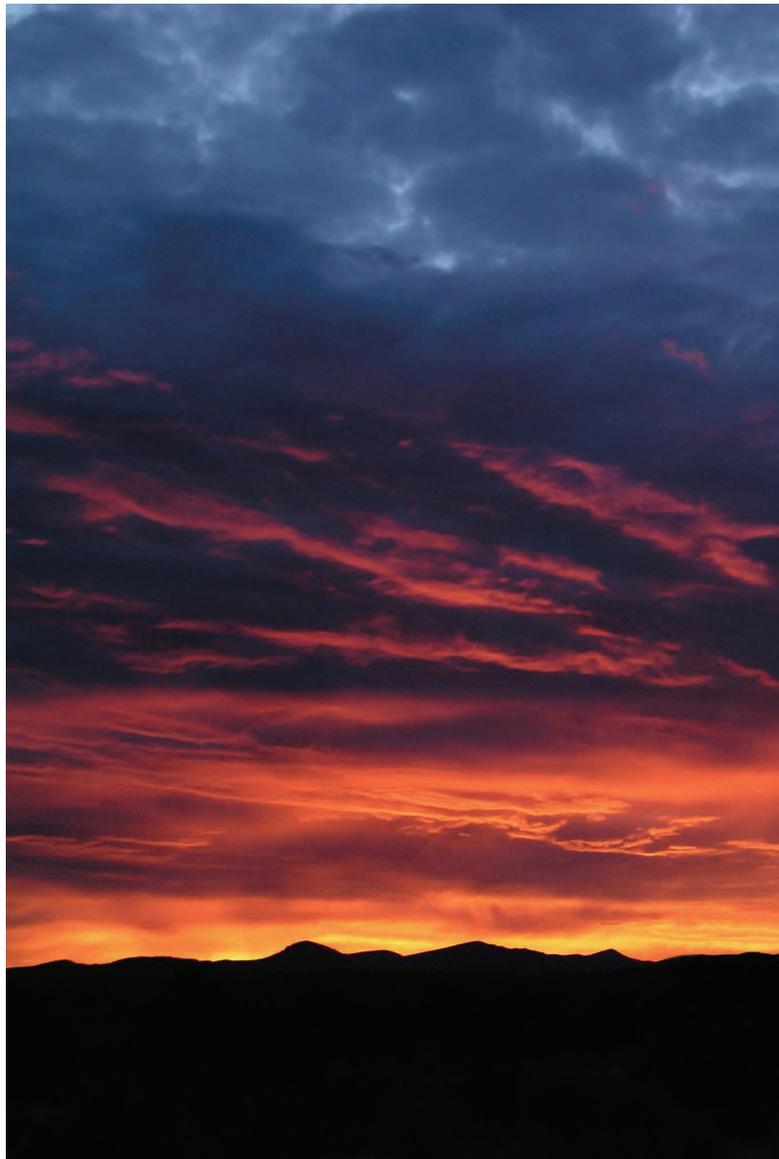




City of Sierra Vista,
Arizona
Comprehensive Annual
Financial Report



Fiscal Year Ended June 30, 2017

**Comprehensive Annual
Financial Report
Fiscal Year Ended June 30, 2017**



**Issued By:
CITY OF SIERRA VISTA, ARIZONA**

**City Manager Department
Finance Division**

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**CITY OF SIERRA VISTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDING JUNE 30, 2017**

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INTRODUCTORY SECTION

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City of Sierra Vista

1011 N Coronado Drive, Sierra Vista, Arizona 85635
520/458-3315 • fax 520/417-6932 • www.ci.sierra-vista.az.us

March 29, 2018

Honorable Mayor and City Council
City of Sierra Vista
1011 North Coronado Drive
Sierra Vista, Arizona 85635

State law mandates that cities publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Sierra Vista, Arizona for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of the City of Sierra Vista, Arizona. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Sierra Vista, Arizona's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Sierra Vista, Arizona's financial statements have been audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Sierra Vista, Arizona for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Sierra Vista, Arizona's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Sierra Vista, Arizona was part of a broader, federally mandated "Single Audit" as required by the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance), designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Reporting Package.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Sierra Vista, Arizona's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY

The City of Sierra Vista is located in the southeastern part of Arizona. Included within the city limits is Fort Huachuca. To the east of the City lies the San Pedro River and to the southwest lie the Huachuca Mountains. Sierra Vista serves as a regional hub for Cochise County. Retail services serve as a major economic factor within the City.

The City's Council is organized under Section 9-101 of the Arizona Revised Statutes (A.R.S.). Management of the City is independent of other state or local governments. The County Treasurer collects property taxes for the City but exercises no control over its expenditures/expenses.

The City uses the Council-Manager form of government with the mayor and six council members elected at-large by the public.

The 2010 census indicated the City population grew 6,130 people, an average rate of 1.6% per year, from 2000. Fort Huachuca was not on the 2005 BRAC base closure list. The final results of the realignment have the Fort gaining a nominal number of positions.

The annual operating budget serves as the foundation for the City's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual operating budget approved by the City Council. The City's proposed operating budget is presented to the City Council for review throughout the budget cycle starting in January and tentatively approved in June or July. The City Council is required to hold a public hearing on the proposed budget and to adopt the final budget by no later than the second Monday in August. The City has adopted budgets in accordance with A.R.S. requirements for the General, Special Revenue, Capital and Debt Service Funds. Expenditures may not legally exceed appropriations at the individual fund level.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates and the City's financial policy.

Local Economy. Sierra Vista is the economic and retail hub for Cochise County. Fort Huachuca continues to be the major employer in the area. Due to the construction of a new regional medical center, the City's construction tax revenues received a short term boost. The City continues to feel the effects of the cutbacks in the Department of Defense, and the resulting loss of jobs and population.

AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sierra Vista for its comprehensive annual financial report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Sierra Vista has received a Certificate of Achievement for the last twenty-nine consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Division. We would like to express our appreciation to all members of this Division who assisted and contributed to its preparation. We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Charles P. Potucek
City Manager

David J. Felix, CPA
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**City of Sierra Vista
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

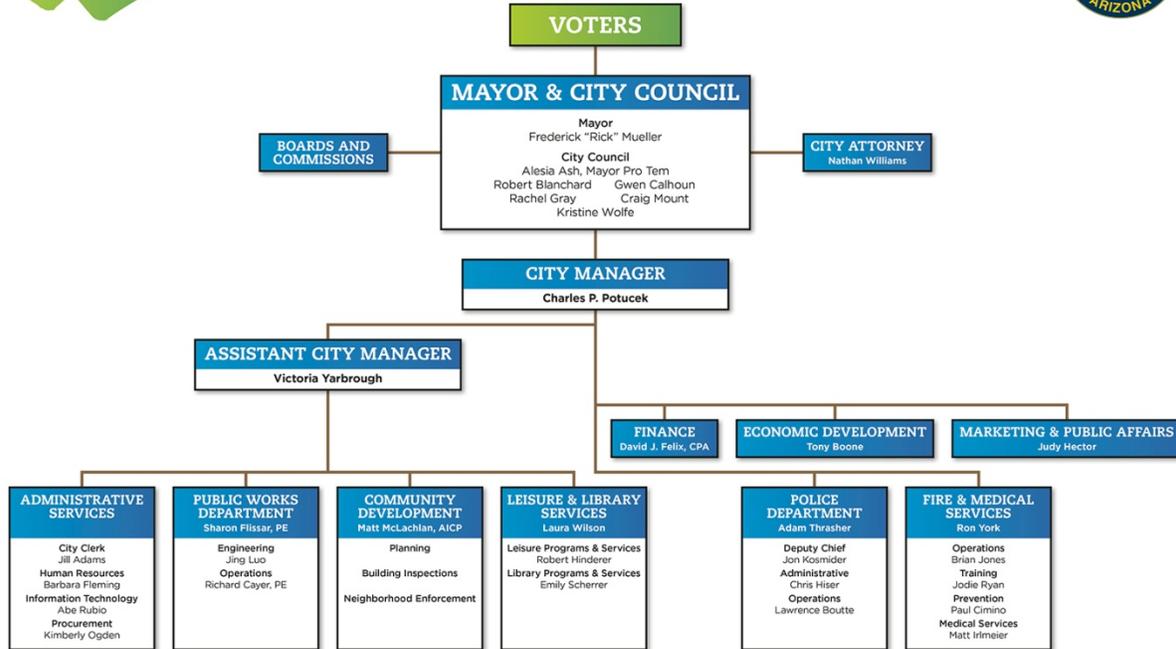
June 30, 2016

Executive Director/CEO



CITY OF SIERRA VISTA

CHART OF ORGANIZATION



City of Sierra Vista Officials

Mayor

Frederick W. "Rick" Mueller

City Council

Alesia Ash, Mayor Pro Tem

Robert Blanchard

Gwendolyn Calhoun

Rachel Gray

Craig Mount

Kristine Wolfe

City Manager

Charles P. Potucek

City Clerk

Jill Adams

City Attorney

Nathan Williams

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Sierra Vista, Arizona

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sierra Vista, Arizona, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, on our consideration of the City of Sierra Vista, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sierra Vista, Arizona's internal control over financial reporting and compliance.



Heinfeld, Meech & Co., P.C.
Tucson, Arizona
March 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

As management of the City of Sierra Vista, Arizona, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. The management's discussion and analysis is presented as required supplementary information to the basic financial statements. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2017 as follows.

- The City's total net position of governmental activities decreased \$4.9 million to \$46.8 million and business-type activities decreased \$0.9 million to \$29.4 million representing 61.4 percent and 38.6 percent respectively, of the total net position of \$76.1 million.
- General revenues from governmental activities accounted for \$33.8 million in revenue, or 74.3 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11.7 million or 25.7 percent of total governmental activities revenues.
- The City had \$50.5 million in expenses related to governmental activities; of which \$11.7 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$33.8 million were insufficient to provide for the remaining costs of these programs. The City had \$8.2 million in expenses related to business-type activities. These expenses were offset by program specific revenues in the form of charges for services and grants and contributions of \$7.5 million.
- The General Fund had \$32.5 million in revenues, which primarily consisted of taxes, intergovernmental revenues and charges for services. The total expenditures of the General Fund were \$33.3 million. The General Fund's fund balance increased to \$4.2 million.
- Net position for the Internal Service Funds increased \$0.3 million from the prior year. Operating revenues of \$4.3 million exceeded operating expenses of \$4.1 million at the end of the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental 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 City's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

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

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

In the government-wide financial statements the City's activities are presented in the following categories.

- **Governmental activities** – Governmental activities include most of the City's basic services, such as general government, public safety, public works, culture and recreation, and community development. Sales taxes, municipal and State taxes, intergovernmental revenues and charges for services finance most of these activities.
- **Business type activities** – Business-type activities include the services provided by the City, which are sewer and refuse services. The services are financed through user fees and charges.

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 City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 use the modified accrual basis of accounting and focus on near-term inflows 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 the City'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 City's near-term financing decision. 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.

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for sewer and refuse services. The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides additional information for the Sewer and Refuse Funds, which are considered to be major funds of the

**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

City. The internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its self-insurance funds. Because these activities predominantly benefit governmental functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. Due to their custodial nature, the fiduciary funds do not have a measurement focus.

Notes to the financial statements. The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City's budget process and pension plans. The City adopts an annual budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balance – budget to actual has been provided for the General, HURF, Fire and Park Development Fee Funds as required supplementary information. Schedules for the pension plans and other postemployment benefit plans have been provided as required supplementary information.

Combining statements for non-major governmental funds, internal service and the agency funds are presented immediately following the required supplemental information on budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$76.1 million as of June 30, 2017, a decrease of \$5.8 million from June 30, 2016.

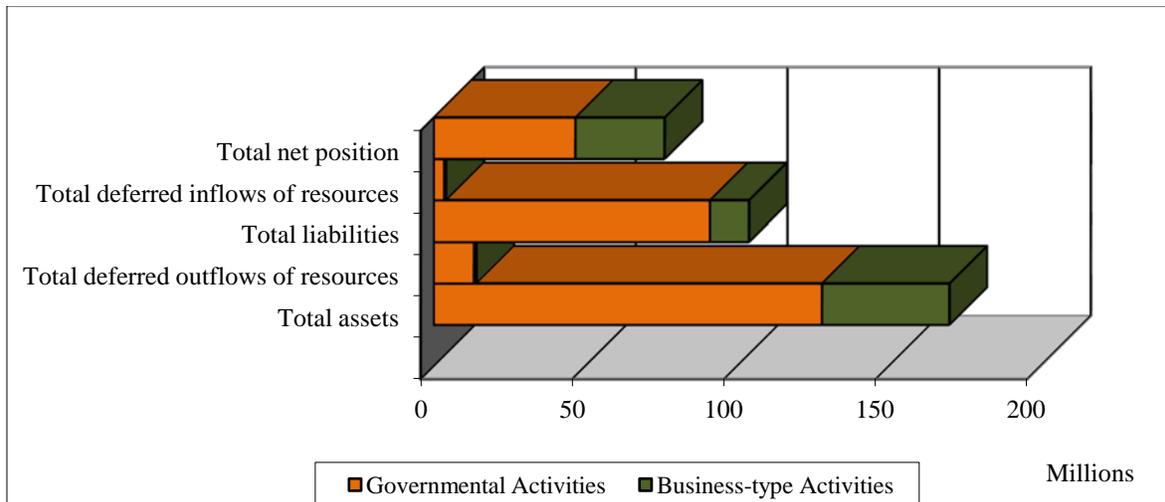
A portion of the City's net position reflects its investment in capital assets (e.g., land, infrastructure, buildings and improvements, vehicles, furniture, and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital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

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

The following table presents a summary of the City's net position for the fiscal years ended June 30, 2017 and 2016.

	2017	2016	2017	2016	2017 Total	2016 Total
	Governmental	Governmental	Business-	Business-		
	Activities	Activities	type	type		
	Activities	Activities	Activities	Activities		
Current and other assets	\$13,787,411	\$16,092,542	\$367,623	(\$338,368)	\$14,155,034	\$15,754,174
Capital assets, net	<u>114,257,675</u>	<u>115,362,834</u>	<u>41,594,705</u>	<u>42,461,572</u>	<u>155,852,380</u>	<u>157,824,406</u>
Total assets	<u>128,045,086</u>	<u>131,455,376</u>	<u>41,962,328</u>	<u>42,123,204</u>	<u>170,007,414</u>	<u>173,578,580</u>
Pension plan items	<u>13,312,390</u>	<u>8,360,344</u>	<u>722,892</u>	<u>314,299</u>	<u>14,035,282</u>	<u>8,674,643</u>
Total deferred outflows of resources	<u>13,312,390</u>	<u>8,360,344</u>	<u>722,892</u>	<u>314,299</u>	<u>14,035,282</u>	<u>8,674,643</u>
Current liabilities	7,683,161	8,703,540	1,227,487	1,307,023	8,910,648	10,010,563
Non-current liabilities	<u>83,423,262</u>	<u>75,556,201</u>	<u>11,599,277</u>	<u>10,390,512</u>	<u>95,022,539</u>	<u>85,946,713</u>
Total liabilities	<u>91,106,423</u>	<u>84,259,741</u>	<u>12,826,764</u>	<u>11,697,535</u>	<u>103,933,187</u>	<u>95,957,276</u>
Pension plan items	<u>3,492,209</u>	<u>3,923,244</u>	<u>505,516</u>	<u>501,608</u>	<u>3,997,725</u>	<u>4,424,852</u>
Total deferred inflows of resources	<u>3,492,209</u>	<u>3,923,244</u>	<u>505,516</u>	<u>501,608</u>	<u>3,997,725</u>	<u>4,424,852</u>
Net position						
Net investment in capital assets	99,349,505	98,246,265	33,923,064	35,650,689	133,272,569	133,896,954
Restricted	4,863,722	8,033,660	51,233	51,233	4,914,955	8,084,893
Unrestricted	<u>(57,454,383)</u>	<u>(54,647,190)</u>	<u>(4,621,357)</u>	<u>(5,463,562)</u>	<u>(62,075,740)</u>	<u>(60,110,752)</u>
Total net position	<u>\$46,758,844</u>	<u>\$51,632,735</u>	<u>\$29,352,940</u>	<u>\$30,238,360</u>	<u>\$76,111,784</u>	<u>\$81,871,095</u>



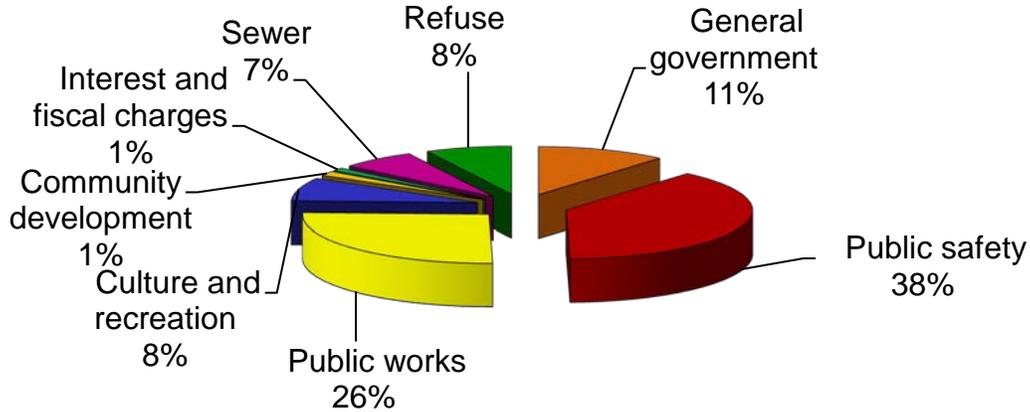
**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

Changes in net position. The City's total revenues for the fiscal year ended June 30, 2017, were \$53.0 million. The total cost of all programs and services was \$58.8 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and 2016.

	2017 Governmental Activities	2016 Governmental Activities	2017 Business-type Activities	2016 Business-type Activities	2017 Total	2016 Total
Revenues:						
Program revenues:						
Charges for services	\$ 8,189,912	\$ 7,281,909	\$ 7,511,271	\$ 8,074,377	\$ 15,701,183	\$ 15,356,286
Operating grants and contributions	1,597,066	1,572,360			1,597,066	1,572,360
Capital grants and contributions	1,893,296	1,801,904			1,893,296	1,801,904
General revenues:						
Property taxes	364,542	359,567			364,542	359,567
Sales taxes	18,092,696	17,749,083			18,092,696	17,749,083
State shared revenues	14,880,201	14,666,533			14,880,201	14,666,533
Other revenues	431,580	374,195			431,580	374,195
Investment income	31,188	17,288			31,188	17,288
Total revenues	<u>\$45,480,481</u>	<u>\$43,822,839</u>	<u>\$7,511,271</u>	<u>\$8,074,377</u>	<u>\$52,991,752</u>	<u>\$51,897,216</u>
	2017 Governmental Activities	2016 Governmental Activities	2017 Business-type Activities	2016 Business-type Activities	2017 Total	2016 Total
Expenses:						
General government	\$ 6,628,073	\$ 7,299,648	\$	\$	\$ 6,628,073	\$ 7,299,648
Public safety	22,560,672	18,164,895			22,560,672	18,164,895
Public works	15,218,602	15,572,233			15,218,602	15,572,233
Culture and recreation	4,584,022	3,679,116			4,584,022	3,679,116
Community development	856,310	869,175			856,310	869,175
Interest and fiscal charges	656,506	774,429			656,506	774,429
Sewer			3,861,004	3,957,011	3,861,004	3,957,011
Refuse			4,385,874	4,188,929	4,385,874	4,188,929
Total expenses	<u>50,504,185</u>	<u>46,359,496</u>	<u>8,246,878</u>	<u>8,145,940</u>	<u>58,751,063</u>	<u>54,505,436</u>
Increase (decrease) before transfers	<u>\$ (5,023,704)</u>	<u>\$ (2,536,657)</u>	<u>\$(735,607)</u>	<u>\$(71,563)</u>	<u>\$(5,759,311)</u>	<u>\$(2,608,219)</u>
Transfers	<u>149,813</u>	<u>149,813</u>	<u>(149,813)</u>	<u>(149,813)</u>		
Increase (decrease) in net position	<u>\$ (4,873,891)</u>	<u>\$ (2,386,844)</u>	<u>\$(885,420)</u>	<u>\$(221,376)</u>	<u>\$(5,759,311)</u>	<u>\$(2,608,219)</u>
Net position, beginning of year	<u>\$ 51,632,735</u>	<u>\$ 54,019,579</u>	<u>\$30,238,360</u>	<u>\$ 30,459,736</u>	<u>\$81,871,095</u>	<u>\$84,479,314</u>
Net position, end of year	<u>\$ 46,758,844</u>	<u>\$ 51,632,735</u>	<u>\$29,352,940</u>	<u>\$30,238,360</u>	<u>\$76,111,784</u>	<u>\$81,871,095</u>

**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

EXPENSES



The following table presents the cost of the City's major functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	2017		2016	
	<u>Total Expenses</u>	<u>Net (Expense)/Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense)/Revenue</u>
Governmental Activities:				
General government	\$ 6,628,073	\$ (4,873,239)	\$ 7,299,648	\$ (5,884,534)
Public safety	22,560,672	(20,467,423)	18,164,895	(15,823,574)
Public works	15,218,602	(9,226,986)	15,572,233	(10,622,064)
Culture and recreation	4,584,022	(3,379,082)	3,679,116	(2,395,550)
Community development	856,310	(220,675)	869,175	(203,172)
Interest and fiscal charges	656,506	(656,506)	774,429	(774,429)
Total expenses	<u>\$ 50,504,185</u>	<u>\$ (38,823,911)</u>	<u>\$ 46,359,496</u>	<u>\$ (35,703,323)</u>
Business-Type Activities:				
Sewer	\$3,861,004	(36,868)	\$3,957,011	(118,005)
Refuse	4,385,874	(698,739)	4,188,929	46,442
Total expenses	<u>\$8,246,878</u>	<u>\$ (735,607)</u>	<u>\$8,145,940</u>	<u>\$ (71,563)</u>

**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS

Overall. The City had two items that account for most of the changes in both the government-wide and fund financial statements, and one item that account for the changes in the government-wide financial statements.

The item that has the main impact on the City's financial statements is retirement costs, this includes public safety retirement system contributions, pension expenses and other post employment benefits.

The main item that accounts for the decrease in the City's net position is the public safety retirement expense. For Fiscal Year 2017 this expense was \$7.1 million.

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

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$6.4 million, a decrease of \$1.2 million.

The General Fund is the principal operating fund of the City. The increase in fund balance in the General Fund for the fiscal year was \$45,220.

The Infrastructure Development Fee Fund had a decrease of \$1.3 million due to the widening of a major arterial road in the center of the City.

The HURF Fund had an increase of \$0.8 million mainly due to higher than expected State Shared Highway User Fund Revenues.

Proprietary funds. Net position of the enterprise funds at the end of the year amounted to \$29.4 million. This is a decrease of \$0.9 million from 2016. The main reason for the decrease is a change in State law that allows commercial and multifamily residential properties to use private refuse companies for their trash disposal.

BUDGETARY HIGHLIGHTS

The City did not amend the General Fund budget during the year. The City conducts a mid-year budget review which provides an opportunity to adjust the fiscal year budget. The fiscal year 2017 mid-year review focused on maintaining the General Fund ending fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the City had a net investment of \$155.9 million in capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$9.3 million.

**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

The following schedule presents capital asset balances for the fiscal years ended June 30, 2017 and 2016.

	2017		2016	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Land	\$8,807,716	\$1,488,882	\$8,807,716	\$1,488,882
Infrastructure	150,808,231	42,972,016	147,717,127	42,815,860
Buildings and improvements	58,300,000	9,691,164	58,061,804	9,691,164
Machinery and equipment	29,142,172	8,090,022	28,419,751	8,049,905
Construction in progress	2,516,392		153,567	81,811
Accumulated depreciation	<u>(135,316,836)</u>	<u>(20,647,379)</u>	<u>(127,797,131)</u>	<u>(19,666,050)</u>
Total	<u>\$114,257,675</u>	<u>\$41,594,705</u>	<u>\$115,362,834</u>	<u>\$42,461,572</u>

For additional information on the City's capital assets, see the capital asset section in the footnotes, starting on page 47.

Debt Administration. At year-end, the City had \$22.6 million in long-term debt outstanding with \$4.4 million due within one year. The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2017 and 2016.

	2017		2016	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Revenue Bonds	\$12,710,000	\$	\$15,515,000	\$
Notes Payable	<u>2,198,170</u>	<u>7,671,641</u>	<u>1,601,569</u>	<u>6,810,883</u>
Total	<u>\$14,908,170</u>	<u>\$ 7,671,641</u>	<u>\$17,116,569</u>	<u>\$ 6,810,883</u>

State statutes currently limit the amount of general obligation debt a city may issue. The City currently has no general obligation debt outstanding. For additional information on the City's debt, see the debt section in the footnotes, starting on page 49.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Many factors were considered by the City's officials during the process of developing the fiscal year 2017-2018 budget. The priorities set for the fiscal year 2018 budget include the following:

- Maintaining a class and compensation payroll plan
- Completing objectives on the City Council's adopted strategic plan

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Department, City of Sierra Vista, 1101 Coronado Drive, Sierra Vista, AZ 85635.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**CITY OF SIERRA VISTA
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 8,712,451	\$ 1,278,394	\$ 9,990,845
Intergovernmental receivable	2,878,291		2,878,291
Accounts receivable	488,641	602,697	1,091,338
Interfund balances	1,513,468	(1,513,468)	
Inventory	194,560		194,560
Total current assets	13,787,411	367,623	14,155,034
Noncurrent assets:			
Land and improvements	8,807,716	1,488,882	10,296,598
Buildings and improvements	58,300,000	9,691,164	67,991,164
Infrastructure	150,808,231	42,972,016	193,780,247
Machinery and equipment	29,142,172	8,090,022	37,232,194
Construction in progress	2,516,392		2,516,392
Accumulated depreciation	(135,316,836)	(20,647,379)	(155,964,215)
Total noncurrent assets	114,257,675	41,594,705	155,852,380
Total assets	128,045,086	41,962,328	170,007,414
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension plan items	13,312,390	722,892	14,035,282
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,254,784	104,181	1,358,965
Compensated absences payable	1,754,167	94,116	1,848,283
Claims payable	210,015		210,015
Interest payable	282,491		282,491
Accrued salaries and employee benefits	672,384	62,818	735,202
Revenue bonds payable	2,915,000		2,915,000
Notes payable	483,582	966,372	1,449,954
Other liabilities	99,313		99,313
Customer deposits	11,425		11,425
Total current liabilities	7,683,161	1,227,487	8,910,648
Noncurrent liabilities:			
Net OPEB obligation	18,349,000	1,276,000	19,625,000
Net Pension Liability	53,564,674	3,618,008	57,182,682
Revenue bonds payable	9,795,000		9,795,000
Notes payable	1,714,588	6,705,269	8,419,857
Total non-current liabilities	83,423,262	11,599,277	95,022,539
Total liabilities	91,106,423	12,826,764	103,933,187
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension plan items	3,492,209	505,516	3,997,725
<u>NET POSITION</u>			
Net investment in capital assets	99,349,505	33,923,064	133,272,569
Restricted for			
Donations	697,385		697,385
Police Special Programs	371,264		371,264
Development Fees	70,519		70,519
Special purposes		51,233	51,233
Debt Service	1,458,971		1,458,971
Capital projects	2,265,583		2,265,583
Unrestricted	(57,454,383)	(4,621,357)	(62,075,740)
Total net position	\$ 46,758,844	\$ 29,352,940	\$ 76,111,784

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

**CITY OF SIERRA VISTA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental activities:			
General government	\$ 6,628,073	\$ 1,682,117	\$ 72,717
Public safety	22,560,672	1,850,059	243,190
Public works	15,218,602	3,020,506	1,077,814
Culture and recreation	4,584,022	1,064,926	140,014
Community development	856,310	572,304	63,331
Interest and fiscal charges	656,506		
Total governmental activities	<u>50,504,185</u>	<u>8,189,912</u>	<u>1,597,066</u>
Business-type activities:			
Sewer	3,861,004	3,824,136	
Refuse	4,385,874	3,687,135	
Total business-type activities	<u>8,246,878</u>	<u>7,511,271</u>	
Total primary government	<u>\$ 58,751,063</u>	<u>\$ 15,701,183</u>	<u>\$ 1,597,066</u>

General revenues:

Taxes:

 Property taxes

 Sales taxes

Unrestricted State revenues

Investment income

Other revenues

Transfers

Total general revenues and transfers

Changes in net position

Net position, beginning of year

Net position, end of year

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

<u>Net (Expense) Revenue and Changes in Net Position</u>			
<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$	\$ (4,873,239)	\$	\$ (4,873,239)
	(20,467,423)		(20,467,423)
1,893,296	(9,226,986)		(9,226,986)
	(3,379,082)		(3,379,082)
	(220,675)		(220,675)
	(656,506)		(656,506)
<u>1,893,296</u>	<u>(38,823,911)</u>		<u>(38,823,911)</u>
		(36,868)	(36,868)
		(698,739)	(698,739)
		(735,607)	(735,607)
<u>\$ 1,893,296</u>	<u>\$(38,823,911)</u>	<u>\$ (735,607)</u>	<u>\$(39,559,518)</u>
	\$ 364,542		\$ 364,542
	18,092,696		18,092,696
	14,880,201		14,880,201
	31,188		31,188
	431,580		431,580
	149,813	(149,813)	
	<u>33,950,020</u>	<u>(149,813)</u>	<u>33,800,207</u>
	(4,873,891)	(885,420)	(5,759,311)
	<u>51,632,735</u>	<u>30,238,360</u>	<u>81,871,095</u>
	<u>\$ 46,758,844</u>	<u>\$ 29,352,940</u>	<u>\$ 76,111,784</u>

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FUND FINANCIAL STATEMENTS

**CITY OF SIERRA VISTA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General</u>	<u>HURF</u>	<u>Park Development Fee</u>
<u>ASSETS</u>			
Cash and investments	\$ 106,102	\$1,660,072	\$
Intergovernmental receivable	1,484,416	349,455	
Accounts receivable	341,271	7,492	
Due from other funds	3,589,150		
Inventory	<u>75,647</u>		
Total assets	<u><u>\$5,596,586</u></u>	<u><u>\$2,017,019</u></u>	<u><u>\$</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 805,141	\$ 77,499	\$
Due to other funds			3,378,634
Interest payable			
Accrued salaries and employee benefits	592,612	47,166	
Other liabilities	20,074	35,000	
Customer deposits	<u>4,597</u>	<u>6,828</u>	
Total liabilities	<u>1,422,424</u>	<u>166,493</u>	<u>3,378,634</u>
Fund balances (deficits):			
Unassigned	4,098,515		(3,378,634)
Unspendable	75,647		
Restricted		<u>1,850,526</u>	
Total fund balances	<u>4,174,162</u>	<u>1,850,526</u>	<u>(3,378,634)</u>
Total liabilities and fund balances	<u><u>\$5,596,586</u></u>	<u><u>\$2,017,019</u></u>	<u><u>\$</u></u>

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

Fire Development Fee	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 3,425,938	\$ 5,192,112
	1,044,420	2,878,291
	136,335	485,098
	2,151,633	5,740,783
	118,913	194,560
<u>\$</u>	<u>\$ 6,877,239</u>	<u>\$ 14,490,844</u>

\$	\$ 361,899	\$ 1,244,539
1,335,277	1,026,872	5,740,783
	282,491	282,491
	32,606	672,384
	44,239	99,313
		11,425
<u>1,335,277</u>	<u>1,748,107</u>	<u>8,050,935</u>

(1,335,277)	(949,116)	(1,564,512)
	118,913	194,560
	5,959,335	7,809,861
<u>(1,335,277)</u>	<u>5,129,132</u>	<u>6,439,909</u>
<u>\$</u>	<u>\$ 6,877,239</u>	<u>\$ 14,490,844</u>

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**CITY OF SIERRA VISTA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Governmental Fund balances **\$6,439,909**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$249,574,511	
Less accumulated depreciation	<u>(135,316,836)</u>	
		114,257,675

Long-term liabilities are not due and payable in the current period therefore are not reported in the funds.

Lease revenue bonds payable	(12,710,000)	
Notes payable	(2,198,170)	
Net OPEB obligation	(18,349,000)	
Net pension liability	(53,564,674)	
Compensated absences payable	<u>(1,754,167)</u>	
		(88,576,011)

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

Deferred pension plan inflows	(3,492,209)	
Deferred pension plan outflows	<u>13,312,390</u>	
		9,820,181

Internal service funds are used by management to charge the cost of certain activities to the individual funds. The assets and liabilities of the funds are included in the Statement of Net Position.

Health and Accident Fund	4,544,829	
Unemployment Insurance Fund	70,626	
Self-Insured Retention Fund	<u>201,635</u>	
		<u>4,817,090</u>

Net Position of Governmental Activities **\$46,758,844**

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

**CITY OF SIERRA VISTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>HURF</u>
Revenues:		
Taxes	\$ 14,650,484	\$
Licenses and permits	1,729,991	
Intergovernmental	11,682,287	3,606,389
Charges for services	4,181,418	
Fines	18,994	
Investment income	26,019	1,912
Contributions	23,734	
Other revenues	221,588	25,242
Total revenues	<u>32,534,515</u>	<u>3,633,543</u>
Expenditures:		
Current -		
General government	6,077,689	73,411
Public safety	17,158,289	
Public works	5,886,778	3,527,314
Culture and recreation	3,288,486	
Community development	834,589	
Capital outlay		
Debt service -		
Interest and fiscal charges	2,059	835
Principal	98,153	65,594
Total expenditures	<u>33,346,043</u>	<u>3,667,154</u>
Excess (deficiency) of revenues over expenditures	<u>(811,528)</u>	<u>(33,611)</u>
Other financing sources (uses):		
Transfers out	(548,518)	
Transfer in	639,122	700,000
Proceeds from installment purchase	766,144	170,944
Total other financing sources (uses)	<u>856,748</u>	<u>870,944</u>
Changes in fund balances	<u>45,220</u>	<u>837,333</u>
Fund balances (deficits), beginning of year	4,128,942	1,013,193
Fund balances (deficits), end of year	<u>\$ 4,174,162</u>	<u>\$ 1,850,526</u>

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

Park Development Fee	Fire Development Fee	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$ 3,806,754	\$ 18,457,238
			1,729,991
		2,917,043	18,205,719
30,900	16,966	1,965,064	6,194,348
		26	19,020
		3,257	31,188
		141,110	164,844
		184,750	431,580
<u>30,900</u>	<u>16,966</u>	<u>9,018,004</u>	<u>45,233,928</u>
		47,361	6,198,461
		229,324	17,387,613
		6,039,041	15,453,133
		95,987	3,384,473
		27,432	862,021
		372,698	372,698
15,822		637,790	656,506
<u>110,808</u>		<u>2,870,932</u>	<u>3,145,487</u>
<u>126,630</u>		<u>10,320,565</u>	<u>47,460,392</u>
(95,730)	16,966	(1,302,561)	(2,226,464)
(521,119)	(261,466)	(3,905,974)	(5,237,077)
	16,464	4,006,304	5,361,890
			937,088
<u>(521,119)</u>	<u>(245,002)</u>	<u>100,330</u>	<u>1,061,901</u>
(616,849)	(228,036)	(1,202,231)	(1,164,563)
(2,761,785)	(1,107,241)	6,331,363	7,604,472
<u>\$(3,378,634)</u>	<u>\$(1,335,277)</u>	<u>\$ 5,129,132</u>	<u>\$ 6,439,909</u>

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**CITY OF SIERRA VISTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDING JUNE 30, 2017**

Changes in Fund Balances - Total Governmental Funds **\$ (1,164,563)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	\$ 6,816,156	
Current year depreciation	<u>(7,886,057)</u>	(1,069,901)

Governmental funds report debt principal payments as expenditures and note proceeds as revenues whereas the Statement of Activities does not recognize note proceeds as income, nor principal payments as expenditures.

Note proceeds	(937,088)	
Debt principal payments	<u>3,145,487</u>	2,208,399

Some expenses 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:

Loss on disposal of capital assets	(35,258)	
Compensated absences	(157,667)	
OPEB obligation expenses	<u>(1,812,972)</u>	(2,005,897)

Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position.

4,161,868

The change in pension liability, adjusted for deferred items, is reported as pension expense in the Statement of Activities.

(7,294,188)

Internal service funds are used by management to charge the cost of certain activities to the individual funds. The changes in net position of the internal service funds are included in the Statement of Activities.

Health and Accident Fund	294,901	
Unemployment Insurance Fund	20,952	
Self-Insured Retention Fund	<u>(25,280)</u>	

290,573

Changes in Net Position of Governmental Activities **\$ (4,873,891)**

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

**CITY OF SIERRA VISTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

	Enterprise Funds	
	Sewer	Refuse
<u>ASSETS</u>		
Current assets:		
Cash and investments	\$ 51,233	\$ 1,227,161
Accounts receivable	411,503	191,194
Due from other funds		
Total current assets	462,736	1,418,355
Noncurrent assets:		
Capital assets (net of accumulated depreciation)	38,181,762	3,412,943
Total noncurrent assets	38,181,762	3,412,943
Total assets	38,644,498	4,831,298
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension plan items	348,921	373,971
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	25,471	78,710
Compensated absences payable	44,408	49,708
Claims payable		
Due to other funds	1,513,468	
Accrued salaries and employee benefits	26,789	36,029
Notes payable	615,505	350,867
Total current liabilities	2,225,641	515,314
Noncurrent liabilities:		
Net OPEB obligation	589,000	687,000
Net Pension Liability	1,745,995	1,872,013
Notes payable	5,760,514	944,755
Total non-current liabilities	8,095,509	3,503,768
Total liabilities	10,321,150	4,019,082
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension plan items	243,954	261,562
<u>NET POSITION</u>		
Net investment in capital assets	31,805,743	2,117,321
Restricted for special purposes	51,233	
Unrestricted	(3,428,661)	(1,192,696)
Total net position	\$ 28,428,315	\$ 924,625

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

Total	Governmental Activities: Internal Service Funds
\$ 1,278,394	\$ 3,520,339
602,697	3,543
<u>1,881,091</u>	<u>1,513,468</u>
<u>41,594,705</u>	
<u>41,594,705</u>	
<u>43,475,796</u>	<u>5,037,350</u>
<u>722,892</u>	
104,181	10,245
94,116	
	210,015
1,513,468	
62,818	
966,372	
<u>2,740,955</u>	<u>220,260</u>
1,276,000	
3,618,008	
6,705,269	
<u>11,599,277</u>	
<u>14,340,232</u>	<u>220,260</u>
<u>505,516</u>	
33,923,064	
51,233	
<u>(4,621,357)</u>	<u>4,187,090</u>
<u>\$ 29,352,940</u>	<u>\$ 4,187,090</u>

**CITY OF SIERRA VISTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Enterprise Funds	
	Sewer	Refuse
Operating revenues:		
Charges for services	\$ 3,514,201	\$ 3,650,274
Contributions		
Other revenues	106,357	1,691
Total operating revenues	3,620,558	3,651,965
Operating expenses:		
Salaries, wages and related expenses	1,545,031	1,653,817
Operations and maintenance	1,237,680	2,187,670
Depreciation	910,795	540,377
Benefits paid		
Premiums paid		
Total operating expenses	3,693,506	4,381,864
Operating income (loss)	(72,948)	(729,899)
Nonoperating revenues (expenses):		
Connection income	182,278	
Investment income		
Gain on sale of fixed assets	21,300	35,170
Interest and fiscal charges	(167,498)	(4,010)
Total nonoperating revenues (expenses)	36,080	31,160
Income (loss) before capital contributions and transfers	(36,868)	(698,739)
Transfers out	(149,813)	
Transfer in		
Changes in net position	(186,681)	(698,739)
Total net position, beginning of year	28,614,996	1,623,364
Total net position, end of year	\$ 28,428,315	\$ 924,625

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

Total	Governmental Activities: Internal Service Funds
\$ 7,164,475	\$
	3,972,980
108,048	322,397
<u>7,272,523</u>	<u>4,295,377</u>
3,198,848	
3,425,350	286,975
1,451,172	
	3,304,159
	458,997
<u>8,075,370</u>	<u>4,050,131</u>
<u>(802,847)</u>	<u>245,246</u>
182,278	
	20,327
56,470	
<u>(171,508)</u>	
<u>67,240</u>	<u>20,327</u>
<u>(735,607)</u>	<u>265,573</u>
(149,813)	
	25,000
<u>(885,420)</u>	<u>290,573</u>
30,238,360	4,526,517
<u>\$ 29,352,940</u>	<u>\$ 4,817,090</u>

**CITY OF SIERRA VISTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Enterprise Funds	
	Sewer	Refuse
<u>Increase (Decrease) In Cash and Cash Equivalents</u>		
Cash flows from operating activities:		
Cash received from customers	\$ 3,530,587	\$ 3,760,476
Cash paid to suppliers for goods and services	(1,395,341)	(2,232,406)
Cash payments to employees for services	(1,506,294)	(1,626,371)
Other operating revenues	106,357	1,691
Net cash provided by (used for) operating activities	735,309	(96,610)
Cash flows from noncapital financing activities:		
Transfers	(149,813)	
Change in intrafund borrowing	44,728	-
Net cash provided by (used for) financing activities	(105,085)	-
Cash flows from capital and related financing activities:		
Interest paid on equipment contracts	(167,498)	(4,010)
Acquisition of capital assets	(650,263)	(51,118)
Sale of capital assets	21,300	152,246
Note proceeds	491,128	1,170,471
Principal paid on equipment contracts	(507,169)	(293,672)
Connection fees	182,278	
Net cash provided by (used for) capital and related financing activities	(630,224)	973,917
Cash flows from investing activities:		
Investment income		
Net cash provided by investing activities	-	-
Net increase (decrease) in cash and cash equivalents	-	877,307
Cash and cash equivalents, July 1, 2016	51,233	349,854
Cash and cash equivalents, June 30, 2017	\$ 51,233	\$ 1,227,161

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

<u>Total</u>	<u>Governmental Activities: Internal Service Funds</u>
\$ 7,291,063	\$ 3,995,397
(3,627,747)	(4,023,542)
(3,132,665)	
<u>108,048</u>	<u>322,397</u>
<u>638,699</u>	<u>294,252</u>
(149,813)	25,000
<u>44,728</u>	<u>(44,728)</u>
<u>(105,085)</u>	<u>(19,728)</u>
(171,508)	
(701,381)	
173,546	
1,661,599	
(800,841)	
<u>182,278</u>	
<u>343,693</u>	
<u>-</u>	<u>20,327</u>
<u>-</u>	<u>20,327</u>
<u>877,307</u>	<u>294,851</u>
<u>401,087</u>	<u>3,225,488</u>
<u>\$ 1,278,394</u>	<u>\$ 3,520,339</u>

**CITY OF SIERRA VISTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

	Enterprise Funds		
	Sewer	Refuse	Total
<u>Reconciliation of Operating Income (Loss) to</u>			
<u>Net Cash Provided by (Used for) Operating Activities</u>			
Operating income (loss)	\$ (72,948)	\$ (729,899)	\$ (802,847)
Adjustments to reconcile operating income (loss)			
to net cash provided by (used for) operating activities:			
Depreciation	910,795	540,377	1,451,172
Increase (decrease) in uncollectible accounts	61,024	60,453	121,477
Change in assets and liabilities:			
Decrease (Increase) in gross accounts receivable	(44,638)	49,762	5,124
Increase (decrease) in operating portion of accounts payable	(157,661)	(44,749)	(202,410)
Increase (decrease) in accrued salaries	(20,875)	(27,443)	(48,318)
Increase (decrease) in OPEB obligations	82,000	130,000	212,000
Increase (decrease) in net pension obligations	160,871	140,667	301,538
Increase (decrease) in net pension inflows	4,208	(300)	3,908
Decrease (increase) in net pension outflows	(198,700)	(209,893)	(408,593)
Increase (decrease) in compensated absences	11,233	(5,585)	5,648
Total adjustments	808,257	633,289	1,441,546
Net cash provided by (used for) operating activities	\$ 735,309	\$ (96,610)	\$ 638,699

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

Governmental
Activities:
Internal
Service Funds

\$ 245,246

22,417

26,589

49,006

\$ 294,252

**CITY OF SIERRA VISTA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017**

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 570,857
Accounts receivable	62
Total assets	<u><u>\$ 570,919</u></u>
<u>LIABILITIES</u>	
Accounts payable	16,945
Customer deposits	553,974
Total liabilities	<u><u>\$ 570,919</u></u>

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

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. Summary of Significant Accounting Policies

The City of Sierra Vista (City) was incorporated in May 1956. The City operates on a Council-Manager form of government and provides all municipal services, excluding water and electricity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. All funds and entities related to the City of Sierra Vista that are controlled by the Mayor and Council are included in this report.

The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City is a municipal entity governed by an elected mayor and council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City, the primary government.

Blended Component Units. The Sierra Vista Municipal Property Corporation (SVMPC), an Arizona nonprofit corporation, and the Sierra Vista Municipal Planning Organization (SVMPO) have been included in the accompanying financial statements as blended component units. The Municipal Property Corporation was organized and established solely for the purpose of financing the acquisition and construction of property for use by the City. The Sierra Vista Municipal Planning Organization was established per Federal regulations because the Sierra Vista metropolitan area has a population in excess of 50,000 people. Although a separate legal entity, three of the five board members of the organization are city council members so the City meets the control requirement to make it a blended component unit. Both organizations have June 30 year ends. Separate financial statements are not prepared on a stand-alone basis for either entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements present financial information about the City as a whole. These statements include the Statement of Net Position and the Statement of Activities. The reported information includes all of the nonfiduciary activities of the City and its component units. Most of the internal activity has been removed from these statements to avoid duplicating information with some exceptions, such as proprietary fund to governmental fund activity. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and 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 or segment 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

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

particular function or segment. Taxes, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City of Sierra Vista reports the following major funds:

Governmental Funds

General Fund – This fund is the general operating fund of the City. It is used to account for all of the financial resources except those for which another fund is required or desired.

Highway User Revenue Fund – To account for the state-shared Highway User Revenue Taxes, which must be used for roadway construction and maintenance

Park Development Fee Fund - To account for fees collected from subdivision developers to acquire land for parks and recreation sites or improve existing parks within the subdivision. Any unused monies must be returned to the developers after ten years.

Fire Development Fee Fund - To account for fees collected from subdivision developers to expand current facilities and add new equipment to maintain the City's current level of fire service. Any unused monies must be returned to the developers after ten years.

Proprietary Funds

Sewer Fund – This fund accounts for the operation of the City's sewer system.

Refuse Fund – This fund accounts for the operation of the City's refuse system.

Additionally, the City reports the following fund types:

Internal Service Funds – Internal Service Funds are established to account for financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The Internal Service Funds consist of the Health and Accident Insurance Fund, Unemployment Insurance Fund and the Self-Insured Retention Fund.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Fiduciary Funds – Fiduciary Funds account for assets held by the City on behalf of others and include the Customer Deposits Fund and the Partnership Deposits Fund.

C. Measurement Focus/Basis of Accounting

Government-wide and proprietary funds are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Revenues are recorded when earned and expenses when incurred regardless of cash flows.

Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues collected within 30 days after the end of the period to be available. Expenditures are recorded when the liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. In addition, compensated absences and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, city sales taxes, and state and county shared revenues. In addition, the City follows the policy that grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. The principal operating revenues of the City's enterprise funds are charges to customers for sewer and refuse services. Operating expenses for these funds include salaries, operations and maintenance and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The agency funds are custodial in nature and do not have a measurement focus and are reported on the accrual basis of accounting. The agency funds are reported by fund type.

D. Budgets and Budgetary Accounting

Arizona State Statutes establish a limitation on local government expenditures at the city-wide level. Based upon fiscal year 1979-80 amounts, this limitation restricts expenditure growth to increases in population and inflation with certain exclusions allowed.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. All governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed during the fiscal year. Encumbrances of the current year budget are reappropriated in the succeeding year.

F. Inventories

The City uses the First-In-First-Out (FIFO) method for expensing fuel in the Airport Fund and the average cost method of expensing fuel in the General Fund. Inventories are recorded as expenditures/expenses when consumed.

G. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, machinery, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. General government infrastructure capital assets include only those assets acquired or constructed since July 1, 1980.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, if applicable.

Most capital assets are depreciated under the straight-line method of depreciation over the estimated useful lives of the assets as follows:

Land Improvements	5-30 years
Infrastructure	5-30 years
Building and Improvements	5-30 years
Wastewater Facility	30 years
Other Improvements	5-100 years
Equipment	5-10 years

H. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities or proprietary fund type statement of net position.

I. Compensated Absences

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation benefits vest after six months at the employee's current rate of pay. All of an employee's accrued vacation is paid to them when they end

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

employment with the City. An employee's accrued sick leave is only paid if an employee retires from the City. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. The liabilities for governmental compensated absences are generally liquidated with resources from the General Fund.

J. Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2017 were cash in bank and on hand and pooled investment with the State Treasurer.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depositor's compliance with the program.

K. Interfund Services Provided and Used

Interfund services are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

L. Estimates

The preparation of the financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

N. Pensions

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

O. Net Position Flow Assumption

In the government-wide and proprietary fund financial statements the City applies restricted resources first when outlays are incurred for the purposes for which either restricted or unrestricted amounts are available.

2. Cash and Investments

Arizona Revised Statutes authorize the City to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona counties, cities, towns, school districts, and special districts as specified by statute. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City's investments.

The captions and carrying amounts of cash and investments at June 30, 2017, consist of the following.

	Cash on hand	\$	5,174
	Cash in Bank		739,517
	Investments with State Treasurer		6,260,398
	Investments held by trustee		1,741,462
	Cash held by trustee		1,244,294
	Cash held as trustee		570,857
Total		\$	10,561,702

The City's total cash in bank/trustee (bank balance) was entirely covered by Federal depository insurance, except approximately \$2.8 million of the City's deposits were covered by collateral held by the pledging financial institution's trust department or agent, but not in the City's name.

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are quoted prices in active markets for identical assets

Level 2 inputs are significant other observable inputs

Level 3 inputs are significant unobservable inputs.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

The State's Treasurer's pools are external investment pools, the Local Investment Pool (Pool 5) and the Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participant's shares are not identified with specific investments. Participants in the pool are not required to categorize the value of the shares in accordance with the fair value hierarchy.

Investments at June 30, 2017 were as follows:

	<u>Fair Value</u>	<u>Level</u>
State Treasurer's Investment Pool – 37 day weighted average maturity	\$ 6,260,398	Not applicable
US Treasuries – Money market – less than 1 year	1,741,462	Level 2
Total	\$ 8,001,860	

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City has no investment policy that would further limit its investment choices. The State Treasurer's investment pool 5 was rated AAAF/S1+ by Standard and Poor's at year end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of bank failure the City's deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk.

Custodial Credit Risk - Investments. The City's investment in the State Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however the City's portion is not identified with specific investments and are not subject to custodial credit risk. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on their average monthly balances.

3. Property Tax

Property taxes are levied and collected by the Cochise County Treasurer on behalf of the City. Property taxes are levied no later than the third Monday in August on property values assessed as of January 1 and are payable in two installments due October 1 and March 1. Taxes become delinquent after the first business day of November and May, respectively. Interest at the rate of 16 percent per annum attaches on installments following the delinquency date. Pursuant to A.R.S., a lien against property assessed attaches on the first day of January preceding the levy, however according to case law, an enforceable legal claim to the asset does not arise.

The State Constitution and State law specify a property tax levy limitation system. The primary tax levy is limited to an increase of two percent over the previous year's maximum allowable primary levy, plus an increased dollar amount due to a net gain in property not taxed the previous year. Also, the primary tax from all taxing jurisdictions for homeowners may not exceed one percent of the market value of the home. If the combined primary

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

property tax (for the City, County, etc.) exceed one percent of the market value of the homes, the school districts will reduce their rate until the homeowners rate is equal to or less than the allowable one percent. The State will then subsidize the school districts for the reduced revenue. This one percent limitation applies to primary property taxes and does not affect the secondary property tax levy.

There is also a control on the assessed value of property for primary tax purposes. The base year for this tax system is fiscal year 1978-79. From this base year, two assessed values evolve. The primary assessed values are controlled by being allowed to grow or increase by no more than ten percent a year. The dollar amount of the secondary property tax levy is "unlimited" and the assessed property is used in determining the tax rate.

4. Intergovernmental Receivables

Intergovernmental receivables, net of allowances for uncollectibles, as of year end for the City's individual major funds and non-major funds in the aggregate were as follows.

	<u>General Fund</u>	<u>HURF Fund</u>	<u>Non-Major Governmental Funds</u>
Receivables due from:			
Federal government	\$ 37,017	\$ 26,917	\$ 935,933
State government	1,436,961	322,538	82,589
Other governments	10,438		25,898
Total intergovernmental receivables	<u>\$1,484,416</u>	<u>\$349,455</u>	<u>\$1,044,420</u>

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

5. Capital Assets

A summary of capital asset activity for the fiscal year ended June 30, 2017 is as follows.

Governmental activities:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Non-depreciable assets:				
Land	\$ 8,807,716	\$	\$	\$ 8,807,716
Construction in progress	153,567	2,516,392	(153,567)	2,516,392
Depreciable assets:				
Infrastructure	147,717,127	3,101,853	(10,749)	150,808,231
Buildings and improvements	58,061,804	259,082	(20,886)	58,300,000
Machinery and Equipment	<u>28,419,751</u>	<u>1,092,396</u>	<u>(369,975)</u>	<u>29,142,172</u>
Total Capital Assets	<u>243,159,965</u>	<u>6,969,723</u>	<u>(555,177)</u>	<u>249,574,511</u>
Less accumulated depreciation for:				
Infrastructure	76,487,848	4,510,546	(1,164)	80,917,230
Buildings and improvements	29,567,553	1,936,834	(74)	31,504,313
Machinery and Equipment	<u>21,821,730</u>	<u>1,438,677</u>	<u>(365,114)</u>	<u>22,895,293</u>
Total Accumulated Depreciation	<u>127,797,131</u>	<u>7,886,057</u>	<u>(366,352)</u>	<u>135,316,836</u>
Total Capital Assets, Net	<u>\$ 115,362,834</u>	<u>\$ (916,334)</u>	<u>\$ 188,825</u>	<u>\$ 114,257,675</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 409,320
Public safety	1,444,979
Public works	4,783,637
Culture and recreation	<u>1,248,121</u>
Total Depreciation Expense	<u>\$ 7,886,057</u>

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Business-type activities:

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
Non-depreciable assets				
Land	\$ 1,488,882	\$	\$	\$ 1,488,882
Construction in progress	81,811		(81,811)	
Depreciable assets				
Infrastructure	42,815,860	156,156		42,972,016
Buildings and improvements	9,691,164			9,691,164
Machinery and Equipment	<u>8,049,905</u>	<u>627,036</u>	<u>(586,919)</u>	<u>8,090,022</u>
Total Capital Assets	<u>62,127,622</u>	<u>783,192</u>	<u>(668,730)</u>	<u>62,242,084</u>
Less accumulated depreciation for:				
Infrastructure	7,429,794	718,990		8,148,784
Buildings and improvements	7,775,760	180,379		7,956,139
Machinery and Equipment	<u>4,460,496</u>	<u>551,803</u>	<u>(469,843)</u>	<u>4,542,456</u>
Total Accumulated Depreciation	<u>19,666,050</u>	<u>1,451,172</u>	<u>(469,843)</u>	<u>20,647,379</u>
Total Capital Assets, Net	<u>\$42,461,572</u>	<u>\$ (667,980)</u>	<u>\$ (198,887)</u>	<u>\$41,594,705</u>

Depreciation expense was charged to business-type activities as follows:

Sewer	\$ 910,795
Refuse	<u>540,377</u>
Total Depreciation Expense	<u>\$ 1,451,172</u>

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

6. <u>Long-term Debt</u>	<u>Outstanding Principal at June 30, 2017</u>
Business-type activities:	
A. Note payable in quarterly installments of \$ 168,042 including interest at 2.66% until June 2027; collateralized by specified vehicles (paid by Sewer Fund).	\$ 5,884,889
B. Note payable in quarterly installments of \$ 31,539 including interest at 1.28% until June 2018; collateralized by specified vehicles and land (paid by Refuse Fund).	125,153
C. Note payable in quarterly installments of \$ 87,047 including interest at 1.79% until June 2022; collateralized by specified vehicles (paid by 70% by Refuse Fund and 30% by Sewer Fund).	<u>1,661,599</u>
	<u>7,671,641</u>
Less current portion	<u>(966,372)</u>
Total business-type activity long-term debt	<u><u>\$ 6,705,269</u></u>

Governmental activities:

Revenue Bonds

A. 2008 Sierra Vista Municipal Property Corporation Lease Revenue Bonds issued to construct a fire station, animal care facility, parks office building, parks storage facility, phase one of Cyr Center Park and expand the police station; due in varying annual installments through 2023 with interest ranging from 4.00% to 5.00% (paid by MPC I & R Fund).	\$8,435,000
B. 2010 Sierra Vista Municipal Property Corporation Lease Revenue Bonds issued to refinance the Series 2000 Municipal Property Corporation Lease Revenue Bonds; due in varying annual installments through 2021 with interest ranging from 4.00% to 5.00% (paid by MPC I & R Fund).	4,275,000

Notes Payable

A. Note payable in quarterly installments of \$ 18,837 including interest at 2.02% until June 2023; (paid by Airport Fund).	424,748
B. Note payable in quarterly installments of \$ 31,657 including interest at 2.02% until June 2023; collateralized by specified property (paid by Park Development Fund).	713,847
C. Note payable in quarterly installments of \$ 30,867 including interest at 1.28% until June 2018; collateralized by specified vehicles (paid by 81% General Fund, 19% HURF Fund).	122,487

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

D. Note payable in quarterly installments of \$ 49,092 including interest at 1.79% until June 2022; collateralized by specified vehicles (paid by 82% General Fund, 18% HURF Fund).	<u>937,088</u>
	14,908,170
Less current portion of revenue bonds	(2,915,000)
Less current portion of notes payable	<u>(483,582)</u>
Total governmental activity long-term debt	<u>\$11,509,588</u>

Changes in Long-term Debt

Governmental Activities

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Repayments/ Retirements</u>	<u>Balance at June 30, 2017</u>	<u>Current Portion</u>
Revenue bonds	\$ 15,515,000	\$	\$ 2,805,000	\$ 12,710,000	\$ 2,915,000
Notes payable	1,601,569	937,088	340,487	2,198,170	483,582
Net OPEB obligation	16,536,028	1,812,972		18,349,000	
Net pension obligation	45,049,091	8,515,583		53,564,674	
Compensated absences	1,596,500	1,393,440	1,235,773	1,754,167	1,754,167
Total	<u>\$ 80,298,188</u>	<u>\$ 12,659,083</u>	<u>\$ 4,381,260</u>	<u>\$ 88,576,011</u>	<u>\$ 5,152,749</u>

Business-type Activities

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Repayments/ Retirements</u>	<u>Balance at June 30, 2017</u>	<u>Current Portion</u>
Notes payable	\$ 6,810,883	\$ 1,661,599	\$ 800,841	\$ 7,671,641	\$ 966,372
Net OPEB obligation	1,064,000	212,000		1,276,000	
Net pension obligation	3,316,470	301,538		3,618,008	
Compensated absences	88,468	86,328	80,680	94,116	94,116
Total	<u>\$ 11,279,821</u>	<u>\$ 2,261,465</u>	<u>\$ 881,521</u>	<u>\$ 12,659,765</u>	<u>\$ 1,060,488</u>

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Debt Service Requirements to Maturity

The annual requirements to amortize all bonds and loans outstanding as of June 30, 2017, is detailed below.

Year ending 30-Jun	Business-type Activities		Governmental Activities				Total
	Installment Contracts		Revenue Bonds		Installment Contracts		
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	966,372	188,213	2,915,000	503,101	483,532	38,280	5,094,498
2019	861,153	159,204	2,240,000	393,433	368,067	30,277	4,052,134
2020	881,402	138,955	2,335,000	295,210	375,129	23,215	4,048,911
2021	902,143	118,214	2,435,000	192,013	382,327	16,017	4,045,714
2022	923,388	96,969	1,360,000	105,250	389,662	8,680	2,883,949
2023	594,617	77,551	1,425,000	35,625	199,453	2,524	2,334,770
2024	610,592	61,575					672,167
2025	626,996	45,171					672,167
2026	643,841	28,326					672,167
2027	661,137	11,028					672,165
Total	7,671,641	925,206	12,710,000	1,524,632	2,198,170	118,993	25,148,642

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Continuing Disclosure Requirements

The City has pledged its future excise tax revenues to repay outstanding municipal facilities revenue bonds. Included in the excise taxes pledged are the City's transaction privilege taxes and State shared sales and income taxes. These bonds were issued by the City's Municipal Property Corporation to fund the construction of an aquatics facility, government maintenance facility, fire station, animal care facility, parks maintenance building, parks office building, water detention basin and expand the police station. The outstanding principal balance of these bonds as of June 30, 2017 was \$12.7 million. The following table shows the total excise taxes pledged, annual debt service and coverage ratio of excise taxes to debt service. The City is obligated, by bond indenture, to maintain a 3 times coverage ratio of prior year pledged excise tax revenues to current year debt service.

Year ending <u>30-Jun</u>	Pledged <u>Excise Taxes</u>	<u>MFRB's</u>	<u>Coverage</u>
2006	\$ 24,713,649	\$ 2,291,174	
2007	28,233,562	1,954,761	12.64
2008	29,542,082	1,957,796	14.42
2009	28,432,239	4,184,643	7.06
2010	27,930,976	3,475,089	8.18
2011	26,120,663	2,990,708	9.34
2012	25,688,339	3,437,020	7.60
2013	25,745,669	3,445,345	7.46
2014	27,381,922	3,445,220	7.47
2015	28,681,141	3,436,845	7.97
2016	29,009,569	3,425,570	8.37
2017	29,294,082	3,428,376	8.46
2018		3,418,101	8.57
2019		2,633,433	
2020		2,630,210	
2021		2,627,013	
2022		1,465,250	
2023		1,460,625	

7. Pensions and Other Post Employment Benefits

The City contributes to the two plans described below. The plans are component units of the State and benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The City does not participate in the Elected Officials Retirement Plan.

The City reported \$4,161,868 of pension expenditures in the Governmental Funds related to both pension plans. This amount is for pensions only and does not include long term disability or health benefit contributions.

Arizona State Retirement System

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer health insurance premium benefit (OPEB) plan, and a cost-sharing multi-employer defined benefit long-term disability (OPEB) plan. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.1 The

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

Benefits Provided

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

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

*With actuarially reduced benefits

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

Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2017 were \$1,163,370.

The City's contributions for the current and two preceding years for the Arizona State Retirement System OPEB, all of which were equal to the required contributions, were as follows:

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ending June 30:		
2017	\$60,435	\$15,109
2016	53,115	12,748
2015	59,632	12,129

Pension Liability

At June 30, 2017, the City reported a liability of \$18,263,547 for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total position liability as of June 30, 2016, reflects a change in actuarial assumptions for a decrease in loads for future potential personnel benefit increases. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportion was 0.11315 percent, which was an increase of 0.0035 from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$284,615 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$110,986	\$1,256,399
Net difference between projected and actual earnings on pension plan investments	1,979,161	
Changes in proportion and differences between contributions and proportionate share of contributions	395,728	329,138
Changes in assumptions or other inputs		966,288
Contributions subsequent to the measurement date	1,163,370	
Total	<u>\$3,649,245</u>	<u>\$2,551,825</u>

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

Year Ending June 30:	
2018	(989,623)
2019	(473,675)
2020	842,398

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

2021	554,951
2022	-
Thereafter	-

Actuarial Assumptions

The significant actuarial assumptions used to measure the total ASRS pension liability are as follows:

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class of ASRS are summarized in the following table:

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

Discount Rate

The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
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will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
City’s proportionate share of the net pension liability	\$23,287,409	\$18,263,547	\$14,235,507

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

Public Safety Personnel Retirement System

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

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

Benefits Provided

The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Certain retirement and disability benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS financial report for additional benefits information.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
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	Retirement Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Survivor benefit:		
Retired members	80% of retired member's pension benefit	
Active members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

Employees Covered by Benefit Terms

At June 30, 2017, the following employees were covered by the agent pension plan's benefit terms:

	PSPRS – Police	PSPRS – Fire
Retirees and beneficiaries	36	22
DROP	3	4
Inactives, nonretired members	10	12
Active members	57	45
Total	106	83

Contributions and Annual OPEB Cost

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS – Police	PSPRS – Fire
Active members – pension	11.65%	11.65%
City:		
Pension	45.51%	36.59%
Health insurance	1.07%	0.85%

For the agent plans, the contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended were:

	PSPRS – Police	PSPRS – Fire
Pension:		
Contributions made	\$ 2,148,783	\$ 1,079,972
Health insurance premium benefit:		
Annual OPEB cost	\$ 50,521	\$ 25,088
Contributions made	\$ 50,521	\$ 25,088

Pension Liability

At June 30, 2017, the City reported \$24,360,199 in net pension liability for police and \$14,558,937 net pension liability for fire. The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects changes of benefit terms and actuarial assumptions:

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

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

Actuarial Assumptions

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

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.0 - 8.0%
Inflation	3.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table, adjusted by 105% for both males and females

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

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Pension Discount Rates

The discount rate of 7.50% was used to measure the total pension liability. The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Sierra Vista Police Department's and Sierra Vista Fire Department's pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments for these plans to determine the total pension liability.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Changes in the Agent Plans Net Pension Liability

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
PSPRS – Police			
Balances at June 30, 2016	\$34,745,293	\$14,574,604	\$20,170,689
Changes for the year:			
Service cost	898,658		898,658
Interest on the total pension liability	2,667,016		2,667,016
Changes of benefit terms	1,360,707		1,360,707
Differences between expected and actual experience in the measurement of the pension liability	271,019		271,019
Changes of assumptions or other inputs	1,445,654		1,445,654
Contributions – employer		1,889,021	(1,889,021)
Contributions – employee		626,104	(626,104)
Net investment income		84,142	(84,142)
Benefit payments, including refunds of employee contributions	(2,439,783)	(2,439,783)	
Administrative expense		(12,508)	12,508
Other changes		(133,215)	133,215
Net changes	4,203,271	13,761	4,189,510
Balances at June 30, 2017	\$38,948,564	\$14,588,365	\$24,360,199

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Changes in the Agent Plans Net Pension Liability

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
PSPRS – Fire			
Balances at June 30, 2016	\$24,167,563	\$13,052,905	\$11,114,658
Changes for the year:			
Service cost	554,766		554,766
Interest on the total pension liability	1,857,264		1,857,264
Changes of benefit terms	1,364,984		1,364,984
Differences between expected and actual experience in the measurement of the pension liability	84,858		84,858
Changes of assumptions or other inputs	1,007,378		1,007,378
Contributions – employer		1,101,774	(1,101,774)
Contributions – employee		350,230	(350,230)
Net investment income		74,132	(74,132)
Benefit payments, including refunds of employee contributions	(1,571,062)	(1,571,062)	
Administrative expense		(11,067)	11,067
Other changes		(90,098)	90,098
Net changes	3,298,188	(146,091)	3,444,279
Balances at June 30, 2017	\$27,465,751	\$12,906,814	\$14,558,937

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's net pension liability calculated using the discount rates noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1%	Current Discount Rate	1% Increase
	Decrease		
PSPRS – Police:			
Rate	6.50%	7.50%	8.50%
Net pension liability	\$29,483,488	\$24,360,199	\$20,143,102
PSPRS – Fire:			
Rate	6.50%	7.50%	8.50%
Net pension liability	\$18,213,183	\$14,558,937	\$11,550,799

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report. The report is available on the PSPRS website at www.psprs.com.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Pension Expense

For the year ended June 30, 2017, the City recognized the following as pension expense:

	Pension Expense
PSPRS – Police	\$4,251,430
PSPRS – Fire	\$2,885,436

Pension Deferred Outflows/Inflows of Resource.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS – Police		
Differences between expected and actual experience	\$216,454	\$724,590
Changes of assumptions or other inputs	2,963,993	
Net difference between projected and actual earnings on pension plan investments	918,433	
Contributions subsequent to the measurement date	2,148,783	
Total	\$6,247,663	\$724,590
PSPRS – Fire		
Differences between expected and actual experience	\$73,409	\$721,310
Changes of assumptions or other inputs	2,166,173	
Net difference between projected and actual earnings on pension plan investments	818,819	
Contributions subsequent to the measurement date	1,079,972	
Total	\$4,138,373	\$721,310

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

	Police	Fire
Year Ending June 30:		
2018	\$930,051	\$464,635
2019	930,052	464,635
2020	990,183	596,867
2021	524,004	486,942
2022	-	141,909
Thereafter	-	182,103

Agent Plan OPEB Trend Information

The table below presents the annual OPEB cost information for the health insurance premium benefit for the three most recent years available:

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
PSPRS – Police:			
June 30, 2017	\$50,521	100%	\$-0-
June 30, 2016	42,007	100%	-0-
June 30, 2015	82,103	100%	-0-
PSPRS – Fire:			
June 30, 2017	\$25,088	100%	\$-0-
June 30, 2016	22,875	100%	-0-
June 30, 2015	57,090	100%	-0-

Agent Plan OPEB Actuarial Assumptions

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plan's assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. Projections of benefits are based on (1) the plan as understood by the City and plan's members and include the types of benefits inforce at the valuation date, and (2) the pattern of sharing benefit costs between the City and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements, are as follows:

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

The funded status of the PSPRS health insurance premium benefit plan in the June 30, 2016, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

Actuarial valuation date	June 30, 2016
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**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases includes inflation at	4%-8% 4%

Agent Plan OPEB Funded Status

The following table presents the funded status of the health insurance premium benefit plan as of the most recent valuation date, June 30, 2017.

	<u>PSPRS – Police</u>	<u>PSPRS – Fire</u>
Actuarial value of assets	\$727,658	\$586,756
Actuarial accrued liability	1,093,090	831,658
Unfunded actuarial accrued liability (funding excess)	365,432	244,902
Funded ratio	66.6%	70.6%
Annual covered payroll	4,410,259	3,029,120
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	8.29%	8.08%

Post-employment Benefits Other Than Pensions

Under the authority of the City Council, the City provides post-employment medical care (OPEB) for its employees through a single employer defined benefit plan. To be eligible for benefits, the employee must retire normally with ASRS or PSPRS and participate in the City insurance program while an active employee. The qualified retiree remains on the City's self-funded program until they are Medicare eligible. Once the retiree is Medicare eligible, they must transfer to the State's insurance plan. For employees hired before October 25, 2009, the City will pay for the qualified retiree's State Medicare supplement. For employees hired after July 1, 2012, the City will not pay any of the retiree's health care. Part of the cost of this retirement benefit is funded by the State depending on the years of services and State funding available.

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost for 2017 is:

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Annual Required Contribution (ARC)	\$3,030,000
ARC Adjustment	(1,016,000)
Interest adjustment on Net OPEB obligation	<u>704,000</u>
Annual OPEB Cost	2,718,000
Contributions Made	<u>693,028</u>
Net Increase in OPEB Obligation	2,024,972
Net OPEB Obligation – Beginning of Year	<u>17,600,028</u>
Net OPEB Obligation – End of Year	<u><u>\$19,625,000</u></u>

The plan is not accounted for as a trust fund. The City's Health and Accident Insurance fund has net position of \$4,544,829 that can be used to help fund its OPEB liability. However, the City has not elected to establish an irrevocable trust and restrict any of that net position at this time. The plan does not issue a separate financial report.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for fiscal year 2015, 2016 and 2017 are as follows:

Fiscal Year Ended June 30,	Annual OPEB cost	Employer Contributions	Percent of OPEB Cost Contributed	Net OPEB Obligation
2015	\$2,957,000	\$757,000	25.60%	\$15,344,028
2016	3,103,000	847,000	27.30	17,600,028
2017	2,718,000	693,028	25.50	19,625,000

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded, The actuarial accrued liability for benefits was \$30,168,000 and the actuarial value of assets was \$0 resulting in an unfunded actuarial liability of \$30,168,000. The covered payroll (annual payroll of active employees covered by the plan) was \$18,145,547. The ratio of unfunded actuarially accrued liabilities to covered payroll is 166.26%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is intended to present multiyear trend information about whether the actuarial value of plans assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Calculations are based on the types of benefits provided under terms of the substantive plan at the time of each valuation and on the pattern of cost sharing between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial methods and significant assumptions used to determine the ARC for the current year are:

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Valuation Date:	07/01/2016
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level dollar method, closed
Remaining Amortization Period:	28 years
Asset Valuation:	Market value
Inflation Rate:	3.00%
Investment Rate of Return:	4.00%
Future Payroll Increases:	N/A
Ultimate Rate of Medical Inflation:	4.50%

Termination Benefits

Upon voluntary or involuntary termination, excluding retirement, an employee is only entitled to his or her unused vacation balance. A retiring employee is entitled to his or her unused vacation and a percentage of his or her unused sick leave. These costs are included in the compensated absences balance in the debt section.

8. Construction Commitments

At June 30, 2017, the City had \$675,668 in unperformed construction contracts and commitments outstanding.

General	\$178,459
HURF	153,984
Airport	164,644
Infrastructure	178,581

9. Stewardship, Compliance and Accountability

Negative Fund Balances

The Grants, Park Development Fee, Sierra Vista Municipal Planning Organization, Police Development Fee and Fire Development Fee Funds had negative fund balances on June 30, 2017. The negative balance in the Grants fund is a grant expenditure that will qualify for reimbursement in Fiscal Year 2018. The negative balances in the development fee funds are due to bond payment transfers to the SVMPC I&R fund. Future impact fee revenues are expected to remove the development fee funds' negative fund balances.

Excess Expenditures Over Budget

At year end, expenditures in the Highway User Revenue and Infrastructure Development Fee Funds exceeded the budget, however, this does not constitute a violation of any legal provisions.

10. Fund Balances

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

classifications.

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spend because they are not in spendable form, or are legally or contractually required to be maintained intact.

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

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

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The table below provides detail of the major components of the City's fund balance classifications at year end.

	Major Funds					Total Funds
	General	HURF	Park Development Fee	Fire Development Fee	Non-Major Funds	
Fund Balances:						
Nonspendable	\$ 75,647	\$	\$	\$	\$ 118,913	\$ 194,560
Restricted for:						
Debt Service					\$1,458,971	\$1,458,971
Street Projects		1,850,526			70,519	1,921,045
Other Projects					4,429,845	4,429,845
Unassigned:	4,098,515		(3,378,634)	(1,335,277)	(949,116)	(1,564,512)
Total fund balances	<u>\$4,174,162</u>	<u>\$ 1,850,526</u>	<u>\$(3,378,634)</u>	<u>\$(1,335,277)</u>	<u>\$5,129,132</u>	<u>\$6,439,909</u>

11. Contingencies

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. At June 30, 2017, it is the opinion of City management, based on the advice of the City Attorney, that there is not any pending litigation that would have a material effect on the City's financial position.

12. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City was unable to obtain general property and liability insurance at a cost it considered to be economically justifiable. Therefore, the City established the following self-insurance

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

funds.

The City established the Self-Insured Retention Fund, an Internal Service Fund, to account for and finance its uninsured risks of loss related to property and liability claims. Under this program, the Self-Insured Retention Fund provides coverage for up to a maximum of \$10,000 for each property claim and general liability claim. The City joined the Arizona Municipal Risk Retention Pool (AMRRP), together with other cities and towns in the State to provide coverage for amounts over \$10,000. AMRRP is a public entity risk pool currently operating as a common risk management and insurance program for 59 member cities and towns. The City pays an annual premium to AMRRP for its general insurance coverage. The agreement provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000 for general liability claims and \$100,000 for property claims for each insured event.

The City established the Health and Accident Insurance Fund, an Internal Service Fund, to account for and finance its uninsured risks of loss related to employee health and accidents. Under this program, the Health and Accident Insurance Fund provides coverage for up to a maximum of \$100,000 for each employee health and accident claim. The City purchases commercial insurance for claims in excess of coverage provided by the Fund and for risks of loss for workers' compensation claims. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The City also established the Unemployment Insurance Fund, an Internal Service Fund, to account for and finance its risks of loss related to unemployment claims. The City has fully assumed the liability risk associated with this program.

The Unemployment Insurance Fund is fully funded, and therefore, no contribution was made to it. The City has designated the net position in this fund of \$70,626 as future catastrophe loss reserves. The Self Insured Retention Fund received restitution payments of \$18,111 during the year. Employees paid from the General, Special Revenue and Enterprise Funds participate in the Health and Accident Insurance Fund and make payments based on historical experience estimates of the amounts needed to pay prior and current year claims.

The claims liabilities reported in the Funds at June 30, 2017 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Changes in the claims liability amounts in fiscal years 2015-2016 and 2016-2017 were:

	Beginning of Fiscal Year <u>Liability</u>	Current Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance at Fiscal <u>Year End</u>
Health and Accident Insurance:				
2015-16	\$186,598	\$3,760,460	\$3,758,477	\$188,581
2016-17	\$188,581	\$3,256,720	\$3,235,286	\$210,015
Unemployment Insurance:				
2015-16	-0-	\$11,245	\$11,245	-0-
2016-17	-0-	\$4,048	\$3,577	\$471
Self-Insured Retention:				
2015-16	\$27,457	\$79,294	\$106,751	-0-
2016-17	-0-	\$43,391	\$43,391	-0-

The City continues to carry commercial insurance for worker's compensation and airport liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. Interfund Balances and Transfers

Individual interfund balances for due to/ from to other funds at June 30, 2017 are as follows.

<u>Governmental Funds</u>	<u>Due to other funds</u>	<u>Due from other funds</u>
General	\$	\$ 3,589,150
Capital Improvements		2,151,633
Health & Accident		1,513,468
Sewer	1,513,468	
Grants	29,859	
SVMPO	78,115	
Park Development	3,378,634	
Police Development	918,898	
Fire Development	1,335,277	
Total	\$ 7,254,251	\$ 7,254,251

All of the due to other funds is for cash balancing purposes. The SVMPO and Grants Funds will be repaid during the following fiscal year from cash inflows into the funds. The three development fee funds will be repaid as development fees are received.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Individual interfund transfers for Fiscal Year 2017 were:

<u>Fund</u>	Individual Fund Transfer	Total Fund <u>Transfer out</u>	Individual Fund Transfer	Total Fund <u>Transfer In</u>
General	\$	\$ 548,518	\$	\$
LTAF	430,000			
Unemployment Insurance	25,000			
Police Development	13,981			
Infrastructure Development	63,073			
Fire Development	16,464			
Capital Improvements		3,692,051		
SVMPC I&R	2,352,929			
HURF	700,000			
General	639,122			
Sewer		149,813		
SVMPC I&R	149,813			
Park Development		521,119		
SVMPC I&R	521,119			
Police Development		212,043		
SVMPC I&R	212,043			
Fire Development		261,466		
SVMPC I&R	261,466			
Library Development		1,880		
Capital Improvements	1,880			
General				639,122
Capital Improvements			639,122	
HURF				700,000
Capital Improvements			700,000	
LTAF				430,000
General			430,000	
Capital Improvements				1,880
Library Development			1,880	
Unemployment Insurance				25,000
General			25,000	
SVMPC I&R				3,497,370
Capital Improvements			2,352,929	
Sewer			149,813	
Park Development			521,119	
Police Development			212,043	
Fire Development			261,466	
Police Development				13,981
General			13,981	
Infrastructure Development				63,073
General			63,073	

**CITY OF SIERRA VISTA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017**

Fire Development			16,464
General		16,464	
Total Transfers	\$ 5,386,890		\$ 5,386,890

Transfers to the SVMPC Interest and Redemption Fund are to cover bond principal and interest payments. The transfers to the Local Transportation Assistance, Unemployment Insurance- and Highway User Revenue Fund are to cover grant match requirements and capital maintenance. The transfer to the General Fund is to cover capital projects and capital maintenance. The General Fund transfers to the development fee funds are required by the City's development fee code.

14. Subsequent Event

On August 8, 2017, the City issued \$17,435,000 in refunding bonds with an effective interest rate of 1.84 percent to refinance \$12,710,000 of Sierra Vista Municipal Property Corporation Revenue Bonds, and \$5,884,889 of Sewer Fund private placement lease purchase notes, with an average interest rate of 3.65 percent.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SIERRA VISTA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Taxes	\$ 14,491,470	\$ 14,650,484	\$ 159,014
Licenses and permits	1,665,500	1,729,991	64,491
Intergovernmental	11,981,418	11,682,287	(299,131)
Charges for services	4,614,500	4,181,418	(433,082)
Fines	15,000	18,994	3,994
Investment income	10,000	26,019	16,019
Contributions	1,000	23,734	22,734
Other revenues	530,500	221,588	(308,912)
Total revenues	<u>33,309,388</u>	<u>32,534,515</u>	<u>(774,873)</u>
Expenditures:			
Current -			
General government	6,637,387	6,077,689	559,698
Public safety	17,748,639	17,158,289	590,350
Public works	6,069,564	5,886,778	182,786
Culture and recreation	3,417,047	3,288,486	128,561
Community development	870,820	834,589	36,231
Debt service -			
Interest and fiscal charges	2,059	2,059	
Principal	98,154	98,153	1
Total expenditures	<u>34,843,670</u>	<u>33,346,043</u>	<u>1,497,627</u>
Excess (deficiency) of revenues over expenditures	<u>(1,534,282)</u>	<u>(811,528)</u>	<u>722,754</u>
Other financing sources (uses):			
Transfers out	(548,518)	(548,518)	
Transfer in	1,182,800	639,122	(543,678)
Proceeds from installment purchase	900,000	766,144	(133,856)
Total other financing sources (uses)	<u>1,534,282</u>	<u>856,748</u>	<u>(677,534)</u>
Change in fund balances		<u>45,220</u>	<u>45,220</u>
Fund balances, July 1, 2016		4,128,942	4,128,942
Fund balances, June 30, 2017	<u>\$</u>	<u>\$ 4,174,162</u>	<u>\$ 4,174,162</u>

See accompanying notes to this schedule.

**CITY OF SIERRA VISTA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - HURF
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 2,965,000	\$ 3,606,389	\$ 641,389
Investment income		1,912	1,912
Other revenues		25,242	25,242
Total revenues	<u>2,965,000</u>	<u>3,633,543</u>	<u>668,543</u>
Expenditures:			
Current -			
General government	68,879	73,411	(4,532)
Public works	3,529,651	3,527,314	2,337
Debt service -			
Interest and fiscal charges	875	835	40
Principal	65,595	65,594	1
Total expenditures	<u>3,665,000</u>	<u>3,667,154</u>	<u>(2,154)</u>
Excess (deficiency) of revenues over expenditures	<u>(700,000)</u>	<u>(33,611)</u>	<u>666,389</u>
Other financing sources (uses):			
Transfer in	700,000	700,000	
Proceeds from installment purchase		170,944	170,944
Total other financing sources (uses)	<u>700,000</u>	<u>870,944</u>	<u>170,944</u>
Change in fund balances		<u>837,333</u>	<u>837,333</u>
Fund balances, July 1, 2016		1,013,193	1,013,193
Fund balances, June 30, 2017	<u>\$</u>	<u>\$ 1,850,526</u>	<u>\$ 1,850,526</u>

See accompanying notes to this schedule.

**CITY OF SIERRA VISTA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - PARK DEVELOPMENT FEE
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Charges for services	\$ 127,500	\$ 30,900	\$ (96,600)
Total revenues	<u>127,500</u>	<u>30,900</u>	<u>(96,600)</u>
Expenditures:			
Debt service -			
Interest and fiscal charges	15,883	15,822	61
Principal	<u>110,808</u>	<u>110,808</u>	
Total expenditures	<u>126,691</u>	<u>126,630</u>	<u>61</u>
Excess (deficiency) of revenues over expenditures	<u>809</u>	<u>(95,730)</u>	<u>(96,539)</u>
Other financing sources (uses):			
Transfers out	<u>(521,119)</u>	<u>(521,119)</u>	
Total other financing sources (uses)	<u>(521,119)</u>	<u>(521,119)</u>	
Change in fund balances	<u>(520,310)</u>	<u>(616,849)</u>	<u>(96,539)</u>
Fund balances (deficits), July 1, 2016	520,310	(2,761,785)	(3,282,095)
Fund balances (deficits), June 30, 2017	<u>\$</u>	<u>\$(3,378,634)</u>	<u>\$(3,378,634)</u>

See accompanying notes to this schedule.

**CITY OF SIERRA VISTA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FIRE DEVELOPMENT FEE
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Charges for services	\$ 41,985	\$ 16,966	\$ (25,019)
Total revenues	<u>41,985</u>	<u>16,966</u>	<u>(25,019)</u>
Other financing sources (uses):			
Transfers out	(261,466)	(261,466)	
Transfer in	16,464	16,464	
Total other financing sources (uses)	<u>(245,002)</u>	<u>(245,002)</u>	
Change in fund balances	<u>(203,017)</u>	<u>(228,036)</u>	<u>(25,019)</u>
Fund balances (deficits), July 1, 2016	203,017	(1,107,241)	(1,310,258)
Fund balances (deficits), June 30, 2017	<u>\$</u>	<u>\$(1,335,277)</u>	<u>\$(1,335,277)</u>

See accompanying notes to this schedule.

**CITY OF SIERRA VISTA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
City's proportion of the net pension liability (asset)	0.11%	0.11%	0.11%
City's proportionate share of the net pension liability (asset)	\$ 18,263,547	\$ 17,080,214	\$ 16,494,189
City's covered payroll	\$ 10,623,940	\$ 10,107,190	\$ 10,047,088
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	171.91%	168.99%	164.17%
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%

See accompanying notes to this schedule.

The pension schedule in the required supplementary information is intended to show information for 10 years, and additional information will be displayed as it becomes available.

**CITY OF SIERRA VISTA
SCHEDULE OF CONTRIBUTIONS
ALL PENSION PLANS
LAST THREE YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Arizona State Retirement System:			
Actuarially determined contribution	\$ 1,163,370	\$ 1,152,589	\$ 1,100,673
Contributions in relation to the actuarially determined contribution	<u>1,163,370</u>	<u>1,152,589</u>	<u>1,100,673</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 10,791,929	\$ 10,622,940	\$ 10,107,190
Contributions as a percentage of covered payroll	10.78%	10.85%	10.89%
Public Safety Personnel Retirement System - Police:			
Actuarially determined contribution	\$ 2,148,783	\$ 1,905,744	\$ 1,243,188
Contributions in relation to the actuarially determined contribution	<u>2,148,783</u>	<u>1,905,744</u>	<u>1,243,188</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 4,721,562	\$ 4,511,705	\$ 4,105,641
Contributions as a percentage of covered payroll	45.51%	42.24%	30.28%
Public Safety Personnel Retirement System - Fire:			
Actuarially determined contribution	\$ 1,079,972	\$ 1,010,635	\$ 630,702
Contributions in relation to the actuarially determined contribution	<u>1,079,972</u>	<u>1,010,635</u>	<u>630,702</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 2,951,548	\$ 2,715,301	\$ 2,366,612
Contributions as a percentage of covered payroll	36.59%	37.22%	26.65%

See accompanying notes to this schedule.

The pension schedule in the required supplementary information is intended to show information for 10 years, and additional information will be displayed as it becomes available.

**CITY OF SIERRA VISTA
SCHEDULE OF FUNDING PROGRESS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM AND POST-EMPLOYMENT MEDICAL CARE PLAN
OTHER POSTEMPLOYMENT BENEFITS
LAST THREE ACTUARIAL VALUATIONS**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
PSPRS - Police:						
2017	\$ 727,658	\$ 1,093,090	\$ 365,432	66.57 %	\$ 4,410,259	8.29 %
2016	697,010	1,153,412	456,402	60.43	4,491,043	10.16
2015	687,807	1,082,918	395,111	63.51	3,903,831	10.12
PSPRS - Fire:						
2017	\$ 586,756	\$ 831,658	\$ 244,902	70.55 %	\$ 3,029,120	8.08 %
2016	574,171	820,793	246,622	69.95	2,960,333	8.33
2015	563,686	773,791	210,105	72.85	2,760,877	7.61
Post-Employment Medical Care:						
2016	\$	\$ 30,168,000	\$ 30,168,000	- %	18,145,547	166.26 %
2014		30,297,000	30,297,000	-	16,627,945	182.21
2012		33,702,000	33,702,000	-	17,771,350	189.64

See accompanying notes to this schedule.

CITY OF SIERRA VISTA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - POLICE
LAST THREE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability			
Service cost	\$ 898,658	\$ 811,577	\$ 881,966
Interest	2,667,016	2,585,621	2,221,142
Changes of benefit terms	1,360,707		697,428
Differences between expected and actual	271,019	(291,544)	(1,116,200)
Changes of assumptions	1,445,654		3,733,060
Benefit payments, including refunds	(2,439,783)	(1,784,836)	(1,693,486)
Net change in total pension liability	<u>4,203,271</u>	<u>1,320,818</u>	<u>4,723,910</u>
Total pension liability—beginning	<u>34,745,293</u>	<u>33,424,475</u>	<u>28,700,565</u>
Total pension liability—ending	<u><u>\$ 38,948,564</u></u>	<u><u>\$ 34,745,293</u></u>	<u><u>\$ 33,424,475</u></u>
Plan fiduciary net position			
Contributions—employer	\$ 1,889,021	\$ 1,231,440	\$ 1,218,115
Contributions—employee	626,104	458,242	434,697
Net investment income	84,142	516,861	1,714,865
Benefit payments, including refunds	(2,439,783)	(1,784,836)	(1,693,486)
Administrative expense	(12,508)	(12,992)	(13,811)
Other	(133,215)	60,401	(35,200)
Net change in plan fiduciary net position	<u>13,761</u>	<u>469,116</u>	<u>1,625,180</u>
Plan fiduciary net position—beginning	<u>14,574,604</u>	<u>14,105,488</u>	<u>12,480,308</u>
Plan fiduciary net position—ending	<u><u>\$ 14,588,365</u></u>	<u><u>\$ 14,574,604</u></u>	<u><u>\$ 14,105,488</u></u>
Net pension liability—ending	<u><u>\$ 24,360,199</u></u>	<u><u>\$ 20,170,689</u></u>	<u><u>\$ 19,318,987</u></u>
Plan fiduciary net position as a percentage of the total pension liability	37.46%	41.95%	42.20%
Covered payroll	\$ 4,511,705	\$ 4,105,641	\$ 4,488,315
Net pension liability as a percentage of covered payroll	539.93%	491.29%	430.43%

See accompanying notes to this schedule.

The pension schedule in the required supplementary information is intended to show information for 10 years, and additional information will be displayed as it becomes available.

CITY OF SIERRA VISTA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - FIRE
LAST THREE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability			
Service cost	\$ 554,766	\$ 509,564	\$ 554,360
Interest	1,857,264	1,842,910	1,621,190
Changes of benefit terms	1,364,984		383,303
Differences between expected and actual	84,858	(533,875)	(564,575)
Changes of assumptions	1,007,378		2,198,015
Benefit payments, including refunds	(1,571,062)	(1,745,628)	(945,243)
Net change in total pension liability	<u>3,298,188</u>	<u>72,971</u>	<u>3,247,050</u>
Total pension liability—beginning	<u>24,167,563</u>	<u>24,094,592</u>	<u>20,847,542</u>
Total pension liability—ending	<u><u>\$ 27,465,751</u></u>	<u><u>\$ 24,167,563</u></u>	<u><u>\$ 24,094,592</u></u>
Plan fiduciary net position			
Contributions—employer	\$ 1,101,774	\$ 714,263	\$ 675,704
Contributions—employee	350,230	303,093	280,114
Net investment income	74,132	469,999	1,617,085
Benefit payments, including refunds	(1,571,062)	(1,745,628)	(945,243)
Administrative expense	(11,067)	(11,851)	(13,024)
Other	(90,098)	(72,095)	16,956
Net change in plan fiduciary net position	<u>(146,091)</u>	<u>(342,219)</u>	<u>1,631,592</u>
Plan fiduciary net position—beginning	<u>13,052,905</u>	<u>13,395,124</u>	<u>11,763,532</u>
Plan fiduciary net position—ending	<u><u>\$ 12,906,814</u></u>	<u><u>\$ 13,052,905</u></u>	<u><u>\$ 13,395,124</u></u>
Net pension liability—ending	<u><u>\$ 14,558,937</u></u>	<u><u>\$ 11,114,658</u></u>	<u><u>\$ 10,699,468</u></u>
Plan fiduciary net position as a percentage of the total pension liability	46.99%	54.01%	55.59%
Covered payroll	\$ 2,715,301	\$ 2,366,612	\$ 3,019,596
Net pension liability as a percentage of covered payroll	536.18%	469.64%	354.33%

See accompanying notes to this schedule.

The pension schedule in the required supplementary information is intended to show information for 10 years, and additional information will be displayed as it becomes available.

**CITY OF SIERRA VISTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the City is prepared on a basis consistent with accounting principles generally accepted in the United States of America.

NOTE 2 –PENSION PLAN SCHEDULES

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2015, valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The actuarial assumptions used in the June 30, 2016 valuation of PSPRS were based on the results of an actuarial experience study for the five year period ended June 30, 2011. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption from 4.5% to 4.0%.

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

**CITY OF SIERRA VISTA
 COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS -
 BY FUND TYPE
 JUNE 30, 2017**

	Special Revenue	Municipal Property Corporation Interest and Redemption
<u>ASSETS</u>		
Cash and investments	\$ 1,684,476	\$ 1,741,462
Intergovernmental receivable	1,044,420	
Accounts receivable	22,385	
Due from other funds		
Inventory	118,913	
Total assets	\$ 2,870,194	\$ 1,741,462
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 361,899	\$
Due to other funds	1,026,872	
Interest payable		282,491
Accrued salaries and employee benefits	32,606	
Other liabilities	44,239	
Total liabilities	1,465,616	282,491
Fund balances (deficits):		
Unassigned	(949,116)	
Nonspendable	118,913	
Restricted	2,234,781	1,458,971
Total fund balances	1,404,578	1,458,971
Total liabilities and fund balances	\$ 2,870,194	\$ 1,741,462

<u>Capital Improvements</u>	<u>Total Non-Major Governmental Funds</u>
\$	\$ 3,425,938
	1,044,420
113,950	136,335
2,151,633	2,151,633
	118,913
<u>\$ 2,265,583</u>	<u>\$ 6,877,239</u>
\$	\$ 361,899
	1,026,872
	282,491
	32,606
	44,239
	<u>1,748,107</u>
	(949,116)
	118,913
<u>2,265,583</u>	<u>5,959,335</u>
<u>2,265,583</u>	<u>5,129,132</u>
<u>\$ 2,265,583</u>	<u>\$ 6,877,239</u>

CITY OF SIERRA VISTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
YEAR ENDED JUNE 30, 2017

	<u>Special Revenue</u>	<u>Municipal Property Corporation Interest and Redemption</u>
Revenues:		
Taxes	\$	\$
Intergovernmental	2,917,043	
Charges for services	1,965,064	
Fines	26	
Investment income	2,514	743
Contributions	141,110	
Other revenues	103,972	
Total revenues	<u>5,129,729</u>	<u>743</u>
Expenditures:		
Current -		
General government	47,361	
Public safety	229,324	
Public works	6,039,041	
Culture and recreation	95,987	
Community development	27,432	
Capital outlay		
Debt service -		
Interest and fiscal charges	9,414	628,376
Principal	65,932	2,805,000
Total expenditures	<u>6,514,491</u>	<u>3,433,376</u>
Excess (deficiency) of revenues over expenditures	<u>(1,384,762)</u>	<u>(3,432,633)</u>
Other financing sources (uses):		
Transfers out	(213,923)	
Transfer in	507,054	3,497,370
Total other financing sources (uses)	<u>293,131</u>	<u>3,497,370</u>
Change in fund balances	<u>(1,091,631)</u>	<u>64,737</u>
Fund balances, beginning of year	2,496,209	1,394,234
Fund balances, end of year	<u><u>\$1,404,578</u></u>	<u><u>\$1,458,971</u></u>

Capital Improvements	Total Non-Major Governmental Funds
\$ 3,806,754	\$ 3,806,754
	2,917,043
	1,965,064
	26
	3,257
	141,110
80,778	184,750
<u>3,887,532</u>	<u>9,018,004</u>
	47,361
	229,324
	6,039,041
	95,987
	27,432
372,698	372,698
	637,790
	<u>2,870,932</u>
<u>372,698</u>	<u>10,320,565</u>
<u>3,514,834</u>	<u>(1,302,561)</u>
(3,692,051)	(3,905,974)
1,880	4,006,304
<u>(3,690,171)</u>	<u>100,330</u>
<u>(175,337)</u>	<u>(1,202,231)</u>
2,440,920	6,331,363
<u>\$ 2,265,583</u>	<u>\$ 5,129,132</u>

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NON-MAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues derived from specific sources. They are usually required by state statute, local ordinance or Federal Regulation to finance a particular operation or function.

Sierra Vista Municipal Planning Organization Fund (SVMPO) - To account for the operations of the local MPO.

Local Transportation Assistance Fund (LTAF) - To account for the operation of the City's transit service.

Police Special Programs Fund - To account for criminal investigation activities that result in the seizure of assets and Animal Control's Paws-to-Recycle program.

Grants Fund - To account for certain grants received by the City.

Judicial Collection Enhancement Fund - To account for special fees and surcharges assessed pursuant to State statute. This money can only be used for approved expenditures which improve, maintain or enhance the judiciary's ability to collect and manage monies assessed or received by the courts.

Airport Fund – This fund accounts for the operation of the Sierra Vista Municipal Airport.

Miscellaneous Donations Fund - To account for contributions from private sources restricted according to the donors request.

Library Development Fee Fund - To account for fees collected from subdivision developers to construct a branch library or expand the current library. Any unused monies must be returned to the developers after ten years.

Police Development Fee Fund - To account for fees collected from subdivision developers to expand current facilities and add new equipment to maintain the City's current level of police service. Any unused monies must be returned to the developers after ten years.

Infrastructure Development Fee Fund - To account for fees collected from subdivision developers to construct certain infrastructure improvements attributable to new growth. Any unused monies must be returned to the developers after ten years.

**CITY OF SIERRA VISTA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017**

	<u>SVMPO</u>	<u>LTAf</u>	<u>Police Special Programs</u>
<u>ASSETS</u>			
Cash and investments	\$	\$ 39,791	\$ 384,976
Intergovernmental receivable	109,300	158,370	
Accounts receivable		737	
Inventory			
Total assets	<u>\$ 109,300</u>	<u>\$ 198,898</u>	<u>\$ 384,976</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 42,675	\$ 7,677	\$ 13,712
Due to other funds	78,115		
Accrued salaries and employee benefits	3,525	23,797	
Other liabilities			
Total liabilities	<u>124,315</u>	<u>31,474</u>	<u>13,712</u>
Fund balances (deficits):			
Unassigned	(15,015)		
Nonspendable			
Restricted		167,424	371,264
Total fund balances	<u>(15,015)</u>	<u>167,424</u>	<u>371,264</u>
Total liabilities and fund balances	<u>\$ 109,300</u>	<u>\$ 198,898</u>	<u>\$ 384,976</u>

<u>Grants</u>	<u>Judicial Collection Enhancement</u>	<u>Airport</u>	<u>Miscellaneous Donations</u>	<u>Police Development Fee</u>
\$ 84,659	\$ 187	\$ 447,354 692,091 21,548 118,913	\$ 740,054 100	\$
<u>\$ 84,659</u>	<u>\$ 187</u>	<u>\$ 1,279,906</u>	<u>\$ 740,154</u>	<u>\$</u>
\$ 25,764 29,859 44,239 <u>99,862</u>	\$	\$ 227,707 5,284 <u>232,991</u>	\$ 42,769 <u>42,769</u>	\$ 918,898 <u>918,898</u>
(15,203)		118,913		(918,898)
<u>(15,203)</u>	<u>187</u> <u>187</u>	<u>928,002</u> <u>1,046,915</u>	<u>697,385</u> <u>697,385</u>	<u>(918,898)</u>
<u>\$ 84,659</u>	<u>\$ 187</u>	<u>\$ 1,279,906</u>	<u>\$ 740,154</u>	<u>\$</u>

(Continued)

**CITY OF SIERRA VISTA
 COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017
 (Concluded)**

	Infrastructure Development Fee	Totals
	<u> </u>	<u> </u>
<u>ASSETS</u>		
Cash and investments	\$ 72,114	\$ 1,684,476
Intergovernmental receivable		1,044,420
Accounts receivable		22,385
Inventory		118,913
Total assets	<u>\$ 72,114</u>	<u>\$ 2,870,194</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 1,595	\$ 361,899
Due to other funds		1,026,872
Accrued salaries and employee benefits		32,606
Other liabilities		44,239
Total liabilities	<u>1,595</u>	<u>1,465,616</u>
Fund balances (deficits):		
Unassigned		(949,116)
Nonspendable		118,913
Restricted	70,519	2,234,781
Total fund balances	<u>70,519</u>	<u>1,404,578</u>
 Total liabilities and fund balances	 <u>\$ 72,114</u>	 <u>\$ 2,870,194</u>

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**CITY OF SIERRA VISTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>SVMPO</u>	<u>LTAf</u>	<u>Police Special Programs</u>
Revenues:			
Intergovernmental	\$ 386,215	\$ 688,763	\$ 6,261
Charges for services		124,553	7,526
Fines			
Investment income			2,390
Contributions			1,982
Other revenues		4,965	96,608
Total revenues	<u>386,215</u>	<u>818,281</u>	<u>114,767</u>
Expenditures:			
Current -			
General government			
Public safety			132,250
Public works	398,976	1,230,003	
Culture and recreation			
Community development			
Debt service -			
Interest and fiscal charges			
Principal			
Total expenditures	<u>398,976</u>	<u>1,230,003</u>	<u>132,250</u>
Excess (deficiency) of revenues over expenditures	<u>(12,761)</u>	<u>(411,722)</u>	<u>(17,483)</u>
Other financing sources (uses):			
Transfers out			
Transfer in		430,000	
Total other financing sources (uses)		<u>430,000</u>	
Change in fund balances	<u>(12,761)</u>	<u>18,278</u>	<u>(17,483)</u>
Fund balances (deficits), beginning of year	(2,254)	149,146	388,747
Fund balances (deficits), end of year	<u>\$ (15,015)</u>	<u>\$ 167,424</u>	<u>\$ 371,264</u>

<u>Grants</u>	<u>Judicial Collection Enhancement</u>	<u>Airport</u>	<u>Miscellaneous Donations</u>	<u>Library Development Fee</u>	<u>Police Development Fee</u>
\$ 78,856	\$	\$ 1,756,948	\$	\$	\$
		1,653,655		936	28,825
	26				
6,868		124			
			132,260		
		2,399			
<u>85,724</u>	<u>26</u>	<u>3,413,126</u>	<u>132,260</u>	<u>936</u>	<u>28,825</u>
41,148			6,213		
17,144			79,930		
		2,853,722	1,402		
5,813			90,174		
26,195			1,237		
		9,414			
		65,932			
<u>90,300</u>		<u>2,929,068</u>	<u>178,956</u>		
(4,576)	26	484,058	(46,696)	936	28,825
				(1,880)	(212,043)
					13,981
				(1,880)	(198,062)
(4,576)	26	484,058	(46,696)	(944)	(169,237)
(10,627)	161	562,857	744,081	944	(749,661)
<u>\$ (15,203)</u>	<u>\$ 187</u>	<u>\$ 1,046,915</u>	<u>\$ 697,385</u>	<u>\$</u>	<u>\$ (918,898)</u>

(Continued)

CITY OF SIERRA VISTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017
(Concluded)

	Infrastructure Development Fee	Totals
Revenues:		
Intergovernmental	\$	\$ 2,917,043
Charges for services	149,569	1,965,064
Fines		26
Investment income		2,514
Contributions		141,110
Other revenues		103,972
Total revenues	149,569	5,129,729
Expenditures:		
Current -		
General government		47,361
Public safety		229,324
Public works	1,554,938	6,039,041
Culture and recreation		95,987
Community development		27,432
Debt service -		
Interest and fiscal charges		9,414
Principal		65,932
Total expenditures	1,554,938	6,514,491
Excess (deficiency) of revenues over expenditures	(1,405,369)	(1,384,762)
Other financing sources (uses):		
Transfers out		(213,923)
Transfer in	63,073	507,054
Total other financing sources (uses)	63,073	293,131
Change in fund balances	(1,342,296)	(1,091,631)
Fund balances (deficits), beginning of year	1,412,815	2,496,209
Fund balances (deficits), end of year	\$ 70,519	\$ 1,404,578

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CITY OF SIERRA VISTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017

	SVMPO		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 421,765	\$ 386,215	\$ (35,550)
Charges for services			
Fines			
Investment income			
Contributions			
Other revenues			
Total revenues	<u>421,765</u>	<u>386,215</u>	<u>(35,550)</u>
Expenditures:			
Current -			
General government			
Public safety			
Public works	421,765	398,976	22,789
Culture and recreation			
Community development			
Debt service -			
Interest and fiscal charges			
Principal			
Total expenditures	<u>421,765</u>	<u>398,976</u>	<u>22,789</u>
Excess (deficiency) of revenues over expenditures		<u>(12,761)</u>	<u>(12,761)</u>
Other financing sources (uses):			
Transfers out			
Transfer in			
Total other financing sources (uses)			
Change in fund balances		<u>(12,761)</u>	<u>(12,761)</u>
Fund balances (deficits), July 1, 2016		(2,254)	(2,254)
Fund balances (deficits), June 30, 2017	<u>\$</u>	<u>\$ (15,015)</u>	<u>\$ (15,015)</u>

LTAF			Police Special Programs		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 1,212,789	\$ 688,763	\$ (524,026)	\$ 50,000	\$ 6,261	\$ (43,739)
135,200	124,553	(10,647)		7,526	7,526
				2,390	2,390
				1,982	1,982
5,000	4,965	(35)	75,000	96,608	21,608
<u>1,352,989</u>	<u>818,281</u>	<u>(534,708)</u>	<u>125,000</u>	<u>114,767</u>	<u>(10,233)</u>
			324,500	132,250	192,250
1,949,804	1,230,003	719,801			
<u>1,949,804</u>	<u>1,230,003</u>	<u>719,801</u>	<u>324,500</u>	<u>132,250</u>	<u>192,250</u>
<u>(596,815)</u>	<u>(411,722)</u>	<u>185,093</u>	<u>(199,500)</u>	<u>(17,483)</u>	<u>182,017</u>
430,000	430,000				
<u>430,000</u>	<u>430,000</u>				
<u>(166,815)</u>	<u>18,278</u>	<u>185,093</u>	<u>(199,500)</u>	<u>(17,483)</u>	<u>182,017</u>
166,815	149,146	(17,669)	199,500	388,747	189,247
<u>\$</u>	<u>\$ 167,424</u>	<u>\$ 167,424</u>	<u>\$</u>	<u>\$ 371,264</u>	<u>\$ 371,264</u>

(Continued)

CITY OF SIERRA VISTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017
(Continued)

	Grants		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ 494,501	\$ 78,856	\$ (415,645)
Charges for services			
Fines			
Investment income			
Contributions	2,180,000	6,868	(2,173,132)
Other revenues			
Total revenues	<u>2,674,501</u>	<u>85,724</u>	<u>(2,588,777)</u>
Expenditures:			
Current -			
General government	250,000	41,148	208,852
Public safety	1,360,500	17,144	1,343,356
Public works	750,000		750,000
Culture and recreation	160,000	5,813	154,187
Community development	164,501	26,195	138,306
Debt service -			
Interest and fiscal charges			
Principal			
Total expenditures	<u>2,685,001</u>	<u>90,300</u>	<u>2,594,701</u>
Excess (deficiency) of revenues over expenditures	<u>(10,500)</u>	<u>(4,576)</u>	<u>5,924</u>
Other financing sources (uses):			
Transfers out			
Transfer in			
Total other financing sources (uses)			
Change in fund balances	<u>(10,500)</u>	<u>(4,576)</u>	<u>5,924</u>
Fund balances (deficits), July 1, 2016	10,500	(10,627)	(21,127)
Fund balances (deficits), June 30, 2017	<u>\$</u>	<u>\$ (15,203)</u>	<u>\$ (15,203)</u>

Judicial Collection Enhancement			Airport		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$ 2,281,257	\$ 1,756,948	\$ (524,309)
100	26	(74)	1,098,561	1,653,655	555,094
				124	124
			5,000	2,399	(2,601)
100	26	(74)	3,384,818	3,413,126	28,308
300		300			
			3,421,221	2,853,722	567,499
			9,415	9,414	1
			65,932	65,932	
300		300	3,496,568	2,929,068	567,500
(200)	26	226	(111,750)	484,058	595,808
			111,750		(111,750)
			111,750		(111,750)
(200)	26	226		484,058	484,058
200	161	(39)		562,857	562,857
\$	\$ 187	\$ 187	\$	\$1,046,915	\$ 1,046,915

(Continued)

CITY OF SIERRA VISTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017
(Continued)

	Miscellaneous Donations		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$	\$	\$
Charges for services			
Fines			
Investment income			
Contributions	381,424	132,260	(249,164)
Other revenues			
Total revenues	381,424	132,260	(249,164)
Expenditures:			
Current -			
General government	33,750	6,213	27,537
Public safety	508,042	79,930	428,112
Public works	6,890	1,402	5,488
Culture and recreation	409,485	90,174	319,311
Community development	1,781	1,237	544
Debt service -			
Interest and fiscal charges			
Principal			
Total expenditures	959,948	178,956	780,992
Excess (deficiency) of revenues over expenditures	(578,524)	(46,696)	531,828
Other financing sources (uses):			
Transfers out			
Transfer in			
Total other financing sources (uses)			
Change in fund balances	(578,524)	(46,696)	531,828
Fund balances (deficits), July 1, 2016	578,524	744,081	165,557
Fund balances (deficits), June 30, 2017	\$	\$ 697,385	\$ 697,385

Library Development Fee			Police Development Fee		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 7,500	\$ 936	\$ (6,564)	\$ 35,650	\$ 28,825	\$ (6,825)
<u>7,500</u>	<u>936</u>	<u>(6,564)</u>	<u>35,650</u>	<u>28,825</u>	<u>(6,825)</u>
<u>7,500</u>	<u>936</u>	<u>(6,564)</u>	<u>35,650</u>	<u>28,825</u>	<u>(6,825)</u>
(7,500)	(1,880)	5,620	(212,043)	(212,043)	
<u>(7,500)</u>	<u>(1,880)</u>	<u>5,620</u>	<u>13,981</u>	<u>13,981</u>	
	(944)	(944)	(162,412)	(169,237)	(6,825)
	944	944	162,412	(749,661)	(912,073)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$(918,898)</u>	<u>\$ (918,898)</u>

(Continued)

CITY OF SIERRA VISTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017
(Concluded)

	Infrastructure Development Fee		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$	\$	\$
Charges for services	160,837	149,569	(11,268)
Fines			
Investment income			
Contributions			
Other revenues			
Total revenues	160,837	149,569	(11,268)
Expenditures:			
Current -			
General government			
Public safety			
Public works	1,550,000	1,554,938	(4,938)
Culture and recreation			
Community development			
Debt service -			
Interest and fiscal charges			
Principal			
Total expenditures	1,550,000	1,554,938	(4,938)
Excess (deficiency) of revenues over expenditures	(1,389,163)	(1,405,369)	(16,206)
Other financing sources (uses):			
Transfers out			
Transfer in	63,073	63,073	
Total other financing sources (uses)	63,073	63,073	
Change in fund balances	(1,326,090)	(1,342,296)	(16,206)
Fund balances (deficits), July 1, 2016	1,326,090	1,412,815	86,725
Fund balances (deficits), June 30, 2017	\$	\$ 70,519	\$ 70,519

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 4,460,312	\$ 2,917,043	\$ (1,543,269)
1,437,748	1,965,064	527,316
100	26	(74)
	2,514	2,514
2,561,424	141,110	(2,420,314)
85,000	103,972	18,972
<u>8,544,584</u>	<u>5,129,729</u>	<u>(3,414,855)</u>
284,050	47,361	236,689
2,193,042	229,324	1,963,718
8,099,680	6,039,041	2,060,639
569,485	95,987	473,498
166,282	27,432	138,850
9,415	9,414	1
65,932	65,932	
<u>11,387,886</u>	<u>6,514,491</u>	<u>4,873,395</u>
<u>(2,843,302)</u>	<u>(1,384,762)</u>	<u>1,458,540</u>
(219,543)	(213,923)	5,620
618,804	507,054	(111,750)
399,261	293,131	(106,130)
<u>(2,444,041)</u>	<u>(1,091,631)</u>	<u>1,352,410</u>
2,444,041	2,496,209	52,168
<u>\$</u>	<u>\$ 1,404,578</u>	<u>\$ 1,404,578</u>

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NON-MAJOR DEBT SERVICE FUND

Debt Service Funds are created to account for the payment of interest and principal on long-term debt other than debt issued for and serviced primarily by a government enterprise.

Sierra Vista Municipal Property Corporation Interest and Redemption Fund - To account for the accumulation of resources and payment of principal and interest on Sierra Vista Municipal Property Corporation Municipal Facilities Revenue Bonds. Principal and interest on the bonds are payable from and secured by a pledge of and first lien on all excise tax revenues received by the City.

**CITY OF SIERRA VISTA
BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2017**

	<u>Municipal Property Corporation Interest and Redemption</u>
<u>ASSETS</u>	
Cash and investments	\$ 1,741,462
Total assets	<u>\$ 1,741,462</u>
 <u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Interest payable	282,491
Total liabilities	<u>282,491</u>
Fund balances:	
Unassigned	
Restricted	1,458,971
Total fund balances	<u>1,458,971</u>
 Total liabilities and fund balances	 <u>\$ 1,741,462</u>

**CITY OF SIERRA VISTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	Municipal Property Corporation Interest and Redemption
Revenues:	
Investment income	\$ 743
Total revenues	743
Expenditures:	
Debt service -	
Interest and fiscal charges	628,376
Principal	2,805,000
Total expenditures	3,433,376
Excess (deficiency) of revenues over expenditures	(3,432,633)
Other financing sources (uses):	
Transfer in	3,497,370
Total other financing sources (uses)	3,497,370
Change in fund balances	64,737
Fund balances, beginning of year	1,394,234
Fund balances, end of year	\$ 1,458,971

**CITY OF SIERRA VISTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2017**

	Municipal Property Corporation Interest and Redemption		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Investment income	\$	\$ 743	\$ 743
Total revenues		743	743
Expenditures:			
Debt service -			
Interest and fiscal charges	628,377	628,376	1
Principal	2,805,000	2,805,000	
Total expenditures	3,433,377	3,433,376	
Excess (deficiency) of revenues over expenditures	(3,433,377)	(3,432,633)	744
Other financing sources (uses):			
Transfer in	3,433,377	3,497,370	63,993
Total other financing sources (uses)	3,433,377	3,497,370	63,993
Change in fund balances		64,737	64,737
Fund balances, July 1, 2016		1,394,234	1,394,234
Fund balances, June 30, 2017	\$	\$1,458,971	\$1,458,971

NON-MAJOR CAPITAL PROJECT FUND

Capital Projects Funds are created to account for the purchase or construction of major capital facilities which are not financed by Enterprise or Special Revenue Funds. Capital Projects Funds provide a mechanism to ensure that revenues dictated to a certain, relatively restricted purpose are used only from that purpose.

Capital Improvements Fund - To account for local transaction privilege taxes designated for capital improvements and debt service on capital improvements.

**CITY OF SIERRA VISTA
BALANCE SHEET – NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017**

<u>ASSETS</u>	<u>Capital Improvements</u>
Accounts receivable	\$ 113,950
Due from other funds	<u>2,151,633</u>
Total assets	<u><u>\$ 2,265,583</u></u>
<u>LIABILITIES AND FUND BALANCES</u>	
Fund balances:	
Unassigned	
Restricted	<u>2,265,583</u>
Total fund balances	<u>2,265,583</u>
Total liabilities and fund balances	<u><u>\$ 2,265,583</u></u>

**CITY OF SIERRA VISTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2017**

	Capital Improvements
Revenues:	
Taxes	\$ 3,806,754
Other revenues	80,778
Total revenues	3,887,532
 Expenditures:	
Capital outlay	372,698
Total expenditures	372,698
 Excess (deficiency) of revenues over expenditures	 3,514,834
 Other financing sources (uses):	
Transfers out	(3,692,051)
Transfer in	1,880
Total other financing sources (uses)	(3,690,171)
 Change in fund balances	 (175,337)
 Fund balances, beginning of year	 2,440,920
 Fund balances, end of year	 \$ 2,265,583

**CITY OF SIERRA VISTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL – NON-MAJOR CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2017**

	Capital Improvements		
	Budget	Actual	Variance - Positive - (Negative)
Revenues:			
Taxes	\$3,802,201	\$3,806,754	\$ 4,553
Other revenues		80,778	80,778
Total revenues	<u>3,802,201</u>	<u>3,887,532</u>	<u>85,331</u>
Expenditures:			
Capital outlay	940,000	372,698	567,302
Total expenditures	<u>940,000</u>	<u>372,698</u>	<u>567,302</u>
Excess (deficiency) of revenues over expenditures	<u>2,862,201</u>	<u>3,514,834</u>	<u>652,633</u>
Other financing sources (uses):			
Transfers out	(4,283,486)	(3,692,051)	591,435
Transfer in	7,500	1,880	(5,620)
Total other financing sources (uses)	<u>(4,275,986)</u>	<u>(3,690,171)</u>	<u>585,815</u>
Change in fund balances	<u>(1,413,785)</u>	<u>(175,337)</u>	<u>1,238,448</u>
Fund balances, July 1, 2016	1,413,785	2,440,920	1,027,135
Fund balances, June 30, 2017	<u>\$</u>	<u>\$2,265,583</u>	<u>\$2,265,583</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are created to account for the financing of goods or services provided by one department or agency to another department or agency on a cost-reimbursement basis.

Health and Accident Insurance Fund - To account for the accumulation of resources to be used for payments under our Health and Accident Insurance Program. Each department is billed an estimated cost and in case of dependent coverage, the employee must contribute via payroll deduction. Actual costs include administration of the plan, claims paid and premiums paid to limit risk.

Unemployment Insurance Fund - To account for the accumulation of resources for payment of unemployment benefits at such time as they become due. Presently, earnings from accumulated assets are sufficient for the fund to be self-sustaining.

Self-Insured Retention Fund - To account for the accumulation of resources to be used for payments of liability claims, premiums paid to limit loss, and plan administration fees. Funding is being provided by charges to the various funds based upon anticipated loss reserve requirements.

**CITY OF SIERRA VISTA
COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2017**

	Health and Accident Insurance	Unemployment Insurance	Self-Insured Retention	Totals
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$3,247,607	\$ 71,097	\$ 201,635	\$3,520,339
Accounts receivable	3,543			3,543
Due from other funds	1,513,468			1,513,468
Total assets	<u>4,764,618</u>	<u>71,097</u>	<u>201,635</u>	<u>5,037,350</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 9,774	\$ 471	\$	\$ 10,245
Claims payable	210,015			210,015
Total liabilities	<u>219,789</u>	<u>471</u>		<u>220,260</u>
<u>NET POSITION</u>				
Unrestricted	4,544,829	70,626	201,635	4,817,090
Total net position	<u>\$4,544,829</u>	<u>\$ 70,626</u>	<u>\$ 201,635</u>	<u>\$4,817,090</u>

**CITY OF SIERRA VISTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Health and Accident Insurance	Unemployment Insurance	Self-Insured Retention	Totals
Operating revenues:				
Contributions	\$ 3,972,980	\$	\$	\$ 3,972,980
Other revenues	304,286		18,111	322,397
Total operating revenues	<u>4,277,266</u>		<u>18,111</u>	<u>4,295,377</u>
Operating expenses:				
Operations and maintenance	286,975			286,975
Benefits paid	3,256,720	4,048	43,391	3,304,159
Premiums paid	458,997			458,997
Total operating expenses	<u>4,002,692</u>	<u>4,048</u>	<u>43,391</u>	<u>4,050,131</u>
Operating income (loss)	<u>274,574</u>	<u>(4,048)</u>	<u>(25,280)</u>	<u>245,246</u>
Nonoperating revenues (expenses):				
Investment income	20,327			20,327
Total nonoperating revenues (expenses)	<u>20,327</u>			<u>20,327</u>
Income (loss) before capital contributions and transfers	<u>294,901</u>	<u>(4,048)</u>	<u>(25,280)</u>	<u>265,573</u>
Transfer in		25,000		25,000
Change in net position	<u>294,901</u>	<u>20,952</u>	<u>(25,280)</u>	<u>290,573</u>
Total net position, beginning of year	4,249,928	49,674	226,915	4,526,517
Total net position, end of year	<u>\$ 4,544,829</u>	<u>\$ 70,626</u>	<u>\$ 201,635</u>	<u>\$ 4,817,090</u>

**CITY OF SIERRA VISTA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Health and Accident Insurance	Unemployment Insurance	Self-Insured Retention	Total
<u>Increase (Decrease) In Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 3,995,397		\$	\$ 3,995,397
Cash paid to suppliers for goods and services	(3,975,074)	(3,577)	(44,891)	(4,023,542)
Other operating revenues	304,286		18,111	322,397
Net cash provided by (used for) operating activities	324,609	(3,577)	(26,780)	294,252
Cash flows from noncapital financing activities:				
Transfers		25,000		25,000
Change in intrafund borrowing	(44,728)			(44,728)
Net cash provided by (used for) financing activities	(44,728)	25,000	-	(19,728)
Cash flows from investing activities:				
Investment income	20,327			20,327
Net cash provided by investing activities	20,327			20,327
Net increase (decrease) in cash and cash equivalents	300,208	21,423	(26,780)	294,851
Cash and cash equivalents, July 1, 2016	2,947,399	49,674	228,415	3,225,488
Cash and cash equivalents, June 30, 2017	\$ 3,247,607	\$ 71,097	\$ 201,635	\$ 3,520,339
<u>Reconciliation of Operating Income (Loss) to</u>				
<u>Net Cash Provided By (Used for) Operating Activities</u>				
Operating income (loss)	\$ 274,574	(4,048)	(25,280)	245,246
Adjustments to reconcile operating income (loss)				
to net cash provided by (used for) operating activities:				
Change in assets and liabilities:				
Decrease (increase) in gross accounts receivable	22,417			22,417
Increase (decrease) in operating portion				
of accounts payable	27,618	471	(1,500)	26,589
Total adjustments	50,035	471	(1,500)	49,006
Net cash provided by (used for) operating activities	\$ 324,609	(3,577)	(26,780)	\$ 294,252

AGENCY FUNDS

Agency Funds are created to account for monies held by the City on behalf of others.

Customer Deposit Fund - To account for deposits paid by developers and utility customers.

Partnership Deposit Fund - To account for monies held by the City on behalf of the Upper San Pedro Partnership. The City is acting as the fiscal agent for the Partnership

**CITY OF SIERRA VISTA
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 JUNE 30, 2017**

	Customer Deposits	Partnership Deposits	Totals
<u>ASSETS</u>			
Cash and investments	\$ 219,680	\$ 351,177	\$ 570,857
Accounts receivable	62		62
Total assets	\$ 219,742	\$ 351,177	\$ 570,919
 <u>LIABILITIES</u>			
Accounts payable	4,820	12,125	16,945
Customer deposits	214,922	339,052	553,974
Total liabilities	\$ 219,742	\$ 351,177	\$ 570,919

CITY OF SIERRA VISTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Customer Deposits</u>				
<u>Assets</u>				
Cash and investments	\$ 338,964	\$ 41,333	\$ 160,617	\$ 219,680
Accounts receivable	10,616	127,541	138,095	62
Total assets	<u>\$ 349,580</u>	<u>\$ 168,874</u>	<u>\$ 298,712</u>	<u>\$ 219,742</u>
<u>Liabilities</u>				
Accounts payable	\$ 3,374	\$ 34,087	\$ 32,641	\$ 4,820
Customer deposits	346,206	76,764	208,048	214,922
Total liabilities	<u>\$ 349,580</u>	<u>\$ 110,851</u>	<u>\$ 240,689</u>	<u>\$ 219,742</u>
<u>Partnership Deposits</u>				
<u>Assets</u>				
Cash and investments	\$ 341,244	\$ 202,335	\$ 192,402	\$ 351,177
Accounts receivable		180,000	180,000	
Total assets	<u>\$ 341,244</u>	<u>\$ 382,335</u>	<u>\$ 372,402</u>	<u>\$ 351,177</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 189,774	\$ 177,649	\$ 12,125
Customer deposits	341,244	341,370	343,562	339,052
Total liabilities	<u>\$ 341,244</u>	<u>\$ 531,144</u>	<u>\$ 521,211</u>	<u>\$ 351,177</u>
<u>Total Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$ 680,208	\$ 243,668	\$ 353,019	\$ 570,857
Accounts receivable	10,616	307,541	318,095	62
Total assets	<u>\$ 690,824</u>	<u>\$ 551,209</u>	<u>\$ 671,114</u>	<u>\$ 570,919</u>
<u>Liabilities</u>				
Accounts payable	\$ 3,374	\$ 223,861	\$ 210,290	\$ 16,945
Customer deposits	687,450	418,134	551,610	553,974
Total liabilities	<u>\$ 690,824</u>	<u>\$ 641,995</u>	<u>\$ 761,900</u>	<u>\$ 570,919</u>

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STATISTICAL SECTION

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The statistical section presents financial statements trends as well as detailed financial and operating information not available elsewhere in the report. The statistical section is intended to enhance the readers' understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

Financial Trends - These schedules contain information on financial trends to help the reader understand how the City's financial position and financial activities have changed over time.

Revenue Capacity - These schedules contain information to help the reader assess the factors affecting the City's ability to generate revenue.

Debt Capacity - These schedules present information to help the reader evaluate the City's current levels of outstanding debt as well as assess the City's ability to make debt payments and/or issue additional debt in the future.

Demographic and Economic Information - These schedules present various demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons with other municipalities.

Operating Information - These schedules contain information about the City's operations and various resources to help the reader draw conclusions as to how the City's financial information relates to the services provided by the City.

City of Sierra Vista
Net Position by Component
Last 10 Years
(accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities				
Net investment in capital assets	\$ 71,669,712	\$ 93,879,321	\$ 97,100,275	\$ 98,629,178
Restricted	892,345	1,388,809	1,214,338	1,582,118
Unrestricted	25,539,943	2,958,036	3,600,823	857,128
Total governmental activities net position	<u>\$ 98,102,000</u>	<u>\$ 98,226,166</u>	<u>\$ 101,915,436</u>	<u>\$ 101,068,424</u>
Business-type activities				
Net investment in capital assets	\$ 30,854,970	\$ 33,105,955	\$ 33,790,428	\$ 34,181,472
Restricted				
Unrestricted	(1,335,420)	(2,981,587)	(3,011,800)	(2,975,726)
Total business-type activities net position	<u>\$ 29,519,550</u>	<u>\$ 30,124,368</u>	<u>\$ 30,778,628</u>	<u>\$ 31,205,746</u>
Primary government				
Net investment in capital assets	\$ 102,524,682	\$ 126,985,276	\$ 130,890,703	\$ 132,810,650
Restricted	892,345	1,388,809	1,214,338	1,582,118
Unrestricted	24,204,523	(23,551)	589,023	(2,118,598)
Total primary government net position	<u>\$ 127,621,550</u>	<u>\$ 128,350,534</u>	<u>\$ 132,694,064</u>	<u>\$ 132,274,170</u>

Note: In FY2015, the City implemented GASB 68, *Accounting and Financial Reporting for Pension*.
This resulted in a restatement of beginning net assets from \$130.7 million to \$87.4 million.
Source: City of Sierra Vista

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 98,771,323	\$ 97,557,911	\$ 99,144,355	\$ 99,075,363	\$ 98,246,265	\$ 99,349,505
2,500,401	4,524,148	4,966,561	6,909,429	8,033,660	4,863,722
(250,806)	(5,123,877)	(8,525,763)	(51,965,213)	(54,647,190)	(57,454,383)
<u>\$ 101,020,918</u>	<u>\$ 96,958,182</u>	<u>\$ 95,585,153</u>	<u>\$ 54,019,579</u>	<u>\$ 51,632,735</u>	<u>\$ 46,758,844</u>
\$ 34,333,688	\$ 33,088,657	\$ 35,493,373	\$ 35,024,841	\$ 35,650,689	\$ 33,923,064
		51,233	51,233	51,233	51,233
(1,819,668)	(382,866)	(469,568)	(4,616,338)	(5,463,562)	(4,621,357)
<u>\$ 32,514,020</u>	<u>\$ 32,705,791</u>	<u>\$ 35,075,038</u>	<u>\$ 30,459,736</u>	<u>\$ 30,238,360</u>	<u>\$ 29,352,940</u>
\$ 133,105,011	\$ 130,646,568	\$ 134,637,728	\$ 134,100,204	\$ 133,896,954	\$ 133,272,569
2,500,401	4,524,148	5,017,794	6,960,662	8,084,893	4,914,955
(2,070,474)	(5,506,743)	(8,995,331)	(56,581,551)	(60,110,752)	(62,075,740)
<u>\$ 133,534,938</u>	<u>\$ 129,663,973</u>	<u>\$ 130,660,191</u>	<u>\$ 84,479,315</u>	<u>\$ 81,871,095</u>	<u>\$ 76,111,784</u>

City of Sierra Vista
Changes in Net Position
Last 10 Years
(accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses				
Governmental activities:				
General government	\$ 5,400,652	\$ 6,295,912	\$ 6,373,071	\$ 6,105,723
Public safety	12,982,854	15,383,618	15,936,516	15,361,959
Public works	13,397,910	14,704,763	13,493,614	14,466,185
Culture and recreation	6,730,299	5,669,339	5,413,023	6,612,745
Community development	1,354,739	1,460,767	1,314,933	1,284,149
Interest and fiscal charges	1,168,106	2,052,274	1,597,221	1,322,280
Total governmental activities expenses	<u>41,034,560</u>	<u>45,566,673</u>	<u>44,128,378</u>	<u>45,153,041</u>
Business-type activities:				
Sewer	4,138,394	4,195,950	3,800,591	3,828,618
Refuse	3,737,762	4,432,709	4,054,523	4,058,302
Leisure		1,382,032	1,261,163	
Total business-type activities expenses	<u>7,876,156</u>	<u>10,010,691</u>	<u>9,116,277</u>	<u>7,886,920</u>
Total primary government expenses	<u>\$ 48,910,716</u>	<u>\$ 55,577,364</u>	<u>\$ 53,244,655</u>	<u>\$ 53,039,961</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 262,840	\$ 271,822	\$ 259,992	\$ 263,643
Public safety	1,388,991	1,346,379	1,562,677	1,759,035
Public works	2,968,974	2,380,250	2,039,748	3,411,247
Culture and recreation	1,703,407	351,461	489,592	1,478,401
Community development	1,012,268	1,728,017	2,470,275	541,794
Operating grants and contributions	1,350,710	1,163,531	1,418,887	1,498,867
Capital grants and contributions	6,077,483	4,178,833	6,773,655	3,464,727
Total governmental activities program revenues	<u>14,764,673</u>	<u>11,420,293</u>	<u>15,014,826</u>	<u>12,417,714</u>
Business-type activities:				
Charges for services:				
Sewer	3,101,539	3,394,053	3,842,782	3,916,860
Refuse	4,054,365	4,497,864	4,412,952	4,535,961
Leisure		980,472	730,698	
Capital grants and contributions	1,165,433	1,534,673	359,605	10,890
Total business-type activities program revenues	<u>8,321,337</u>	<u>10,407,062</u>	<u>9,346,037</u>	<u>8,463,711</u>
Total primary government program revenues	<u>\$ 23,086,010</u>	<u>\$ 21,827,355</u>	<u>\$ 24,360,863</u>	<u>\$ 20,881,425</u>
Net (Expense)/Revenue				
Governmental activities	\$ (26,269,887)	\$ (34,146,380)	\$ (29,113,552)	\$ (32,735,327)
Business-type activities	445,181	396,371	229,760	576,791
Total primary government net expense	<u>\$ (25,824,706)</u>	<u>\$ (33,750,009)</u>	<u>\$ (28,883,792)</u>	<u>\$ (32,158,536)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 347,249	\$ 368,755	\$ 373,046	\$ 378,251
Sales taxes	17,797,427	17,433,009	17,230,912	17,086,526
Franchise taxes	273,177	413,668	646,654	620,704
State shared revenues	16,185,925	15,557,391	14,087,082	12,692,598
Investment income	329,808	62,461	8,073	6,722
Other revenues	638,136	643,443	881,273	953,701
Transfers		(208,181)	(424,218)	149,813
Total governmental activities	<u>35,571,722</u>	<u>34,270,546</u>	<u>32,802,822</u>	<u>31,888,315</u>
Business-type activities:				
Investment income	16,296		282	140
Transfers		208,181	424,218	(149,813)
Total business-type activities	<u>16,296</u>	<u>208,181</u>	<u>424,500</u>	<u>(149,673)</u>
Total primary government	<u>\$ 35,588,018</u>	<u>\$ 34,478,727</u>	<u>\$ 33,227,322</u>	<u>\$ 31,738,642</u>
Change in Net Position				
Governmental activities	\$ 9,301,835	\$ 124,166	\$ 3,689,270	\$ (847,012)
Business-type activities	461,477	604,552	654,260	427,118
Total primary government	<u>\$ 9,763,312</u>	<u>\$ 728,718</u>	<u>\$ 4,343,530</u>	<u>\$ (419,894)</u>

Source: City of Sierra Vista

Note: Starting in 2013 franchise fees were accounted for as license and permit revenue instead of tax revenue

	2012	2013	2014	2015	2016	2017
\$	5,416,997	\$ 5,733,325	\$ 6,461,623	\$ 6,609,010	\$ 7,299,648	\$ 6,628,073
	15,741,058	16,679,199	16,892,244	18,599,902	18,164,895	22,560,672
	15,684,106	13,971,626	15,894,553	16,486,381	15,572,233	15,218,602
	4,682,921	5,451,451	3,891,908	3,107,107	3,679,116	4,584,022
	1,256,425	922,944	1,174,014	1,088,865	869,175	856,310
	1,193,187	1,094,226	984,643	881,623	774,429	656,506
	<u>43,974,694</u>	<u>43,852,771</u>	<u>45,298,985</u>	<u>46,772,888</u>	<u>46,359,496</u>	<u>50,504,185</u>
	3,695,564	3,995,159	3,991,879	3,804,727	3,957,011	3,861,004
	4,244,047	4,421,364	4,272,556	4,088,053	4,188,929	4,385,874
	<u>7,939,611</u>	<u>8,416,523</u>	<u>8,264,435</u>	<u>7,892,780</u>	<u>8,145,940</u>	<u>8,246,878</u>
\$	<u>51,914,305</u>	<u>52,269,294</u>	<u>53,563,420</u>	<u>54,665,668</u>	<u>54,505,436</u>	<u>58,751,063</u>
\$	267,922	\$ 1,048,052	\$ 1,525,767	\$ 1,486,331	\$ 1,364,244	\$ 3,861,004
	1,721,067	1,691,539	1,221,295	1,545,943	1,704,179	4,385,874
	2,522,046	2,384,010	2,560,147	2,355,411	2,542,471	3,020,506
	1,079,641	1,124,673	1,036,840	1,062,303	1,051,700	1,064,926
	1,627,780	767,063	1,138,824	890,573	619,315	572,304
	1,522,872	1,282,624	1,783,822	2,010,368	1,572,360	1,597,066
	4,376,706	1,152,159	3,303,899	1,853,539	1,801,904	1,893,296
	<u>13,118,034</u>	<u>9,450,120</u>	<u>12,570,594</u>	<u>11,204,468</u>	<u>10,656,173</u>	<u>16,394,976</u>
	4,274,980	4,029,798	4,084,499	2,586,469	3,839,006	3,824,136
	4,720,748	4,679,431	4,638,149	4,327,870	4,235,371	3,687,135
	<u>401,970</u>	<u>48,878</u>	<u>2,060,847</u>	<u>293,936</u>		
	9,397,698	8,758,107	10,783,495	7,208,275	8,074,377	7,511,271
\$	<u>22,515,732</u>	<u>18,208,227</u>	<u>23,354,089</u>	<u>18,412,743</u>	<u>18,730,550</u>	<u>23,906,247</u>
\$	(30,856,660)	\$ (34,402,651)	\$ (32,728,391)	\$ (35,568,420)	\$ (35,703,323)	\$ (34,109,209)
	1,458,087	341,584	2,519,060	(684,505)	(71,563)	(735,607)
\$	<u>(29,398,573)</u>	<u>(34,061,067)</u>	<u>(30,209,331)</u>	<u>(36,252,925)</u>	<u>(35,774,886)</u>	<u>(34,844,816)</u>
\$	400,517	\$ 397,349	\$ 390,759	\$ 371,634	\$ 359,567	\$ 364,542
	16,757,320	16,192,020	16,650,008	17,555,028	17,749,083	18,092,696
	620,157	-	-	-	-	-
	11,712,579	12,775,428	13,494,847	14,369,609	14,666,533	14,880,201
	14,763	35,631	21,877	15,870	17,288	31,188
	1,154,004	789,674	648,058	990,238	374,195	431,580
	149,813	149,813	149,813	149,813	149,813	149,813
	<u>30,809,153</u>	<u>30,339,915</u>	<u>31,355,362</u>	<u>33,452,192</u>	<u>33,316,479</u>	<u>33,950,020</u>
	(149,813)	(149,813)	(149,813)	(149,813)	(149,813)	(149,813)
	(149,813)	(149,813)	(149,813)	(149,813)	(149,813)	(149,813)
\$	<u>30,659,340</u>	<u>30,190,102</u>	<u>31,205,549</u>	<u>33,302,379</u>	<u>33,166,666</u>	<u>33,800,207</u>
\$	(47,507)	\$ (4,062,736)	\$ (1,373,029)	\$ (2,116,228)	\$ (2,386,844)	\$ (159,189)
	1,308,274	191,771	2,369,247	(834,318)	(221,376)	(885,420)
\$	<u>1,260,767</u>	<u>(3,870,965)</u>	<u>996,218</u>	<u>(2,950,546)</u>	<u>(2,608,220)</u>	<u>(1,044,609)</u>

City of Sierra Vista
Fund Balances, Governmental Funds
Last 10 Years
(modified accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund				
Unreserved	\$ 3,493,303	\$ 3,776,988	\$ 3,851,411	
Unassigned				\$ 3,863,565
Nonspendable				
Total General Fund balance	<u>\$ 3,493,303</u>	<u>\$ 3,776,988</u>	<u>\$ 3,851,411</u>	<u>\$ 3,863,565</u>
All Other Governmental Funds				
Restricted	\$	\$	\$	\$ 3,697,571
Nonspendable				
Unassigned				(1,692,419)
Unreserved, reported in:				
Special revenue funds	3,090,300	2,038,723	1,601,406	
Capital projects funds	18,955,800	4,885,226	2,002,537	
Debt service funds	574,223	1,034,839	744,177	
Total all other governmental funds	<u>22,620,323</u>	<u>7,958,788</u>	<u>4,348,120</u>	<u>2,005,152</u>
Total all governmental funds	<u>\$26,113,626</u>	<u>\$11,735,776</u>	<u>\$ 8,199,531</u>	<u>\$ 5,868,717</u>

Source: City of Sierra Vista

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 3,878,908	\$ 3,898,837	\$ 3,972,820	\$ 4,066,675	\$ 4,076,911	\$ 4,098,515
				52,031	75,647
<u>\$ 3,878,908</u>	<u>\$ 3,898,837</u>	<u>\$ 3,972,820</u>	<u>\$ 4,066,675</u>	<u>\$ 4,128,942</u>	<u>\$ 4,174,162</u>
\$ 4,437,036	\$ 4,524,148	\$ 4,966,561	\$ 6,909,429	\$ 8,033,660	\$ 7,809,861
(1,936,635)	(2,758,173)	(3,619,690)	(4,028,268)	73,438	118,913
				(4,631,568)	(5,663,027)
<u>2,500,401</u>	<u>1,765,975</u>	<u>1,346,871</u>	<u>2,881,161</u>	<u>3,475,530</u>	<u>2,265,747</u>
<u>\$ 6,379,309</u>	<u>\$ 5,664,812</u>	<u>\$ 5,319,691</u>	<u>\$ 6,947,836</u>	<u>\$ 7,604,472</u>	<u>\$ 6,439,909</u>

City of Sierra Vista
Changes in Fund Balances, Governmental Funds
Last 10 Years
(modified accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues:				
Taxes	\$ 18,417,853	\$ 18,215,432	\$ 18,250,612	\$ 18,085,481
Licenses and permits	1,201,168	974,873	1,207,778	815,087
Intergovernmental	18,524,043	18,328,714	20,719,892	17,231,563
Charges for services	6,105,738	5,071,891	5,581,742	6,607,534
Fines	29,574	31,165	32,764	31,499
Investment income	329,808	62,461	8,073	6,722
Contributions	405,175	412,013	735,101	103,620
Other revenues	638,136	643,443	881,273	953,701
Total revenues	<u>45,651,495</u>	<u>43,739,992</u>	<u>47,417,235</u>	<u>43,835,207</u>
Expenditures:				
General government	6,306,083	6,193,351	6,432,811	5,940,858
Public safety	12,183,789	13,732,763	13,269,989	13,183,030
Public works	13,143,762	12,478,750	15,865,085	13,280,984
Culture and recreation	6,570,074	5,025,905	4,648,446	5,263,125
Community development	1,430,534	1,411,283	1,291,078	1,222,838
Capital outlay	9,130,044	9,010,524	3,907,207	3,097,265
Debt service -				
Interest and fiscal charges	1,168,106	2,052,274	1,694,277	1,322,280
Principal	2,498,766	8,891,434	13,628,968	3,005,454
Total expenditures	<u>52,431,158</u>	<u>58,796,284</u>	<u>60,737,861</u>	<u>46,315,834</u>
Excess (deficiency) of revenues over expenditures	(6,779,663)	(15,056,292)	(13,320,626)	(2,480,627)
Other financing sources (uses):				
Transfers out	(6,442,246)	(11,929,506)	(6,639,225)	(5,040,530)
Transfer in	6,442,246	11,721,325	6,215,007	5,190,343
Net Proceeds from sale of bonds	22,500,000		10,117,056	
Proceeds from installment purchase	519,386	886,623	91,543	
Total other financing sources (uses)	<u>23,019,386</u>	<u>678,442</u>	<u>9,784,381</u>	<u>149,813</u>
Net Change in fund balances	<u>\$ 16,239,723</u>	<u>\$(14,377,850)</u>	<u>\$ (3,536,245)</u>	<u>\$ (2,330,814)</u>
Debt service as a percentage of noncapital expenditures	9.8%	23.8%	31.4%	11.3%

Source: City of Sierra Vista

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 17,777,994	\$ 16,589,369	\$ 17,040,767	\$ 17,926,662	\$ 18,108,650	\$ 18,457,238
1,093,475	1,444,445	1,855,217	1,775,419	1,553,851	1,729,991
14,233,771	14,916,649	16,911,860	16,638,440	16,336,187	18,205,719
6,095,979	5,545,131	5,602,590	5,542,823	5,707,852	6,194,348
29,002	25,761	25,066	22,319	20,206	19,020
14,763	35,631	21,877	15,870	17,288	31,188
2,960,309	153,794	1,670,708	1,595,076	1,704,611	164,844
1,154,004	789,674	648,058	990,238	374,195	431,560
<u>43,359,297</u>	<u>39,500,454</u>	<u>43,776,143</u>	<u>44,506,847</u>	<u>43,822,840</u>	<u>45,233,908</u>
5,095,292	5,962,304	5,931,492	6,135,261	6,354,521	6,198,461
13,580,188	13,831,076	15,097,854	14,652,603	15,352,722	17,387,613
15,444,339	12,325,352	14,719,023	14,221,370	13,211,542	15,453,133
3,743,441	4,639,890	3,171,277	2,997,303	3,150,038	3,384,473
1,186,790	836,423	1,082,532	1,191,835	873,558	862,021
268,626	364,628	234,592		524,409	372,698
1,193,187	1,094,226	984,643	881,623	774,429	656,506
2,694,552	3,733,604	3,049,664	2,948,520	3,024,798	3,145,487
<u>43,206,415</u>	<u>42,787,503</u>	<u>44,271,077</u>	<u>43,028,515</u>	<u>43,266,017</u>	<u>47,460,392</u>
152,882	(3,287,049)	(494,934)	1,478,332	556,823	(2,226,484)
(4,843,907)	(5,160,541)	(5,368,626)	(4,715,328)	(4,768,674)	(5,237,077)
4,993,720	5,310,354	5,518,439	4,865,141	4,868,487	5,361,890
207,896	2,422,739				937,088
<u>357,709</u>	<u>2,572,552</u>	<u>149,813</u>	<u>149,813</u>	<u>99,813</u>	<u>1,061,901</u>
<u>\$ 510,591</u>	<u>\$ (714,497)</u>	<u>\$ (345,121)</u>	<u>\$ 1,628,145</u>	<u>\$ 656,636</u>	<u>\$ (1,164,583)</u>
10.4%	12.6%	10.4%	10.0%	9.7%	9.4%

City of Sierra Vista
Sales Tax by Category
Last 10 years

(modified accrual basis of accounting)

Business Category	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Communications & utilities	\$ 1,513,742	\$ 1,623,435	\$ 1,574,145	\$ 1,475,399
Transportation & warehousing	10,113	9,927	10,311	10,416
Construction	1,616,467	1,221,945	1,229,591	1,214,444
Manufacturing	347,894	415,227	296,786	253,839
Wholesale trade	338,111	165,986	118,634	148,451
Retail trade	9,213,760	8,908,294	8,815,201	8,797,235
Finance & insurance	12,667	12,669	7,130	5,531
Real estate, rental & leasing	1,330,341	1,431,807	1,505,237	1,425,411
Restaurant & bar	1,725,078	1,709,308	1,793,820	1,868,531
Accommodation	1,079,462	1,335,583	1,290,820	1,381,079
Services	429,935	421,492	450,928	412,968
Arts & entertainment	11,565	11,322	8,191	7,238
Utilities				
Communicaitons				
Publication				
Restaurant & Bar				
Contracting - Prime				
Retail Sales				
Use Tax Purchases				
Use Tax from inventory				
Residential Rental				
Retail Food for home consumption				
Commercial Rental				
Tangible Property Rental				
Extended Stay				
Other	168,292	166,014	130,118	85,984
Under old classifications				
Total	<u>\$17,797,427</u>	<u>\$17,433,009</u>	<u>\$17,230,912</u>	<u>\$17,086,526</u>

Source:

Arizona Department of Revenue

Notes:

On November 1, 2015, the tax classifications taxed at a 1.75% rate were increased to 1.95%.

Effective July 1, 2015 (for August 2015 tax reporting), the Arizona Department of Revenue revamped the tax reporting classifications.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 1,596,186	\$ 1,601,169	\$ 1,495,522	\$ 1,505,027	\$ -	\$ -
9,194	9,566	6,850	6,080		
1,028,675	986,088	1,116,402	1,403,500		
275,777	232,035	228,141	237,632		
142,693	116,566	247,272	313,885		
8,711,519	8,915,252	9,183,309	9,438,478		
8,679	9,940	13,650	15,287		
1,290,723	1,209,747	1,172,494	1,155,182		
1,889,937	1,742,476	1,768,624	1,817,655		
1,191,335	773,819	770,012	864,633		
478,406	481,911	544,579	642,174		
6,845	7,822	7,788	6,188		
				914,616	1,038,117
				274,829	219,084
				45,105	47,353
				1,956,725	2,176,936
				621,019	519,852
				8,042,943	9,230,031
				533,442	509,904
				27,328	8,975
				374,580	399,242
				1,920,150	2,205,658
				384,082	370,495
				177,405	222,022
				714,949	897,679
127,350	105,629	95,365	149,307	106,767	105,786
				1,655,143	141,562
<u>\$16,757,320</u>	<u>\$16,192,020</u>	<u>\$16,650,008</u>	<u>\$17,555,028</u>	<u>\$17,749,082</u>	<u>\$18,092,696</u>

City of Sierra Vista
Direct and Overlapping Sales Tax Rates, Retail Category
Last 10 Years

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>County Rate</u>	<u>State Rate</u>	<u>Total Rate</u>
2008	1.75%	0.50%	5.60%	7.85%
2009	1.75%	0.50%	5.60%	7.85%
2010	1.75%	0.50%	6.60%	8.85%
2011	1.75%	0.50%	6.60%	8.85%
2012	1.75%	0.50%	6.60%	8.85%
2013	1.75%	0.50%	5.60%	7.85%
2014	1.75%	0.50%	5.60%	7.85%
2054	1.75%	0.50%	5.60%	7.85%
2016	1.95%	0.50%	5.60%	8.05%
2017	1.95%	0.50%	5.60%	8.05%

Source: City of Sierra Vista, Arizona Department of Revenue

**City of Sierra Vista
Pledged-Revenue Coverage
Last 10 Years**

MPC Revenue Bonds

Fiscal Year	Pledged Revenues	Principal	Interest	Coverage
2008	\$ 29,542,082	\$ 1,085,000	\$ 872,796	
2009	28,432,239	2,410,000	1,774,643	7.06
2010	27,930,976	2,065,000	1,410,089	8.18
2011	26,120,663	1,805,000	1,185,708	9.34
2012	25,688,339	2,330,000	1,107,020	7.60
2013	25,745,669	2,425,000	1,020,345	7.46
2014	27,381,922	2,515,000	930,220	7.47
2015	28,681,141	2,600,000	836,845	7.97
2016	29,009,569	2,690,000	735,570	8.37
2017	29,294,082	2,805,000	623,376	8.46
2018		2,915,000	503,101	8.57

Source: City of Sierra Vista

City of Sierra Vista
Legal Debt Margin and Direct/Overlapping Debt Information
Last 10 Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Estimated Property Value	\$2,519,369,157	\$2,787,869,258	\$2,966,659,079	\$3,066,313,577
Assessed Property Value	\$ 296,919,953	\$ 325,972,301	\$ 345,353,458	\$ 348,625,573
<u>Debt Limits</u>				
Legal Debt Limit - 20% Bonds	\$ 59,383,991	\$ 65,194,460	\$ 69,070,692	\$ 69,725,115
Amount of Debt applicable to debt limit	-	-	-	-
Legal Debt Margin - 20% Bonds	<u>\$ 59,383,991</u>	<u>\$ 65,194,460</u>	<u>\$ 69,070,692</u>	<u>\$ 69,725,115</u>
Legal Debt Limit - 6% Bonds	\$ 17,815,197	\$ 19,558,338	\$ 20,721,207	\$ 20,917,534
Amount of Debt applicable to debt limit	-	-	-	-
Legal Debt Margin - 6% Bonds	<u>\$ 17,815,197</u>	<u>\$ 19,558,338</u>	<u>\$ 20,721,207</u>	<u>\$ 20,917,534</u>

Direct Government Activities Debt

City of Sierra Vista	\$ 44,464,762	\$ 36,459,951	\$ 32,942,526	\$ 29,937,072
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Overlapping Governmental Activities Debt

Jurisdiction:

Sierra Vista Public Schools	\$ 6,310,000	\$ 3,250,000	None	None
Cochise College	N/A	N/A	N/A	N/A
Cochise County	N/A	N/A	N/A	N/A
Total	<u>\$ 6,310,000</u>	<u>\$ 3,250,000</u>	<u>None</u>	<u>None</u>

Estimated Amount Applicable to the City

Jurisdiction:

Sierra Vista Public Schools	\$ 6,310,000	\$ 3,250,000	None	None
Cochise College	N/A	N/A	N/A	N/A
Cochise County	N/A	N/A	N/A	N/A
Total	<u>\$ 6,310,000</u>	<u>\$ 3,250,000</u>	<u>None</u>	<u>None</u>

Direct and Overlapping Governmental Activities Debt

Jurisdiction:

City of Sierra Vista	\$ 44,464,762	\$ 36,459,951	\$ 32,942,526	\$ 29,937,072
Sierra Vista Public Schools	6,310,000	3,250,000	None	None
Cochise College	N/A	N/A	N/A	N/A
Cochise County	N/A	N/A	N/A	N/A
Total	<u>\$ 50,774,762</u>	<u>\$ 39,709,951</u>	<u>\$ 32,942,526</u>	<u>\$ 29,937,072</u>

Sources:

- Estimated property value from Arizona Department of Revenue
- Assessed Property Value from Cochise County Assessor's Office
- Overlapping Governmental Debt Amount from Arizona State Treasurer's Office

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$3,145,518,326	\$3,082,322,495	\$2,926,589,424	\$2,922,865,504	\$2,935,601,712	\$2,894,459,540
\$ 354,576,088	\$ 342,392,651	\$ 325,296,345	\$ 320,629,532	\$ 319,072,042	\$ 316,232,149
\$ 70,915,218	\$ 68,478,530	\$ 65,059,269	\$ 64,125,906	\$ 63,814,408	\$ 63,246,430
-	-	-	-	-	-
\$ 70,915,218	\$ 68,478,530	\$ 65,059,269	\$ 64,125,906	\$ 63,814,408	\$ 63,246,430
\$ 21,274,565	\$ 20,543,559	\$ 19,517,781	\$ 19,237,772	\$ 19,144,323	\$ 18,973,929
-	-	-	-	-	-
\$ 21,274,565	\$ 20,543,559	\$ 19,517,781	\$ 19,237,772	\$ 19,144,323	\$ 18,973,929
\$ 27,450,416	\$ 26,139,551	\$ 23,089,887	\$ 20,141,367	\$ 17,116,569	\$ 14,908,170
None	None	None	None	None	\$ 16,075,000
N/A	N/A	N/A	\$ 20,075,000	\$ 24,310,000	None
N/A	N/A	N/A	2,007,494	1,292,713	1,292,713
None	None	None	None	None	None
None	None	None	None	None	None
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
None	None	None	None	None	None
\$ 27,450,416	\$ 26,139,551	\$ 23,089,887	\$ 20,141,367	\$ 17,116,569	\$ 14,908,170
None	None	None	None	None	16,075,000
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ 27,450,416	\$ 26,139,551	\$ 23,089,887	\$ 20,141,367	\$ 17,116,569	\$ 30,983,170

**City of Sierra Vista
Ratios of Outstanding Debt by Type
Last 10 Years**

Fiscal <u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	Total Primary <u>Government</u>	Per <u>Capita</u>	Percentage of Personal <u>Income</u>
	Revenue <u>Bonds</u>	Notes <u>Payable</u>	Notes <u>Payable</u>			
2008	40,300,000	4,164,762	1,558,812	46,023,574	1,003	4.0%
2009	32,265,000	4,194,951	1,003,691	37,463,642	804	3.0%
2010	29,880,000	3,062,526	1,409,634	34,352,160	783	3.8%
2011	28,075,000	1,862,072	931,726	30,868,798	684	2.5%
2012	25,745,000	1,705,416	9,785,661	37,236,077	813	3.1%
2013	23,320,000	2,819,551	9,490,058	35,629,609	786	N/A
2014	20,805,000	2,284,887	8,552,967	31,642,854	715	N/A
2015	18,205,000	1,936,367	7,594,392	27,735,759	628	N/A
2016	15,515,000	1,601,569	6,810,883	23,927,452	N/A	N/A
2017	12,710,000	2,198,170	7,671,641	22,579,811	N/A	N/A

Note: Details of the City's outstanding debt can be found in the notes to the financial statements
2013 per Capital Income no longer available
2016 population estimates and per Capita Income not available

**City of Sierra Vista
Demographic and Economic Statistics
Last 10 Years**

<u>Fiscal Year</u>	<u>Population</u>	<u>per Capita Income</u>	<u>Total Personal Income</u>	<u>Unemployment Rate</u>		
				<u>City</u>	<u>County</u>	<u>State</u>
2007	43,690	\$ 24,440	\$ 1,067,783,600	2.40%	4.00%	3.80%
2008	45,908	25,021	1,148,664,068	3.40%	5.60%	5.90%
2009	46,597	26,388	1,229,601,636	4.70%	7.80%	9.70%
2010	43,888	20,422	896,280,736	5.10%	8.40%	9.90%
2011	45,098	27,448	1,237,849,904	7.30%	9.50%	9.50%
2012	45,794	26,602	1,218,211,988	7.70%	9.00%	8.30%
2013	45,303	N/A	N/A	7.70%	9.00%	7.50%
2014	44,286	N/A	N/A	7.10%	8.40%	6.80%
2015	44,183	N/A	N/A	6.30%	7.40%	6.10%
2016	43,208	N/A	N/A	5.30%	6.40%	# 5.50%
2017	N/A	N/A	N/A	N/A	N/A	N/A

Sources:

Population estimates from Arizona Department of Economic Security

Unemployment rates and per Capital Income from Cochise College Center for Economic Research
per Capita Income not available after 2013

2016 Population and unemployment data not available

**City of Sierra Vista
Principal Employers
Current year and nine Years Prior**

Employer	2015			2005	
	Employees	Rank	Percentage Of Total City Employment	Employees	Rank
Fort Huachuca	7,956	1	N/A	12,204	1
Sierra Vista School District	707	2	N/A	997	2
Sierra Vista Regional Health Center	623	3	N/A	677	3
City of Sierra Vista	407	4	N/A	375	5
ManTech	389	5	N/A		
Cochise College	331	6	N/A		
Engility Corp.	215	7	N/A		
Lawley Automotive	181	8	N/A	275	8
Fort Huachuca Accomodation Schools	139	9	N/A		
Cochise County	135	10	N/A		
Aegis	N/A			590	4
Newtec	N/A			293	6
F.C. Business Solutions	N/A			279	7
New Mexico Technology Group	N/A			219	9
KE&G Construction	N/A			218	10

Source: Cochise College Center for Economic Research

Notes:

DES no longer gives an estimate of total city employment so a percentage cannot be calculated

City of Sierra Vista
Approved Full-Time Positions
Last 10 years

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government										
City Manager	24	24	20	18	24	25	25	19	20	21
Administrative Services	30	31	38	38	32	31	31	19	21	21
Court and Legal	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police	99	101	102	102	102	102	102	96	95	97
Fire	53	58	60	60	59	61	61	55	55	56
Public Works										
Public Works	48	48	48	48	62	62	62	49	49	50
Streets and Traffic	10	13	13	13	21	21	21	22	22	17
Airport	1	1	1	1	1	1	1	1	1	1
Transit	10	10	10	10	10	10	10	11	11	10
Sewer	12	12	12	12	12	12	12	12	12	12
Refuse	13	13	13	13	14	14	14	14	14	14
Culture and Recreation										
Parks and Leisure	50	51	50	50	-	-	-	-	-	-
Library	9	9	9	9	-	-	-	-	-	-
Leisure and Library	-	-	-	-	37	37	37	25	23	28
Community Development	18	18	18	18	18	18	18	9	12	11
	<u>378</u>	<u>390</u>	<u>395</u>	<u>393</u>	<u>393</u>	<u>395</u>	<u>395</u>	<u>333</u>	<u>336</u>	<u>339</u>

Notes:

In Fiscal Year 2012, the Parks Division moved from the Parks and Leisure Department to the Public Works Department. The Library Department was combined with the remaining Leisure divisions to create the Leisure and Library Department.

City of Sierra Vista
Operating Indicators by Function/Program
Last 10 Years

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police				
UCR Part 1 clearance rate	27.9%	30.5%	33.4%	34.3%
UCR Part 1 recovery rate	59.7%	44.0%	35.2%	41.6%
Traffic Citations	7,179	4,893	7,803	6,435
Animals adopted	663	832	995	993
Refuse				
Tons of refuse collected per year	24,000	25,000	23,688	23,434
Parks and Leisure Services				
Number of program participants	304,000	305,000	304,000	289,662
Sewer				
Acre-feet of effluent treated per year	4,200	3,600	3,705	3,419
Transit				
Number of riders	109,241	175,000	176,584	186,867

Source: City of Sierra Vista

Statistics shown thru 2015 because some departments only compile them on a calendar year basis

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
38.1%	37.4%	34.9%	33.9%	39.7%	37.6%
28.5%	35.1%	30.3%	38.4%	28.6%	27.1%
5,201	4,956	4,918	4,369	3,506	3,389
960	843	728	731	786	628
24,906	23,935	23,917	22,496	19,694	17,781
289,981	287,648	304,557	285,011	289,184	267,008
3,535	2,942	2,544	2,743	2,831	2,877
163,005	158,711	158,598	173,096	188,458	140,960

City of Sierra Vista
Capital Asset Statistics by Function/Program
Last 10 Years

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police				
Stations	1	1	1	1
Fire				
Stations	2	2	3	3
Refuse				
Refuse trucks	14	14	14	14
Parks and Leisure Services				
Acres of developed parkland	115	115	115	119
Number of baseball/softball diamonds	6	5	5	5
Number of multi-use sports complexes	2	2	2	2
Number of soccer fields			2	2
Library				
Libraries	1	1	1	1
Sewer				
Plant capacity (acre feet per year)	4,500	4,500	4,500	4,500
Transit				
Buses	12	12	12	11

Source: City of Sierra Vista

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1	1	1	1	1	1
3	3	3	3	3	3
14	16	16	15	15	16
119	119	119	119	119	119
5	5	5	5	5	5
2	2	2	2	2	2
2	2	2	2	2	2
1	1	1	1	1	1
4,500	4,500	4,500	4,500	4,500	4,500
13	13	13	13	13	13

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