406</u>	<u>\$ 20,339,772</u>	<u>18,528,709</u>	<u>1,561,886</u>	<u>20,090,595</u>
General revenues:							
Sales taxes					5,212,630	-	5,212,630
Franchise taxes					69,292	-	69,292
Share of state income tax					292,329	-	292,329
Share of state sales tax					272,750	-	272,750
Share of state vehicle license tax					140,331	-	140,331
Grants and contributions not restricted to specific programs					15,223	-	15,223
Investment earnings					145,408	22,278	167,686
Miscellaneous					39,949	-	39,949
Total general revenues					<u>6,187,912</u>	<u>22,278</u>	<u>6,210,190</u>
Change in net assets					24,716,621	1,584,164	26,300,785
Net assets at beginning of year, as restated					14,541,006	10,358,012	24,899,018
Net assets at end of year					<u>\$ 39,257,627</u>	<u>\$ 11,942,176</u>	<u>\$ 51,199,803</u>

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

# Town of Sahuarita, Arizona

Balance Sheet  
 Governmental Funds  
 June 30, 2004

	<u>General Fund</u>	<u>Capital Infrastructure Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 6,296,854	\$ 5,294,290	\$ 530,630	\$ 12,121,774
Receivables:				
Taxes	249,205	487,745	-	736,950
Accounts	198,463	8,335	-	206,798
Intergovernmental	39,814	-	194,474	234,288
Investment income	15,007	-	1,903	16,910
Prepaid items	6,576	-	-	6,576
Restricted assets	-	582,522	313,666	896,188
Total assets	<u>\$ 6,805,919</u>	<u>\$ 6,372,892</u>	<u>\$ 1,040,673</u>	<u>\$ 14,219,484</u>
<b>Liabilities</b>				
Accrued payroll and benefits	\$ 128,143	\$ -	\$ -	\$ 128,143
Accounts payable	341,113	206,940	75,478	623,531
Intergovernmental payable	8,741	-	-	8,741
Deposits payable	100,246	-	-	100,246
Unearned revenues	69,314	-	-	69,314
Total liabilities	<u>647,557</u>	<u>206,940</u>	<u>75,478</u>	<u>929,975</u>
<b>Fund balances</b>				
Reserved for:				
Encumbrances	13,842	127,173	2,624	143,639
Prepaid items	6,576	-	-	6,576
Unreserved, reported in:				
General Fund	6,137,944	-	-	6,137,944
Special revenue funds	-	6,038,779	962,571	7,001,350
Total fund balances	<u>6,158,362</u>	<u>6,165,952</u>	<u>965,195</u>	<u>13,289,509</u>
Total liabilities and fund balances	<u>\$ 6,805,919</u>	<u>\$ 6,372,892</u>	<u>\$ 1,040,673</u>	<u>\$ 14,219,484</u>

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

## Town of Sahuarita, Arizona

### Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities

June 30, 2004

Total fund balances—governmental funds \$ 13,289,509

Amounts reported for governmental activities in the statement of net assets 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	\$ 5,496,256	
Construction in progress	516,088	
Buildings and improvements	1,027,423	
Infrastructure	19,107,486	
Vehicles	642,138	
Equipment	110,054	
Accumulated depreciation	<u>(809,213)</u>	
Total capital assets		26,090,232

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

Compensated absences	<u>(122,114)</u>
----------------------	------------------

Net assets of governmental activities \$ 39,257,627

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, 2004

	<b>General Fund</b>	<b>Capital Infrastructure Improvement Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 1,812,315	\$ 3,469,607	\$ -	\$ 5,281,922
Licenses and permits	3,507,860	-	-	3,507,860
Intergovernmental	783,980	391,946	1,065,539	2,241,465
Charges for services	40,355	-	-	40,355
Fines and forfeitures	70,823	-	17,100	87,923
Investment	95,550	41,715	8,143	145,408
Miscellaneous	46,092	-	64,907	110,999
Total revenues	<u>6,356,975</u>	<u>3,903,268</u>	<u>1,155,689</u>	<u>11,415,932</u>
<b>Expenditures</b>				
Current:				
General government	1,437,559	-	-	1,437,559
Public safety	2,004,814	-	4,869	2,009,683
Highways and streets	833,350	-	580,656	1,414,006
Culture and recreation	1,066,569	-	12,922	1,079,491
Capital outlay	-	1,199,314	-	1,199,314
Total expenditures	<u>5,342,292</u>	<u>1,199,314</u>	<u>598,447</u>	<u>7,140,053</u>
Excess of revenues over expenditures	<u>1,014,683</u>	<u>2,703,954</u>	<u>557,242</u>	<u>4,275,879</u>
Other financing sources (uses):				
Transfers in	-	-	4,462	4,462
Transfers out	(4,462)	-	-	(4,462)
Total other financing sources (uses)	<u>(4,462)</u>	<u>-</u>	<u>4,462</u>	<u>-</u>
Net change in fund balances	1,010,221	2,703,954	561,704	4,275,879
Fund balance at beginning of year, as restated	5,148,141	3,461,998	403,491	9,013,630
Fund balance at end of year	<u>\$ 6,158,362</u>	<u>\$ 6,165,952</u>	<u>\$ 965,195</u>	<u>\$ 13,289,509</u>

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

## Town of Sahuarita, Arizona

### Reconciliation of the Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities—Governmental Activities For the Fiscal Year Ended June 30, 2004

Net change in fund balances—governmental funds \$ 4,275,879

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:

Capital outlay	\$ 1,977,293	
Depreciation expense	<u>(599,472)</u>	
Excess of capital outlay over depreciation expense		1,377,821

Some capital additions were contributed to the Town during the year. These additions are not recognized in governmental funds, but in the statement of activities, the assets' fair market values are reported as revenues. 19,145,468

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. A revenue or expense is recorded in the statement of activities for the gain or loss on the disposition of capital assets. Therefore, a difference arises for the book value of the capital assets disposed. (34,650)

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:

Increase in compensated absences	<u>(47,897)</u>
----------------------------------	-----------------

Change in net assets of governmental activities \$ 24,716,621

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



**Town of Sahuarita, Arizona**  
Statement of Net Assets  
Proprietary Fund  
June 30, 2004

	<b>Wastewater Enterprise Fund</b>
<b>Assets</b>	
Current:	
Cash and cash equivalents	\$ 2,370,863
Accounts receivable	87,329
Total current	2,458,192
Capital assets:	
Land	2,640,000
Sewage conveyance system	6,296,165
Construction in progress	941,062
Accumulated depreciation	(188,857)
Capital assets, net of accumulated depreciation	9,688,370
Total assets	12,146,562
 <b>Liabilities</b>	
Current:	
Accounts payable	204,386
Total liabilities	204,386
 <b>Net assets</b>	
Invested in capital assets	9,688,370
Unrestricted	2,253,806
Total net assets	\$ 11,942,176

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

**Town of Sahuarita, Arizona**  
Statement of Revenues, Expenses, and  
Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2004

	<b>Wastewater Enterprise Fund</b>
<b>Operating revenues</b>	
Charges for services	\$ 182,712
Other	39,828
Total operating revenues	222,540
<b>Operating expenses</b>	
Operating supplies and services	100,938
Utilities	47,989
General and administrative	15,768
Consultants and professional services	56,059
Depreciation	125,923
Total operating expenses	346,677
Operating loss	(124,137)
Nonoperating revenues	
Sewer connection fees	1,686,023
Investment income	22,278
Total nonoperating revenues	1,708,301
Change in net assets	1,584,164
Net assets at beginning of year	10,358,012
Net assets at end of year	\$ 11,942,176

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, 2004

	<b>Wastewater Enterprise Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 145,830
Payments to suppliers	(274,844)
Net cash used for operating activities	<u>(129,014)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Cash paid to other funds for interfund borrowing	<u>(2,399)</u>
Net cash used for noncapital financing activities	<u>(2,399)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Sewer connection fees	1,686,023
Acquisition and construction of capital assets	(670,341)
Net cash provided by capital and related financing activities	<u>1,015,682</u>
<b>Cash Flows From Investing Activities</b>	
Interest received	<u>22,278</u>
Net cash provided by investing activities	<u>22,278</u>
Net increase in cash and cash equivalents	906,547
Cash and cash equivalents at beginning of year	<u>1,464,316</u>
Cash and cash equivalents at end of year	<u>\$ 2,370,863</u>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES</b>	
Operating loss	\$ (124,137)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	125,923
(Increase) in accounts receivable	(76,710)
(Decrease) in accounts payable	(54,090)
Net cash used for operating activities	<u>\$ (129,014)</u>

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

**TOWN OF SAHUARTA, ARIZONA**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2004

***NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

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

**A. Reporting Entity**

The Town is a 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.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

## TOWN OF SAHUARTA, ARIZONA

Notes to the Financial Statements  
Fiscal Year Ended June 30, 2004

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences, which are recorded only when payment is due.

Intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The Town reports the following major proprietary fund:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All

## TOWN OF SAHUARTA, ARIZONA

Notes to the Financial Statements

Fiscal Year Ended June 30, 2004

revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, for governmental activities, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, Liabilities, and Net Assets or Equity**

#### Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

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 Pool. Investments are stated at fair value.

#### 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.

#### Restricted Assets

Deposits set aside in escrow accounts are classified as restricted assets because their use is limited by contractual obligations.

#### Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental 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.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

**TOWN OF SAHUARTA, ARIZONA**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2004

General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements.

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

Buildings and improvements	14 to 50 years
Sewage conveyance system	50 years
Infrastructure	20 years
Equipment	5 to 10 years
Vehicles	4 to 6 years

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Net Assets

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets; restricted net assets; and unrestricted net assets. Net assets invested in capital assets is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the Town. Unrestricted net assets are the remaining net assets not included in the previous two categories.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2—CASH AND INVESTMENTS**

Deposits—At June 30, 2004, the Town had cash on hand of \$1,250. The carrying amount of the Town’s cash in bank was \$2,867,434 and the bank balance was \$2,983,567. The Town’s deposits were entirely insured or collateralized with securities held by the Town’s custodial bank in the Town’s name.

Investments—At June 30, 2004, the Town’s investments consisted of \$11,623,953 invested in the State Treasurer’s Investment Pool. The State Board of Deposit provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in

**TOWN OF SAHUARTA, ARIZONA**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2004

the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments, are not subject to custodial credit risk, and have no stated interest rate or maturity date. A reconciliation of financial statement amounts to amounts disclosed within this footnote follows:

Deposits	
Cash on hand	\$ 1,250
Cash in bank	2,867,434
Investments	
State Treasurer's Investment Pool	11,623,953
Cash with escrow agent	<u>896,188</u>
Total deposits and investments	15,388,825
Less: restricted assets	<u>(896,188)</u>
Total cash and cash equivalents	<u>\$14,492,637</u>

**NOTE 3—RESTRICTED ASSETS**

At June 30, 2004, deposits held in escrow in escrow total \$896,188. These cash deposits are restricted by contract and will be used to fund the Town's obligation on the Nogales Highway Widening Roadway Project.

**NOTE 4—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004, follows:

	<b>Balance July 1, 2003 (as restated)</b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance June 30, 2004</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$4,907,174	\$ 589,082	\$ -	\$ 5,496,256
Construction in progress	<u>328,229</u>	<u>1,108,515</u>	<u>(920,656)</u>	<u>516,088</u>
Total capital assets not being depreciated	<u>5,235,403</u>	<u>1,697,597</u>	<u>(920,656)</u>	<u>6,012,344</u>
Capital assets being depreciated:				
Buildings and improvements	79,530	947,893	-	1,027,423
Infrastructure	-	19,107,486	-	19,107,486
Vehicles	447,053	293,383	(98,298)	642,138
Equipment	<u>112,996</u>	<u>24,295</u>	<u>(27,237)</u>	<u>110,054</u>
Total capital assets being depreciated	<u>639,579</u>	<u>20,373,057</u>	<u>(125,535)</u>	<u>20,887,101</u>
Less accumulated depreciation for:				
Buildings and improvements	(22,516)	(14,333)	-	(36,849)
Infrastructure	-	(477,687)	-	(477,687)
Vehicles	(215,708)	(93,397)	63,648	(245,457)
Equipment	<u>(35,165)</u>	<u>(14,055)</u>	<u>-</u>	<u>(49,220)</u>
Total accumulated depreciation	<u>(273,389)</u>	<u>(599,472)</u>	<u>63,648</u>	<u>(809,213)</u>



**TOWN OF SAHUARTA, ARIZONA**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2004

Total capital assets being depreciated, net	<u>366,190</u>	<u>19,773,585</u>	<u>(61,887)</u>	<u>20,077,888</u>
Governmental activities capital assets, net	<u>\$5,601,593</u>	<u>\$21,471,182</u>	<u>\$(982,543)</u>	<u>\$26,090,232</u>

	<b><u>Balance</u></b> <b><u>July 1, 2003</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2004</u></b>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$2,640,000	\$ -	\$ -	\$2,640,000
Construction in progress	<u>84,891</u>	<u>858,952</u>	<u>(2,781)</u>	<u>941,062</u>
Total capital assets not being depreciated	<u>2,724,891</u>	<u>858,952</u>	<u>(2,781)</u>	<u>3,581,062</u>
Capital assets being depreciated:				
Sewer conveyance system	<u>6,293,384</u>	<u>2,781</u>	<u>-</u>	<u>6,296,165</u>
Total capital assets being depreciated	<u>6,293,384</u>	<u>2,781</u>	<u>-</u>	<u>6,296,165</u>
Less accumulated depreciation for:				
Sewer conveyance system	<u>(62,934)</u>	<u>(125,923)</u>	<u>-</u>	<u>(188,857)</u>
Total accumulated depreciation	<u>(62,934)</u>	<u>(125,923)</u>	<u>-</u>	<u>(188,857)</u>
Total capital assets being depreciated, net	<u>6,230,450</u>	<u>(123,142)</u>	<u>-</u>	<u>6,107,308</u>
Business-type activities capital assets, net	<u>\$8,955,341</u>	<u>\$ 735,810</u>	<u>\$(2,781)</u>	<u>\$9,688,370</u>

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government	\$ 11,806
Public safety	78,816
Highways and streets	494,576
Culture and recreation	<u>14,274</u>
Total governmental activities depreciation	<u>\$599,472</u>

**Business-type activities:**

Sewer	<u>\$125,923</u>
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**NOTE 5—LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due within</u> <u>1 year</u>
<b>Governmental activities:</b>					
Compensated absences	<u>\$74,217</u>	<u>\$151,119</u>	<u>\$(103,222)</u>	<u>\$122,114</u>	<u>\$102,631</u>

**TOWN OF SAHUARTA, ARIZONA**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2004

**NOTE 6—CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

The Town has active construction projects at June 30, 2004. The projects include the Nogales Highway Widening Roadway Project and the Wastewater Treatment Plant (WWTP) Expansion Project. At fiscal year end the Town’s commitments with contractors were as follows:

**Governmental Activities**

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Nogales Highway	\$120,081	\$879,919

**Business-type Activities**

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
WWTP Expansion	\$73,029	\$2,065,471

**Operating Leases**

The Town leases buildings and office equipment under the provisions of long-term lease agreements classified as operating leases. Rental expenditures under the terms of the operating leases totaled \$96,808 for the year ended June 30, 2004. The operating leases have remaining noncancelable lease terms for up to three years. The future minimum rental payments required under the operating leases as of June 30, 2004, were as follows.

Year ending June 30:		
2005	\$	88,815
2006		90,536
2007		<u>14,033</u>
Total minimum payments required		<u>\$193,384</u>

**NOTE 7—INTERFUND TRANSFERS**

Transfers are used to record transactions between funds to subsidize their operations.

<u>Transfers In Fund</u>	<u>Transfers Out Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$4,462

**TOWN OF SAHUARTA, ARIZONA**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2004

**NOTE 8—RETIREMENT AND PENSION PLANS**

Arizona State Retirement System (ASRS)

Plan Description—The Town contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the ASRS. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the ASRS Board according to the provisions of Arizona Revised Statutes (A.R.S.) Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the ASRS, 3300 North Central Avenue, P.O. Box 3910, Phoenix, AZ 85067-3910 or by calling (602) 240-2001 or (800) 621-3778.

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rate. For the year ended June 30, 2004, active plan members and the Town were each required by statute to contribute at the actuarially determined rate of 5.70 percent (5.20 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The Town's contributions to the ASRS for the years ended June 30, 2004, 2003, and 2002, were \$76,084, \$23,247, and \$20,171, respectively which were equal to the required contributions for the year.

Public Safety Personnel Retirement System (PSPRS)

Plan Description—The Town contributes to the PSPRS, an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 1020 East Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

Funding Policy—Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The Town is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 9.45 percent of annual covered payroll for police.

**TOWN OF SAHUARTA, ARIZONA**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2004

Annual Pension Cost—During the year ended June 30, 2004 the Town’s annual pension cost of \$60,135 for police was equal to the Town’s required and actual contributions

The required contribution was determined as part of the June 30, 2004 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on investment of present and future assets of 8.75 percent per year compounded annually, (b) projected salary increases of 6.25 percent (including inflation at 5.25 percent) per year compounded annually, and (c) additional projected salary increases of 0.0 percent to 3.0 percent per year attributable to seniority/merit.

The actual value of the Town’s assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The Town’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2004 was 20 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

Three-Year Trend Information

Police

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2002	\$24,828	100%	\$ -0-
2003	28,448	100%	-0-
2004	60,135	100%	-0-

Additional historical trend information for the Town’s PSPRS is disclosed on page 51.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

**NOTE 9—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

**TOWN OF SAHUARTA, ARIZONA**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2004

per occurrence on a claims made basis. Excess coverage is for an additional \$5 million per occurrence on a follow form, claims made basis.

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.

***NOTE 10—COMPLIANCE AND ACCOUNTABILITY***

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.

***NOTE 11—CHANGE IN ACCOUNTING POLICY AND PRIOR PERIOD ADJUSTMENT***

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 34 for the fiscal year ended June 30, 2004. As a result, the Town's governmental fund-type fund balances as of June 30, 2003 have been restated as net assets in the government-wide statements. In addition, the proprietary fund's fund equity has been restated as net assets in the government-wide statements and Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets.

The Town also changed the capitalization threshold on July 1, 2003 from \$1,000 to \$5,000 and applied that change retroactively. The change in capitalization threshold did not affect the proprietary fund capital assets. However, the following adjustments were necessary in the governmental funds to properly state beginning net assets using the full accrual method of accounting and retroactively apply the change in the Town's capitalization threshold. The change in capitalization threshold is not reported as a reconciling item as capital assets were not capitalized in the governmental funds in prior years.

**TOWN OF SAHUARTA, ARIZONA**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2004

Fund balances at June 30, 2003, governmental fund types \$ 9,013,630

GASB Statement No. 34 adjustments:

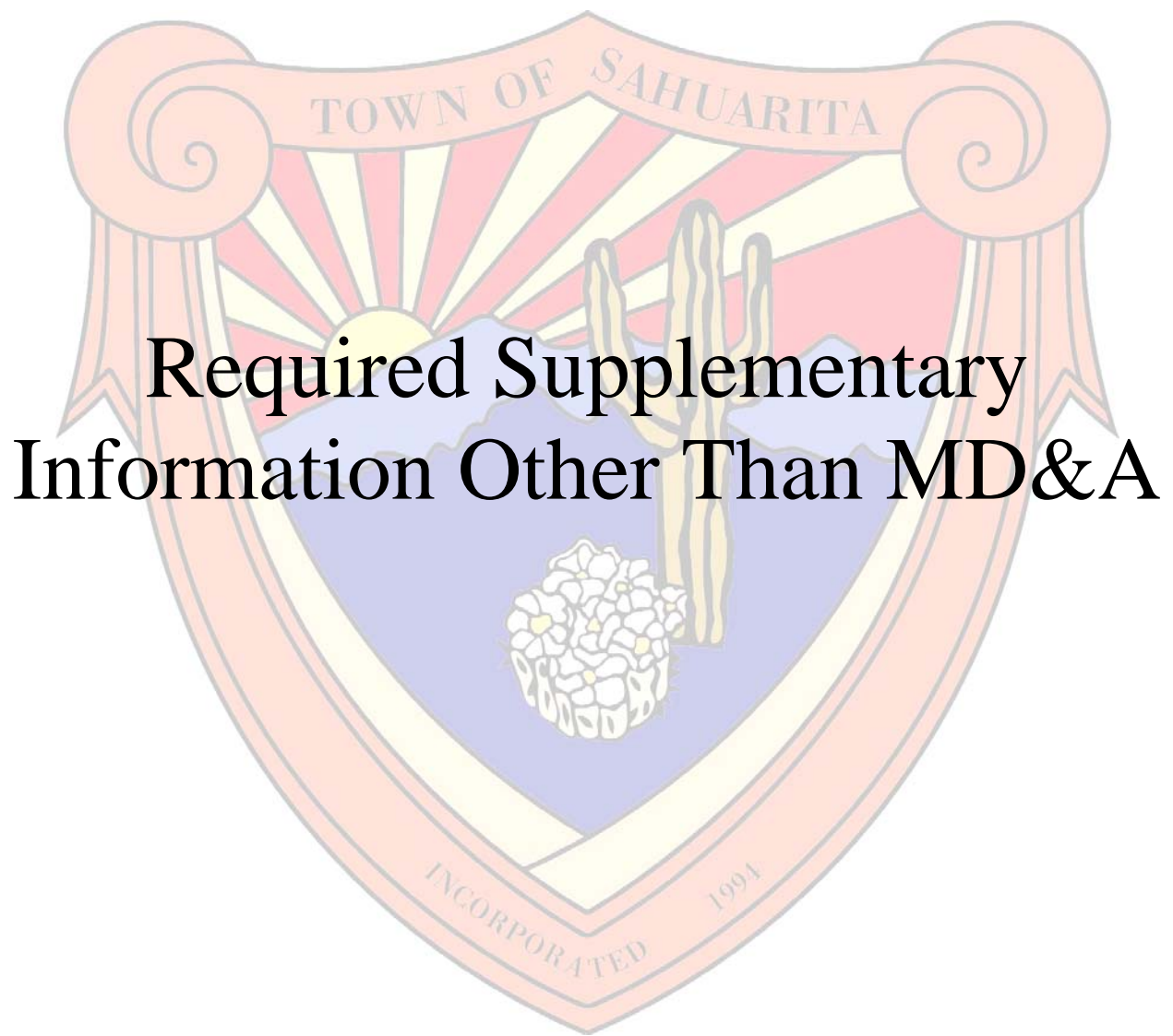
Compensated absences (74,217)

Capital assets, net of accumulated depreciation 5,601,593

Net assets of governmental funds at July 1, 2003 \$ 14,541,006

A prior period adjustment was necessary to properly record the activity of sales tax pertaining to construction activity in the Capital Infrastructure Improvement Fund that was recorded in error in the General Fund in previous years. The following summary is useful to reconcile beginning fund balance in the governmental funds to the prior year audited financial statements.

	<u>General Fund</u>	<u>Capital Infrastructure Improvement Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
Beginning fund balance (as previously stated)	\$ 6,189,165	\$ 2,420,974	\$ 403,491	\$ 9,013,630
Prior period adjustment	<u>(1,041,024)</u>	<u>1,041,024</u>	<u>-0-</u>	<u>-0-</u>
Beginning fund balance (as restated)	<u>\$ 5,148,141</u>	<u>\$ 3,461,998</u>	<u>\$ 403,491</u>	<u>\$ 9,013,630</u>



# Required Supplementary Information Other Than MD&A

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# Town of Sahuarita, Arizona

## Schedule of Revenues, Expenditures, and Changes

in Fund Balance—Budget and Actual

General Fund

For the Fiscal Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 2,553,500	\$ 2,553,500	\$ 1,812,315	\$ (741,185)
Licenses and permits	2,367,100	2,367,100	3,507,860	1,140,760
Intergovernmental	915,595	915,595	783,980	(131,615)
Charges for services	16,000	16,000	40,355	24,355
Fines and forfeitures	46,400	46,400	70,823	24,423
Investment	80,500	80,500	95,550	15,050
Miscellaneous	30,000	30,000	46,092	16,092
Total revenues	<u>6,009,095</u>	<u>6,009,095</u>	<u>6,356,975</u>	<u>347,880</u>
<b>Expenditures</b>				
General government:				
Town Manager	251,934	251,934	220,532	31,402
Mayor and Council	33,150	33,150	12,227	20,923
Town Clerk	168,980	168,980	143,732	25,248
Finance	168,992	168,992	165,404	3,588
Municipal Court	252,876	252,876	225,642	27,234
Planning and Zoning	215,993	215,993	187,192	28,801
Legal	205,000	205,000	250,100	(45,100)
Non-Departmental	489,350	516,350	232,730	283,620
Total general government	<u>1,786,275</u>	<u>1,813,275</u>	<u>1,437,559</u>	<u>375,716</u>
Public safety:				
Building Safety	459,909	534,159	460,805	73,354
Police	1,756,754	1,756,754	1,544,009	212,745
Total public safety	<u>2,216,663</u>	<u>2,290,913</u>	<u>2,004,814</u>	<u>286,099</u>
Highways and streets:				
Public Works	1,019,248	1,019,248	833,350	185,898
Total highways and streets	<u>1,019,248</u>	<u>1,019,248</u>	<u>833,350</u>	<u>185,898</u>
Culture and recreation:				
Parks and Recreation	1,176,838	1,176,838	1,066,569	110,269
Total culture and recreation	<u>1,176,838</u>	<u>1,176,838</u>	<u>1,066,569</u>	<u>110,269</u>
Contingency reserves	5,202,071	5,100,821	-	5,100,821
Total expenditures	<u>11,401,095</u>	<u>11,401,095</u>	<u>5,342,292</u>	<u>6,058,803</u>
Excess (deficiency) of revenues over (under) expenditures	(5,392,000)	(5,392,000)	1,014,683	6,406,683
<b>Other financing uses</b>				
Transfers out	(8,000)	(8,000)	(4,462)	3,538
Total other financing uses	<u>(8,000)</u>	<u>(8,000)</u>	<u>(4,462)</u>	<u>3,538</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(5,400,000)	(5,400,000)	1,010,221	6,410,221
Fund balance at beginning of year, as restated	5,400,000	5,400,000	5,148,141	(251,859)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,158,362</u>	<u>\$ 6,158,362</u>

See notes to required supplementary information.

## Town of Sahuarita, Arizona

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

#### Capital Infrastructure Improvement Fund—Special Revenue Fund For the Fiscal Year Ended June 30, 2004

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Taxes	\$ 1,560,000	\$ 3,469,607	\$ 1,909,607
Intergovernmental	800,000	391,946	(408,054)
Investment	30,000	41,715	11,715
Total revenues	<u>2,390,000</u>	<u>3,903,268</u>	<u>1,513,268</u>
<b>Expenditures</b>			
Capital outlay	2,161,500	1,199,314	962,186
Contingency reserves	2,428,500	-	2,428,500
Total expenditures	<u>4,590,000</u>	<u>1,199,314</u>	<u>3,390,686</u>
Excess (deficiency) of revenues over (under) expenditures	(2,200,000)	2,703,954	4,903,954
Fund balance at beginning of year, as restated	2,200,000	3,461,998	1,261,998
Fund balance at end of year	<u>\$ -</u>	<u>\$ 6,165,952</u>	<u>\$ 6,165,952</u>

See notes to required supplementary information.

## Town of Sahuarita, Arizona

Schedule of Agent Retirement Plan's Funding Progress  
 Public Safety Personnel Retirement System (PSPRS)  
 For the Fiscal Year Ended June 30, 2004

Valuation Date June 30	Valuation Value of Assets	Actuarial Accrued Liability (AAL)	(Over) Unfunded AAL	Percent Funded	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
1998	\$ 10,760	\$ 12,425	\$ 1,665	86.6%	\$ 119,434	1.4%
1999	64,411	72,734	8,323	88.6%	186,211	4.5%
2000	105,060	103,900	(1,160)	101.1%	190,686	-
2001	160,823	124,409	(36,414)	129.3%	230,789	-
2002	258,718	176,727	(81,991)	146.4%	233,586	-
2003	488,521	206,711	(281,810)	236.3%	415,173	-
2004	760,394	360,466	(399,928)	210.9%	795,479	-

See notes to required supplementary information.

**TOWN OF SAHUARITA, ARIZONA**  
Notes to Required Supplementary Information  
Fiscal Year Ended June 30, 2004

**Note 1—Budgetary Basis of Accounting**

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 is prepared by fund, function, and department. 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 special approval of the Town Council.

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

**Note 2—Excess of Expenditures Over Appropriations**

For the year ended June 30, 2004, expenditures exceeded appropriations in the Legal department (the legal level of budgetary control) of the General Fund by \$45,100. These over-expenditures were funded by available fund balance.

The seal of the Town of Sahuarita is a shield-shaped emblem. At the top, a banner reads "TOWN OF SAHUARITA". The shield features a sun with rays, a saguaro cactus, and a cluster of agave plants. The bottom of the shield is inscribed with "INCORPORATED 1994".

# Combining Statements and Other Schedules

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

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

*Youth Grants Fund*—accounts for youth cultural and recreation grant funded programs.

*RICO Fund*—accounts for state and federal police seizures and forfeitures received by the Town.

**Town of Sahuarita, Arizona**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004

	<b>Special Revenue Funds</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Highway User Revenue Fund</b>	<b>Youth Grants Fund</b>	<b>RICO Fund</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 513,130	\$ -	\$ 17,500	\$ 530,630
Receivables:				
Intergovernmental	194,474	-	-	194,474
Investment income	1,903	-	-	1,903
Restricted assets	313,666	-	-	313,666
Total assets	<u>\$ 1,023,173</u>	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 1,040,673</u>
<b>Liabilities</b>				
Accounts payable	\$ 75,478	\$ -	\$ -	\$ 75,478
Total liabilities	<u>75,478</u>	<u>-</u>	<u>-</u>	<u>75,478</u>
<b>Fund balances</b>				
Reserved for encumbrances	2,624	-	-	2,624
Unreserved, reported in	945,071	-	17,500	962,571
Total fund balances	<u>947,695</u>	<u>-</u>	<u>17,500</u>	<u>965,195</u>
Total liabilities and fund balances	<u>\$ 1,023,173</u>	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 1,040,673</u>

## Town of Sahuarita, Arizona

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2004

	<b>Special Revenue Funds</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Highway User Revenue Fund</b>	<b>Youth Grants Fund</b>	<b>RICO Fund</b>	
<b>Revenues</b>				
Intergovernmental	\$ 1,065,539	\$ -	\$ -	\$ 1,065,539
Fines and forfeitures	-	-	17,100	17,100
Investment	8,143	-	-	8,143
Miscellaneous	60,157	4,750	-	64,907
Total revenues	<u>1,133,839</u>	<u>4,750</u>	<u>17,100</u>	<u>1,155,689</u>
<b>Expenditures</b>				
Current:				
Public safety	-	-	4,869	4,869
Highways and streets	580,656	-	-	580,656
Culture and recreation	-	12,922	-	12,922
Total expenditures	<u>580,656</u>	<u>12,922</u>	<u>4,869</u>	<u>598,447</u>
Excess (deficiency) of revenues over (under) expenditures	<u>553,183</u>	<u>(8,172)</u>	<u>12,231</u>	<u>557,242</u>
Other financing sources:				
Transfers in	-	4,462	-	4,462
Total other financing sources	<u>-</u>	<u>4,462</u>	<u>-</u>	<u>4,462</u>
Net change in fund balances	553,183	(3,710)	12,231	561,704
Fund balance at beginning of year	394,512	3,710	5,269	403,491
Fund balance at end of year	<u>\$ 947,695</u>	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 965,195</u>



**Town of Sahuarita, Arizona**

Schedule of Revenues, Expenditures, and Changes

in Fund Balance—Budget and Actual

Highway User Revenue Fund—Special Revenue Fund

For the Fiscal Year Ended June 30, 2004

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Intergovernmental	\$ 1,117,544	\$ 1,065,539	\$ (52,005)
Investment	15,500	8,143	(7,357)
Miscellaneous	10,000	60,157	50,157
Total revenues	<u>1,143,044</u>	<u>1,133,839</u>	<u>(9,205)</u>
<b>Expenditures</b>			
Highways and streets	910,000	580,656	329,344
Contingency reserves	1,033,044	-	1,033,044
Total expenditures	<u>1,943,044</u>	<u>580,656</u>	<u>1,362,388</u>
Excess (deficiency) of revenues over (under) expenditures	(800,000)	553,183	1,353,183
Fund balance at beginning of year	800,000	394,512	(405,488)
Fund balance at end of year	<u>\$ -</u>	<u>\$ 947,695</u>	<u>\$ 947,695</u>

**Town of Sahuarita, Arizona**

Schedule of Revenues, Expenditures, and Changes  
in Fund Balance—Budget and Actual  
Youth Grants Fund—Special Revenue Fund  
For the Fiscal Year Ended June 30, 2004

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Miscellaneous	\$ 2,500	\$ 4,750	\$ 2,250
Total revenues	<u>2,500</u>	<u>4,750</u>	<u>2,250</u>
<b>Expenditures</b>			
Culture and recreation	15,100	12,922	2,178
Total expenditures	<u>15,100</u>	<u>12,922</u>	<u>2,178</u>
Excess of revenues over expenditures	(12,600)	(8,172)	4,428
<b>Other financing sources</b>			
Transfers in	8,000	4,462	(3,538)
Total other financing sources	<u>8,000</u>	<u>4,462</u>	<u>(3,538)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures	(4,600)	(3,710)	890
Fund balance at beginning of year	4,600	3,710	(890)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Town of Sahuarita, Arizona**

Schedule of Revenues, Expenditures, and Changes

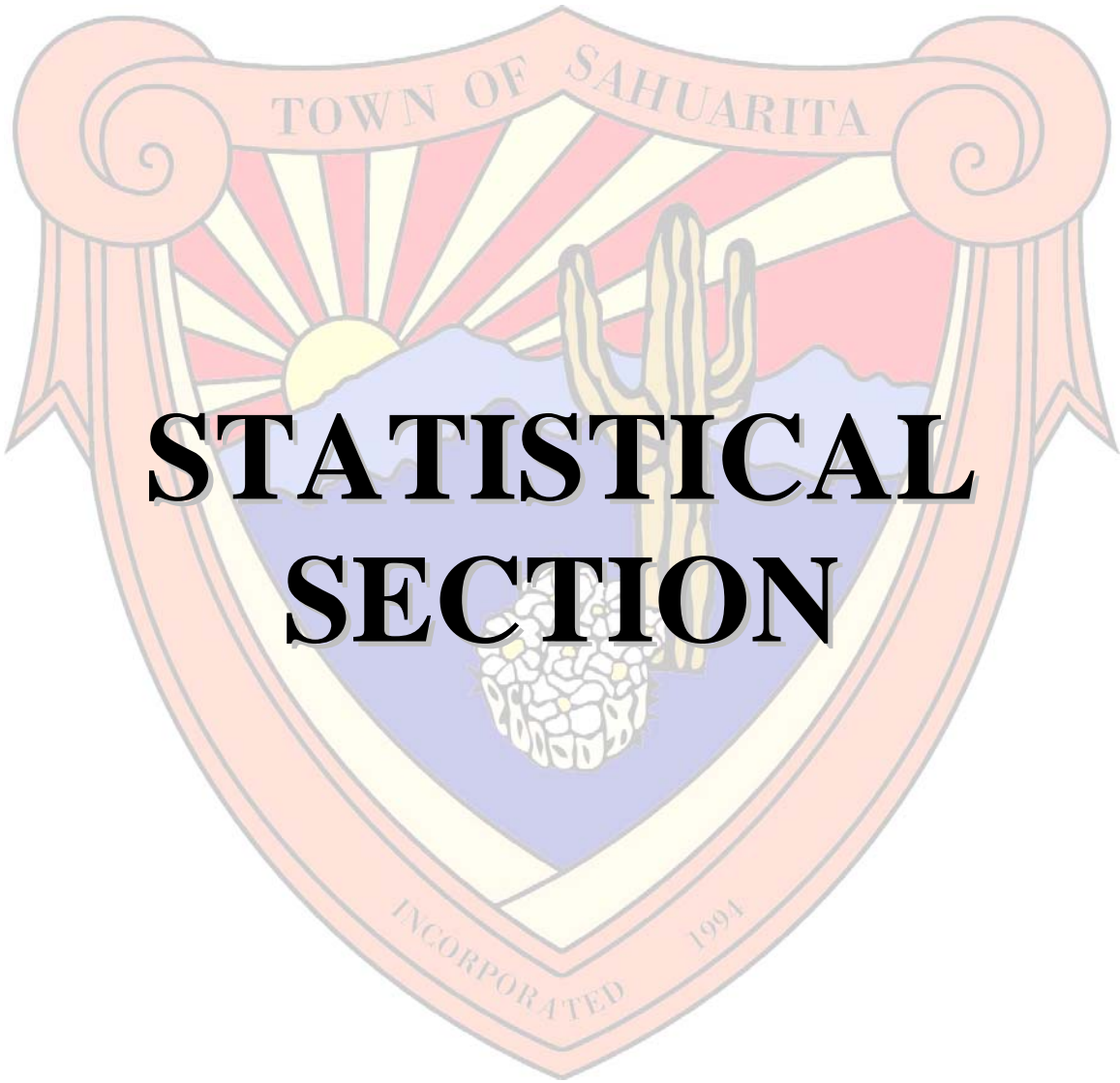
in Fund Balance—Budget and Actual

RICO Fund—Special Revenue Fund

For the Fiscal Year Ended June 30, 2004

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Fines and forfeitures	\$ 75,000	\$ 17,100	\$ (57,900)
Total revenues	<u>75,000</u>	<u>17,100</u>	<u>(57,900)</u>
<b>Expenditures</b>			
Public safety	4,200	4,869	(669)
Contingency reserves	73,800	-	73,800
Total expenditures	<u>78,000</u>	<u>4,869</u>	<u>73,131</u>
Excess (deficiency) of revenues over (under) expenditures	(3,000)	12,231	15,231
Fund balance at beginning of year	3,000	5,269	2,269
Fund balance at end of year	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 17,500</u>

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# **STATISTICAL SECTION**

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**Town of Sahuarita, Arizona**  
**Government-wide Expenses by Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways &amp; Streets</u>	<u>Culture &amp; Recreation</u>	<u>Sewer</u>	<u>Total</u>
2003-2004	\$ 1,449,702	\$ 1,927,284	\$ 1,947,957	\$ 519,836	\$ 346,677	\$ 6,191,456

Note: Fiscal year 2003-04 was the first year the Town prepared government-wide statements.

Source: Town of Sahuarita Finance Department

**Town of Sahuarita, Arizona  
Government-wide Revenues  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	State Shared	Unrestricted Grants and Contributions	Investment Income	Miscellaneous	Total
2003-2004	\$ 5,504,873	\$ 437,406	\$ 20,339,772	\$ 5,281,922	\$ 705,410	\$ 15,223	\$ 167,686	\$ 39,949	\$ 32,492,241

Note: Fiscal year 2003-04 was the first year the Town prepared government-wide statements.

Source: Town of Sahuarita Finance Department



**Town of Sahuarita, Arizona**  
**General Government Expenditures by Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways &amp; Streets</u>	<u>Culture &amp; Recreation</u>	<u>Capital Outlay</u>	<u>Total</u>
1994-1995	\$ 127,609	\$ -	\$ -	\$ -	\$ -	\$ 127,609
1995-1996	238,903	64,776	184,573	-	-	488,252
1996-1997	605,975	160,453	89,641	-	-	856,069
1997-1998	558,945	422,608	152,436	-	-	1,133,989
1998-1999	951,119	560,733	158,411	9,036	-	1,679,299
1999-2000	1,016,471	604,917	151,486	10,058	-	1,782,932
2000-2001	1,549,403	564,439	410,987	12,775	-	2,537,604
2001-2002	1,968,586	948,892	582,419	14,406	153,256	3,667,559
2002-2003	1,900,889	1,324,317	880,343	468,828	215,059	4,789,436
2003-2004	1,437,559	2,009,683	1,414,006	1,079,491	1,199,314	7,140,053

Source: Town of Sahuarita Finance Department

**Town of Sahuarita, Arizona**  
**General Government Revenues By Source**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Inter-governmental</b>	<b>Fines &amp; Forfeitures</b>	<b>Licenses &amp; Permits</b>	<b>Charges for Services</b>	<b>Investment Income</b>	<b>Other</b>	<b>Total</b>
1994-1995	\$ -	\$ 243,032	\$ -	\$ -	\$ -	\$ 282	\$ -	\$ 243,314
1995-1996	-	444,124	-	78,170	-	4,006	7,011	533,311
1996-1997	448,331	567,506	5,572	55,546	-	5,897	82,642	1,165,494
1997-1998	573,525	963,434	749	83,222	-	20,011	2,523	1,643,464
1998-1999	684,154	904,165	1,490	164,898	-	62,975	177,272	1,994,954
1999-2000	812,383	949,714	14,537	299,552	-	81,081	57,201	2,214,468
2000-2001	1,328,349	1,198,419	34,302	879,498	-	126,471	10,696	3,577,735
2001-2002	3,079,077	1,441,731	61,160	1,611,266	191,804	99,558	36,755	6,521,351
2002-2003	3,978,419	1,415,118	45,861	2,564,370	35,923	(123,754)	79,198	7,995,135
2003-2004	5,281,922	2,241,465	87,923	3,507,860	40,355	145,408	110,999	11,415,932

Source: Town of Sahuarita Finance Department

**Town of Sahuarita, Arizona**  
**Transaction Privilege (Sales) Tax Rates by Category**  
**(Unaudited)**

<b><u>Business Activity Category</u></b>	<b><u>Rate</u></b>
Printing and Advertising	2.0%
Amusements	2.0%
Construction Contracting	3.0%
Mining	0.1%
Publishing	2.0%
Hotel/Lodging Room Rentals	4.0%
Restaurants and Bars	2.0%
Retail Sales	2.0%
Telecommunications	2.0%
Utilities	2.0%

Source: Town of Sahuarita Finance Department

**Town of Sahuarita, Arizona**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2004**  
**(Unaudited)**

<u>Overlapping Jurisdiction</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to Town of Sahuarita</u>	<u>Amount Applicable to Town of Sahuarita</u>
State of Arizona	None	0.11%	None
Pima County	\$229,457,000	0.89%	\$2,042,167
Pima County Community College District	\$80,785,000	0.89%	\$718,987
Pima County Flood Control District	\$3,805,000	0.89%	\$33,865
Green Valley Fire District	None	25.92%	None
Sahuarita Unified School District	\$20,435,000	54.94%	\$11,226,989
Continental School District	\$3,985,000	25.42%	\$1,012,987
Town of Sahuarita	None	100.00%	<u>None</u>
Total Direct and Overlapping General Obligation Bonded Debt			<u><u>\$15,034,995</u></u>

Source: Pima County Assessor and Individual Taxing Entities

**Town of Sahuarita, Arizona**  
**Top Ten Taxpayers**  
**June 30, 2004**  
**(Unaudited)**

<u><b>Taxpayer</b></u>	<u><b>Industry</b></u>
Robson Ranch Quail Creek	Construction
Pulte Homes	Construction
Wal-Mart	Retail
Jim Click Ford Lincoln-Mercury	Auto Sales
Richmond American Homes	Construction
Monterey Homes	Construction
Borderland Construction Company	Construction
Colorado River Materials, Inc.	Construction
Insight Homes	Construction
D.R. Horton Homes	Construction

Source: Town of Sahuarita, Arizona

Note: Since the Town does not levy property taxes, the top ten sales taxpayers are based on Town sales tax collections.

**Town of Sahuarita, Arizona**  
**Computation of Legal Debt Margin**  
**June 30, 2004**  
**(Unaudited)**

Net secondary assessed valuation	<u>\$58,546,119</u>
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Calculation of 20% Debt Limitation

20% of secondary assessed valuation	\$11,709,224
Bonds outstanding	<u>-</u>
Net 20% Debt Limitation	<u>\$11,709,224</u>

Calculation of 6% Debt Limitation

6% of secondary assessed valuation	\$3,512,767
Bonds outstanding	<u>-</u>
Net 6% Debt Limitation	<u>\$3,512,767</u>
Total Bonding Capacity	<u>\$15,221,991</u>

- (1) Under Arizona law, cities can issue general obligation bonds for general municipal purposes up to an amount not exceeding 6% of assessed valuation.
  
- (2) Under Arizona law, cities can issue additional general obligation bonds for supplying specific services, such as water, sewer, lighting, parks and recreational facilities up to an amount not exceeding 20% of assessed valuation.

Source: Town of Sahuarita Finance Department

**Town of Sahuarita, Arizona**  
**Primary and Secondary Property Tax Rates**  
**Direct and Overlapping Governments**  
**(Per \$100 of Assessed Value)**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>State of Arizona</b>	<b>Pima County (PC)</b>	<b>PC Flood Control District</b>	<b>PC Community College District</b>	<b>PC Free Library District</b>	<b>Central Arizona Water Conservation District</b>	<b>Green Valley Fire District and Fire District Assistance</b>	<b>Sahuarita Unified School District</b>	<b>Continental School District</b>	<b>Town of Sahuarita</b>	<b>Total</b>
1994-1995	0.4700	5.0638	0.3596	1.2183	0.2124	0.1400	2.5539	5.4218	-	0.0000	15.4398
1995-1996	0.0000	5.0138	0.3596	1.2433	0.2224	0.1400	2.0449	7.0353	-	0.0000	16.0593
1996-1997	0.0000	5.1139	0.3296	1.1836	0.2224	0.1400	1.9117	6.7570	-	0.0000	15.6582
1997-1998	0.0000	5.1802	0.3246	1.1922	0.2224	0.1400	1.7815	7.6282	-	0.0000	16.4691
1998-1999	0.0000	5.5287	0.3046	1.3696	0.2024	0.1400	1.7811	8.3204	-	0.0000	17.6468
1999-2000	0.0000	5.5193	0.3046	1.5574	0.2024	0.1300	1.7795	8.7007	2.4983	0.0000	20.6922
2000-2001	0.0000	5.4644	0.3546	1.5470	0.2124	0.1300	1.7788	8.7860	2.4346	0.0000	20.7078
2001-2002	0.0000	5.3759	0.3546	1.5333	0.2124	0.1300	1.7758	9.1329	2.4398	0.0000	20.9547
2002-2003	0.0000	5.3587	0.3546	1.4884	0.2124	0.1200	1.7941	9.0113	2.3198	0.0000	20.6593
2003-2004	0.0000	5.3430	0.3546	1.3428	0.2124	0.1200	1.7927	8.3095	2.2170	0.0000	19.6920

Source: Pima County Assessor's Office

Note: The primary and secondary property tax rates for Pima County, Pima Community College, the Sahuarita Unified School District, and the Continental School District are added together in the table.

**Town of Sahuarita, Arizona**  
**Demographic Statistics**  
**June 30, 2004**  
**(Unaudited)**

**Population by Age Group**

<u>Age Group</u>	<u>Number</u>	<u>Percentage of Total</u>
Under 5	232	7.16%
5 - 14	450	13.88%
15 - 19	224	6.91%
20 - 34	555	17.12%
35 - 54	880	27.14%
55 - 64	401	12.37%
65 - 84	448	13.82%
85 and over	52	1.60%
<b>Total</b>	<b><u>3,242</u></b>	<b><u>100.00%</u></b>

**Population by Ethnic Background**

<u>Category</u>	<u>Number</u>	<u>Percentage of Total</u>
White	2,357	72.70%
Hispanic	784	24.18%
Black	19	0.59%
Native American	35	1.08%
Other	47	1.45%
<b>Total</b>	<b><u>3,242</u></b>	<b><u>100.00%</u></b>

Source: U.S. Census Bureau, 2000 Census



**Town of Sahuarita, Arizona**  
**Net Assessed and Full Cash Values of Taxable Property**  
**Last Ten Tax Years**  
**(Unaudited)**

<b>Tax Year</b>	<b>Type</b>	<b>Secondary Assessed Value</b>	<b>Total Full Cash Value</b>	<b>Secondary Assessed Value to Full Cash Value</b>
1995	Secondary	\$ 9,286,086	\$ 72,648,692	12.78%
1996	Secondary	9,484,596	75,576,086	12.55%
1997	Secondary	12,607,684	103,418,549	12.19%
1998	Secondary	14,295,670	114,397,973	12.50%
1999	Secondary	15,221,175	120,360,296	12.65%
2000	Secondary	16,582,921	133,120,639	12.46%
2001	Secondary	20,260,447	159,483,664	12.70%
2002	Secondary	32,219,693	248,381,802	12.97%
2003	Secondary	45,040,771	358,143,805	12.58%
2004	Secondary	58,546,119	529,909,740	11.05%

Source: State of Arizona Department of Revenue Abstract of the Assessment Roll

**Town of Sahuarita, Arizona**  
**Property Value and Construction**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Estimated Property Value (1)	Residential Construction (2)		Commercial Construction (2)	
		Number of Units	Value	Number of Units	Value
1994-1995	\$ 72,648,692	-	\$ -	-	\$ -
1995-1996	75,576,086	-	-	-	-
1996-1997	103,418,549	-	-	-	-
1997-1998	114,397,973	54	6,790,496	3	377,922
1998-1999	120,360,296	65	6,713,630	15	6,741,260
1999-2000	133,120,639	103	14,547,195	15	3,136,117
2000-2001	159,483,664	194	22,718,325	4	1,126,920
2001-2002	248,381,802	523	69,039,452	7	1,185,497
2002-2003	358,143,805	821	118,365,943	21	1,211,192
2003-2004	529,909,740	1,271	182,247,153	26	5,433,505

Sources:

- (1) State of Arizona Department of Revenue Abstract of the Assessment Roll
- (2) Town of Sahuarita Building Safety Department

**Town of Sahuarita**  
**Miscellaneous Statistical Data**  
**June 30, 2004**  
**(Unaudited)**

Date of Incorporation	September 15, 1994
Form of Government	7 member Council/Manager
Area	30.03 square miles
Elevation	2,844 ft.
2000 Census Population Count	3,242
Estimated Population:	
2001	4,615
2002	5,455
2003	7,425
2004	9,745

Town Employees

Full-Time	56
Part-Time	<u>16</u>
Total	72

Police Protection

Number of Stations	1
Total Full-Time Employees	20
Total Part-Time Employees	1
Commissioned Employees	18
Total Calls for Service	2,816
Total Arrests	592
Total Traffic Collisions	162

Parks and Recreation

Acreage	50.95
Parks	2
Playgrounds	1
Recreation Centers	1
Lakes	1

Source: Town of Sahuarita

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