



City of Sierra Vista, *Arizona*

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2018

**Comprehensive Annual
Financial Report
Fiscal Year Ended June 30, 2018**



**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, 2018**

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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, 2019

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, 2018.

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, 2018, 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, 2018, 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. The City continues to feel the effects of the cutbacks in the Department of Defense, and the resulting loss of jobs and population. Based on Fiscal Year 2017 and 2018 Transaction Privilege Tax Revenues, it appears the local economy is starting to rebound.

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, 2017. 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 thirty 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, 2017

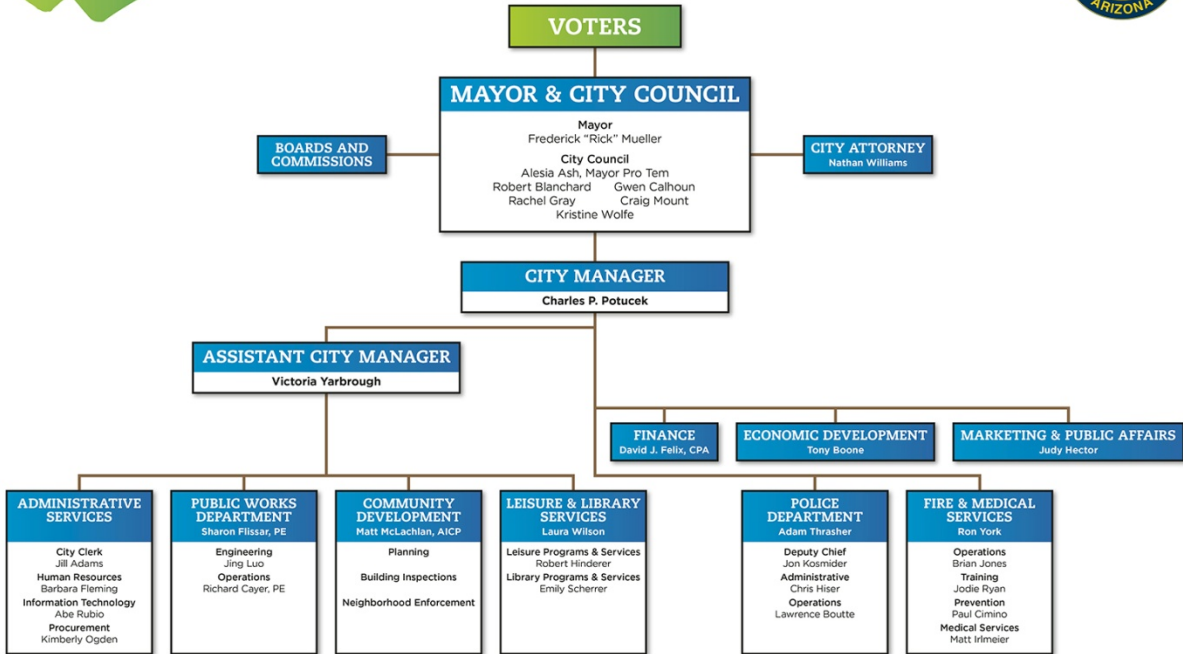
Christopher P. Morill

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

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, 2018, 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, 2018, 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.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

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, net pension liability information, 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, 2019, 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, 2019

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, 2018**

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, 2018. 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 2018 as follows.

- The City's total net position of governmental activities decreased \$1.8 million to \$38.7 million and business-type activities decreased \$0.4 million to \$28.9 million representing 57.2 percent and 42.8 percent respectively, of the total net position of \$67.6 million.
- General revenues from governmental activities accounted for \$35.2 million in revenue, or 73.3 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12.8 million or 26.7 percent of total governmental activities revenues.
- The City had \$49.8 million in expenses related to governmental activities; of which \$12.8 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$35.2 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 \$7.7 million.
- The General Fund had \$34.5 million in revenues, which primarily consisted of taxes, intergovernmental revenues and charges for services. The total expenditures of the General Fund were \$34.4 million. The General Fund's fund balance increased to \$4.4 million.
- Net position for the Internal Service Funds increased \$0.7 million from the prior year. Operating revenues of \$4.4 million exceeded operating expenses of \$3.7 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.

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

**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

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. 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

**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

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 \$67.6 million as of June 30, 2018, a decrease of \$2.2 million from June 30, 2017.

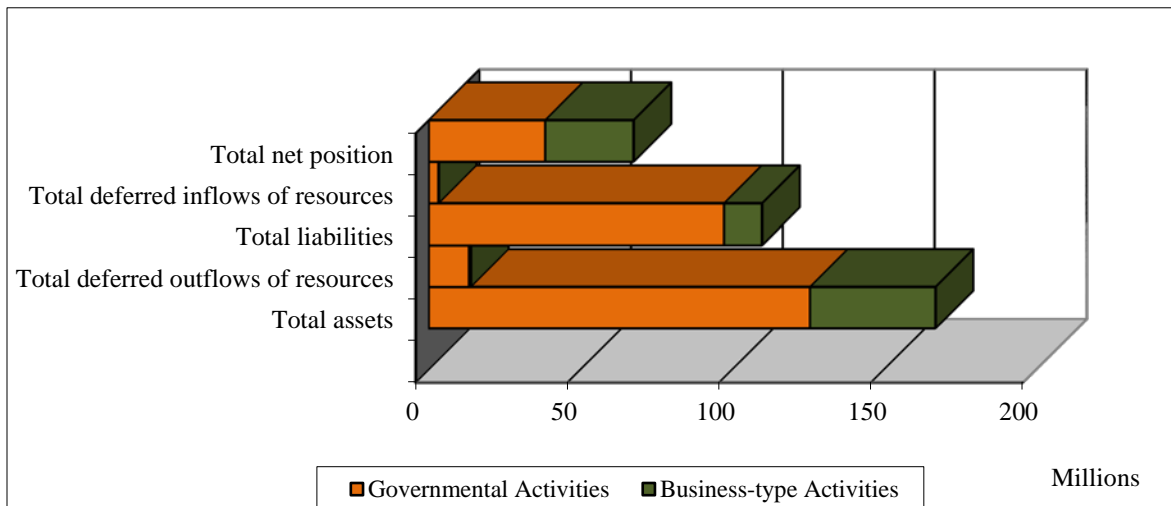
A portion of the City's net position reflects its investment in capital assets (e.g., land, infrastructure, buildings and improvements, vehicles, furniture, and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital 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, 2018**

The following table presents a summary of the City's net position for the fiscal years ended June 30, 2018 and 2017.

	2018	2017	2018	2017		
	Governmental	Governmental	Business-	Business-	2018 Total	2017 Total
	Activities	Activities	type	type		
			Activities	Activities		
Current and other assets	\$14,346,066	\$13,787,411	(\$310,430)	\$367,623	\$14,035,636	\$14,155,034
Non-current assets	<u>111,334,720</u>	<u>114,257,675</u>	<u>41,628,873</u>	<u>41,594,705</u>	<u>152,963,593</u>	<u>155,852,380</u>
Total assets	<u>125,680,786</u>	<u>128,045,086</u>	<u>41,318,443</u>	<u>41,962,328</u>	<u>166,999,229</u>	<u>170,007,414</u>
Deferred outflow s of resourcesa	<u>13,668,484</u>	<u>13,312,390</u>	<u>594,360</u>	<u>722,892</u>	<u>14,262,844</u>	<u>14,035,282</u>
Total deferred outflow s of resources	<u>13,668,484</u>	<u>13,312,390</u>	<u>594,360</u>	<u>722,892</u>	<u>14,262,844</u>	<u>14,035,282</u>
Current liabilities	7,207,989	7,683,161	1,542,445	1,227,487	8,750,434	8,910,648
Non-current liabilities	<u>90,045,426</u>	<u>83,423,262</u>	<u>11,112,156</u>	<u>11,599,277</u>	<u>101,157,582</u>	<u>95,022,539</u>
Total liabilities	<u>97,253,415</u>	<u>91,106,423</u>	<u>12,654,601</u>	<u>12,826,764</u>	<u>109,908,016</u>	<u>103,933,187</u>
Deferred inflow s of resources	<u>3,391,711</u>	<u>3,492,209</u>	<u>340,267</u>	<u>505,516</u>	<u>3,731,978</u>	<u>3,997,725</u>
Total deferred inflow s of resources	<u>3,391,711</u>	<u>3,492,209</u>	<u>340,267</u>	<u>505,516</u>	<u>3,731,978</u>	<u>3,997,725</u>
Net position						
Net investment in capital assets	100,465,079	99,349,505	34,325,116	33,923,064	134,790,195	133,272,569
Restricted	4,107,197	4,863,722		51,233	4,107,197	4,914,955
Unrestricted	<u>(65,868,132)</u>	<u>(57,454,383)</u>	<u>(5,407,181)</u>	<u>(4,621,357)</u>	<u>(71,275,313)</u>	<u>(62,075,740)</u>
Total net position	<u>\$38,704,144</u>	<u>\$46,758,844</u>	<u>\$28,917,935</u>	<u>\$29,352,940</u>	<u>\$67,622,079</u>	<u>\$76,111,784</u>



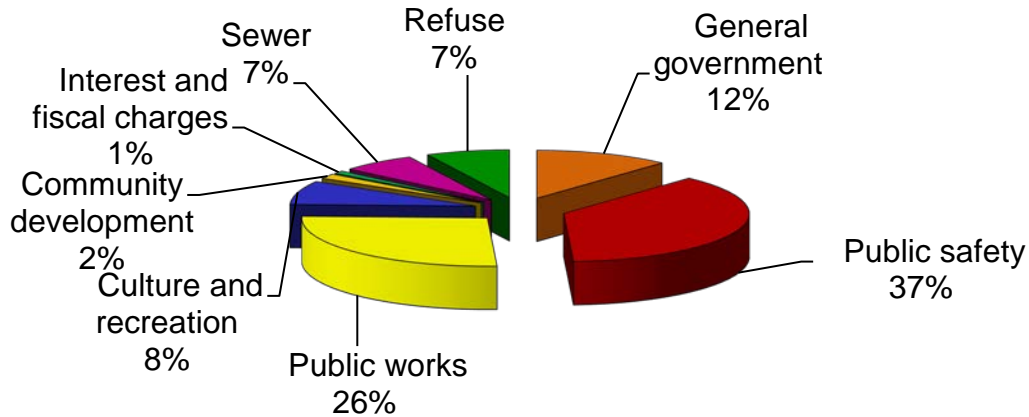
**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

Changes in net position. The City's total revenues for the fiscal year ended June 30, 2018, were \$55.8 million. The total cost of all programs and services was \$58.0 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and 2017.

	2018 Governmental Activities	2017 Governmental Activities	2018 Business-type Activities	2017 Business-type Activities	2018 Total	2017 Total
Revenues:						
Program revenues:						
Charges for services	\$ 8,532,648	\$ 8,189,912	\$ 7,553,087	\$ 7,511,271	\$ 16,273,276	\$ 15,701,183
Operating grants and contributions	2,240,538	1,597,066			2,240,538	1,597,066
Capital grants and contributions	2,042,965	1,893,296	184,378		2,042,965	1,893,296
General revenues:						
Property taxes	358,082	364,542			358,082	364,542
Sales taxes	18,875,557	18,092,696			18,875,557	18,092,696
State shared revenues	15,419,313	14,880,201			15,419,313	14,880,201
Other revenues	519,619	431,580			519,619	431,580
Investment income	44,597	31,188	3,163		47,760	31,188
Total revenues	<u>\$48,033,319</u>	<u>\$45,480,481</u>	<u>\$7,740,628</u>	<u>\$7,511,271</u>	<u>\$55,773,947</u>	<u>\$52,991,752</u>
	2018 Governmental Activities	2017 Governmental Activities	2018 Business-type Activities	2017 Business-type Activities	2018 Total	2017 Total
Expenses:						
General government	\$ 6,856,884	\$ 6,628,073	\$	\$	\$ 6,856,884	\$ 6,628,073
Public safety	21,714,387	22,560,672			21,714,387	22,560,672
Public works	15,329,956	15,218,602			15,329,956	15,218,602
Culture and recreation	4,662,675	4,584,022			4,662,675	4,584,022
Community development	934,551	856,310			934,551	856,310
Interest and fiscal charges	319,566	656,506			319,566	656,506
Sewer			3,912,622	3,861,004	3,912,622	3,861,004
Refuse			4,263,011	4,385,874	4,263,011	4,385,874
Total expenses	<u>49,818,019</u>	<u>50,504,185</u>	<u>8,175,633</u>	<u>8,246,878</u>	<u>57,993,652</u>	<u>58,751,063</u>
Increase (decrease) before transfers	<u>\$ (1,784,700)</u>	<u>\$ (5,023,704)</u>	<u>\$(435,005)</u>	<u>\$(735,607)</u>	<u>\$(2,219,705)</u>	<u>\$(5,759,311)</u>
Transfers		149,813		(149,813)		
Increase (decrease) in net position	<u>\$ (1,784,700)</u>	<u>\$ (4,873,891)</u>	<u>\$(435,005)</u>	<u>\$(885,420)</u>	<u>\$(2,219,705)</u>	<u>\$(5,759,311)</u>
Net position, beginning of year	<u>\$ 40,488,844</u>	<u>\$ 51,632,735</u>	<u>\$29,352,940</u>	<u>\$30,238,360</u>	<u>\$69,841,784</u>	<u>\$81,871,095</u>
Net position, end of year	<u>\$ 38,704,144</u>	<u>\$ 46,758,844</u>	<u>\$28,917,935</u>	<u>\$29,352,940</u>	<u>\$67,622,079</u>	<u>\$76,111,784</u>

**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

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.

	2018		2017	
	Total Expenses	Net (Expense)/Revenue	Total Expenses	Net (Expense)/Revenue
Governmental Activities:				
General government	\$ 6,856,884	\$ (4,136,166)	\$ 6,628,073	\$ (4,873,239)
Public safety	21,714,387	(19,094,160)	22,560,672	(20,467,423)
Public works	15,329,956	(9,693,649)	15,218,602	(9,226,986)
Culture and recreation	4,662,675	(3,385,094)	4,584,022	(3,379,082)
Community development	934,551	(373,233)	856,310	(220,675)
Interest and fiscal charges	319,566	(319,566)	656,506	(656,506)
Total expenses	\$ 49,818,019	\$ (37,001,868)	\$ 50,504,185	\$ (38,823,911)
Business-Type Activities:				
Sewer	\$3,912,622	153,571	\$3,861,004	(36,868)
Refuse	4,263,011	(591,739)	4,385,874	(698,739)
Total expenses	\$8,175,633	\$ (438,168)	\$8,246,878	\$ (735,607)

**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

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 2018 this expense was \$6.2 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 \$0.05 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 \$186,388.

The SVMPC Debt Service Fund had a decrease of \$1.5 million due to the refinancing of the Series 2008 and Series 2010 Municipal Facilities Revenue Bonds.

The HURF Fund had an increase of \$0.6 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 \$28.9 million. This is a decrease of \$0.4 million from 2017. The main reason for the decrease was an increase in the refuse tipping fees charged by the county landfill, and the world wide recycling situation

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 2018 mid-year review focused on maintaining the General Fund ending fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the City had a net investment of \$152.9 million in capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$9.2 million.

**CITY OF SIERRA VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

The following schedule presents capital asset balances for the fiscal years ended June 30, 2018 and 2017.

	2018		2017	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Land	\$8,921,697	\$1,488,882	\$8,807,716	\$1,488,882
Infrastructure	154,785,519	43,294,167	150,808,231	42,972,016
Buildings and improvements	58,519,653	9,570,061	58,300,000	9,691,164
Machinery and equipment	31,052,120	8,824,090	29,142,172	8,090,022
Construction in progress	44,435		2,516,392	
Accumulated depreciation	<u>(142,037,758)</u>	<u>(21,559,946)</u>	<u>(135,316,836)</u>	<u>(20,647,379)</u>
Total	<u>\$111,285,666</u>	<u>\$41,617,254</u>	<u>\$114,257,675</u>	<u>\$41,594,705</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 \$18.5 million in long-term debt outstanding with \$4.0 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, 2018 and 2017.

	2018		2017	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Revenue Bonds	\$8,600,000	\$5,430,000	\$12,710,000	\$
Notes Payable	<u>2,481,584</u>	<u>2,000,934</u>	<u>2,198,170</u>	<u>7,671,641</u>
Total	<u>\$11,081,584</u>	<u>\$ 7,430,934</u>	<u>\$14,908,170</u>	<u>\$ 7,671,641</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 2018-2019 budget. The priorities set for the fiscal year 2019 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, 2018**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 10,872,059	\$ 100	\$ 10,872,159
Intergovernmental receivable	1,958,557		1,958,557
Accounts receivable	358,887	594,371	953,258
Interfund balances	904,901	(904,901)	
Prepays	82,317		82,317
Inventory	169,345		169,345
Total current assets	<u>14,346,066</u>	<u>(310,430)</u>	<u>14,035,636</u>
Noncurrent assets:			
Net OPEB asset	49,054	11,619	60,673
Land and improvements	8,921,697	1,488,882	10,410,579
Buildings and improvements	58,519,653	9,570,061	68,089,714
Infrastructure	154,785,519	43,294,167	198,079,686
Machinery and equipment	31,052,120	8,824,090	39,876,210
Construction in progress	44,435		44,435
Accumulated depreciation	<u>(142,037,758)</u>	<u>(21,559,946)</u>	<u>(163,597,704)</u>
Total noncurrent assets	<u>111,334,720</u>	<u>41,628,873</u>	<u>152,963,593</u>
Total assets	<u>125,680,786</u>	<u>41,318,443</u>	<u>166,999,229</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension plan and other post employment items	13,407,487	455,564	13,863,051
Charges on bond refinancing	260,997	138,796	399,793
Total deferred outflows of resources	<u>13,668,484</u>	<u>594,360</u>	<u>14,262,844</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,249,628	283,536	1,533,164
Compensated absences payable	1,891,707	92,725	1,984,432
Claims payable	262,302		262,302
Accrued salaries and employee benefits	779,017	45,431	824,448
Revenue bonds payable	2,395,000	670,000	3,065,000
Notes payable	512,663	450,753	963,416
Other liabilities	104,958		104,958
Customer deposits	12,714		12,714
Total current liabilities	<u>7,207,989</u>	<u>1,542,445</u>	<u>8,750,434</u>
Noncurrent liabilities:			
Net OPEB obligation	25,247,182	1,511,253	26,758,435
Net Pension Liability	56,624,323	3,290,722	59,915,045
Revenue bonds payable	6,205,000	4,760,000	10,965,000
Notes payable	1,968,921	1,550,181	3,519,102
Total non-current liabilities	<u>90,045,426</u>	<u>11,112,156</u>	<u>101,157,582</u>
Total liabilities	<u>97,253,415</u>	<u>12,654,601</u>	<u>109,908,016</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension plan and other post employment items	3,391,711	340,267	3,731,978
<u>NET POSITION</u>			
Net investment in capital assets	100,465,079	34,325,116	134,790,195
Restricted for			
Donations	576,331		576,331
Police Special Programs	307,005		307,005
Development Fees	123,159		123,159
Capital projects	3,100,702		3,100,702
Unrestricted	<u>(65,868,132)</u>	<u>(5,407,181)</u>	<u>(71,275,313)</u>
Total net position	<u>\$ 38,704,144</u>	<u>\$ 28,917,935</u>	<u>\$ 67,622,079</u>

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

**CITY OF SIERRA VISTA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental activities:			
General government	\$ 6,856,884	\$ 2,378,403	\$ 342,315
Public safety	21,714,387	1,991,175	629,052
Public works	15,329,956	2,572,341	1,021,001
Culture and recreation	4,662,675	1,124,607	152,974
Community development	934,551	466,122	95,196
Interest and fiscal charges	319,566		
Total governmental activities	<u>49,818,019</u>	<u>8,532,648</u>	<u>2,240,538</u>
Business-type activities:			
Sewer	3,912,622	3,881,815	
Refuse	4,263,011	3,671,272	
Total business-type activities	<u>8,175,633</u>	<u>7,553,087</u>	
Total primary government	<u>\$ 57,993,652</u>	<u>\$ 16,085,735</u>	<u>\$ 2,240,538</u>

General revenues:

Taxes:

 Property taxes

 Sales taxes

Unrestricted State revenues

Investment income

Other revenues

Total general revenues

Changes in net position

Net position, beginning of year, as restated

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>
\$	\$ (4,136,166)	\$	\$ (4,136,166)
	(19,094,160)		(19,094,160)
2,042,965	(9,693,649)		(9,693,649)
	(3,385,094)		(3,385,094)
	(373,233)		(373,233)
	(319,566)		(319,566)
<u>2,042,965</u>	<u>(37,001,868)</u>		<u>(37,001,868)</u>
184,378		153,571	153,571
		(591,739)	(591,739)
<u>184,378</u>		<u>(438,168)</u>	<u>(438,168)</u>
<u>\$ 2,227,343</u>	<u>\$(37,001,868)</u>	<u>\$ (438,168)</u>	<u>\$(37,440,036)</u>
	\$ 358,082		\$ 358,082
	18,875,557		18,875,557
	15,419,313		15,419,313
	44,597	3,163	47,760
	519,619		519,619
	<u>35,217,168</u>	<u>3,163</u>	<u>35,220,331</u>
	(1,784,700)	(435,005)	(2,219,705)
	<u>40,488,844</u>	<u>29,352,940</u>	<u>69,841,784</u>
	<u>\$ 38,704,144</u>	<u>\$ 28,917,935</u>	<u>\$ 67,622,079</u>

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FUND FINANCIAL STATEMENTS

**CITY OF SIERRA VISTA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	HURF	Park Development Fee
<u>ASSETS</u>			
Cash and investments	\$ 4,205,219	\$ 2,278,126	\$
Intergovernmental receivable	1,175,867	384,835	
Accounts receivable	259,045	9,632	
Due from other funds	147,218		
Prepays	82,317		
Inventory	56,161		
Total assets	\$ 5,925,827	\$ 2,672,593	\$
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 812,387	\$ 191,270	\$ 31,658
Due to other funds			3,346,352
Accrued salaries and employee benefits	721,968	29,797	
Other liabilities	25,036	35,000	
Customer deposits	5,886	6,828	
Total liabilities	1,565,277	262,895	3,378,010
Fund balances (deficits):			
Unassigned	4,222,072		(3,378,010)
Unspendable	138,478		
Restricted		2,409,698	
Total fund balances	4,360,550	2,409,698	(3,378,010)
Total liabilities and fund balances	\$ 5,925,827	\$ 2,672,593	\$

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

Fire Development Fee	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 937,086	\$ 1,880,828	\$ 9,301,259
		397,855	1,958,557
	46,641	21,668	336,986
	2,117,206	134,403	2,398,827
			82,317
		113,184	169,345
<u>\$</u>	<u>\$ 3,100,933</u>	<u>\$ 2,547,938</u>	<u>\$ 14,247,291</u>
\$	\$ 231	\$ 176,890	\$ 1,212,436
1,334,188		1,064,639	5,745,179
		27,252	779,017
		44,922	104,958
			12,714
<u>1,334,188</u>	<u>231</u>	<u>1,313,703</u>	<u>7,854,304</u>
(1,334,188)		(922,766)	(1,412,892)
		113,184	251,662
	3,100,702	2,043,817	7,554,217
<u>(1,334,188)</u>	<u>3,100,702</u>	<u>1,234,235</u>	<u>6,392,987</u>
<u>\$</u>	<u>\$ 5,648,871</u>	<u>\$ 2,547,938</u>	<u>\$ 14,247,291</u>

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**CITY OF SIERRA VISTA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Governmental Fund balances **\$6,392,987**

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	\$253,323,424	
Less accumulated depreciation	<u>(142,037,758)</u>	
		111,285,666

Deferred items related to the net cost of issuance of bonds are Amortized over the life of the associated bond issue in the government-wide statements but not reported in the funds. 260,997

Long-term assets are not due and receivable in the current period therefore are not reported in the funds.

OPEB asset		49,054
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Long-term liabilities are not due and payable in the current period therefore are not reported in the funds.

Revenue bonds payable	(8,600,000)	
Notes payable	(2,481,584)	
Net OPEB obligation	(25,247,182)	
Net pension liability	(56,624,323)	
Compensated absences payable	<u>(1,891,707)</u>	
		(94,844,796)

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

Deferred pension/OPEB plan inflows	(3,391,711)	
Deferred pension/OPEB plan outflows	<u>13,407,487</u>	
		10,015,776

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	5,236,439	
Unemployment Insurance Fund	83,497	
Self-Insured Retention Fund	<u>224,524</u>	
		<u>5,544,460</u>

Net Position of Governmental Activities **\$38,704,144**

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, 2018**

	General	HURF
Revenues:		
Taxes	\$ 15,253,711	\$
Licenses and permits	1,998,204	
Intergovernmental	12,382,252	3,834,021
Charges for services	4,505,469	
Fines	21,406	
Investment income	7,508	14,058
Contributions	20,608	766,268
Other revenues	265,857	184,462
Total revenues	34,455,015	4,798,809
Expenditures:		
Current -		
General government	6,087,812	
Public safety	17,948,205	
Public works	5,903,375	4,384,957
Culture and recreation	3,340,480	
Community development	842,178	
Capital outlay		
Debt service -		
Interest and fiscal charges	13,599	3,041
Bond issuance costs		
Payment to refunding bond escrow agent		
Principal	247,160	56,036
Total expenditures	34,382,809	4,444,034
Excess (deficiency) of revenues over expenditures	72,206	354,775
Other financing sources (uses):		
Transfers out	(448,368)	
Transfer in		
Issuance of refunding bonds		
Payment to refunding bond escrow agent		
Issuance of installment purchase	562,550	204,397
Total other financing sources (uses)	114,182	204,397
Changes in fund balances	186,388	559,172
Fund balances (deficits), beginning of year	4,174,162	1,850,526
Fund balances (deficits), end of year	\$ 4,360,550	\$ 2,409,698

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

Park Development Fee	Fire Development Fee	Municipal Property Corporation Interest and Redemption	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$	\$ 3,979,928	\$	\$ 19,233,639
				1,552,443	1,998,204
624	789			1,303,762	17,768,716
		1,399	14,079	24	5,810,644
				7,553	21,430
				122,799	44,597
				69,300	909,675
<u>624</u>	<u>789</u>	<u>1,399</u>	<u>3,994,007</u>	<u>3,055,881</u>	<u>46,306,524</u>
				296,206	6,384,018
				262,653	18,210,858
				2,566,518	12,854,850
				142,891	3,483,371
				96,966	939,144
			49,056		49,056
13,567		157,778		8,072	196,057
		123,509			123,509
		1,749,506			1,749,506
<u>113,063</u>		<u>2,745,000</u>		<u>67,274</u>	<u>3,228,533</u>
<u>126,630</u>		<u>4,775,793</u>	<u>49,056</u>	<u>3,440,580</u>	<u>47,218,902</u>
<u>(126,006)</u>	<u>789</u>	<u>(4,774,394)</u>	<u>3,944,951</u>	<u>(384,699)</u>	<u>(912,378)</u>
			(3,539,832)	(430,000)	(4,418,200)
126,630	300	3,191,914	430,000	644,356	4,393,200
		11,345,000			11,345,000
		(11,221,491)			(11,221,491)
					766,947
<u>126,630</u>	<u>300</u>	<u>3,315,423</u>	<u>(3,109,832)</u>	<u>214,356</u>	<u>865,456</u>
<u>624</u>	<u>1,089</u>	<u>(1,458,971)</u>	<u>835,119</u>	<u>(170,343)</u>	<u>(46,922)</u>
<u>(3,378,634)</u>	<u>(1,335,277)</u>	<u>1,458,971</u>	<u>2,265,583</u>	<u>1,404,578</u>	<u>6,439,909</u>
<u>\$(3,378,010)</u>	<u>\$(1,334,188)</u>	<u>\$</u>	<u>\$ 3,100,702</u>	<u>\$ 1,234,235</u>	<u>\$ 6,392,987</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, 2018**

Changes in Fund Balances - Total Governmental Funds **\$ (46,922)**

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	\$4,953,304	
Current year depreciation	<u>(7,772,055)</u>	(2,818,751)

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.

Bond proceeds	(11,345,000)	
Note proceeds	(766,947)	
Debt principal payments and refunding activity	<u>15,938,533</u>	3,826,586

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	(153,258)	
Compensated absences	(137,540)	
Pension and OPEB obligation expenses	<u>(8,384,080)</u>	(8,674,878)

Governmental funds report pension and OPEB contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. 5,201,895

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	691,610	
Unemployment Insurance Fund	12,871	
Self-Insured Retention Fund	<u>22,889</u>	
		<u>727,370</u>

Changes in Net Position of Governmental Activities **\$ (1,784,700)**

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, 2018**

	Enterprise Funds	
	Sewer	Refuse
<u>ASSETS</u>		
Current assets:		
Cash and investments	\$	\$ 100
Accounts receivable	414,792	179,579
Due from other funds		492,040
Total current assets	414,792	671,719
Noncurrent assets:		
Net OPEB asset	5,630	5,989
Capital assets (net of accumulated depreciation)	38,061,846	3,555,408
Total noncurrent assets	38,067,476	3,561,397
Total assets	38,482,268	4,233,116
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension and other post employment benefit	220,742	234,822
Charges on Bond Refinancing	138,796	
Total deferred outflows of resources	359,538	234,822
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	88,126	195,410
Compensated absences payable	43,997	48,728
Claims payable		
Due to other funds	1,396,941	
Accrued salaries and employee benefits	20,580	24,851
Revenue bonds payable	670,000	
Notes payable	171,314	279,439
Total current liabilities	2,390,958	548,428
Noncurrent liabilities:		
Net OPEB obligation	727,664	783,589
Net Pension Liability	1,594,514	1,696,208
Revenue bonds payable	4,760,000	
Notes payable	622,105	928,076
Total non-current liabilities	7,704,283	3,407,873
Total liabilities	10,095,241	3,956,301
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension and other post employment benefit	164,679	175,588
<u>NET POSITION</u>		
Net investment in capital assets	31,977,223	2,347,893
Unrestricted	(3,395,337)	(2,011,844)
Total net position	\$ 28,581,886	\$ 336,049

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

Total	Governmental Activities: Internal Service Funds
\$ 100	\$ 1,570,800
594,371	21,901
492,040	4,251,253
<u>1,086,511</u>	<u>5,843,954</u>
11,619	
<u>41,617,254</u>	
<u>41,628,873</u>	
<u>42,715,384</u>	<u>5,843,954</u>
455,564	
<u>138,796</u>	
<u>594,360</u>	
283,536	37,192
92,725	262,302
1,396,941	
45,431	
670,000	
450,753	
<u>2,939,386</u>	<u>299,494</u>
1,511,253	
3,290,722	
4,760,000	
1,550,181	
<u>11,112,156</u>	
<u>14,051,542</u>	<u>299,494</u>
340,267	
34,325,116	
(5,407,181)	5,544,460
<u>\$ 28,917,935</u>	<u>\$ 5,544,460</u>

**CITY OF SIERRA VISTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds	
	Sewer	Refuse
Operating revenues:		
Charges for services	\$ 3,508,563	\$ 3,629,743
Contributions		
Other revenues	109,241	8,417
Total operating revenues	3,617,804	3,638,160
Operating expenses:		
Salaries, wages and related expenses	1,515,672	1,582,206
Operations and maintenance	1,292,976	2,143,658
Depreciation	929,834	516,583
Benefits paid		
Premiums paid		
Total operating expenses	3,738,482	4,242,447
Operating income (loss)	(120,678)	(604,287)
Nonoperating revenues (expenses):		
Intergovernmental	34,400	
Connection income	229,611	
Investment income		3,163
Gain on sale of fixed assets		33,112
Interest and fiscal charges	(174,140)	(20,564)
Total nonoperating revenues (expenses)	89,871	15,711
Income (loss) before capital contributions and transfers	(30,807)	(588,576)
Transfer in		
Capital contributions	184,378	
Changes in net position	153,571	(588,576)
Total net position, beginning of year	28,428,315	924,625
Total net position, end of year	\$ 28,581,886	\$ 336,049

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

Total	Governmental Activities: Internal Service Funds
\$ 7,138,306	\$
117,658	3,852,920
<u>7,255,964</u>	<u>499,782</u>
3,097,878	
3,436,634	361,572
1,446,417	
	2,835,191
	499,596
<u>7,980,929</u>	<u>3,696,359</u>
<u>(724,965)</u>	<u>656,343</u>
34,400	
229,611	
3,163	46,027
33,112	
<u>(194,704)</u>	
<u>105,582</u>	<u>46,027</u>
<u>(619,383)</u>	<u>702,370</u>
	25,000
<u>184,378</u>	
<u>(435,005)</u>	<u>727,370</u>
29,352,940	4,817,090
<u>\$ 28,917,935</u>	<u>\$ 5,544,460</u>

**CITY OF SIERRA VISTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds	
	Sewer	Refuse
<u>Increase (Decrease) In Cash and Cash Equivalents</u>		
Cash flows from operating activities:		
Cash received from customers	\$ 3,505,274	\$ 3,641,358
Cash paid to suppliers for goods and services	(1,230,321)	(2,026,958)
Cash payments to employees for services	(1,491,835)	(1,626,394)
Other operating revenues	109,241	8,417
Net cash provided by (used for) operating activities	892,359	(3,577)
Cash flows from noncapital financing activities:		
Transfers		
Change in intrafund borrowing	(116,527)	(492,040)
Net cash provided by (used for) financing activities	(116,527)	(492,040)
Cash flows from capital and related financing activities:		
Interest paid on equipment contracts	(174,140)	(20,564)
Intergovernmental	34,400	
Bond issuance costs	(138,796)	
Acquisition of capital assets	(625,540)	(691,235)
Sale of capital assets		65,300
Note proceeds	6,487,000	262,758
Principal paid on equipment contracts	(6,639,600)	(350,866)
Connection fees	229,611	
Net cash provided by (used for) capital and related financing activities	(827,065)	(734,607)
Cash flows from investing activities:		
Investment income		3,163
Net cash provided by investing activities	-	3,163
Net increase (decrease) in cash and cash equivalents	(51,233)	(1,227,061)
Cash and cash equivalents, July 1, 2017	51,233	1,227,161
Cash and cash equivalents, June 30, 2018	\$ -	\$ 100

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

<u>Total</u>	<u>Governmental Activities: Internal Service Funds</u>
7,146,632 \$	3,834,562
(3,257,279)	(3,617,125)
(3,118,229)	
<u>117,658</u>	<u>499,782</u>
<u>888,782</u>	<u>717,219</u>
-	25,000
<u>(608,567)</u>	<u>(2,737,785)</u>
<u>(608,567)</u>	<u>(2,712,785)</u>
(194,704)	
34,400	
(138,796)	
(1,316,775)	
65,300	
6,749,758	
(6,990,466)	
<u>229,611</u>	
<u>(1,561,672)</u>	
<u>3,163</u>	<u>46,027</u>
<u>3,163</u>	<u>46,027</u>
<u>(1,278,294)</u>	<u>(1,949,539)</u>
<u>1,278,394</u>	<u>3,520,339</u>
<u>100 \$</u>	<u>1,570,800</u>

**CITY OF SIERRA VISTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)**

	Enterprise Funds	
	Sewer	Refuse
<u>Reconciliation of Operating Income (Loss) to</u>		
<u>Net Cash Provided by (Used for) Operating Activities</u>		
Operating income (loss)	\$ (120,678)	\$ (604,287)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	929,834	516,583
Increase (decrease) in uncollectible accounts	61,762	60,964
Change in assets and liabilities:		
Decrease (Increase) in gross accounts receivable	(65,051)	(49,349)
Increase (decrease) in operating portion of accounts payable	62,655	116,700
Increase (decrease) in accrued salaries	(6,209)	(11,178)
Increase (decrease) in OPEB obligations	138,664	96,589
Increase (decrease) in net pension obligations	(151,481)	(175,805)
Increase (decrease) in net pension inflows	(79,275)	(85,974)
Decrease (increase) in net pension outflows	128,179	139,149
Decrease (increase) in net OPEB asset	(5,630)	(5,989)
Increase (decrease) in compensated absences	(411)	(980)
Total adjustments	1,013,037	600,710
Net cash provided by (used for) operating activities	\$ 892,359	\$ (3,577)

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

<u>Total</u>	<u>Governmental Activities: Internal Service Funds</u>
\$ (724,965)	\$ 656,343
1,446,417	
122,726	
(114,400)	(18,358)
179,355	79,234
(17,387)	
235,253	
(327,286)	
(165,249)	
267,328	
(11,619)	
(1,391)	
1,613,747	60,876
\$ <u>888,782</u>	\$ <u>717,219</u>

**CITY OF SIERRA VISTA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2018**

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 625,671
Accounts receivable	10,062
Total assets	<u>\$ 635,733</u>
<u>LIABILITIES</u>	
Accounts payable	17,649
Customer deposits	618,084
Total liabilities	<u>\$ 635,733</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, 2018**

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.

During the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement requires governments providing defined benefit postemployment benefits other than pensions to recognize the long-term obligation for those benefits as a liability, and to more comprehensively and comparably measure the annual costs of those benefits. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information. 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.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 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.

Sierra Vista Municipal Property Corporation Interest & 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.

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

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

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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.

Fiduciary Funds – Fiduciary Funds account for assets held by the City on behalf of others and include the Customer Deposits Fund, Cochise County Tourism Council Deposits Fund and the Upper San Pedro 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

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Funds. All governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

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.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 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, ' 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

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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.

N. Pensions and Other Postemployment Benefits (OPEB)

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

P. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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, 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, 2018, consist of the following.

	Cash on hand	\$	5,164
	Cash in Bank		4,376,363
	Investments with State Treasurer		6,347,382
	Cash held by trustee		143,250
	Cash held as trustee		625,671
Total		\$	11,497,830

The City's total cash in bank/trustee (bank balance) was entirely covered by Federal depository insurance, except approximately \$5.5 million of the City's deposits were covered by collateral held by the pledging financial institution's trust department or fiscal agent, but not in the City's name.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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.

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, 2018 were as follows:

	<u>Fair Value</u>	<u>Level</u>
State Treasurer’s Investment Pool – 37 day weighted average maturity	\$ 6,347,382	Not applicable
Total	\$ 6,347,382	

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.

**CITY OF SIERRA VISTA
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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 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	\$ 16,347	\$ 1,496	\$ 390,841
State government	1,079,543	383,339	379
Other governments	79,977		6,635
Total intergovernmental receivables	<u>\$1,175,867</u>	<u>\$384,835</u>	<u>\$397,855</u>

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

5. Capital Assets

A summary of capital asset activity for the fiscal year ended June 30, 2018 is as follows.

Governmental activities:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Non-depreciable assets:				
Land	\$ 8,807,716	\$ 150,867	\$ (36,886)	\$ 8,921,697
Construction in progress	2,516,392	44,433	(2,516,390)	44,435
Depreciable assets:				
Infrastructure	150,808,231	3,996,139	(18,851)	154,785,519
Buildings and improvements	58,300,000	225,543	(5,890)	58,519,653
Machinery and Equipment	<u>29,142,172</u>	<u>3,052,712</u>	<u>(1,142,764)</u>	<u>31,052,120</u>
Total Capital Assets	<u>249,574,511</u>	<u>7,469,694</u>	<u>(3,720,781)</u>	<u>253,323,424</u>
Less accumulated depreciation for:				
Infrastructure	80,917,230	4,558,881	(18,851)	85,457,260
Buildings and improvements	31,504,313	1,860,434	(5,891)	33,358,856
Machinery and Equipment	<u>22,895,293</u>	<u>1,352,740</u>	<u>(1,026,391)</u>	<u>23,221,642</u>
Total Accumulated Depreciation	<u>135,316,836</u>	<u>7,772,055</u>	<u>(1,051,133)</u>	<u>142,037,758</u>
Total Capital Assets, Net	<u>\$114,257,675</u>	<u>\$ (302,361)</u>	<u>\$ (2,669,648)</u>	<u>\$ 111,285,666</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 370,827
Public safety	1,448,191
Public works	4,758,732
Culture and recreation	<u>1,194,305</u>
Total Depreciation Expense	<u>\$ 7,772,055</u>

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Business-type activities:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Non-depreciable assets				
Land	\$ 1,488,882	\$	\$	\$ 1,488,882
Construction in progress				
Depreciable assets				
Infrastructure	42,972,016	322,151		43,294,167
Buildings and improvements	9,691,164		(121,103)	9,570,061
Machinery and Equipment	<u>8,090,022</u>	<u>1,216,583</u>	<u>(482,515)</u>	<u>8,824,090</u>
Total Capital Assets	<u>62,242,084</u>	<u>1,538,734</u>	<u>(603,618)</u>	<u>63,177,200</u>
Less accumulated depreciation for:				
Infrastructure	8,148,784	707,795		8,856,579
Buildings and improvements	7,956,139	180,380	(121,103)	8,015,416
Machinery and Equipment	<u>4,542,456</u>	<u>558,242</u>	<u>(412,747)</u>	<u>4,687,951</u>
Total Accumulated Depreciation	<u>20,647,379</u>	<u>1,446,417</u>	<u>(533,850)</u>	<u>21,559,946</u>
Total Capital Assets, Net	<u>\$41,594,705</u>	<u>\$ 92,317</u>	<u>\$ (69,768)</u>	<u>\$41,617,254</u>

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

Sewer	\$ 929,834
Refuse	<u>516,583</u>
Total Depreciation Expense	<u>\$ 1,446,417</u>

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

6. <u>Long-term Debt</u>	<u>Outstanding Principal at June 30, 2018</u>
Business-type activities:	
Revenue Bonds	
A. 2017 Sierra Vista Municipal Property Corporation Lease Revenue Bonds issued to refinance the 2012 Sewer Plant upgrades note payable, due in varying annual installments thru January 2027 at 1.86%; (paid by Sewer Fund).	\$ 5,430,000
Notes Payable	
B. 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).	1,341,175
C. Note payable in quarterly installments of \$ 35,575 including interest at 2.92% until June 2023; collateralized by specified vehicles (paid by 60% by Sewer Fund and 40% by Refuse Fund).	<div style="text-align: right;"> <u>659,759</u> 7,430,934 </div>
Less current portion of revenue bonds	(670,000)
Less current portion of notes payable	<div style="text-align: right;"> <u>(450,753)</u> </div>
Total business-type activity long-term debt	<u><u>\$ 6,310,181</u></u>
Governmental activities:	
Revenue Bonds	
A. 2017 Sierra Vista Municipal Property Corporation Lease Revenue Bonds issued to refinance the Series 2008 and Series 2010 Municipal Property Corporation Lease Revenue Bonds; due in varying annual installments through January 2023 at 1.86% (paid by MPC I & R Fund).	\$8,600,000
Notes Payable	
A. Note payable in quarterly installments of \$ 18,837 including interest at 2.02% until June 2023; (paid by Airport Fund).	357,474
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).	600,784
C. 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).	756,379
D. Note payable in quarterly installments of \$ 41,394 including	

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

interest at 2.92% until June 2023; collateralized by specified vehicles (paid by 73% General Fund, 27% HURF Fund).	<u>766,947</u>
	11,081,584
Less current portion of revenue bonds	(2,395,000)
Less current portion of notes payable	<u>(512,663)</u>
Total governmental activity long-term debt	<u><u>\$8,173,921</u></u>

Changes in Long-term Debt

Governmental Activities

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Repayments/ Retirements</u>	<u>Balance at June 30, 2018</u>	<u>Current Portion</u>
Revenue bonds	\$ 12,710,000	\$ 11,345,000	\$ 15,455,000	\$ 8,600,000	\$ 2,395,000
Notes payable	2,198,170	766,947	483,533	2,481,584	512,663
Net OPEB obligation	18,349,000	6,898,182		25,247,182	
Net pension obligation	53,564,674	3,059,649		56,624,323	
Compensated absences	<u>1,754,167</u>	<u>1,424,638</u>	<u>1,287,098</u>	<u>1,891,707</u>	<u>1,891,707</u>
Total	<u>\$ 88,576,011</u>	<u>\$ 23,494,416</u>	<u>\$ 17,225,631</u>	<u>\$ 94,844,796</u>	<u>\$ 4,799,370</u>

Business-type Activities

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Repayments/ Retirements</u>	<u>Balance at June 30, 2018</u>	<u>Current Portion</u>
Revenue Bonds	\$	\$ 6,090,000	\$ 660,000	\$ 5,430,000	\$ 670,000
Notes payable	7,671,641	659,759	6,330,466	2,000,934	450,753
Net OPEB obligation	1,276,000	235,253		1,511,253	
Net pension obligation	3,618,008		327,286	3,290,722	
Compensated absences	<u>94,116</u>	<u>87,046</u>	<u>88,437</u>	<u>92,725</u>	<u>92,725</u>
Total	<u>\$ 12,659,765</u>	<u>\$ 7,072,058</u>	<u>\$ 7,406,189</u>	<u>\$ 12,325,634</u>	<u>\$ 1,213,478</u>

Refunding

During the year ended June 30, 2018, the City issued \$17,435,000 in refunding bonds, with an effective interest rate of 1.84 percent, to advance refund \$18,594,891 of outstanding revenue bonds, with an average interest rate of 3.65 percent. The net proceeds of \$17,245,178, plus an additional contribution of \$1,749,506, (after payment of \$189,822 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities, which are essentially risk-free as to amount, timing and collection of interest and principal. Those securities were deposited in an irrevocable trust with an escrow agent, to provide for all future debt service payments of the refunded revenue bonds. As a result, the refunded revenue bonds are considered to be defeased, and the liability for those bonds has been removed from the government-wide and proprietary financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$399,793. This amount is reported as deferred charges and amortized over the new debt's life. This advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$801,462 and resulted in an economic gain of \$575,400.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Debt Service Requirements to Maturity

The annual requirements to amortize all bonds and loans outstanding as of June 30, 2018, is detailed below.

Year ending 30-Jun	Business-type Activities				Governmental Activities				Total
	Revenue Bonds		Installment Contracts		Revenue Bonds		Installment Contracts		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2019	670,000	93,748	450,753	39,736	2,395,000	136,206	512,663	51,098	4,349,204
2020	680,000	81,328	460,306	30,182	2,450,000	91,632	523,994	39,768	4,357,210
2021	690,000	68,724	470,074	20,415	2,470,000	46,368	535,586	28,175	4,329,342
2022	705,000	55,890	480,061	10,427	1,285,000	11,822	547,448	16,314	3,111,962
2023	490,000	44,896	139,740	3,559			361,893	5,500	1,045,588
2024	510,000	35,696							545,696
2025	535,000	26,082							561,082
2026	560,000	16,008							576,008
2027	590,000	5,428							595,428
Total	5,430,000	427,800	2,000,934	104,319	8,600,000	286,028	2,481,584	140,855	19,471,520

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, 2018 was \$14.0 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 30-Jun	Pledged Excise Taxes	MFRB's	Coverage
2009	\$28,432,239	\$4,184,643	
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	30,464,615	3,418,101	8.57
2019		3,294,954	9.25
2020		3,302,960	
2021		3,275,092	
2022		2,057,712	
2023		534,896	
2024		545,696	
2025		561,082	
2026		576,008	
2027		595,428	

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 \$8,384,080 of pension expenditures in the Governmental Funds related to all plans. This amount includes all pension and OPEB plan 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 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.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
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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 11.50 percent (11.34 percent for retirement and 0.16 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 11.50 percent (10.90 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 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, 2018 were as follows:

	Contributions
Pension	\$ 1,225,909
Health Insurance Premium	49,486
Long-Term Disability	17,995

Pension Liability

At June 30, 2018, the City reported a liability of \$17,182,590 for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. 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, 2017, the City's proportion was 0.11030 percent, which was a decrease of 0.285 from its proportion measured as of June 30, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the City recognized pension expense for ASRS of \$295,268 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	\$	\$515,229
Net difference between projected and actual earnings on pension plan investments	123,359	
Changes in proportion and differences between contributions and proportionate share of contributions	215,851	338,923
Changes in assumptions or other inputs	746,279	513,790
Contributions subsequent to the measurement date	1,225,909	
Total	\$2,311,398	\$1,367,942

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2019. 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:		
	2019	(674,224)
	2020	605,554
	2021	181,468
	2022	(395,251)
	2023	-
	Thereafter	-

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
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, 2016 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 8.7 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58%	6.73%
Fixed income	25	3.70

**CITY OF SIERRA VISTA
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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 and OPEB liability was 8.0 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona 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 and OPEB 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	\$22,054,153	\$17,182,590	\$13,111,982

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB 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

**CITY OF SIERRA VISTA
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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.

	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%	1.5% to 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% to 100% 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 inflation. 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, 2018, the following employees were covered by the agent pension plan's benefit terms:

**CITY OF SIERRA VISTA
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	<u>PSPRS - Police</u> <u>Pension</u>	<u>PSPRS - Fire</u> <u>Pension</u>
Retirees and beneficiaries	35	23
Drop	6	4
Inactive, non-retired members	11	11
Active members	55	44
Total	<u>107</u>	<u>82</u>

Contributions and Annual OPEB Cost

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>PSPRS – Police</u>	<u>PSPRS – Fire</u>
Active members – pension	7.65%	7.65%
City:		
Pension	50.09%	45.49%
Health insurance	1.06%	0.87%

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:

	<u>PSPRS – Police</u>	<u>PSPRS – Fire</u>
Pension:		
Contributions made	\$ 2,330,895	\$ 1,432,035
Health insurance premium benefit:		
Contributions made	\$ 49,326	\$ 27,388

The City's pension and OPEB contributions are paid by the same funds as the employees' salary, with the largest component coming from the General Fund.

Pension Liability

At June 30, 2018, the City reported \$26,851,883 in net pension liability for police and \$15,880,573 net pension liability for fire. The net pension liabilities were measured as of June 30, 2017, 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, 2017, reflects changes in actuarial assumptions, based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation rate from 4.0 percent to 3.5 percent, and updating mortality, withdrawal, disability and retirement assumptions:

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Actuarial Assumptions

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Projected salary increases	3.5%
Inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience

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

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.40 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%	0.25%
Absolute return	2	3.75
Risk parity	4	5.00
Fixed income	5	1.25
Real assets	9	4.52
GTAA	10	3.96
Private equity	12	6.75
Real estate	10	3.75
Private credit	16	5.83
Non-U.S. equity	14	8.70
U.S. equity	16	7.60
Total	100%	

Pension Discount Rates

The discount rate of 7.40% was used to measure the total pension liability, and was a decrease of 0.1 percent from the prior year. 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

**CITY OF SIERRA VISTA
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payments for these plans to determine the total pension liability.

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, 2017	\$38,948,564	\$14,588,365	\$24,360,199
Changes for the year:			
Service cost	1,034,647		1,034,647
Interest on the total pension liability	2,883,989		2,883,989
Changes of benefit terms	526,933		526,933
Differences between expected and actual experience in the measurement of the pension liability	488,807		488,807
Changes of assumptions or other inputs	1,935,164		1,935,164
Contributions – employer		2,139,214	(2,139,214)
Contributions – employee		524,228	(524,228)
Net investment income		1,753,496	(1,753,496)
Benefit payments, including refunds of employee contributions	(2,025,396)	(2,025,396)	
Administrative expense		(15,915)	15,915
Other changes		(23,167)	23,167
Net changes	<u>4,844,144</u>	<u>2,352,460</u>	<u>2,491,684</u>
Balances at June 30, 2018	<u>\$43,792,708</u>	<u>\$16,940,825</u>	<u>\$26,851,883</u>

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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, 2017	\$27,465,751	\$12,906,814	\$14,558,937
Changes for the year:			
Service cost	681,249		681,249
Interest on the total pension liability	2,041,000		2,041,000
Changes of benefit terms	296,509		296,509
Differences between expected and actual experience in the measurement of the pension liability	351,794		351,794
Changes of assumptions or other inputs	1,125,596		1,125,596
Contributions – employer		1,138,470	(1,138,470)
Contributions – employee		506,327	(506,327)
Net investment income		1,542,492	(1,542,492)
Benefit payments, including refunds of employee contributions	(1,186,097)	(1,186,097)	
Administrative expense		(14,048)	14,048
Other changes		1,271	(1,271)
Net changes	<u>3,310,051</u>	<u>1,988,415</u>	<u>1,321,636</u>
Balances at June 30, 2018	<u>\$30,775,802</u>	<u>\$14,895,229</u>	<u>\$15,880,573</u>

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:

	Current Discount		
	1% Decrease	Rate	1% Increase
PSPRS – Police:			
Rate	6.40%	7.40%	8.40%
Net pension liability	\$32,914,268	\$26,851,883	\$21,924,576
PSPRS – Fire:			
Rate	6.40%	7.40%	8.40%
Net pension liability	\$20,146,549	\$15,880,573	\$12,411,343

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.

Pension Expense

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For the year ended June 30, 2018, the City recognized the following as pension expense:

	Pension Expense
PSPRS – Police	\$4,113,065
PSPRS – Fire	\$2,095,239

Pension Deferred Outflows/Inflows of Resource.

At June 30, 2018, 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	\$556,611	\$478,877
Changes of assumptions or other inputs	3,594,402	
Net difference between projected and actual earnings on pension plan investments	219,987	
Contributions subsequent to the measurement date	2,330,895	
Total	\$6,701,895	\$478,877
PSPRS – Fire		
Differences between expected and actual experience	\$365,730	\$571,410
Changes of assumptions or other inputs	2,701,096	
Net difference between projected and actual earnings on pension plan investments	206,542	
Contributions subsequent to the measurement date	1,432,035	
Total	\$4,705,403	\$571,410

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Police	Fire
2019	\$1,269,232	\$554,764
2020	1,329,363	686,996
2021	863,184	577,071
2022	339,178	232,039
2023	91,166	323,089
Thereafter	-	327,999

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

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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 in force 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 2018 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2016
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, 2017, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

Actuarial valuation date	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	7.40%
Projected salary increases includes inflation at	4%-8% 4%
Mortality rate	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

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	<u>PSPRS - Police</u> <u>Health Insurance</u>	<u>PSPRS - Fire</u> <u>Health Insurance</u>
Retirees and beneficiaries	\$ 36	\$ 22
Drop		
Inactive, non-retired members	3	4
Active members	<u>57</u>	<u>45</u>
Total	<u>\$ 96</u>	<u>\$ 71</u>

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents.

Retired and disabled ASRS members, with at least five years of credited service, are eligible to receive health insurance premium benefits. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with five to nine years of service, the benefits are the same dollar amount as above multiplied by a vesting fraction based on completed service.

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

The funded status of the ASRS health insurance premium benefit plan in the June 30, 2017, 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
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Inflation rate	3.0%
Investment rate of return	8.0%
Mortality rates	1994 GAM Scale BB
Healthcare trend rates	N/A

Agent Plan OPEB Trend Information

Changes in the Agent Plans OPEB Liability

	Increase/Decrease		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
PSPRS – Police			

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Balances at June 30, 2017	\$1,153,412	\$642,729	\$510,683
Changes for the year:			
Service cost	17,641		17,641
Interest on the total OPEB liability	84,722		84,722
Changes of benefit terms	1,540		1,540
Differences between expected and actual experience in the measurement of the OPEB liability	(81,762)		(81,762)
Changes of assumptions or other inputs	(17,248)		(17,248)
Contributions – employer		50,296	(50,296)
Contributions – employee			
Net investment income		75,038	(75,038)
Benefit payments, including refunds of employee contributions	(65,215)	(65,215)	
Administrative expense		(664)	664
Other changes			
Net changes	(60,322)	59,455	(119,777)
Balances at June 30, 2018	<u>\$1,093,090</u>	<u>\$702,184</u>	<u>\$390,906</u>

Changes in the Agent Plans OPEB Liability

	Increase/Decrease		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
PSPRS – Fire			
Balances at June 30, 2017	\$820,793	\$529,456	\$291,337
Changes for the year:			
Service cost	9,996		9,996
Interest on the total OPEB liability	60,052		60,052
Changes of benefit terms	4		4
Differences between expected and actual experience in the measurement of the OPEB liability	(6,161)		(6,161)
Changes of assumptions or other inputs	(2,836)		(2,836)
Contributions – employer		26,447	(26,447)
Contributions – employee			
Net investment income		61,041	(61,041)
Benefit payments, including refunds of employee contributions	(50,190)	(50,190)	
Administrative expense		(539)	539

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Other changes	10,865	36,759	(25,894)
Net changes	10,865	36,759	(25,894)
Balances at June 30, 2018	\$831,658	\$566,215	\$265,443

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

The following presents the City's net OPEB 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% Decrease	Current Discount Rate	1% Increase
PSPRS – Police:			
Rate	6.40%	7.40%	8.40%
Net OPEB liability	\$513,920	\$390,906	\$287,908
PSPRS – Fire:			
Rate	6.40%	7.40%	8.40%
Net OPEB liability	\$358,701	\$265,443	\$187,430
ASRS:			
Rate	7.0%	8.0%	9.0
Health Insurance Premium	\$100,761	\$(60,673)	\$(197,865)
Long Term Disability	47,933	40,086	33,433

Proportionate Share of OPEB Plan

At June 30, 2017, the City's proportion for each ASRS plan was:

	<u>City Proportion</u>
ASRS – Health Insurance Premium	0.11145%
ASRS – Long Term Disability	0.11059%

OPEB Expense

For the year ended June 30, 2018, the City recognized the following as OPEB expenses related to the ASRS and PSPRS plans:

	<u>OPEB Expense</u>
ASRS – Health Insurance Premium	\$35,487
ASRS – Long Term Disability	21,387
PSPRS – Police	34,186
PSPRS – Fire	26,243

OPEB Deferred Outflows/Inflows of Resource

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSPRS – Police		
Differences between expected and actual experience	\$	\$67,405
Changes of assumptions or other inputs		14,328
Net difference between projected and actual earnings on plan investments		21,934
Contributions subsequent to the measurement date	49,326	
Total	<u>\$49,326</u>	<u>\$103,667</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSPRS – Fire		
Differences between expected and actual experience	\$	\$5,407
Changes of assumptions or other inputs		2,489
Net difference between projected and actual earnings on plan investments		17,794
Contributions subsequent to the measurement date	27,388	
Total	<u>\$27,388</u>	<u>\$25,690</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
ASRS Health Insurance Premium		
Differences between expected and actual experience	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions		74
Net difference between projected and actual earnings on plan investments		68,316
Contributions subsequent to the measurement date	49,486	
Total	<u>\$49,486</u>	<u>\$68,390</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
ASRS Long term disability		
Differences between expected and actual experience	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions		6
Net difference between projected and actual earnings on plan investments		5,996
Contributions subsequent to the measurement date	17,995	
Total	<u>\$17,995</u>	<u>6,002</u>

The amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	<u>Police</u>	<u>Fire</u>	<u>ASRS</u>	<u>LTD</u>
2019	\$ (22,761)	\$ (5,549)	\$ (17,095)	\$ (1,500)
2020	(22,761)	(5,549)	(17,095)	(1,500)

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2021	(22,761)	(5,549)	(17,095)	(1,500)
2022	(22,759)	(5,551)	(17,095)	(1,500)
2023	(12,625)	(1,101)	(10)	(1)
Thereafter		(2,391)		(1)

City OPEB Plan

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 following employees were covered as of the effective date of the OPEB valuation:

City Healthcare	
Retirees and beneficiaries	125
Active members	<u>236</u>
Total	361

The City's total OPEB liability of \$26,062,000 was measured as of June 30, 2018. The total liability was determined by using update procedures to roll forward the total from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018:

Total OPEB Liability – Beginning of Year	<u>\$25,904,000</u>
Changes for the year	
Service Cost	1,121,000
Interest	937,000
Changes of benefit terms	
Differences between expected and Actual experience	
Change of assumptions or other inputs	(1,296,000)
Benefit payments	<u>(604,000)</u>
Net changes	158,000
Total OPEB Liability – End of Year	<u>\$26,062,000</u>

The plan is not accounted for as a trust fund. The City's Health and Accident Insurance fund has net position of \$5,236,439 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 following presents the City's net OPEB 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 as well as a healthcare trend that is 1 percent lower or 1 percent higher.:

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Discount rate:	1% Decrease	Current Discount Rate	1% Increase
Rate	2.87%	3.87	4.87%
Total OPEB liability	\$30,972,000	\$26,062,000	\$22,243,000,
Healthcare cost:			
Rate	-1.00%	Baseline	+1.00%
Total OPEB liability	\$21,828,000	\$26,062,000	\$31,384,000

OPEB Deferred Outflows/Inflows of Resource.

For the period ended June 30, 2018, the City recognized OPEB expense of \$1,268,000. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$
Changes of assumptions or other inputs		1,110,000
Net difference between projected and actual earnings on plan investments		
Contributions subsequent to the measurement date		
Total	<u>\$</u>	<u>\$1,110,000</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	<u>ASRS</u>
2019	\$(186,000)
2020	(186,000)
2021	(186,000)
2022	(186,000)
2023	(186,000)
Thereafter	(180,000)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The total OPEB liability in the June 30, 2017 actuarial valuation was determined by using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date:	06/30/2017
Measurement Date:	06/30/2018
Actuarial Cost Method:	Entry age
Discount rate:	3.87%
Future Payroll Increases:	N/A
Ultimate Rate of Medical Inflation:	7.5% downgraded to 4.50%

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The discount rate is based upon the estimate of expected long-term plan experience., Mortality rates were based on the following:

- ASRS Pre-retirement: 50% of the 1994 GAM projected to 2015 using projection scale BB..
- PSPRS Pre-retirement: RP2000 for active members projected to 2015 using projections scale AA
- ASRS Retired: 1994 GAM, projected to 2015 using projection scale BB.
- PSPRS Retired: 105% of the RP2000 projected to 2015 using projection scale AA.

The actuarial assumptions used in the June 30, 2016 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 actuarial 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 plan investments was determined to be 8.70 percent using a block-building method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 weighing 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 for all ASRS plans are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 and OPEB liability was 8.0 percent, which is less than the long-term expected rate of return of 8.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which established the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liability.

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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, 2018, the City had \$104,673 in unperformed construction contracts and commitments outstanding.

HURF	\$99,173
Donations	3,000
Sewer	2,500

9. Stewardship, Compliance and Accountability

Beginning Net Position Restatement

The implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, represents a change in accounting principle. Governmental activities net position as of July 1, 2017, has been restated as follows for this change in accounting principle:

Net Position, June 30, 2017, as previously reported:	\$46,758,844
Net OPEB liability change	<u>(6,270,000)</u>
Net Position, July 1, 2017, as restated	<u>\$40,488,844</u>

Negative Fund Balances

The Park Development Fee, Sierra Vista Municipal Planning Organization, Police Development Fee and Fire Development Fee Funds had negative fund balances on June 30, 2018. The negative balances in the development fee funds are due to prior years' 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 Sierra Vista Municipal Property Corporation Interest & Redemption Fund 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 classifications.

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Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent 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	Capital	Non-Major Funds	
Fund Balances:							
Nonspendable	\$ 138,478	\$	\$	\$	\$	\$ 113,184	\$ 251,662
Restricted for:							
Street Projects		2,409,698				123,159	2,532,857
Capital Projects					3,100,702		3,100,702
Other Projects						1,920,658	1,920,658
Unassigned:	4,222,072		(3,378,010)	(1,334,188)		(922,766)	(1,412,892)
Total fund balances	<u>\$4,360,550</u>	<u>\$ 2,409,698</u>	<u>\$(3,378,010)</u>	<u>\$(1,334,188)</u>	<u>\$ 3,100,702</u>	<u>\$1,234,235</u>	<u>\$6,392,987</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, 2018, 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 funds.

The City established the Self-Insured Retention Fund, an Internal Service Fund, to account

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 has a contract with The Travelers Property and Casualty Insurance Company to provide coverage for amounts over \$10,000.

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 received a transfer of \$25,000 from the General Fund. The City has designated the net position in this fund of \$83,497 as future catastrophe loss reserves. The Self Insured Retention Fund received restitution payments of \$67,418 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, 2018 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.

Changes in the claims liability amounts in fiscal years 2016-2017 and 2017-2018 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:				
2016-17	\$188,581	\$3,256,720	\$3,235,286	\$210,015
2017-18	\$210,015	\$2,778,533	\$2,726,246	\$262,302
Unemployment Insurance:				
2016-17	-0-	\$4,048	\$3,577	\$471
2017-18	\$471-	\$12,129	\$5,119	\$7,481
Self-Insured Retention:				
2016-17	-0-	\$43,391	\$43,391	-0-
2017-18	-0-	\$44,529	\$44,529	-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.

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

13. Interfund Balances and Transfers

Individual interfund balances for due to/ from to other funds at June 30, 2018 are as follows.

<u>Governmental Funds</u>	<u>Due to other funds</u>	<u>Due from other funds</u>
General	\$	\$ 147,218
Capital Improvements		2,117,206
Health & Accident		4,251,253
Refuse		492,040
Infrastructure Development Fee		134,403
Sewer	1,396,941	
Grants	67,276	
SVMPO	79,942	
Park Development	3,346,352	
Police Development	917,421	
Fire Development	1,334,188	
Total	\$ <u>7,142,120</u>	\$ <u>7,142,120</u>

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

**CITY OF SIERRA VISTA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Individual interfund transfers for Fiscal Year 2018 were:

<u>Fund</u>	Individual Fund Transfer	Total Fund <u>Transfer out</u>	Individual Fund Transfer	Total Fund <u>Transfer In</u>
General	\$	\$ 448,368	\$	\$
LTAf	400,000			
Grants	20,668			
Unemployment Insurance	25,000			
Police Development	400			
Infrastructure Development	2,000			
Fire Development	300			
Capital Improvements		3,539,832		
SVMPC I&R	3,191,914			
Infrastructure Development	221,288			
Park Development	126,630			
Airport		430,000		
Capital Improvements	430,000			
LTAf				400,000
General			400,000	
Grants				20,668
General			20,668	
Unemployment Insurance				25,000
General			25,000	
Infrastructure Development				221,288
Capital Improvements			221,288	
Capital Improvements				430,000
Airport			430,000	
Park Development				126,630
Capital Improvements			126,630	
SVMPC I&R				3,191,914
Capital Improvements			3,191,914	
Police Development				400
General			400	
Infrastructure Development				2,000
General			2,000	
Fire Development				300
General			16,46	
Total Transfers		<u>\$ 4,418,200</u>		<u>\$4,418,200</u>

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 Grants Fund are to cover grant match requirements and capital maintenance. The transfer to the Capital Improvements Fund is to repay an early airport loan payoff paid by the Capital Improvements Fund. The General Fund transfers to the development fee funds are required by the City's development fee code.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SIERRA VISTA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Taxes	\$ 14,559,210	\$ 15,253,711	\$ 694,501
Licenses and permits	1,720,500	1,998,204	277,704
Intergovernmental	14,191,586	12,382,252	(1,809,334)
Charges for services	4,615,515	4,505,469	(110,046)
Fines	15,000	21,406	6,406
Investment income	10,000	7,508	(2,492)
Contributions	1,000	20,608	19,608
Other revenues	340,500	265,857	(74,643)
Total revenues	<u>35,453,311</u>	<u>34,455,015</u>	<u>(998,296)</u>
Expenditures:			
Current -			
General government	6,327,911	6,087,812	240,099
Public safety	19,840,449	17,948,205	1,892,244
Public works	6,151,207	5,903,375	247,832
Culture and recreation	3,317,347	3,340,480	(23,133)
Community development	904,954	842,178	62,776
Debt service -			
Interest and fiscal charges	10,782	13,599	(2,817)
Principal	145,871	247,160	(101,289)
Total expenditures	<u>36,698,521</u>	<u>34,382,809</u>	<u>2,315,712</u>
Excess (deficiency) of revenues over expenditures	<u>(1,245,210)</u>	<u>72,206</u>	<u>1,317,416</u>
Other financing sources (uses):			
Transfers out	(432,230)	(448,368)	(16,138)
Transfer in	1,317,440		(1,317,440)
Proceeds from installment purchase	360,000	562,550	202,550
Total other financing sources (uses)	<u>1,245,210</u>	<u>114,182</u>	<u>(1,131,028)</u>
Change in fund balances		<u>186,388</u>	<u>186,388</u>
Fund balances, July 1, 2017		4,174,162	4,174,162
Fund balances, June 30, 2018	<u>\$</u>	<u>\$ 4,360,550</u>	<u>\$ 4,360,550</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, 2018**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 3,467,720	\$ 3,834,021	\$ 366,301
Investment income		14,058	14,058
Contributions		766,268	766,268
Other revenues	10,000	184,462	174,462
Total revenues	<u>3,477,720</u>	<u>4,798,809</u>	<u>1,321,089</u>
Expenditures:			
Current -			
Public works	4,429,869	4,384,957	44,912
Debt service -			
Interest and fiscal charges	2,415	3,041	(626)
Principal	33,436	56,036	(22,600)
Total expenditures	<u>4,465,720</u>	<u>4,444,034</u>	<u>21,686</u>
Excess (deficiency) of revenues over expenditures	<u>(988,000)</u>	<u>354,775</u>	<u>1,342,775</u>
Other financing sources (uses):			
Transfer in	700,000		(700,000)
Proceeds from installment purchase	288,000	204,397	(83,603)
Total other financing sources (uses)	<u>988,000</u>	<u>204,397</u>	<u>(783,603)</u>
Change in fund balances		<u>559,172</u>	<u>559,172</u>
Fund balances, July 1, 2017		1,850,526	1,850,526
Fund balances, June 30, 2018	<u>\$</u>	<u>\$ 2,409,698</u>	<u>\$ 2,409,698</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, 2018**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Charges for services	\$	\$ 624	\$ 624
Total revenues		<u>624</u>	<u>624</u>
Expenditures:			
Debt service -			
Interest and fiscal charges	13,567	13,567	
Principal	<u>113,063</u>	<u>113,063</u>	
Total expenditures	<u>126,630</u>	<u>126,630</u>	
Excess (deficiency) of revenues over expenditures	<u>(126,630)</u>	<u>(126,006)</u>	<u>624</u>
Other financing sources (uses):			
Transfer in	<u>126,630</u>	<u>126,630</u>	
Total other financing sources (uses)	<u>126,630</u>	<u>126,630</u>	
Change in fund balances		<u>624</u>	<u>624</u>
Fund balances (deficits), July 1, 2017		(3,378,634)	(3,378,634)
Fund balances (deficits), June 30, 2018	<u>\$</u>	<u>\$(3,378,010)</u>	<u>\$(3,378,010)</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, 2018**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Charges for services	\$	\$ 789	\$ 789
Total revenues		<u>789</u>	<u>789</u>
Other financing sources (uses):			
Transfer in		300	300
Total other financing sources (uses)		<u>300</u>	<u>300</u>
Change in fund balances		<u>1,089</u>	<u>1,089</u>
Fund balances (deficits), July 1, 2017		(1,335,277)	(1,335,277)
Fund balances (deficits), June 30, 2018	<u>\$</u>	<u>\$ (1,334,188)</u>	<u>\$ (1,334,188)</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 FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
City's proportion of the net pension liability (asset)	0.11%	0.11%	0.11%	0.11%
City's proportionate share of the net pension liability (asset)	\$ 17,182,590	\$ 18,263,547	\$ 17,080,214	\$ 16,494,189
City's covered payroll	\$ 10,791,929	\$ 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	159.22%	171.91%	168.99%	164.17%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	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 FOUR YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Arizona State Retirement System:				
Actuarially determined contribution	\$ 1,225,909	\$ 1,163,370	\$ 1,152,589	\$ 1,100,673
Contributions in relation to the actuarially determined contribution	<u>1,225,909</u>	<u>1,163,370</u>	<u>1,152,589</u>	<u>1,100,673</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 11,246,193	\$ 10,791,929	\$ 10,622,940	\$ 10,107,190
Contributions as a percentage of covered payroll	10.90%	10.78%	10.85%	10.89%
Public Safety Personnel Retirement System - Police:				
Actuarially determined contribution	\$ 2,080,895	\$ 2,148,783	\$ 1,905,744	\$ 1,243,188
Contributions in relation to the actuarially determined contribution	<u>2,330,895</u>	<u>2,148,783</u>	<u>1,905,744</u>	<u>1,243,188</u>
Contribution deficiency (excess)	<u>\$ (250,000)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 4,164,656	\$ 4,721,562	\$ 4,511,705	\$ 4,105,641
Contributions as a percentage of covered payroll	55.97%	45.51%	42.24%	30.28%
Public Safety Personnel Retirement System - Fire:				
Actuarially determined contribution	\$ 1,417,035	\$ 1,079,972	\$ 1,010,635	\$ 630,702
Contributions in relation to the actuarially determined contribution	<u>1,432,035</u>	<u>1,079,972</u>	<u>1,010,635</u>	<u>630,702</u>
Contribution deficiency (excess)	<u>\$ (15,000)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 3,115,665	\$ 2,951,548	\$ 2,715,301	\$ 2,366,612
Contributions as a percentage of covered payroll	45.96%	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 CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - POLICE
LAST FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability				
Service cost	\$ 1,034,647	\$ 898,658	\$ 811,577	\$ 881,966
Interest	2,883,989	2,667,016	2,585,621	2,221,142
Changes of benefit terms	526,933	1,360,707		697,428
Differences between expected and actual	488,807	271,019	(291,544)	(1,116,200)
Changes of assumptions	1,935,164	1,445,654		3,733,060
Benefit payments, including refunds	(2,025,396)	(2,439,783)	(1,784,836)	(1,693,486)
Net change in total pension liability	4,844,144	4,203,271	1,320,818	4,723,910
Total pension liability—beginning	38,948,564	34,745,293	33,424,475	28,700,565
Total pension liability—ending	<u>\$ 43,792,708</u>	<u>\$ 38,948,564</u>	<u>\$ 34,745,293</u>	<u>\$ 33,424,475</u>
Plan fiduciary net position				
Contributions—employer	\$ 2,139,214	\$ 1,889,021	\$ 1,231,440	\$ 1,218,115
Contributions—employee	524,228	626,104	458,242	434,697
Net investment income	1,753,496	84,142	516,861	1,714,865
Benefit payments, including refunds	(2,025,396)	(2,439,783)	(1,784,836)	(1,693,486)
Administrative expense	(15,915)	(12,508)	(12,992)	(13,811)
Other	(23,167)	(133,215)	60,401	(35,200)
Net change in plan fiduciary net position	2,352,460	13,761	469,116	1,625,180
Plan fiduciary net position—beginning	14,588,365	14,574,604	14,105,488	12,480,308
Plan fiduciary net position—ending	<u>\$ 16,940,825</u>	<u>\$ 14,588,365</u>	<u>\$ 14,574,604</u>	<u>\$ 14,105,488</u>
Net pension liability—ending	<u>\$ 26,851,883</u>	<u>\$ 24,360,199</u>	<u>\$ 20,170,689</u>	<u>\$ 19,318,987</u>
Plan fiduciary net position as a percentage of the total pension liability	38.68%	37.46%	41.95%	42.20%
Covered payroll	\$ 4,164,656	\$ 4,511,705	\$ 4,105,641	\$ 4,488,315
Net pension liability as a percentage of covered payroll	644.76%	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 FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability				
Service cost	\$ 681,249	\$ 554,766	\$ 509,564	\$ 554,360
Interest	2,041,000	1,857,264	1,842,910	1,621,190
Changes of benefit terms	296,509	1,364,984		383,303
Differences between expected and actual	351,794	84,858	(533,875)	(564,575)
Changes of assumptions	1,125,596	1,007,378		2,198,015
Benefit payments, including refunds	(1,186,097)	(1,571,062)	(1,745,628)	(945,243)
Net change in total pension liability	3,310,051	3,298,188	72,971	3,247,050
Total pension liability—beginning	27,465,751	24,167,563	24,094,592	20,847,542
Total pension liability—ending	<u>\$ 30,775,802</u>	<u>\$ 27,465,751</u>	<u>\$ 24,167,563</u>	<u>\$ 24,094,592</u>
Plan fiduciary net position				
Contributions—employer	\$ 1,138,470	\$ 1,101,774	\$ 714,263	\$ 675,704
Contributions—employee	506,327	350,230	303,093	280,114
Net investment income	1,542,492	74,132	469,999	1,617,085
Benefit payments, including refunds	(1,186,097)	(1,571,062)	(1,745,628)	(945,243)
Administrative expense	(14,048)	(11,067)	(11,851)	(13,024)
Other	1,271	(90,098)	(72,095)	16,956
Net change in plan fiduciary net position	1,988,415	(146,091)	(342,219)	1,631,592
Plan fiduciary net position—beginning	12,906,814	13,052,905	13,395,124	11,763,532
Plan fiduciary net position—ending	<u>\$ 14,895,229</u>	<u>\$ 12,906,814</u>	<u>\$ 13,052,905</u>	<u>\$ 13,395,124</u>
Net pension liability—ending	<u>\$ 15,880,573</u>	<u>\$ 14,558,937</u>	<u>\$ 11,114,658</u>	<u>\$ 10,699,468</u>
Plan fiduciary net position as a percentage of the total pension liability	48.40%	46.99%	54.01%	55.59%
Covered payroll	\$ 3,115,665	\$ 2,715,301	\$ 2,366,612	\$ 3,019,596
Net pension liability as a percentage of covered payroll	509.70%	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
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ARIZONA STATE RETIREMENT SYSTEM - HEALTH INSURANCE PREMIUM
JUNE 30, 2018**

<u>2018</u>	
Measurement date	June 30, 2017
City's proportion of the net OPEB (assets) liability	0.11%
City's proportionate share of the net OPEB (assets) liability	\$ (60,673)
City's covered payroll	\$ 10,791,929
City's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	-0.56%
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%

See accompanying notes to this schedule.

The OPEB 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 THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 ARIZONA STATE RETIREMENT SYSTEM - LONG-TERM DISABILITY
 JUNE 30, 2018**

<u>2018</u>	
Measurement date	June 30, 2017
City's proportion of the net OPEB (assets) liability	0.11%
City's proportionate share of the net OPEB (assets) liability	\$ 40,086
City's covered payroll	\$ 10,791,929
City's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%

See accompanying notes to this schedule.

The OPEB 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 OPEB CONTRIBUTIONS
ALL OPEB PLANS
JUNE 30, 2018**

2018

Arizona State Retirement System - Health Insurance Premium:

Actuarially determined contribution	\$ 49,486
Contributions in relation to the actuarially determined contribution	<u>49,486</u>
Contribution deficiency (excess)	<u>\$</u>
City's covered payroll	\$ 11,246,193
Contributions as a percentage of covered payroll	0.44%

Arizona State Retirement System - Long-Term Disability:

Actuarially determined contribution	\$ 17,995
Contributions in relation to the actuarially determined contribution	<u>17,995</u>
Contribution deficiency (excess)	<u>\$</u>
City's covered payroll	\$ 11,246,193
Contributions as a percentage of covered payroll	0.16%

Public Safety Personnel Retirement System - Police - Health Insurance Premium:

Actuarially determined contribution	\$ 49,326
Contributions in relation to the actuarially determined contribution	<u>49,326</u>
Contribution deficiency (excess)	<u>\$</u>
City's covered payroll	\$ 4,164,656
Contributions as a percentage of covered payroll	1.18%

Public Safety Personnel Retirement System - Fire - Health Insurance Premium:

Actuarially determined contribution	\$ 27,388
Contributions in relation to the actuarially determined contribution	<u>27,388</u>
Contribution deficiency (excess)	<u>\$</u>
City's covered payroll	\$ 3,115,665
Contributions as a percentage of covered payroll	0.88%

See accompanying notes to this schedule.

This OPEB 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 OPEB LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - POLICE - HEALTH INSURANCE PREMIUM
JUNE 30, 2018

2018

Measurement date	June 30, 2017
Total OPEB liability	
Service cost	\$ 17,641
Interest	84,722
Changes of benefit terms	1,540
Differences between expected and actual experience	(81,762)
Changes of assumptions or other inputs	(17,248)
Benefit payments	<u>(65,215)</u>
Net change in total OPEB liability	(60,322)
Total OPEB liability—beginning	<u>1,153,412</u>
Total OPEB liability—ending	<u>\$ 1,093,090</u>
Plan fiduciary net position	
Contributions—employer	\$ 50,296
Contributions—employee	
Net investment income	75,038
Benefit payments	(65,215)
Administrative expense	(664)
Other	
Net change in plan fiduciary net position	<u>59,455</u>
Plan fiduciary net position—beginning	<u>642,729</u>
Plan fiduciary net position—ending	<u>\$ 702,184</u>
Net OPEB (assets) liability—ending	<u>\$ 390,906</u>
Plan fiduciary net position as a percentage of the total OPEB liability	64.24%
Covered payroll	\$ 4,164,656
Net OPEB (assets) liability as a percentage of covered payroll	9.39%

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 OPEB LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - FIRE
June 30, 2018

	<u>2018</u>
Measurement date	June 30, 2017
Total pension liability	
Service cost	\$ 9,996
Interest	60,052
Changes of benefit terms	4
Differences between expected and actual	(6,161)
Changes of assumptions	(2,836)
Benefit payments, including refunds	<u>(50,190)</u>
Net change in total pension liability	10,865
Total pension liability—beginning	<u>820,793</u>
Total pension liability—ending	<u><u>\$ 831,658</u></u>
Plan fiduciary net position	
Contributions—employer	\$ 26,447
Contributions—employee	
Net investment income	61,041
Benefit payments, including refunds	(50,190)
Administrative expense	(539)
Other	
Net change in plan fiduciary net position	<u>36,759</u>
Plan fiduciary net position—beginning	<u>529,456</u>
Plan fiduciary net position—ending	<u><u>\$ 566,215</u></u>
Net pension liability—ending	<u><u>\$ 265,443</u></u>
Plan fiduciary net position as a percentage of the total pension liability	68.08%
Covered payroll	\$ 3,115,665
Net pension liability as a percentage of covered payroll	8.52%

See accompanying notes to this schedule.

This OPEB 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 TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS PLAN
JUNE 30, 2018

<u>2018</u>	
Measurement date	June 30, 2018
Total OPEB liability	
Service cost	\$ 1,121,000
Interest	937,000
Benefit payments	<u>(604,000)</u>
Net change in total OPEB liability	158,000
Total OPEB liability—beginning	<u>25,904,000</u>
Total OPEB liability—ending	<u>\$ 26,062,000</u>
Covered-employee payroll	\$ 11,246,193
Total OPEB liability as a percentage of covered-employee payroll	231.74%

See accompanying notes to this schedule.

The OPEB 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, 2018**

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 AND OPEB 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, 2016, 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, 2017 valuation of PSPRS were based on the results of an actuarial experience study for the five year period ended June 30, 2016. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date.

No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4 to pay the benefits for the City's single-employer defined benefit OPEB plan.

**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, 2018**

	Special Revenue	Total Non-Major Governmental Funds
<u>ASSETS</u>		
Cash and investments	\$ 1,880,828	\$ 1,880,828
Intergovernmental receivable	397,855	397,855
Accounts receivable	21,668	21,668
Due from other funds	134,403	134,403
Inventory	113,184	113,184
Total assets	\$ 2,547,938	\$ 2,547,938
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 176,890	\$ 176,890
Due to other funds	1,064,639	1,064,639
Accrued salaries and employee benefits	27,252	27,252
Other liabilities	44,922	44,922
Total liabilities	1,313,703	1,313,703
Fund balances (deficits):		
Unassigned	(922,766)	(922,766)
Nonspendable	113,184	113,184
Restricted	2,043,817	2,043,817
Total fund balances	1,234,235	1,234,235
Total liabilities and fund balances	\$ 2,547,938	\$ 2,547,938

**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, 2018**

	<u>Special Revenue</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:		
Taxes	\$	\$
Intergovernmental	1,552,443	1,552,443
Charges for services	1,303,762	1,303,762
Fines	24	24
Investment income	7,553	7,553
Contributions	122,799	122,799
Other revenues	69,300	69,300
Total revenues	<u>3,055,881</u>	<u>3,055,881</u>
 Expenditures:		
Current -		
General government	296,206	296,206
Public safety	262,653	262,653
Public works	2,566,518	2,566,518
Culture and recreation	142,891	142,891
Community development	96,966	96,966
Capital outlay		
Debt service -		
Interest and fiscal charges	8,072	8,072
Principal	67,274	67,274
Total expenditures	<u>3,440,580</u>	<u>3,440,580</u>
 Excess (deficiency) of revenues over expenditures	<u>(384,699)</u>	<u>(384,699)</u>
 Other financing sources (uses):		
Transfers out	(430,000)	(430,000)
Transfer in	644,356	644,356
Total other financing sources (uses)	<u>214,356</u>	<u>214,356</u>
 Change in fund balances	<u>(170,343)</u>	<u>(170,343)</u>
 Fund balances, beginning of year	1,404,578	1,404,578
 Fund balances, end of year	<u><u>\$1,234,235</u></u>	<u><u>\$1,234,235</u></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, 2018**

	<u>SVMP0</u>	<u>LTAF</u>	<u>Police Special Programs</u>
<u>ASSETS</u>			
Cash and investments	\$	\$ 50,956	\$ 350,156
Intergovernmental receivable	78,245	136,018	
Accounts receivable		242	
Due from other funds			
Inventory			
Total assets	<u>\$ 78,245</u>	<u>\$ 187,216</u>	<u>\$ 350,156</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 1,830	\$ 1,773	\$ 43,151
Due to other funds	79,942		
Accrued salaries and employee benefits	1,818	21,878	
Other liabilities			
Total liabilities	<u>83,590</u>	<u>23,651</u>	<u>43,151</u>
 Fund balances (deficits):			
Unassigned	(5,345)		
Nonspendable			
Restricted		163,565	307,005
Total fund balances	<u>(5,345)</u>	<u>163,565</u>	<u>307,005</u>
Total liabilities and fund balances	<u>\$ 78,245</u>	<u>\$ 187,216</u>	<u>\$ 350,156</u>

<u>Grants</u>	<u>Judicial Collection Enhancement</u>	<u>Airport</u>	<u>Miscellaneous Donations</u>	<u>Police Development Fee</u>
\$ 183,592	\$ 211	\$ 881,552	\$ 595,553	\$
		21,426		
		113,184		
<u>\$ 183,592</u>	<u>\$ 211</u>	<u>\$ 1,016,162</u>	<u>\$ 595,553</u>	<u>\$</u>
\$ 71,394 67,276	\$	\$ 25,876	\$ 19,222	\$ 917,421
44,922		3,556		
<u>183,592</u>		<u>29,432</u>	<u>19,222</u>	<u>917,421</u>
		113,184		(917,421)
	211	873,546	576,331	
	211	986,730	576,331	(917,421)
<u>\$ 183,592</u>	<u>\$ 211</u>	<u>\$ 1,016,162</u>	<u>\$ 595,553</u>	<u>\$</u>

(continued)

**CITY OF SIERRA VISTA
 COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018
 (Concluded)**

	Infrastructure Development Fee	Totals
<u>ASSETS</u>		
Cash and investments	\$ 2,400	\$ 1,880,828
Intergovernmental receivable		397,855
Accounts receivable		21,668
Due from other funds	134,403	134,403
Inventory		113,184
Total assets	\$ 136,803	\$ 2,547,938
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 13,644	\$ 176,890
Due to other funds		1,064,639
Accrued salaries and employee benefits		27,252
Other liabilities		44,922
Total liabilities	13,644	1,313,703
 Fund balances (deficits):		
Unassigned		(922,766)
Nonspendable		113,184
Restricted	123,159	2,043,817
Total fund balances	123,159	1,234,235
Total liabilities and fund balances	\$ 136,803	\$ 2,547,938

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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, 2018**

	<u>SVMPO</u>	<u>LTAF</u>	<u>Police Special Programs</u>
Revenues:			
Intergovernmental	\$276,307	\$ 850,510	\$ 6,300
Charges for services		122,231	6,085
Fines			
Investment income			2,405
Contributions			2,165
Other revenues		6,321	61,118
Total revenues	<u>276,307</u>	<u>979,062</u>	<u>78,073</u>
Expenditures:			
Current -			
General government			
Public safety			142,332
Public works	266,637	1,382,921	
Culture and recreation			
Community development			
Debt service -			
Interest and fiscal charges			
Principal			
Total expenditures	<u>266,637</u>	<u>1,382,921</u>	<u>142,332</u>
Excess (deficiency) of revenues over expenditures	<u>9,670</u>	<u>(403,859)</u>	<u>(64,259)</u>
Other financing sources (uses):			
Transfers out			
Transfer in		400,000	
Total other financing sources (uses)		<u>400,000</u>	
Change in fund balances	<u>9,670</u>	<u>(3,859)</u>	<u>(64,259)</u>
Fund balances (deficits), beginning of year	(15,015)	167,424	371,264
Fund balances (deficits), end of year	<u>\$ (5,345)</u>	<u>\$ 163,565</u>	<u>\$ 307,005</u>

<u>Grants</u>	<u>Judicial Collection Enhancement</u>	<u>Airport</u>	<u>Miscellaneous Donations</u>	<u>Police Development Fee</u>
\$ 414,546	\$	\$ 4,780	\$	\$
		1,168,426		1,077
	24			
		5,148		
27,218			93,416	
		1,861		
<u>441,764</u>	<u>24</u>	<u>1,180,215</u>	<u>93,416</u>	<u>1,077</u>
293,144			3,062	
36,394			83,927	
1,980		735,054	3,335	
22,535			120,356	
93,176			3,790	
		8,072		
		67,274		
<u>447,229</u>		<u>810,400</u>	<u>214,470</u>	
<u>(5,465)</u>	<u>24</u>	<u>369,815</u>	<u>(121,054)</u>	<u>1,077</u>
		(430,000)		
<u>20,668</u>				<u>400</u>
<u>20,668</u>		<u>(430,000)</u>		<u>400</u>
<u>15,203</u>	<u>24</u>	<u>(60,185)</u>	<u>(121,054)</u>	<u>1,477</u>
<u>(15,203)</u>	<u>187</u>	<u>1,046,915</u>	<u>697,385</u>	<u>(918,898)</u>
<u>\$</u>	<u>\$ 211</u>	<u>\$ 986,730</u>	<u>\$ 576,331</u>	<u>\$ (917,421)</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, 2018
(Concluded)

	Infrastructure Development Fee	Totals
Revenues:		
Intergovernmental	\$	\$ 1,552,443
Charges for services	5,943	1,303,762
Fines		24
Investment income		7,553
Contributions		122,799
Other revenues		69,300
Total revenues	5,943	3,055,881
Expenditures:		
Current -		
General government		296,206
Public safety		262,653
Public works	176,591	2,566,518
Culture and recreation		142,891
Community development		96,966
Debt service -		
Interest and fiscal charges		8,072
Principal		67,274
Total expenditures	176,591	3,440,580
Excess (deficiency) of revenues over expenditures	(170,648)	(384,699)
Other financing sources (uses):		
Transfers out		(430,000)
Transfer in	223,288	644,356
Total other financing sources (uses)	223,288	214,356
Change in fund balances	52,640	(170,343)
Fund balances (deficits), beginning of year	70,519	1,404,578
Fund balances (deficits), end of year	\$ 123,159	\$ 1,234,235

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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, 2018

	SVMPO		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 421,963	\$ 276,307	\$ (145,656)
Charges for services			
Fines			
Investment income			
Contributions			
Other revenues			
Total revenues	<u>421,963</u>	<u>276,307</u>	<u>(145,656)</u>
Expenditures:			
Current -			
General government			
Public safety			
Public works	421,963	266,637	155,326
Culture and recreation			
Community development			
Debt service -			
Interest and fiscal charges			
Principal			
Total expenditures	<u>421,963</u>	<u>266,637</u>	<u>155,326</u>
Excess (deficiency) of revenues over expenditures		<u>9,670</u>	<u>9,670</u>
Other financing sources (uses):			
Transfers out			
Transfer in			
Total other financing sources (uses)			
Change in fund balances		<u>9,670</u>	<u>9,670</u>
Fund balances (deficits), July 1, 2017		(15,015)	(15,015)
Fund balances (deficits), June 30, 2018	<u>\$</u>	<u>\$ (5,345)</u>	<u>\$ (5,345)</u>

LTAF			Police Special Programs		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 1,100,241	\$ 850,510	\$ (249,731)	\$ 50,000	\$ 6,300	\$ (43,700)
135,200	122,231	(12,969)		6,085	6,085
				2,405	2,405
				2,165	2,165
1,000	6,321	5,321	75,000	61,118	(13,882)
<u>1,236,441</u>	<u>979,062</u>	<u>(257,379)</u>	<u>125,000</u>	<u>78,073</u>	<u>(46,927)</u>
1,783,939	1,382,921	401,018	324,500	142,332	182,168
<u>1,783,939</u>	<u>1,382,921</u>	<u>401,018</u>	<u>324,500</u>	<u>142,332</u>	<u>182,168</u>
<u>(547,498)</u>	<u>(403,859)</u>	<u>143,639</u>	<u>(199,500)</u>	<u>(64,259)</u>	<u>135,241</u>
400,000	400,000				
<u>400,000</u>	<u>400,000</u>				
<u>(147,498)</u>	<u>(3,859)</u>	<u>143,639</u>	<u>(199,500)</u>	<u>(64,259)</u>	<u>135,241</u>
147,498	167,424	19,926	199,500	371,264	171,764
<u>\$</u>	<u>\$ 163,565</u>	<u>\$ 163,565</u>	<u>\$</u>	<u>\$ 307,005</u>	<u>\$ 307,005</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, 2018
 (Continued)**

	Grants		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,155,329	\$ 414,546	\$ (740,783)
Charges for services			
Fines			
Investment income			
Contributions	2,046,000	27,218	(2,018,782)
Other revenues			
Total revenues	<u>3,201,329</u>	<u>441,764</u>	<u>(2,759,565)</u>
Expenditures:			
Current -			
General government	806,849	293,144	513,705
Public safety	1,061,124	36,394	1,024,730
Public works	950,000	1,980	948,020
Culture and recreation	80,000	22,535	57,465
Community development	321,415	93,176	228,239
Debt service -			
Interest and fiscal charges			
Principal			
Total expenditures	<u>3,219,388</u>	<u>447,229</u>	<u>2,772,159</u>
Excess (deficiency) of revenues over expenditures	<u>(18,059)</u>	<u>(5,465)</u>	<u>12,594</u>
Other financing sources (uses):			
Transfers out			
Transfer in	7,230	20,668	13,438
Total other financing sources (uses)	<u>7,230</u>	<u>20,668</u>	<u>13,438</u>
Change in fund balances	<u>(10,829)</u>	<u>15,203</u>	<u>26,032</u>
Fund balances (deficits), July 1, 2017	10,829	(15,203)	(26,032)
Fund balances (deficits), June 30, 2018	<u>\$</u>	<u>\$</u>	<u>\$</u>

Judicial Collection Enhancement			Airport		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$ 2,281,257	\$ 4,780	\$2,276,477
100	24	(76)	1,098,561	1,168,426	69,865
				5,148	5,148
			5,000	1,861	(3,139)
100	24	(76)	3,384,818	1,180,215	(2,204,603)
300		300			
			3,421,221	735,054	2,686,167
			9,415	8,072	1,343
			65,932	67,274	(1,342)
300		300	3,496,568	810,400	2,686,168
(200)	24	224	(111,750)	369,815	481,565
				(430,000)	(430,000)
			111,750		(111,750)
			111,750	(430,000)	(541,750)
(200)	24	224		(60,185)	(60,185)
200	187	(13)		1,046,915	1,046,915
\$	\$ 211	\$ 211	\$	\$ 986,730	\$ 986,730

(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, 2018
 (Continued)**

	Miscellaneous Donations		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$	\$	\$
Charges for services			
Fines			
Investment income			
Contributions	381,424	93,416	(288,008)
Other revenues			
Total revenues	381,424	93,416	(288,008)
Expenditures:			
Current -			
General government	33,750	3,062	30,688
Public safety	508,042	83,927	424,115
Public works	6,890	3,335	3,555
Culture and recreation	409,485	120,356	289,129
Community development	1,781	3,790	(2,009)
Debt service -			
Interest and fiscal charges			
Principal			
Total expenditures	959,948	214,470	745,478
Excess (deficiency) of revenues over expenditures	(578,524)	(121,054)	457,470
Other financing sources (uses):			
Transfers out			
Transfer in			
Total other financing sources (uses)			
Change in fund balances	(578,524)	(121,054)	457,470
Fund balances (deficits), July 1, 2017	578,524	697,385	118,861
Fund balances (deficits), June 30, 2018	\$	\$576,331	\$576,331

Police Development Fee			Infrastructure Development Fee		
Budget*	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 1,077	\$ 1,077	\$	\$ 5,943	\$ 5,943
	<u>1,077</u>	<u>1,077</u>		<u>5,943</u>	<u>5,943</u>
			200,000	176,591	23,409
			<u>200,000</u>	<u>176,591</u>	<u>23,409</u>
	<u>1,077</u>	<u>1,077</u>	<u>(200,000)</u>	<u>(170,648)</u>	<u>29,352</u>
	400	400		223,288	223,288
	<u>400</u>	<u>400</u>		<u>223,288</u>	<u>223,288</u>
	1,477	1,477	<u>(200,000)</u>	52,640	252,640
	(918,898)	(918,898)	200,000	70,519	(129,481)
<u>\$</u>	<u>\$ (917,421)</u>	<u>\$ (917,421)</u>	<u>\$</u>	<u>\$ 123,159</u>	<u>\$ 123,159</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, 2018
 (Concluded)**

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 5,008,790	\$ 1,552,443	\$ (3,456,347)
Charges for services	1,233,761	1,303,762	70,001
Fines	100	24	(76)
Investment income		7,553	7,553
Contributions	2,427,424	122,799	(2,304,625)
Other revenues	81,000	69,300	(11,700)
Total revenues	<u>8,751,075</u>	<u>3,055,881</u>	<u>(5,695,194)</u>
Expenditures:			
Current -			
General government	840,899	296,206	544,693
Public safety	1,893,666	262,653	1,631,013
Public works	6,784,013	2,566,518	4,217,495
Culture and recreation	489,485	142,891	346,594
Community development	323,196	96,966	226,230
Debt service -			
Interest and fiscal charges	9,415	8,072	1,343
Principal	65,932	67,274	(1,342)
Total expenditures	<u>10,406,606</u>	<u>3,440,580</u>	<u>6,966,026</u>
Excess (deficiency) of revenues over expenditures	<u>(1,655,531)</u>	<u>(384,699)</u>	<u>1,270,832</u>
Other financing sources (uses):			
Transfers out		(430,000)	(430,000)
Transfer in	518,980	644,356	125,376
Total other financing sources (uses)	<u>518,980</u>	<u>214,356</u>	<u>(304,624)</u>
Change in fund balances	<u>(1,136,551)</u>	<u>(170,343)</u>	<u>966,208</u>
Fund balances (deficits), July 1, 2017	1,136,551	1,404,578	268,027
Fund balances (deficits), June 30, 2018	<u>\$</u>	<u>\$ 1,234,235</u>	<u>\$ 1,234,235</u>

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
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment income	\$	\$ 1,399	\$ 1,399
Total revenues		1,399	1,399
Expenditures:			
Debt service -			
Interest and fiscal charges	508,102	157,778	350,324
Bond issuance costs		123,509	(123,509)
Payment to bond refunding escrow agent		1,749,506	(1,749,506)
Principal	12,865,000	2,745,000	10,120,000
Total expenditures	13,373,102	4,775,793	8,597,309
Excess (deficiency) of revenues over expenditures	(13,373,102)	(4,774,394)	(8,595,910)
Other financing sources (uses):			
Transfer in	3,423,102	3,191,914	231,188
Net proceeds from sale of bonds		11,345,000	(11,345,000)
Payment to bond refunding escrow agent	9,950,000	(11,221,491)	21,171,491
Total other financing sources (uses)	13,373,102	3,315,423	10,057,679
Change in fund balances		(1,458,971)	1,461,769
Fund balances, July 1, 2017		1,458,971	1,458,971
Fund balances, June 30, 2018	\$	\$	\$

CAPITAL PROJECTS 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
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - ALL CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2018**

	Capital Improvements		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 3,821,212	\$ 3,979,928	\$ 158,716
Investment income		14,079	14,079
Total revenues	<u>3,821,212</u>	<u>3,994,007</u>	<u>172,795</u>
Expenditures:			
Capital outlay	60,000	49,056	10,944
Total expenditures	<u>60,000</u>	<u>49,056</u>	<u>10,944</u>
Excess (deficiency) of revenues over expenditures	<u>3,761,212</u>	<u>3,944,951</u>	<u>183,739</u>
Other financing sources (uses):			
Transfers out	(5,417,359)	(3,539,832)	1,877,527
Transfer in	430,000	430,000	
Total other financing sources (uses)	<u>(4,987,359)</u>	<u>(3,109,832)</u>	<u>1,877,527</u>
Change in fund balances	<u>(1,226,147)</u>	<u>835,119</u>	<u>2,061,266</u>
Fund balances, July 1, 2017	1,226,147	2,265,583	1,039,436
Fund balances, June 30, 2018	<u>\$</u>	<u>\$ 3,100,702</u>	<u>\$ 3,100,702</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, 2018**

	Health and Accident Insurance	Unemployment Insurance	Self- Insured Retention	Totals
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 1,255,298	\$ 90,978	\$ 224,524	\$1,570,800
Accounts receivable	21,901			21,901
Due from other funds	4,251,253			4,251,253
Total assets	<u>5,528,452</u>	<u>90,978</u>	<u>224,54</u>	<u>5,843,954</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 29,711	\$ 7,481	\$	\$ 37,192
Claims payable	262,302			262,302
Total liabilities	<u>292,013</u>	<u>7,481</u>		<u>299,494</u>
<u>NET POSITION</u>				
Unrestricted	<u>5,236,439</u>	<u>83,497</u>	<u>224,524</u>	<u>5,544,460</u>
Total net position	<u>\$ 5,236,439</u>	<u>\$ 83,497</u>	<u>\$ 224,524</u>	<u>\$5,544,460</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, 2018**

	Health and Accident Insurance	Unemployment Insurance	Self-Insured Retention	Totals
Operating revenues:				
Contributions	\$ 3,852,920	\$	\$	\$ 3,852,920
Other revenues	432,364		67,418	499,782
Total operating revenues	<u>4,285,284</u>		<u>67,418</u>	<u>4,352,702</u>
Operating expenses:				
Operations and maintenance	361,572			361,572
Benefits paid	2,778,533	12,129	44,529	2,835,191
Premiums paid	499,596			499,596
Total operating expenses	<u>3,639,701</u>	<u>12,129</u>	<u>44,529</u>	<u>3,696,359</u>
Operating income (loss)	<u>645,583</u>	<u>(12,129)</u>	<u>22,889</u>	<u>656,343</u>
Nonoperating revenues (expenses):				
Investment income	46,027			46,027
Total nonoperating revenues (expenses)	<u>46,027</u>			<u>46,027</u>
Income (loss) before transfers	<u>691,610</u>	<u>(12,129)</u>	<u>22,889</u>	<u>702,370</u>
Transfer in		25,000		25,000
Change in net position	<u>691,610</u>	<u>12,871</u>	<u>22,889</u>	<u>727,370</u>
Total net position, beginning of year	4,544,829	70,626	201,635	4,817,090
Total net position, end of year	<u>\$ 5,236,439</u>	<u>\$ 83,497</u>	<u>\$ 224,524</u>	<u>\$ 5,544,460</u>

**CITY OF SIERRA VISTA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	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	\$ 3,834,562	\$	\$	\$ 3,834,562
Cash paid to suppliers for goods and services	(3,567,477)	(5,119)	(44,529)	(3,617,125)
Other operating revenues	432,364		67,418	499,782
Net cash provided by (used for) operating activities	699,449	(5,119)	22,889	717,219
Cash flows from noncapital financing activities:				
Transfers		25,000		25,000
Change in intrafund borrowing	(2,737,785)			(2,737,785)
Net cash provided by (used for) financing activities	(2,737,785)	25,000	-	(2,712,785)
Cash flows from investing activities:				
Investment income	46,027			46,027
Net cash provided by investing activities	46,027			46,027
Net increase (decrease) in cash and cash equivalents	(1,992,309)	19,881	22,889	(1,949,539)
Cash and cash equivalents, July 1, 2017	3,247,607	71,097	201,635	3,520,339
Cash and cash equivalents, June 30, 2018	\$ 1,255,298	\$ 90,978	\$ 224,524	\$ 1,570,800
<u>Reconciliation of Operating Income (Loss) to</u>				
<u>Net Cash Provided By (Used for) Operating Activities</u>				
Operating income (loss)	\$ 645,583	\$ (12,129)	\$ 22,889	\$ 656,343
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	(18,358)			(18,358)
Increase (decrease) in operating portion of accounts payable	72,224	7,010		79,234
Total adjustments	53,866	7,010	-	60,876
Net cash provided by (used for) operating activities	\$ 699,449	\$ (5,119)	\$ 22,889	\$ 717,219

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 (USPP). The City is acting as the fiscal agent for the Partnership.

Cochise County Tourism Council Fund - To account for monies held by the City on behalf of the Cochise County Tourism Council (CCTC). The City is acting as the fiscal agent for the Council.

**CITY OF SIERRA VISTA
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 JUNE 30, 2018**

	<u>CCTC Deposits</u>	<u>Customer Deposits</u>	<u>USPP Deposits</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and investments	\$ 67,900	\$ 169,803	\$ 387,968	\$ 625,671
Accounts receivable		62	10,000	10,062
Total assets	<u>\$ 67,900</u>	<u>\$ 169,865</u>	<u>\$ 397,968</u>	<u>\$ 635,733</u>
 <u>LIABILITIES</u>				
Accounts payable		3,374	14,275	17,649
Customer deposits	67,900	166,491	383,693	618,084
Total liabilities	<u>\$ 67,900</u>	<u>\$ 169,865</u>	<u>\$ 397,968</u>	<u>\$ 635,733</u>

CITY OF SIERRA VISTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
Customer Deposits				
<u>Assets</u>				
Cash and investments	\$ 219,680	\$ 98,695	\$ 148,572	\$ 169,803
Accounts receivable	62			62
Total assets	<u>\$ 219,742</u>	<u>\$ 98,695</u>	<u>\$ 148,572</u>	<u>\$ 169,865</u>
<u>Liabilities</u>				
Accounts payable	\$ 4,820	\$ 1,717	\$ 3,163	\$ 3,374
Customer deposits	214,922	111,190	159,621	166,491
Total liabilities	<u>\$ 219,742</u>	<u>\$ 112,907</u>	<u>\$ 162,784</u>	<u>\$ 169,865</u>
USPP Deposits				
<u>Assets</u>				
Cash and investments	\$ 351,177	\$ 156,883	\$ 120,092	\$ 387,968
Accounts receivable		110,073	100,073	10,000
Total assets	<u>\$ 351,177</u>	<u>\$ 266,956</u>	<u>\$ 220,165</u>	<u>\$ 397,968</u>
<u>Liabilities</u>				
Accounts payable	\$ 12,125	\$ 75,467	\$ 73,317	\$ 14,275
Customer deposits	339,052	120,108	75,467	383,693
Total liabilities	<u>\$ 351,177</u>	<u>\$ 195,575</u>	<u>\$ 148,784</u>	<u>\$ 397,968</u>
CCTC Deposits				
<u>Assets</u>				
Cash and investments	\$	\$ 67,900	\$	\$ 67,900
Accounts receivable				
Total assets	<u>\$</u>	<u>\$ 67,900</u>	<u>\$</u>	<u>\$ 67,900</u>
<u>Liabilities</u>				
Accounts payable	\$		\$	\$
Customer deposits		67,900		67,900
Total liabilities	<u>\$</u>	<u>\$ 67,900</u>	<u>\$</u>	<u>\$ 67,900</u>
Total Agency Funds				
<u>Assets</u>				
Cash and investments	\$ 570,857	\$ 323,478	\$ 268,664	\$ 625,671
Accounts receivable	62	110,073	100,073	10,062
Total assets	<u>\$ 570,919</u>	<u>\$ 433,551</u>	<u>\$ 368,737</u>	<u>\$ 635,733</u>
<u>Liabilities</u>				
Accounts payable	\$ 16,945	\$ 77,184	\$ 76,480	\$ 17,649
Customer deposits	553,974	299,198	235,088	618,084
Total liabilities	<u>\$ 570,919</u>	<u>\$ 376,382</u>	<u>\$ 311,568</u>	<u>\$ 635,733</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities				
Net investment in capital assets	\$ 93,879,321	\$ 97,100,275	\$ 98,629,178	\$ 98,771,323
Restricted	1,388,809	1,214,338	1,582,118	2,500,401
Unrestricted	2,958,036	3,600,823	857,128	(250,806)
Total governmental activities net position	<u>\$ 98,226,166</u>	<u>\$ 101,915,436</u>	<u>\$ 101,068,424</u>	<u>\$ 101,020,918</u>
Business-type activities				
Net investment in capital assets	\$ 33,105,955	\$ 33,790,428	\$ 34,181,472	\$ 34,333,688
Restricted				
Unrestricted	(2,981,587)	(3,011,800)	(2,975,726)	(1,819,668)
Total business-type activities net position	<u>\$ 30,124,368</u>	<u>\$ 30,778,628</u>	<u>\$ 31,205,746</u>	<u>\$ 32,514,020</u>
Primary government				
Net investment in capital assets	\$ 126,985,276	\$ 130,890,703	\$ 132,810,650	\$ 133,105,011
Restricted	1,388,809	1,214,338	1,582,118	2,500,401
Unrestricted	(23,551)	589,023	(2,118,598)	(2,070,474)
Total primary government net position	<u>\$ 128,350,534</u>	<u>\$ 132,694,064</u>	<u>\$ 132,274,170</u>	<u>\$ 133,534,938</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.

In FY2018, the City implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This resulted in a restatement of beginning net assets from \$46.67 million to \$40.5 million.

Source: City of Sierra Vista

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 97,557,911	\$ 99,144,355	\$ 99,075,363	\$ 98,246,265	\$ 99,349,505	\$ 100,465,079
4,524,148	4,966,561	6,909,429	8,033,660	4,863,722	4,107,197
(5,123,877)	(8,525,763)	(51,965,213)	(54,647,190)	(57,454,383)	(65,868,132)
<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>	<u>\$ 38,704,144</u>
\$ 33,088,657	\$ 35,493,373	\$ 35,024,841	\$ 35,650,689	\$ 33,923,064	\$ 34,325,116
	51,233	51,233	51,233	51,233	
(382,866)	(469,568)	(4,616,338)	(5,463,562)	(4,621,357)	(5,407,181)
<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>	<u>\$ 28,917,935</u>
\$ 130,646,568	\$ 134,637,728	\$ 134,100,204	\$ 133,896,954	\$ 133,272,569	\$ 134,790,195
4,524,148	5,017,794	6,960,662	8,084,893	4,914,955	4,107,197
(5,506,743)	(8,995,331)	(56,581,551)	(60,110,752)	(62,075,740)	(71,275,313)
<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>	<u>\$ 67,622,079</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses				
Governmental activities:				
General government	\$ 6,295,912	\$ 6,373,071	\$ 6,105,723	\$ 5,416,997
Public safety	15,383,618	15,936,516	15,361,959	15,741,058
Public works	14,704,763	13,493,614	14,466,185	15,684,106
Culture and recreation	5,669,339	5,413,023	6,612,745	4,682,921
Community development	1,460,767	1,314,933	1,284,149	1,256,425
Interest and fiscal charges	2,052,274	1,597,221	1,322,280	1,193,187
Total governmental activities expenses	<u>45,566,673</u>	<u>44,128,378</u>	<u>45,153,041</u>	<u>43,974,694</u>
Business-type activities:				
Sewer	4,195,950	3,800,591	3,828,618	3,695,564
Refuse	4,432,709	4,054,523	4,058,302	4,244,047
Leisure	1,382,032	1,261,163		
Total business-type activities expenses	<u>10,010,691</u>	<u>9,116,277</u>	<u>7,886,920</u>	<u>7,939,611</u>
Total primary government expenses	<u>\$ 55,577,364</u>	<u>\$ 53,244,655</u>	<u>\$ 53,039,961</u>	<u>\$ 51,914,305</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 271,822	\$ 259,992	\$ 263,643	\$ 267,922
Public safety	1,346,379	1,562,677	1,759,035	1,721,067
Public works	2,380,250	2,039,748	3,411,247	2,522,046
Culture and recreation	351,461	489,592	1,478,401	1,079,641
Community development	1,728,017	2,470,275	541,794	1,627,780
Operating grants and contributions	1,163,531	1,418,887	1,498,867	1,522,872
Capital grants and contributions	4,178,833	6,773,655	3,464,727	4,376,706
Total governmental activities program revenues	<u>11,420,293</u>	<u>15,014,826</u>	<u>12,417,714</u>	<u>13,118,034</u>
Business-type activities:				
Charges for services:				
Sewer	3,394,053	3,842,782	3,916,860	4,274,980
Refuse	4,497,864	4,412,952	4,535,961	4,720,748
Leisure	980,472	730,698		
Capital grants and contributions	1,534,673	359,605	10,890	401,970
Total business-type activities program revenues	<u>10,407,062</u>	<u>9,346,037</u>	<u>8,463,711</u>	<u>9,397,698</u>
Total primary government program revenues	<u>\$ 21,827,355</u>	<u>\$ 24,360,863</u>	<u>\$ 20,881,425</u>	<u>\$ 22,515,732</u>
Net (Expense)/Revenue				
Governmental activities	\$ (34,146,380)	\$ (29,113,552)	\$ (32,735,327)	\$ (30,856,660)
Business-type activities	396,371	229,760	576,791	1,458,087
Total primary government net expense	<u>\$ (33,750,009)</u>	<u>\$ (28,883,792)</u>	<u>\$ (32,158,536)</u>	<u>\$ (29,398,573)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 368,755	\$ 373,046	\$ 378,251	\$ 400,517
Sales taxes	17,433,009	17,230,912	17,086,526	16,757,320
Franchise taxes	413,668	646,654	620,704	620,157
State shared revenues	15,557,391	14,087,082	12,692,598	11,712,579
Investment income	62,461	8,073	6,722	14,763
Other revenues	643,443	881,273	953,701	1,154,004
Transfers	(208,181)	(424,218)	149,813	149,813
Total governmental activities	<u>34,270,546</u>	<u>32,802,822</u>	<u>31,888,315</u>	<u>30,809,153</u>
Business-type activities:				
Investment income		282	140	
Transfers	208,181	424,218	(149,813)	(149,813)
Total business-type activities	<u>208,181</u>	<u>424,500</u>	<u>(149,673)</u>	<u>(149,813)</u>
Total primary government	<u>\$ 34,478,727</u>	<u>\$ 33,227,322</u>	<u>\$ 31,738,642</u>	<u>\$ 30,659,340</u>
Change in Net Position				
Governmental activities	\$ 124,166	\$ 3,689,270	\$ (847,012)	\$ (47,507)
Business-type activities	604,552	654,260	427,118	1,308,274
Total primary government	<u>\$ 728,718</u>	<u>\$ 4,343,530</u>	<u>\$ (419,894)</u>	<u>\$ 1,260,767</u>

Source: City of Sierra Vista

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

	2013	2014	2015	2016	2017	2018
\$	5,733,325	\$ 6,461,623	\$ 6,609,010	\$ 7,299,648	\$ 6,628,073	\$ 6,856,884
	16,679,199	16,892,244	18,599,902	18,164,895	22,560,672	21,714,387
	13,971,626	15,894,553	16,486,381	15,572,233	15,218,602	15,329,956
	5,451,451	3,891,908	3,107,107	3,679,116	4,584,022	4,662,675
	922,944	1,174,014	1,088,865	869,175	856,310	934,551
	1,094,226	984,643	881,623	774,429	656,506	319,566
	<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>	<u>49,818,019</u>
	3,995,159	3,991,879	3,804,727	3,957,011	3,861,004	3,912,622
	4,421,364	4,272,556	4,088,053	4,188,929	4,385,874	4,263,011
	<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>8,175,633</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>	<u>57,993,652</u>
\$	1,048,052	\$ 1,525,767	\$ 1,486,331	\$ 1,364,244	\$ 3,861,004	\$ 2,378,403
	1,691,539	1,221,295	1,545,943	1,704,179	4,385,874	1,991,175
	2,384,010	2,560,147	2,355,411	2,542,471	3,020,506	2,572,341
	1,124,673	1,036,840	1,062,303	1,051,700	1,064,926	1,124,607
	767,063	1,138,824	890,573	619,315	572,304	466,122
	1,282,624	1,783,822	2,010,368	1,572,360	1,597,066	2,240,538
	1,152,159	3,303,899	1,853,539	1,801,904	1,893,296	2,042,965
	<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>	<u>12,816,15</u>
	4,029,798	4,084,499	2,586,469	3,839,006	3,824,136	3,881,815
	4,679,431	4,638,149	4,327,870	4,235,371	3,687,135	3,671,272
	<u>48,878</u>	<u>2,060,847</u>	<u>293,936</u>	<u>8,074,377</u>	<u>7,511,271</u>	<u>184,378</u>
	<u>8,758,107</u>	<u>10,783,495</u>	<u>7,208,275</u>	<u>8,074,377</u>	<u>7,511,271</u>	<u>7,737,465</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>	<u>20,553,616</u>
\$	(34,402,651)	\$ (32,728,391)	\$ (35,568,420)	\$ (35,703,323)	\$ (34,109,209)	\$ (37,001,868)
	341,584	2,519,060	(684,505)	(71,563)	(735,607)	(438,168)
\$	<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>	<u>(37,440,036)</u>
\$	397,349	\$ 390,759	\$ 371,634	\$ 359,567	\$ 364,542	\$ 358,082
	16,192,020	16,650,008	17,555,028	17,749,083	18,092,696	18,875,557
	12,775,428	13,494,847	14,369,609	14,666,533	14,880,201	15,419,313
	35,631	21,877	15,870	17,288	31,188	44,597
	789,674	648,058	990,238	374,195	431,580	519,619
	149,813	149,813	149,813	149,813	149,813	
	<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>	<u>35,217,168</u>
						3,163
	<u>(149,813)</u>	<u>(149,813)</u>	<u>(149,813)</u>	<u>(149,813)</u>	<u>(149,813)</u>	<u>3,163</u>
	<u>(149,813)</u>	<u>(149,813)</u>	<u>(149,813)</u>	<u>(149,813)</u>	<u>(149,813)</u>	<u>3,163</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>	<u>35,220,331</u>
\$	(4,062,736)	\$ (1,373,029)	\$ (2,116,228)	\$ (2,386,844)	\$ (159,189)	\$ (1,784,700)
	191,771	2,369,247	(834,318)	(221,376)	(885,420)	(435,005)
\$	<u>(3,870,965)</u>	<u>996,218</u>	<u>(2,950,546)</u>	<u>(2,608,220)</u>	<u>(1,044,609)</u>	<u>(2,219,705)</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund				
Unreserved	\$ 3,776,988	\$ 3,851,411		
Unassigned			\$ 3,863,565	\$ 3,878,908
Nonspendable				
Total General Fund balance	<u>\$ 3,776,988</u>	<u>\$ 3,851,411</u>	<u>\$ 3,863,565</u>	<u>\$ 3,878,908</u>
All Other Governmental Funds				
Restricted	\$	\$	\$ 3,697,571	\$ 4,437,036
Nonspendable				
Unassigned			(1,692,419)	(1,936,635)
Unreserved, reported in:				
Special revenue funds	2,038,723	1,601,406		
Capital projects funds	4,885,226	2,002,537		
Debt service funds	1,034,839	744,177		
Total all other governmental funds	<u>7,958,788</u>	<u>4,348,120</u>	<u>2,005,152</u>	<u>2,500,401</u>
Total all governmental funds	<u>\$11,735,776</u>	<u>\$ 8,199,531</u>	<u>\$ 5,868,717</u>	<u>\$ 6,379,309</u>

Source: City of Sierra Vista

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 3,898,837	\$ 3,972,820	\$ 4,066,675	\$ 4,076,911	\$ 4,098,515 #	\$ 4,098,515
			52,031	75,647	138,478
<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>	<u>\$ 4,236,993</u>
\$ 4,524,148	\$ 4,966,561	\$ 6,909,429	\$ 8,033,660	\$ 7,809,861	\$ 7,554,217
			73,438	118,913	113,184
(2,758,173)	(3,619,690)	(4,028,268)	(4,631,568)	(5,663,027)	(5,511,407)
<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>2,155,994</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>	<u>\$ 6,392,987</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues:				
Taxes	\$ 18,215,432	\$ 18,250,612	\$ 18,085,481	\$ 17,777,994
Licenses and permits	974,873	1,207,778	815,087	1,093,475
Intergovernmental	18,328,714	20,719,892	17,231,563	14,233,771
Charges for services	5,071,891	5,581,742	6,607,534	6,095,979
Fines	31,165	32,764	31,499	29,002
Investment income	62,461	8,073	6,722	14,763
Contributions	412,013	735,101	103,620	2,960,309
Other revenues	643,443	881,273	953,701	1,154,004
Total revenues	<u>43,739,992</u>	<u>47,417,235</u>	<u>43,835,207</u>	<u>43,359,297</u>
Expenditures:				
General government	6,193,351	6,432,811	5,940,858	5,095,292
Public safety	13,732,763	13,269,989	13,183,030	13,580,188
Public works	12,478,750	15,865,085	13,280,984	15,444,339
Culture and recreation	5,025,905	4,648,446	5,263,125	3,743,441
Community development	1,411,283	1,291,078	1,222,838	1,186,790
Capital outlay	9,010,524	3,907,207	3,097,265	268,626
Debt service -				
Interest and fiscal charges	2,052,274	1,694,277	1,322,280	1,193,187
Bond issuance costs				
Payment to refunding bond escrow agent				
Principal	8,891,434	13,628,968	3,005,454	2,694,552
Total expenditures	<u>58,796,284</u>	<u>60,737,861</u>	<u>46,315,834</u>	<u>43,206,415</u>
Excess (deficiency) of revenues over expenditures	(15,056,292)	(13,320,626)	(2,480,627)	152,882
Other financing sources (uses):				
Transfers out	(11,929,506)	(6,639,225)	(5,040,530)	(4,843,907)
Transfer in	11,721,325	6,215,007	5,190,343	4,993,720
Issuance or refunding bonds				
Issuance or refunding bonds				
Payment to refunding bond escrow agent		10,117,056		
Proceeds from installment purchase	886,623	91,543		207,896
Total other financing sources (uses)	<u>678,442</u>	<u>9,784,381</u>	<u>149,813</u>	<u>357,709</u>
Net Change in fund balances	<u><u>\$(14,377,850)</u></u>	<u><u>\$ (3,536,245)</u></u>	<u><u>\$ (2,330,814)</u></u>	<u><u>\$ 510,591</u></u>
Debt service as a percentage of noncapital expenditures	23.8%	31.4%	11.3%	10.4%
Source: City of Sierra Vista				

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 16,589,369	\$ 17,040,767	\$ 17,926,662	\$ 18,108,650	\$ 18,457,238	\$ 19,233,639
1,444,445	1,855,217	1,775,419	1,553,851	1,729,991	1,998,204
14,916,649	16,911,860	16,638,440	16,336,187	18,205,719	17,768,716
5,545,131	5,602,590	5,542,823	5,707,852	6,194,348	5,810,644
25,761	25,066	22,319	20,206	19,020	21,430
35,631	21,877	15,870	17,288	31,188	44,597
153,794	1,670,708	1,595,076	1,704,611	164,844	909,675
789,674	648,058	990,238	374,195	431,560	519,619
<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>	<u>46,306,524</u>
5,962,304	5,931,492	6,135,261	6,354,521	6,198,461	6,384,018
13,831,076	15,097,854	14,652,603	15,352,722	17,387,613	18,210,858
12,325,352	14,719,023	14,221,370	13,211,542	15,453,133	12,854,850
4,639,890	3,171,277	2,997,303	3,150,038	3,384,473	3,483,371
836,423	1,082,532	1,191,835	873,558	862,021	939,144
364,628	234,592		524,409	372,698	49,056
1,094,226	984,643	881,623	774,429	656,506	196,057
					123,509
					1,749,506
<u>3,733,604</u>	<u>3,049,664</u>	<u>2,948,520</u>	<u>3,024,798</u>	<u>3,145,487</u>	<u>3,228,533</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>	<u>47,218,902</u>
(3,287,049)	(494,934)	1,478,332	556,823	(2,226,484)	(912,378)
(5,160,541)	(5,368,626)	(4,715,328)	(4,768,674)	(5,237,077)	(4,418,200)
5,310,354	5,518,439	4,865,141	4,868,487	5,361,890	4,393,200
					11,345,000
					(11,221,491)
<u>2,422,739</u>				<u>937,088</u>	<u>766,947</u>
<u>2,572,552</u>	<u>149,813</u>	<u>149,813</u>	<u>99,813</u>	<u>1,061,901</u>	<u>865,456</u>
<u>\$ (714,497)</u>	<u>\$ (345,121)</u>	<u>\$ 1,628,145</u>	<u>\$ 656,636</u>	<u>\$ (1,164,583)</u>	<u>\$ (46,922)</u>
12.6%	10.4%	10.0%	9.7%	9.4%	8.1%

City of Sierra Vista
Sales Tax by Category
Last 10 years
(modified accrual basis of accounting)

Business Category	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Communications & utilities	\$ 1,623,435	\$ 1,574,145	\$ 1,475,399	\$ 1,596,186
Transportation & warehousing	9,927	10,311	10,416	9,194
Construction	1,221,945	1,229,591	1,214,444	1,028,675
Manufacturing	415,227	296,786	253,839	275,777
Wholesale trade	165,986	118,634	148,451	142,693
Retail trade	8,908,294	8,815,201	8,797,235	8,711,519
Finance & insurance	12,669	7,130	5,531	8,679
Real estate, rental & leasing	1,431,807	1,505,237	1,425,411	1,290,723
Restaurant & bar	1,709,308	1,793,820	1,868,531	1,889,937
Accommodation	1,335,583	1,290,820	1,381,079	1,191,335
Services	421,492	450,928	412,968	478,406
Arts & entertainment	11,322	8,191	7,238	6,845
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	166,014	130,118	85,984	127,350
Under old classifications				
Total	<u>\$17,433,009</u>	<u>\$17,230,912</u>	<u>\$17,086,526</u>	<u>\$16,757,320</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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>208</u>
\$ 1,601,169	\$ 1,495,522	\$ 1,505,027	\$ -	\$ -	\$ -
9,566	6,850	6,080			
986,088	1,116,402	1,403,500			
232,035	228,141	237,632			
116,566	247,272	313,885			
8,915,252	9,183,309	9,438,478			
9,940	13,650	15,287			
1,209,747	1,172,494	1,155,182			
1,742,476	1,768,624	1,817,655			
773,819	770,012	864,633			
481,911	544,579	642,174			
7,822	7,788	6,188			
			914,616	1,038,117	1,071,019
			274,829	219,084	232,131
			45,105	47,353	43,627
			1,956,725	2,176,936	2,252,588
			621,019	519,852	723,807
			8,042,943	9,230,031	9,519,169
			533,442	509,904	625,414
			27,328	8,975	9,359
			374,580	399,242	410,991
			1,920,150	2,205,658	2,342,216
			384,082	370,495	362,403
			177,405	222,022	213,311
			714,949	897,679	909,068
105,629	95,365	149,307	106,767	105,786	160,454
			1,655,143	141,562	
<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>	<u>\$18,875,557</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>
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%
2018	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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Estimated Property Value	\$2,787,869,258	\$2,966,659,079	\$3,066,313,577	\$3,145,518,326
Assessed Property Value	\$ 325,972,301	\$ 345,353,458	\$ 348,625,573	\$ 354,576,088
<u>Debt Limits</u>				
Legal Debt Limit - 20% Bonds	\$ 65,194,460	\$ 69,070,692	\$ 69,725,115	\$ 70,915,218
Amount of Debt applicable to debt limit	-	-	-	-
Legal Debt Margin - 20% Bonds	<u>\$ 65,194,460</u>	<u>\$ 69,070,692</u>	<u>\$ 69,725,115</u>	<u>\$ 70,915,218</u>
Legal Debt Limit - 6% Bonds	\$ 19,558,338	\$ 20,721,207	\$ 20,917,534	\$ 21,274,565
Amount of Debt applicable to debt limit	-	-	-	-
Legal Debt Margin - 6% Bonds	<u>\$ 19,558,338</u>	<u>\$ 20,721,207</u>	<u>\$ 20,917,534</u>	<u>\$ 21,274,565</u>

Direct Government Activities Debt

City of Sierra Vista	\$ 36,459,951	\$ 32,942,526	\$ 29,937,072	\$ 27,450,416
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Overlapping Governmental Activities Debt

Jurisdiction:

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

Estimated Amount Applicable to the City

Jurisdiction:

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

Direct and Overlapping Governmental Activities Debt

Jurisdiction:

City of Sierra Vista	\$ 36,459,951	\$ 32,942,526	\$ 29,937,072	\$ 27,450,416
Sierra Vista Public Schools	3,250,000	None	None	None
Cochise College	N/A	N/A	N/A	N/A
Cochise County	N/A	N/A	N/A	N/A
Total	<u>\$ 39,709,951</u>	<u>\$ 32,942,526</u>	<u>\$ 29,937,072</u>	<u>\$ 27,450,416</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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$3,082,322,495	\$2,926,589,424	\$2,922,865,504	\$2,935,601,712	\$2,894,459,540	\$2,894,459,540
\$ 342,392,651	\$ 325,296,345	\$ 320,629,532	\$ 319,072,042	\$ 316,232,149	\$ 316,754,103
\$ 68,478,530	\$ 65,059,269	\$ 64,125,906	\$ 63,814,408	\$ 63,246,430	\$ 63,350,821
-	-	-	-	-	-
<u>\$ 68,478,530</u>	<u>\$ 65,059,269</u>	<u>\$ 64,125,906</u>	<u>\$ 63,814,408</u>	<u>\$ 63,246,430</u>	<u>\$ 63,350,821</u>
\$ 20,543,559	\$ 19,517,781	\$ 19,237,772	\$ 19,144,323	\$ 18,973,929	\$ 19,005,246
-	-	-	-	-	-
<u>\$ 20,543,559</u>	<u>\$ 19,517,781</u>	<u>\$ 19,237,772</u>	<u>\$ 19,144,323</u>	<u>\$ 18,973,929</u>	<u>\$ 19,005,246</u>
\$ 26,139,551	\$ 23,089,887	\$ 20,141,367	\$ 17,116,569	\$ 14,908,170	\$ 11,081,584
None	None	None	None	\$ 16,075,000	\$ 16,075,000
N/A	N/A	\$ 20,075,000	\$ 24,310,000	None	None
N/A	N/A	2,007,494	1,292,713	1,292,713	1,292,713
<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>
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
<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>
\$ 26,139,551	\$ 23,089,887	\$ 20,141,367	\$ 17,116,569	\$ 14,908,170	\$ 11,081,584
None	None	None	None	16,075,000	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
<u>\$ 26,139,551</u>	<u>\$ 23,089,887</u>	<u>\$ 20,141,367</u>	<u>\$ 17,116,569</u>	<u>\$ 30,983,170</u>	<u>\$ 27,156,584</u>

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

Fiscal Year	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Total Primary Government	Per Capita	Percentage of Personal Income
	Revenue Bonds	Notes Payable	Revenue Bonds	Notes Payable			
2009	32,265,000	4,194,951	1,003,691	1,003,691	38,467,333	826	3.1%
2010	29,880,000	3,062,526	1,409,634	1,409,634	35,761,794	815	4.0%
2011	28,075,000	1,862,072	931,726	931,726	31,800,524	705	2.6%
2012	25,745,000	1,705,416	9,785,661	9,785,661	47,021,738	1,027	3.9%
2013	23,320,000	2,819,551	9,490,058	9,490,058	45,119,667	996	N/A
2014	20,805,000	2,284,887	8,552,967	8,552,967	40,195,821	908	N/A
2015	18,205,000	1,936,367	7,594,392	7,594,392	35,330,151	800	N/A
2016	15,515,000	1,601,569	6,810,883	6,810,883	30,738,335	N/A	N/A
2017	12,710,000	2,198,170	7,671,641	7,671,641	30,251,452	N/A	N/A
2018	8,600,000	2,481,584	5,430,000	2,000,934	18,512,518	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	7.80%	8.50%	6.80%
2014	44,286	N/A	N/A	7.00%	8.50%	6.80%
2015	44,183	N/A	N/A	6.30%	7.40%	6.10%
2016	43,208	N/A	N/A	5.10%	6.10%	5.20%
2017	42,912	N/A	N/A	4.70%	5.40%	4.90%
2018	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

2018 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
Cochise College data for 2016 & 2017 have no employee counts included, so 2015 data was used.

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

<u>Function/Program</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>	<u>2018</u>
General Government										
City Manager	24	20	18	24	25	25	19	20	21	21
Administrative Services	31	38	38	32	31	31	19	21	21	21
Court and Legal	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police	101	102	102	102	102	102	96	95	97	95
Fire	58	60	60	59	61	61	55	55	56	58
Public Works										
Public Works	48	48	48	62	62	62	49	49	50	50
Streets and Traffic	13	13	13	21	21	21	22	22	17	18
Airport	1	1	1	1	1	1	1	1	1	1
Transit	10	10	10	10	10	10	11	11	10	10
Sewer	12	12	12	12	12	12	12	12	12	12
Refuse	13	13	13	14	14	14	14	14	14	15
Culture and Recreation										
Parks and Leisure	51	50	50	-	-	-	-	-	-	-
Library	9	9	9	-	-	-	-	-	-	-
Leisure and Library	-	-	-	37	37	37	25	23	28	27
Community Development	18	18	18	18	18	18	9	12	11	11
	<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>	<u>340</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police				
UCR Part 1 clearance rate	30.5%	33.4%	34.3%	38.1%
UCR Part 1 recovery rate	44.0%	35.2%	41.6%	28.5%
Traffic Citations	4,893	7,803	6,435	5,201
Animals adopted	832	995	993	960
Refuse				
Tons of refuse collected per year	25,000	23,688	23,434	24,906
Parks and Leisure Services				
Number of program participants	305,000	304,000	289,662	289,981
Sewer				
Acre-feet of effluent treated per year	3,600	3,705	3,419	3,535
Transit				
Number of riders	175,000	176,584	186,867	163,005

Source: City of Sierra Vista

Statistics shown thru 2017 because some departments only compile them on a calendar year basis

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
37.4%	34.9%	33.9%	39.7%	37.6%	35.8%
35.1%	30.3%	38.4%	28.6%	27.1%	31.0%
4,956	4,918	4,369	3,506	3,389	2,321
843	728	731	786	628	678
23,935	23,917	22,496	19,694	17,781	16,491
287,648	304,557	285,011	289,184	267,008	325,627
2,942	2,544	2,743	2,831	2,877	2,027
158,711	158,598	173,096	188,458	140,960	146,578

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

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police				
Stations	1	1	1	1
Fire				
Stations	3	3	3	3
Refuse				
Refuse trucks	14	14	14	16
Parks and Leisure Services				
Acres of developed parkland	115	119	119	119
Number of baseball/softball diamonds	5	5	5	5
Number of multi-use sports complexes	2	2	2	2
Number of soccer fields	2	2	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	11	13	13

Source: City of Sierra Vista

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1	1	1	1	1	1
3	3	3	3	3	3
16	15	15	16	19	19
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	14	14

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