



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017



CITY OF SAN LUIS, AZ
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year ended
June 30, 2017

City of San Luis, Arizona



Prepared By: Department of Finance

**CITY OF SAN LUIS, ARIZONA
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2017**

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INTRODUCTORY SECTION





City of San Luis

Finance Department

January 29, 2018

Honorable Mayor, City Council, City Manager and Citizens of the City of San Luis, Arizona:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. Laws of the State of Arizona require that all local governments publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of San Luis for the fiscal year ended June 30, 2017.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. The internal control framework is designed both to protect the government's assets from loss, theft or misuse and to allow the compilation of sufficient reliable information for the preparation of financial statements. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the data, as presented in this report, is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the City on both a city-wide and fund basis. Furthermore, we believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity and financial stability have been included.

The basic financial statements and related notes have been audited by an independent firm of certified public accountants, Heinfeld, Meech & Co., P.C., whose report is included herein. As stated in the independent auditors' report, the goal of the independent audit was to provide reasonable assurance that the financial statements are free from material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements of the City of San Luis, Arizona for the fiscal year ended June 30, 2017, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is located at the front of the financial section of this report.

The independent audit of the financial statements of San Luis is usually part of a broader, federally mandated "Single Audit" 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 government's internal controls and compliance with legal requirements. A grant reform that increased single-audit threshold, changed audit rules for fiscal years beginning on or after January 1, 2015. As a result of the new rules, the City was required to undergo a single-audit due to the expended amounts that exceeded the \$750,000 margin in federal dollars during the audited year. In addition, the City is required to make records available for review or audit by appropriate officials of the federal agencies and the U.S. Government Accountability Office.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's and provides an introduction, overview, and analysis of the basic financial statements. The discussion and analysis that complements this letter of transmittal should be read in combination with it.

Profile of the Government

The City of San Luis, incorporated in 1979, is located in the southwestern corner of Arizona immediately adjacent to both Mexico and California. It currently occupies 30 squares miles and serves a population of approximately 34,000. The City of San Luis is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and six Council Members, all elected on a non-partisan basis. The Mayor is elected at-large for a four-year term. Council members are elected, for four- year terms, with four members elected every two years. The City Council is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of City Manager, City Attorney, and Magistrate. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

Between the 2000 census and the 2010 census the City's population increased by over 66.46 percent, from approximately 15,400 to approximately 25,500. The estimated current population is approximately 34,000. Based on current projections, population growth trends are expected to continue, at the same pace. While having a positive impact, this growth will continue to present challenges to the City in providing its current high level of services.

The City provides a full range of municipal services, including police and fire protection, solid waste services, water and sewer services, construction and maintenance of streets, recreational and cultural activities, planning and zoning services, and general administrative services. San Luis offers a wide range of community facilities including two community centers, one swimming pool, and 5 parks encompassing 41 acres.

This report includes financial statements on both a government-wide and a fund basis for the primary government as well as its component units. Component units are separate legal entities included in the reporting entity due to the significance of their financial or operational relationship with the City. Criteria used by the City for inclusion of activities in preparing its financial statements are in conformity with GASB Statement No.14, "*The Financial Reporting Entity*". Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the financial reporting entity consists of the City and two blended component units, the San Luis Community Facilities District and the San Luis Employees' Self Insurance Health Fund as discussed further in Note 1.A of the notes to the financial statements.

Financial information

Internal Control: Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting information is compiled to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management

Budget Control: The City of San Luis, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the City's legal budget capacity. The city's expenditure limitation for fiscal year 2017 was \$41 million.

The annual operating budget which is adopted by ordinance each fiscal year serves as the base for the City's financial planning and control. Budgets are developed on a departmental basis by expenditure function within a fund. The budgets display all of the City's financial operations including funding for one corporation outside the City's organizational structure. The Council adopted a Strategic Plan for San Luis, and in order to implement the Strategic Plan, each department and intergovernmental agency receiving City funds was asked to address the strategies in its requested budget documents. The City Manager submits the annual balanced budget to City Council before June each year. A public hearing on the budget is held in the middle of June with an expected budget adoption by June 30. The City is required to publish specific information, notices, and hold public hearings as defined by state statute. After all these requirements are met, the City may adopt the budget by August 15 or soon thereafter.

Economic Condition of City of San Luis, Arizona

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.

Local economy

Retail trade, agriculture and manufacturing form a large portion of the local economy. Another significant segment is the light industry located on both sides of the United States/Mexico border. A new 40-acre privately owned industrial park was completed and a 40-acre commercial area is currently under construction in East San Luis. Moreover, three new residential developments exceeding 90 acres over the City are under construction as well. The City also is a significant economic presence thanks to the state prison that provides employment to more than 900 professional and staff. In addition, since San Luis is a border/US Port of entry, the U.S. Government departments of INS, Customs and U.S. Marshall Prison facilities provide hundreds of jobs stationed in San Luis.

The economy of the City is gradually improving. A major company is contemplating a hotel complex designed to enhance the overall concept of the downtown area of San Luis. The realization of the project will attract other major new commercial and office developments enhancing the economic outlook for the City.

The overall trend has been that commercial development is dependent on, and follows, residential development activity. Since residential construction is slightly on the rise, commercial activity will certainly take a turn for the best as well. As a result, the City of San Luis will become a major commercial market for new construction within the Yuma County area.

Long-Term Financial Planning

The City's financial planning process is guided by the budget process. This process includes the annual budget that each department presents for review followed by acceptance, reductions or additions depending on revenue and expenditure forecasts. Needless to say that the budget process includes input from City Council, the City Manager and citizens and also includes community budget hearings. The City Council formally adopts the budget for the following year by the end of June.

As part of the budget process, user fees related to enterprise funds are updated annually for applicable increases based on an existing rate study plan. It is customary for the water, wastewater and sanitation funds to initiate bi-annually a review of existing rate study that extends over a ten-year financial forecasts in order to determine the long term funding availability. The City Council reviews the updated financial plans and the associated rates necessary to support the enterprise funds and their capital projects.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to San Luis for its CAFR for the fiscal year that ended June 30, 2016. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standard for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, with contents conforming to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for last fiscal year. We believe that our current CAFR continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA.

The preparation of this Comprehensive Annual Financial Report would not have been possible without the efficient and dedicated services of the staff of the Finance Department as well as the excellent cooperation and assistance of other City employees who contributed to its preparation. Sincere appreciation also must be given to the Mayor and the governing Council for their unflinching support for maintaining the highest standards of professionalism in the management of the City of San Luis' finances. We also wish to thank the City's Independent Auditors, Heinfeld, Meech & Co., P.C., for their assistance in matters pertaining to the financial affairs of the City.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Carlos Cortes', with a stylized flourish at the end.

Carlos Cortes, MAcc
Acting Director of Finance



Government Finance Officers Association

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

Presented to

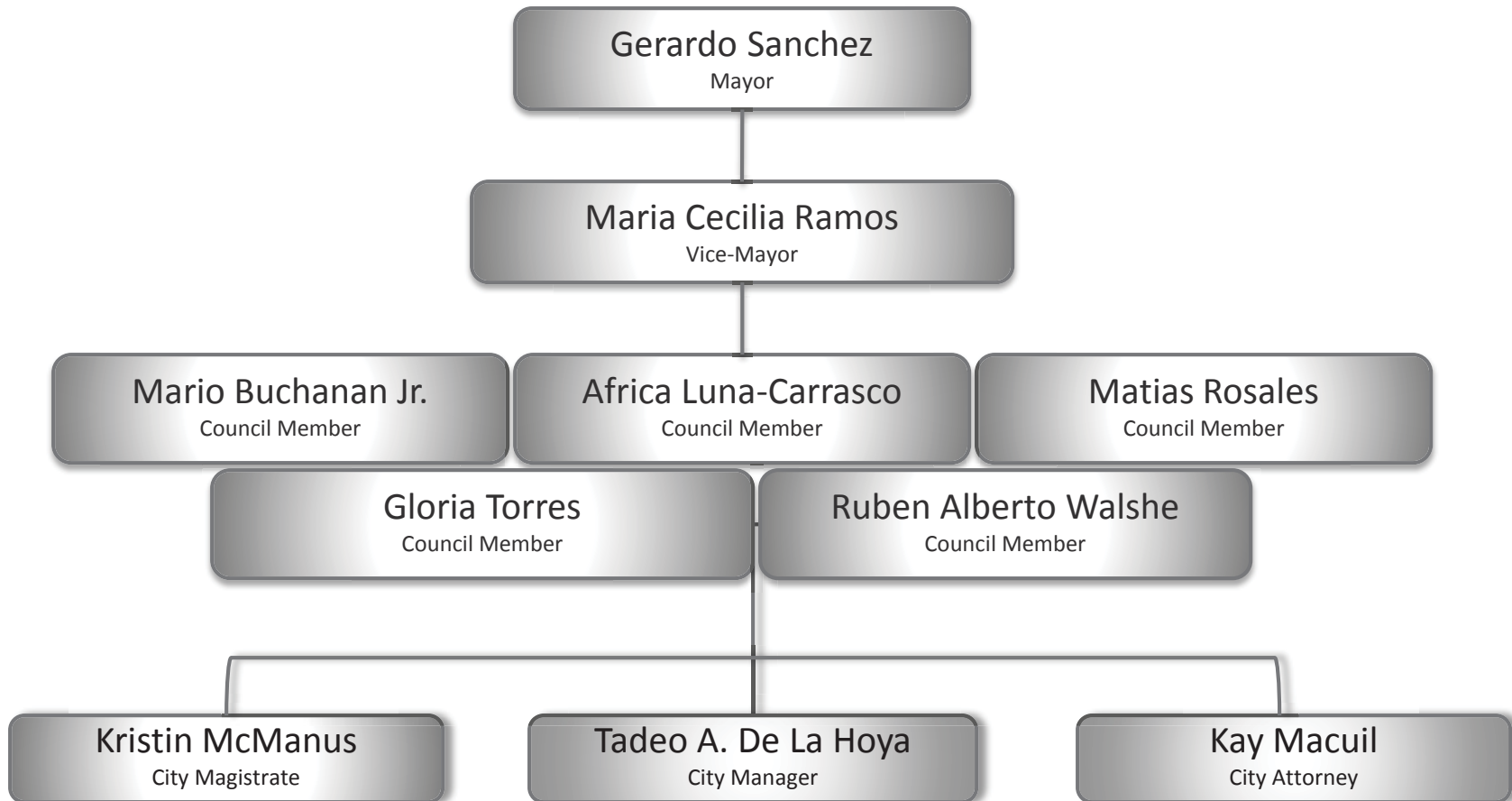
**City of San Luis
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

CITY COUNCIL



Elected officials

As of June 30, 2017

Gerardo Sanchez
Mayor

Matias Rosales
Councilmember
Africa L. Carrasco
Councilmember
Gloria Torres
Councilmember

Maria C. Ramos
Vice Mayor
Mario Buchanan
Councilmember
Ruben A. Walsh
Councilmember



Appointed officials

Tadeo De La Hoya
City Manager

Attorney
City Clerk
Economic Development Manager
Director of Parks and Recreation
Acting Director of Finance
Fire Chief
Director of Human Resources
Information Technology Manager
Magistrate
Acting Director of Planning & Zoning
Director of Public Works
Risk & Property Manager
Senior Services Manager
Billing and Collection Manager

Kay Macuil
Sonia Cornelio
Jenny Torres
Lizandro Galaviz
Carlos Cortes
Hank Green
Olivia Jenkins
Derek Duenas
Kristin McManus
Jose Guzman
Eulogio Vera
Vacant
Aracely DeLaHoya
Jorge Perez

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, and Members of the City Council
City of San Luis, Arizona

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Discretely Presented Component Unit- Deficit Position

As discussed in Note 12 to the financial statements, the Detention Facility, the discretely presented component unit, has a significant deficit in fund balance at year end. The fund continues to operate at a deficit and plans for restructuring the operations are being considered. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, for the year ended June 30, 2017, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Prior Period Adjustments

As described in Note 15, the City restated beginning net position balances due to adjustments to the City's accounts payable balance and an adjustment related to GASB 68 pension liabilities. 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, net pension liability information, and other post-employment benefit 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 Fund Financial Statements and Schedules, and Statistical Section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Fund Financial Statements and Schedules as listed in the table of contents, 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 Fund Financial Statements and Schedules information as listed in the table of contents, 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 January 29, 2018, on our consideration of City of San Luis, 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 City of San Luis, Arizona's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
January 29, 2018

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



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

As management of the City of San Luis, Arizona (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

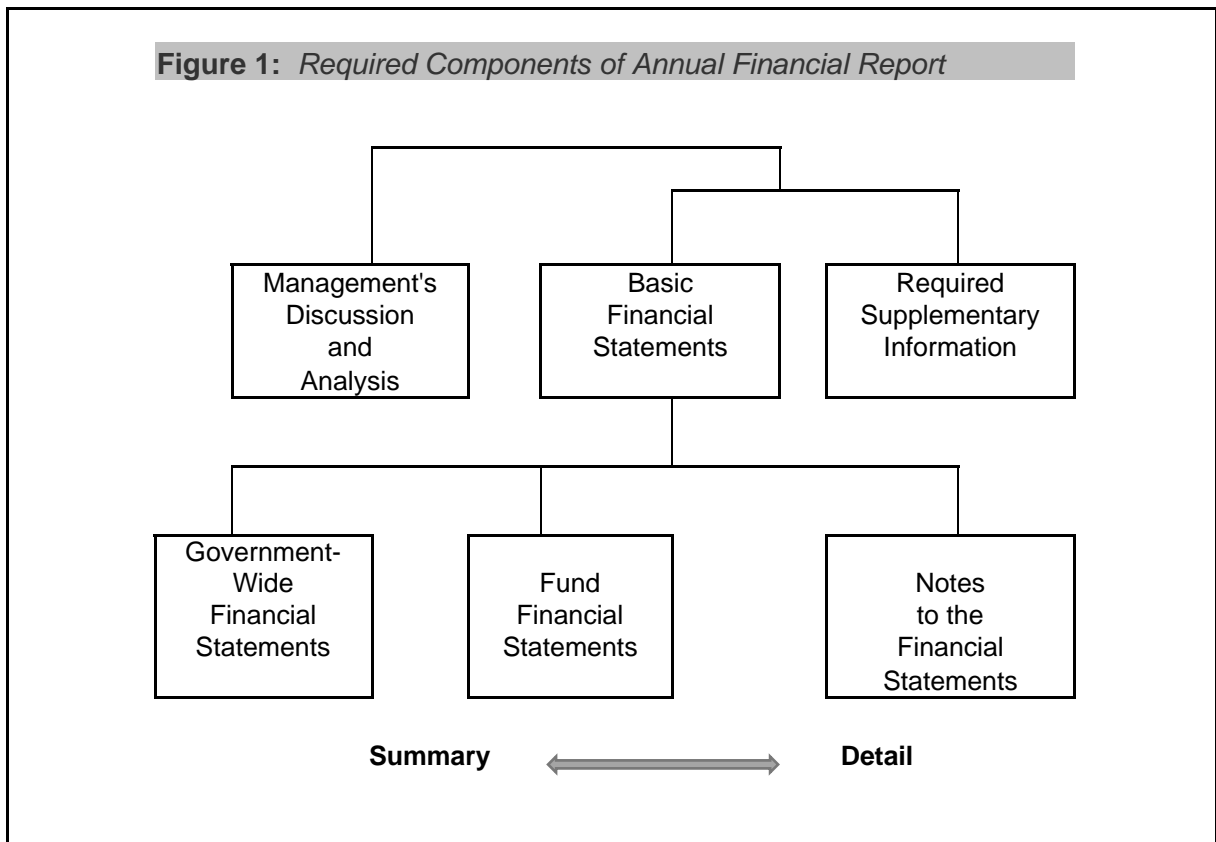
- The assets and deferred outflows of the City exceeded the liabilities and deferred inflows at the close of the fiscal year by \$70.4 million.
- The City's net position of governmental activities increased approximately \$1.3 million to \$48.8 million and business-type activities increased \$2.8 million to \$21.6 million representing 69 percent and 31 percent respectively, of the total net position of \$70.4 million.
- As of the close of the fiscal year the City's governmental funds reported combined ending fund balances of \$13.0 million, an increase of \$715,488 over the prior year. Approximately 24 percent of this amount, or \$3.1 million, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9.9 million, or 58 percent of total general fund expenditures and transfers for the fiscal year.
- General revenues from governmental activities accounted for \$15.8 million in revenues or 64 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8.8 million or 36 percent of total governmental activities. The City had \$11.9 million of program revenues related to business-type activities.
- The City had \$23.3 million in expenses related to governmental activities; of which \$8.8 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$15.8 million were adequate to provide for the costs of these programs. The City had \$9.5 million in expenses related to business-type activities that were offset by program specific charges for services or grants and contributions.
- Among major governmental funds, the general fund had \$17.7 million in revenues, which primarily consisted of taxes, licenses and permits, fines and forfeitures, intergovernmental, and rental revenues. The total expenditures of the general fund were \$15.7 million. The general fund's fund balance increased from \$9.4 million to \$10.0 million. The highway users fund had revenues of \$2.8 million, which consisted primarily of intergovernmental revenues, and expenditures of \$2.9 million.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the fiscal condition of the City.

The following diagram shows how the required components of this comprehensive annual financial report are arranged and relate to one another.



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 financial statement of a private-sector business. These statements are prepared under the full-accrual basis of accounting where all the current year's revenues and expenses are included regardless of when cash is received or paid. The government-wide statements provide short and long-term information about the City's financial status as a whole. These two statements report the City's net position and how they have changed. The statement of net position and the statement of activities help to determine if the City is in a better financial position as a result of the current year's activities.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The *statement of net position* reflects the City's net position at the end of the fiscal year. The net position of the City are the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to evaluate the City's financial condition.

The *statement of activities* presents information showing how the City's net position changed during the 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 or related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

- **Governmental activities** – Most of the City's basic services are included here, such as general government, public safety, health and welfare, culture and recreation, community development, and public works and streets. Sales taxes, intergovernmental, licenses and permits, and fines and forfeitures revenue finance most of these activities.
- **Business-type activities** – The services provided by the City included here are water, wastewater, business center, sanitation, ambulance services, and business incubator. The services are financed through user fees and charges.
- **Discretely presented component unit** – The City includes the activities of another entity in its report – The San Luis Facility Development Corporation, which owns the Detention Facility. Although legally separate, the "component unit" is required to be included for fair presentation in conformity with Generally Accepted Accounting Principles. Financial information for the component unit is reported separately from the financial information for the primary government.

Fund Financial Statements. The fund financial statements provide a more detailed look at the City's most significant activities. 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 two categories: governmental funds, and proprietary 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 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.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in funds balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 9 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, highway users and municipal projects bond funds, all of which are considered to be major funds. Data from the other 6 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules in the other supplementary information section presented immediately following the notes to the financial statements.

- **Proprietary funds.** The City has 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 separate enterprise funds to account for its water, wastewater, business center, sanitation, ambulance and business incubator, all five of which are presented as major funds of the City. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City. The City uses an internal service fund to account for its self-insurance programs. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included with the governmental activities in the government-wide financial statements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also includes certain *required supplementary information* concerning the City's progress in funding its obligation to provide health insurance benefits to retirees and pension benefits to its Public Safety employees, EORP and other post-employment benefit information. Required supplementary information can be found immediately following the notes to the financial statements.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, (see figure 2) assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$71.2 million as of June 30, 2017. By far the largest portion of the City's net position (84 percent) reflects its net investment in capital assets (e.g., land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure), less any related debt still outstanding that was used to acquire those assets. 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 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 following table presents a summary of the City's net position for the fiscal years ended June 30, 2017 and 2016.

NET POSITION						
Figure 2	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 18,848,824	\$ 16,637,871	\$ 11,397,813	\$ 11,129,574	\$ 30,246,637	\$ 27,767,445
Capital assets	60,772,834	59,422,072	50,677,722	48,773,372	111,450,556	108,195,444
Total Assets	79,621,658	76,059,943	62,075,535	59,902,946	141,697,193	135,962,889
Total Deferred Outflow of Resources	4,203,448	2,395,595	467,105	283,939	4,670,553	2,679,534
Long-term liabilities	30,218,259	26,873,734	38,523,447	39,163,731	68,741,706	66,037,465
Other liabilities	2,972,217	2,885,587	1,994,709	1,848,866	4,966,926	4,734,453
Total Liabilities	33,190,476	29,759,321	40,518,156	41,012,597	73,708,632	70,771,918
Total Deferred inflow of Resources	1,851,999	1,624,352	434,116	409,012	2,286,115	2,033,364
Net Position						
Net Investment in Capital assets	45,187,300	43,224,321	14,221,545	15,188,424	59,408,845	58,412,745
Restricted	3,063,550	1,785,917		7,214,146	3,063,550	9,000,063
Unrestricted	531,781	2,061,627	7,368,823	(3,637,294)	7,900,604	(1,575,667)
Total net position	\$ 48,782,631	\$ 47,071,865	\$ 21,590,368	\$ 18,765,276	\$ 70,372,999	\$ 65,837,141

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Changes in net position

Governmental Activities: Net position in governmental activities saw an increase of \$1.7 million. The reasons for this change can be summarized as follows:

- Program revenues covered 38 percent of program expenses, decreasing from 62 percent from last year.
- Program revenues totaled \$8.8 million, which was a decrease of \$5.8 million from the previous year. General revenues on the other hand increased from the prior year by \$567,144 totaling \$16.2 million. This amounts to an overall decrease in total revenue of 16 percent.
- Expenses totaled \$23.3 million, a one percent decrease compared to the previous year.

Proprietary funds. Net position of the Enterprise Funds at the end of the year amounted to \$21.6 million. The Enterprise Funds had an increase in net position of \$2.8 million. Revenues for the Enterprise Funds increased due to an increase in charges for services revenue.

Figure 3	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues:						
Charges for services	\$ 2,745,919	\$ 4,068,017	\$ 11,902,557	\$ 9,316,935	\$ 14,648,476	\$ 13,384,952
Operating grants and contributions	2,308,056	2,709,123			2,308,056	2,709,123
Capital grants and contributions	3,749,914	7,816,499		1,941,586	3,749,914	9,758,085
General Revenues:						
City sales taxes	7,694,566	7,448,887			7,694,566	7,448,887
Franchise taxes	401,364	435,822			401,364	435,822
State shared revenues	8,073,305	7,123,544			8,073,305	7,123,544
Investment earnings	56,947	26,179	55,487	24,708	112,434	50,887
Miscellaneous		624,606		(48,015)		576,591
Total Revenues	25,030,071	30,252,677	11,958,044	11,235,214	36,988,115	41,487,891
Expenses						
General Government	5,994,778	8,228,000			5,994,778	8,228,000
Public Safety	9,126,508	7,905,663			9,126,508	7,905,663
Health and Welfare	222,820	235,413			222,820	235,413
Culture and Recreation	2,839,136	2,467,238			2,839,136	2,467,238
Community Development	945,698	906,408			945,698	906,408
Public Works & Streets	3,560,360	3,270,282			3,560,360	3,270,282
Interest on Long-Term Debt	649,618	658,670			649,618	658,670
Water			2,826,192	2,741,022	2,826,192	2,741,022
Wastewater			3,141,132	2,944,122	3,141,132	2,944,122
Business Center			1,226,764	1,215,501	1,226,764	1,215,501
Sanitation			1,120,902	1,105,078	1,120,902	1,105,078
Business Incubator			163,062	144,578	163,062	144,578
Ambulance Services			1,049,335		1,049,335	
Total expenses	23,338,918	23,671,674	9,527,387	8,150,301	32,866,305	31,821,975
Increase/(decrease) in net position	1,691,153	6,581,003	2,430,657	3,084,913	4,516,245	9,665,916
Transfer	(394,435)	(391,967)	394,435	391,967		
Net position – beginning, as restated	47,485,913	40,882,829	18,765,276	15,288,396	66,251,189	56,171,225
Net position - ending	\$ 48,782,631	\$ 47,071,865	\$ 21,590,368	\$ 18,765,276	\$ 70,372,999	\$ 65,837,141

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Business-type Activities: Overall, the City's net position for business-type activities shows it increased by \$2.8 million. The increase resulted from the annual rate increase. City's new rate study for user fees and charges will extend to the end of next fiscal year.

Financial Analysis of the City's funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City 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, fund balance available for appropriations can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The City's major governmental funds include the general fund, the highway users fund and the municipal projects bond fund. The remaining governmental funds are considered non-major.

At June 30, 2017, the City's governmental funds reported combined fund balance of \$13.0 million, an increase of \$715,488 from the prior year.

The general fund is the chief operating fund of the City. At the end of the current year fiscal year, the City's fund balance available in the general fund was \$10.0 million and the total fund balance was \$13.0 million. As a measure of the general fund's liquidity, unassigned fund balance represents approximately 63 percent of total general fund expenditures, while total fund balance represents approximately 63 percent of that same amount. A fund balance percentage of 15 to 20 percent of expenditures is typically considered a sign of financial health.

Governmental and Business-type activities. The following table (Figure 8) presents the cost of the major City 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.

- The cost of all governmental activities this year was \$23.3 million. The cost of all business-type activities this year was \$9.5 million.
- Federal, State, and County governments and charges for services subsidized certain governmental and business-type programs with grants and contributions and other local revenues of \$20.7 million.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Figure 8. - Activities	Total Expenses	Net (Expense)/ Revenue
Governmental Activities		
General government	\$ 5,994,778	\$ (4,187,700)
Public safety	9,126,508	(8,161,550)
Public works and streets	3,560,360	2,057,661
Health and welfare	222,820	(222,820)
Culture and recreation	2,839,136	(2,628,010)
Community development	945,698	(742,992)
Interest on long-term debt	649,618	(649,618)
Total expenses	<u>23,338,918</u>	<u>(14,535,029)</u>
Business-Type Activities		
Water	2,826,192	1,199,469
Wastewater	3,141,132	865,147
Business Center	1,226,764	(597,499)
Sanitation	1,120,902	163,642
Business Incubator	163,062	(159,591)
Ambulance Services	1,049,335	904,002
Total expenses	<u>9,527,387</u>	<u>2,375,170</u>
Total	\$ 32,866,305	\$ (12,159,859)

- The net cost of governmental activities of \$14.5 million was financed by general revenues of \$15.8 million, which are made up of primarily taxes and state shared revenues.
- Business type activities showed an increase in changes to net position by \$2.8 million in the fiscal year ended June 30, 2017 as compared to the prior fiscal year due primarily to an increase in charges for services and an overall average rate increase of three percent for all the enterprise funds.

BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the general fund and all major funds. These statements compare the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

The City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendment to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriation that become necessary to maintain services.

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

CAPITAL ASSETS

As of June 30, 2017, the City had invested \$163.4 million in capital assets including land, buildings, facilities, vehicles, computers, equipment, and infrastructure assets prior to depreciation. Total depreciation expense for the year was \$2.6 million for the governmental activities and \$1.9 million for the business-type-activities.

The following schedule (Figure 9) presents capital asset balances for the fiscal year ended June 30, 2017.

CAPITAL ASSETS

Figure 9	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,531,972	\$ 1,531,972	\$ 685,239	\$674,819	\$2,217,211	\$2,206,791
Construction in progress	312,918	714,530	2,535,621	454,186	2,848,539	1,168,716
Buildings and improvements	24,482,814	17,026,784	8,808,127	6,969,442	33,290,941	23,996,226
Machinery and equipment	11,278,081	4,955,837	8,928,483	1,674,127	20,206,564	6,629,964
Infrastructure	52,133,424	35,192,949	52,708,517	39,000,800	104,841,941	74,193,749
Total	<u>\$ 89,739,209</u>	<u>\$ 59,422,072</u>	<u>\$ 73,665,987</u>	<u>\$48,773,374</u>	<u>\$163,405,196</u>	<u>\$108,195,446</u>

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

- Completion of the Avenue E Road Widening at a cost of \$2.0 million. Lakin Drive Road improvements for \$390,915, and Completion of the Merrill Avenue roadway improvements of \$330,830.
- Progress on the Wastewater Fund's Juan Sanchez Boulevard and 6th Street Lift Station totaling \$2.3 million and the completion of the Wastewater Fund's basin improvements for \$397,387.

Additional information on the City's capital assets can be found in Note 5 of this report.

DEBT ADMINISTRATION

At year end, the City's debts represent Revenue Bonds in the amount of \$38.1 million for both governmental and business-type activities that are backed solely by specified revenue sources (i.e., taxes and fees collected). The remainder which is composed of loans and notes are paid from user fees and charges and others.

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

DEBT ADMINISTRATION (CONTINUED)

The following schedule presents a summary of the City's outstanding long-term obligations for the fiscal year ended June 30, 2017.

**OUTSTANDING DEBT
(Revenue Bonds, Capital Leases, Notes Payable, and Loans)**

Figure 10:	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue bonds	\$12,369,411	\$12,722,525	\$25,693,717	\$26,506,736	\$38,063,128	\$39,229,261
Capital leases			379,290		379,290	
Loan payable	3,025,000	3,025,000	10,070,000	10,300,000	13,095,000	13,325,000
Note payable	362,922	450,225	102,171	144,843	465,093	595,068
Total	\$15,757,333	\$16,197,750	\$36,245,178	\$36,951,579	\$52,002,511	\$52,149,329

Additional information on the City's long-term obligations can be found in Notes 7 through 10 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's revenues and expenditures/expenses are affected by changes in international, national and local economic factors. Economic growth can be measured by various factors. Highlights of the economic factors that affected the City this past fiscal year are explained below:

- The yearly total number of visitors crossing the border in the City increased considerably for private vehicles as well as pedestrians crossing which is a good indication that retail sales have increased. Conversely, when comparing the current year to the previous year data on a month-to-month basis there seemed to be no consistency in the pattern as to when the peak or the low month occurred for both the former and the latter (source: Greater Yuma Economic Development Corporation, GYEDC).

Figure 11:	BORDER CROSSING					
	FY 2017			FY 2016		
Class	Per Month High	Per Month Low	Daily Average	Per Month High	Per Month Low	Daily Average
Vehicles	281,667	238,642	8,518	263,855	239,926	8,309
Pedestrians	284,022	168,692	7,639	269,050	134,258	6,777
Commercial	4,464	1,878	90	3,568	1,929	88

- General fund revenues come from three main sources: local taxes, state taxes and intergovernmental. The City of San Luis, like all Arizona cities, places significant reliance on collected sales tax. Overall, sales tax revenues encompassed 46 percent of General Fund revenues in fiscal year 2017. Our composition of sales taxes is made up of retail trade, wholesale trade, construction activities, and communications all showed progress in a stabilized economy during 2017.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The City also receives significant revenue allocations from the State for income tax, sales tax, gas tax, and motor vehicle tax. These revenue sources are placed in the City's General Fund, to support the City's day-to-day activities.

There is quite a bit of opportunity and business potential still available within the City. Plan for a major hotel complex from 2011, designed to enhance the overall concept of the downtown area has been revisited by the developer. The realization of the project will attract major new commercial and office developments enhancing the economic outlook for the City

The City continues to face many important growth issues, and its citizens and municipal government are committed to finding solutions for the future. The City maintains a strong commitment to sustainability and cost-effective services while delivering the same quantity and the best quality of services to its constituents.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the City's Finance Director.



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF SAN LUIS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Detention Facility
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,421,611	\$ 1,243,921	\$ 4,665,532	\$
Investments	10,545,222	7,015,856	17,561,078	
Restricted investments	2,147,139	1,291,490	3,438,629	6,590,246
Accounts receivable (net)	1,692,681	1,321,970	3,014,651	2,024
Internal balances	(377,271)	377,271		
Notes receivable		52,557	52,557	
Due from governmental entities	1,207,624		1,207,624	
Prepaid items and other assets	170,587	94,748	265,335	
Supplies inventory	41,231		41,231	
Total current assets	18,848,824	11,397,813	30,246,637	6,592,270
Noncurrent assets:				
Land	1,531,972	685,239	2,217,211	661,359
Buildings and improvements	24,482,814	8,808,127	33,290,941	34,129,886
Infrastructure	52,133,424	52,708,517	104,841,941	
Machinery and equipment	11,278,081	8,928,483	20,206,564	329,194
Construction in progress	312,918	2,535,621	2,848,539	
Accumulated depreciation	(28,966,375)	(22,988,265)	(51,954,640)	(13,964,104)
Total noncurrent assets	60,772,834	50,677,722	111,450,556	21,156,335
Total assets	79,621,658	62,075,535	141,697,193	27,748,605
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to pension	4,203,448	467,105	4,670,553	
Deferred outflow on refundings				554,480
Total deferred outflows of resources	4,203,448	467,105	4,670,553	554,480
LIABILITIES				
Current liabilities:				
Accounts payable	1,485,899	341,301	1,827,200	
Estimated claims and judgments	175,531		175,531	
Accrued payroll and taxes	905,743	44,981	950,724	
Court bonds payable	37,186		37,186	
Customer deposits	400	342,947	343,347	
Retainage payable	6,604	323,401	330,005	
Accrued interest	353,104	941,505	1,294,609	462,135
Current portion of long-term debt	806,271	1,180,891	1,987,162	2,015,000
Unearned revenue	7,750	574	8,324	
Total current liabilities	3,778,488	3,175,600	6,954,088	2,477,135
Noncurrent liabilities:				
Pension	13,914,273	2,200,443	16,114,716	
Non-current portion of long-term debt	15,497,715	35,142,113	50,639,828	38,458,208
Total noncurrent liabilities	29,411,988	37,342,556	66,754,544	38,458,208
Total liabilities	33,190,476	40,518,156	73,708,632	40,935,343
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	1,660,906	223,117	1,884,023	
Deferred inflow on refundings	191,093	210,999	402,092	
Total deferred inflows of resources	1,851,999	434,116	2,286,115	
NET POSITION				
Net investment in capital assets	45,187,300	14,221,545	59,408,845	(18,762,393)
Restricted for:				
Restricted for debt service	294,906		294,906	
Restricted for capital project	1,309,794		1,309,794	
Restricted for impact fees	353,921		353,921	
Restricted for HURF	650,322		650,322	
Restricted for other purposes	454,607		454,607	
Unrestricted	531,781	7,368,823	7,900,604	6,130,135
Total net position	\$ 48,782,631	\$ 21,590,368	\$ 70,372,999	\$ (12,632,258)



**CITY OF SAN LUIS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 5,994,778	\$ 1,765,937	\$ 4,836	\$ 36,305
Public safety	9,126,508	426,767	444,927	93,264
Public works and streets	3,560,360	342,089	1,655,587	3,620,345
Health and welfare	222,820			
Culture and recreation	2,839,136	211,126		
Community development	945,698		202,706	
Interest on long term debt	649,618			
Total governmental activities	<u>23,338,918</u>	<u>2,745,919</u>	<u>2,308,056</u>	<u>3,749,914</u>
Business-type activities:				
Water	2,826,192	4,025,661		
Wastewater	3,141,132	4,006,279		
Business center	1,226,764	629,265		
Sanitation	1,120,902	1,284,544		
Business incubator	163,062	3,471		
Ambulance services	1,049,335	1,953,337		
Total business-type activities	<u>9,527,387</u>	<u>11,902,557</u>		
Total primary government	<u>\$ 32,866,305</u>	<u>\$ 14,648,476</u>	<u>\$ 2,308,056</u>	<u>\$ 3,749,914</u>
Component Unit				
Detention Facility	\$ 16,205,776	\$ 16,941,340		
Total component unit	<u>\$ 16,205,776</u>	<u>\$ 16,941,340</u>		

General revenues:

Taxes:

City sales taxes for general purposes

Franchise taxes

State shared revenue (not restricted)

Investment earnings

Transfers

Total general revenues and transfers

Changes in net position

Net position, beginning of year, as restated

Net position, end of year

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	Detention Facility
\$ (4,187,700)	\$	\$ (4,187,700)	\$
(8,161,550)		(8,161,550)	
2,057,661		2,057,661	
(222,820)		(222,820)	
(2,628,010)		(2,628,010)	
(742,992)		(742,992)	
(649,618)		(649,618)	
(14,535,029)		(14,535,029)	
	1,199,469	1,199,469	
	865,147	865,147	
	(597,499)	(597,499)	
	163,642	163,642	
	(159,591)	(159,591)	
	904,002	904,002	
	2,375,170	2,375,170	
(14,535,029)	2,375,170	(12,159,859)	
			\$ 735,564
			\$ 735,564
7,694,566		7,694,566	
401,364		401,364	
8,073,305		8,073,305	
56,947	55,487	112,434	21,811
(394,435)	394,435		
15,831,747	449,922	16,281,669	21,811
1,296,718	2,825,092	4,121,810	757,375
47,485,913	18,765,276	66,251,189	(13,389,633)
\$ 48,782,631	\$ 21,590,368	\$ 70,372,999	\$ (12,632,258)



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUNDS

CITY OF SAN LUIS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Highway Users	Municipal Projects Bond
<u>ASSETS</u>			
Due from other funds	\$ 60,135	\$ 362,063	\$
Cash and cash equivalents	1,585,755		
Investments	8,545,352	754,576	
Restricted investments			2,147,139
Accounts receivable (net)	1,522,044	337	184
Due from governmental entities	829,003	225,618	
Prepaid items	91,485	442	260
Supplies inventory	26,758	14,473	
Total assets	\$ 12,660,532	\$ 1,357,509	\$ 2,147,583
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 654,566	\$ 687,714	\$
Accrued payroll and taxes	892,874	12,869	
Court bonds payable	37,186		
Customer deposits	400		
Retainage payable		6,604	
Due to other funds			1,502,573
Accrued interest			353,104
Unearned revenue	7,750		
Total liabilities	1,592,776	707,187	1,855,677
Deferred inflows of resources:			
Unavailable revenue - municipal court	1,091,279		
Unavailable revenue - intergovernmental			
Total deferred inflows of resources	1,091,279		
Fund balances:			
Nonspendable	118,243	14,915	260
Restricted		635,407	291,646
Unassigned	9,858,234		
Total fund balances	9,976,477	650,322	291,906
 Total liabilities, deferred inflows of resources and fund balances	 \$ 12,660,532	 \$ 1,357,509	 \$ 2,147,583

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 729,411	\$ 1,151,609
	1,585,755
1,245,294	10,545,222
	2,147,139
10,668	1,533,233
153,003	1,207,624
78,400	170,587
	41,231
<u>\$ 2,216,776</u>	<u>\$ 18,382,400</u>

\$ 98,454	\$ 1,440,734
	905,743
	37,186
	400
	6,604
	1,502,573
	353,104
	7,750
<u>98,454</u>	<u>4,254,094</u>

	1,091,279
81,554	81,554
<u>81,554</u>	<u>1,172,833</u>

78,400	211,818
1,958,368	2,885,421
	9,858,234
<u>2,036,768</u>	<u>12,955,473</u>

<u>\$ 2,216,776</u>	<u>\$ 18,382,400</u>
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CITY OF SAN LUIS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total governmental fund balances **\$ 12,955,473**

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	\$ 89,739,209	
Less accumulated depreciation	<u>(28,966,375)</u>	60,772,834

Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.

Municipal court	1,091,279	
Intergovernmental	<u>81,554</u>	1,172,833

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. (191,093)

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

Deferred outflows of resources related to pensions	4,203,448	
Deferred inflows of resources related to pensions	<u>(1,660,906)</u>	2,542,542

The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The assets and liabilities of the Internal Service Fund are included in the Statement of Net Position. 1,748,301

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

Compensated absences payable	(546,622)	
Note payable	(362,922)	
Net pension liability	(13,914,273)	
Bonds payable	<u>(15,394,442)</u>	<u>(30,218,259)</u>

Net position of governmental activities **\$ 48,782,631**

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



CITY OF SAN LUIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Highway Users</u>	<u>Municipal Projects Bond</u>
Revenues:			
Taxes	\$ 8,095,930	\$	\$
Licenses and permits	734,502		
Intergovernmental	8,026,907	2,526,082	
Rents	268,690		
Fines and forfeitures	294,326		
Special assessments			
Charges for services	82,462		
Investment earnings	41,721	6,839	793
Other	133,656	271,850	
Total revenues	<u>17,678,194</u>	<u>2,804,771</u>	<u>793</u>
Expenditures:			
Current -			
General government	4,924,564		
Public safety	7,099,643		
Public works and streets		1,771,862	
Health and welfare	213,543		
Culture and recreation	2,507,249		
Community development	695,294		1,229
Capital outlay	209,616	1,105,128	
Debt service -			
Interest	7,484		706,211
Principal	87,390		298,100
Total expenditures	<u>15,744,783</u>	<u>2,876,990</u>	<u>1,005,540</u>
Excess (deficiency) of revenues over expenditures	<u>1,933,411</u>	<u>(72,219)</u>	<u>(1,004,747)</u>
Other financing sources (uses):			
Transfers in			1,004,747
Transfers out	(1,399,182)	(55,797)	
Total other financing sources (uses):	<u>(1,399,182)</u>	<u>(55,797)</u>	<u>1,004,747</u>
Changes in fund balances	<u>534,229</u>	<u>(128,016)</u>	
Fund balances, beginning of year	9,442,248	778,338	291,906
Fund balances, end of year	<u>\$ 9,976,477</u>	<u>\$ 650,322</u>	<u>\$ 291,906</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 8,095,930
	734,502
1,152,830	11,705,819
	268,690
283,663	577,989
302,546	302,546
696,373	778,835
5,278	54,631
2,500	408,006
<u>2,443,190</u>	<u>22,926,948</u>
312,208	5,236,772
487,455	7,587,098
60,937	1,832,799
	213,543
	2,507,249
241,609	938,132
1,087,503	2,402,247
	713,695
	385,490
<u>2,189,712</u>	<u>21,817,025</u>
<u>253,478</u>	<u>1,109,923</u>
55,797	1,060,544
	(1,454,979)
<u>55,797</u>	<u>(394,435)</u>
<u>309,275</u>	<u>715,488</u>
1,727,493	12,239,985
<u>\$ 2,036,768</u>	<u>\$ 12,955,473</u>

**CITY OF SAN LUIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Changes in fund balances - total governmental funds **\$ 715,488**

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 capitalized assets	\$ 3,925,166	
Less current year depreciation	<u>(2,562,384)</u>	1,362,782

Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Municipal court	(22,103)	
Intergovernmental	<u>102,543</u>	80,440

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Revenue bonds principal retirement	298,100	
Note payable principal retirement	<u>87,302</u>	385,402

Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the Statement of Activities.

Current year pension contributions	1,100,125	
Pension expense	<u>(2,771,667)</u>	(1,671,542)

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 assets	(12,020)	
Amortization of deferred bond items	64,077	
Compensated absences	<u>(13,233)</u>	38,824

The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The changes in net position of the Internal Service Fund is reported with governmental activities in the Statement of Activities.

385,324

Changes in net position in governmental activities **\$ 1,296,718**

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

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 7,801,600	\$ 7,801,600	\$ 8,095,930	\$ 294,330
Licenses and permits	452,520	452,520	734,502	281,982
Intergovernmental	8,018,880	8,018,880	8,026,907	8,027
Rents	223,500	223,500	268,690	45,190
Fines and forfeitures	304,000	304,000	294,326	(9,674)
Charges for services	50,500	50,500	82,462	31,962
Investment earnings	8,000	8,000	41,721	33,721
Other	71,900	71,900	133,656	61,756
Total revenues	<u>16,930,900</u>	<u>16,930,900</u>	<u>17,678,194</u>	<u>747,294</u>
Expenditures:				
Current -				
General government				
City council	1,114,620	1,089,620	776,940	312,680
City administration	611,290	611,290	469,312	141,978
City clerk	272,430	272,430	231,965	40,465
City attorney	339,650	364,650	331,237	33,413
City prosecutor	276,470	276,470	223,102	53,368
Finance	775,940	775,940	755,216	20,724
Human resources	486,380	486,380	399,182	87,198
Municipal court	636,100	636,100	591,075	45,025
Information technology	503,815	503,815	432,223	71,592
Facilities	317,830	317,830	306,340	11,490
Fleet services	141,200	141,200	137,706	3,494
Risk & property	121,995	121,995	119,815	2,180
Non departmental	438,400	445,400	445,451	(51)
Public safety				
Police Department	4,776,480	4,735,610	4,544,587	191,023
Fire Department	2,147,770	2,587,970	2,555,056	32,914
Health and welfare				
Senior Services	221,810	221,810	213,543	8,267
Culture and recreation				
Cultural center	196,490	186,080	171,610	14,470
Parks ground	1,233,380	1,222,970	1,221,529	1,441
Parks - recreation	420,880	444,360	440,125	4,235
Youth center	234,200	241,950	210,665	31,285
Aquatic center	215,510	205,100	168,320	36,780
Community development				
Development services	327,300	327,300	276,255	51,045
Building safety	245,930	245,930	219,005	26,925
Community development	230,620	230,620	200,034	30,586
Capital outlay	232,460	246,470	209,616	36,854
Debt service -				
Interest	8,000	8,000	7,484	516
Principal	90,000	90,000	87,390	2,610
Total expenditures	<u>16,616,950</u>	<u>17,037,290</u>	<u>15,744,783</u>	<u>1,292,507</u>
Excess (deficiency) of revenues over expenditures	<u>313,950</u>	<u>(106,390)</u>	<u>1,933,411</u>	<u>2,039,801</u>
Other financing sources (uses):				
Transfers out	(1,475,345)	(1,454,335)	(1,399,182)	55,153
Total other financing sources (uses):	<u>(1,475,345)</u>	<u>(1,454,335)</u>	<u>(1,399,182)</u>	<u>55,153</u>
Changes in fund balances	<u>(1,161,395)</u>	<u>(1,560,725)</u>	<u>534,229</u>	<u>2,094,954</u>
Fund balances, beginning of year	7,732,177	7,734,627	9,442,248	1,707,621
Fund balances, end of year	<u>\$ 6,570,782</u>	<u>\$ 6,173,902</u>	<u>\$ 9,976,477</u>	<u>\$ 3,802,575</u>

CITY OF SAN LUIS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HIGHWAY USERS
YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 2,645,060	\$ 2,645,060	\$ 2,526,082	\$ (118,978)
Investment earnings	2,300	2,300	6,839	4,539
Other	1,000	1,000	271,850	270,850
Total revenues	<u>2,648,360</u>	<u>2,648,360</u>	<u>2,804,771</u>	<u>156,411</u>
Expenditures:				
Current -				
Public works and streets	1,821,680	1,827,380	1,771,862	55,518
Capital outlay	1,292,125	1,535,725	1,105,128	430,597
Total expenditures	<u>3,113,805</u>	<u>3,363,105</u>	<u>2,876,990</u>	<u>486,115</u>
Excess (deficiency) of revenues over expenditures	<u>(465,445)</u>	<u>(714,745)</u>	<u>(72,219)</u>	<u>642,526</u>
Other financing sources (uses):				
Transfers out			(55,797)	(55,797)
Total other financing sources (uses):			<u>(55,797)</u>	<u>(55,797)</u>
Changes in fund balances	<u>(465,445)</u>	<u>(714,745)</u>	<u>(128,016)</u>	<u>586,729</u>
Fund balances, beginning of year	476,310	391,310	778,338	387,028
Fund balances (deficits), end of year	<u>\$ 10,865</u>	<u>\$ (323,435)</u>	<u>\$ 650,322</u>	<u>\$ 973,757</u>

See accompanying notes to this schedule.

PROPRIETARY FUND FINANCIAL STATEMENTS

**CITY OF SAN LUIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

	Enterprise Funds		
	Water	Wastewater	Sanitation
<u>ASSETS</u>			
Current assets:			
Due from other funds	\$ 1,093,519	\$ 71,158	\$
Cash and cash equivalents	1,013,223		
Investments	3,731,373	3,284,483	
Restricted investments	648,748		
Accounts receivable (net)	518,487	138,136	30,166
Notes receivable	52,557		
Prepaid items and other assets	53,508	21,189	18,564
Total current assets	7,111,415	3,514,966	48,730
Noncurrent assets:			
Land	190,271	150,757	
Buildings and improvements		1,779,541	26,596
Infrastructure	22,791,418	29,917,099	
Machinery and equipment	2,255,978	1,430,545	1,959,525
Construction in progress	3,350	2,517,758	
Accumulated depreciation	(6,892,833)	(10,024,408)	(1,588,459)
Total noncurrent assets	18,348,184	25,771,292	397,662
Total assets	25,459,599	29,286,258	446,392
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflow related to pension	167,959	115,784	47,598
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	84,546	167,209	34,909
Estimated claims and judgments			
Accrued payroll and taxes	15,852	10,600	4,554
Customer deposits	335,549	6,250	
Retainage payable	100,891	222,510	
Due to other funds			461,334
Accrued interest	249,888	292,951	
Current portion of long-term debt	360,622	432,663	56,125
Unearned revenue			
Total current liabilities	1,147,348	1,132,183	556,922
Noncurrent liabilities:			
Pension	1,097,663	720,079	334,003
Non-current portion of long-term debt	11,431,906	13,524,579	61,022
Total noncurrent liabilities	12,529,569	14,244,658	395,025
Total liabilities	13,676,917	15,376,841	951,947
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to pension	80,227	55,306	22,735
Deferred inflow on refundings	99,528	111,471	
Total deferred inflows of resources	179,755	166,777	22,735
<u>NET POSITION</u>			
Net investment in capital assets	6,490,651	11,724,109	295,491
Unrestricted	5,280,235	2,134,315	(776,183)
Total net position	\$ 11,770,886	\$ 13,858,424	\$ (480,692)

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

Enterprise Funds

Business Incubator	Ambulance Services	Business Center	Totals	Governmental Activities: Internal Service Funds
\$	\$ 257,578	\$	\$ 1,422,255	\$
	494	230,204	1,243,921	1,835,856
		642,742	7,015,856	
	582,725	52,456	1,291,490	159,448
			1,321,970	
			52,557	
150	1,021	316	94,748	
<u>150</u>	<u>841,818</u>	<u>925,718</u>	<u>12,442,797</u>	<u>1,995,304</u>
		344,211	685,239	
2,007,718		4,994,272	8,808,127	
			52,708,517	
118,733	499,758	2,663,944	8,928,483	
		14,513	2,535,621	
(116,284)	(8,277)	(4,358,004)	(22,988,265)	
<u>2,010,167</u>	<u>491,481</u>	<u>3,658,936</u>	<u>50,677,722</u>	
<u>2,010,317</u>	<u>1,333,299</u>	<u>4,584,654</u>	<u>63,120,519</u>	<u>1,995,304</u>
	135,764		467,105	
2,650	46,254	5,733	341,301	45,165
				175,531
539	13,436		44,981	
1,148			342,947	
			323,401	
284,900		298,750	1,044,984	26,307
	5,924	392,742	941,505	
886	80,595	250,000	1,180,891	
574			574	
<u>290,697</u>	<u>146,209</u>	<u>947,225</u>	<u>4,220,584</u>	<u>247,003</u>
	48,698		2,200,443	
238	304,368	9,820,000	35,142,113	
238	353,066	9,820,000	37,342,556	
<u>290,935</u>	<u>499,275</u>	<u>10,767,225</u>	<u>41,563,140</u>	<u>247,003</u>
	64,849		223,117	
			210,999	
	<u>64,849</u>		<u>434,116</u>	
2,010,167	112,191	(6,411,064)	14,221,545	
(290,785)	792,748	228,493	7,368,823	1,748,301
<u>\$ 1,719,382</u>	<u>\$ 904,939</u>	<u>\$ (6,182,571)</u>	<u>\$ 21,590,368</u>	<u>\$ 1,748,301</u>

CITY OF SAN LUIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds		
	Water	Wastewater	Sanitation
Operating revenues:			
Rents	\$	\$	\$
Charges for services	3,908,317	4,003,402	1,259,873
Contributions			
Other	117,344	2,877	24,671
Total operating revenues	<u>4,025,661</u>	<u>4,006,279</u>	<u>1,284,544</u>
Operating expenses:			
Cost of sales and services	1,803,826	1,785,795	1,032,808
Claims			
Premiums			
Administrative fees			
Depreciation	569,057	819,128	83,325
Total operating expenses	<u>2,372,883</u>	<u>2,604,923</u>	<u>1,116,133</u>
Operating income (loss)	<u>1,652,778</u>	<u>1,401,356</u>	<u>168,411</u>
Nonoperating revenues (expenses):			
Investment earnings	43,420	10,897	
Interest and fiscal charges	(453,309)	(536,209)	(4,769)
Total nonoperating revenues (expenses)	<u>(409,889)</u>	<u>(525,312)</u>	<u>(4,769)</u>
Income (loss) before transfers	<u>1,242,889</u>	<u>876,044</u>	<u>163,642</u>
Transfers in			
Changes in net position	<u>1,242,889</u>	<u>876,044</u>	<u>163,642</u>
Total net position, beginning of year, as restated	10,527,997	12,982,380	(644,334)
Total net position, end of year	<u>\$ 11,770,886</u>	<u>\$ 13,858,424</u>	<u>\$ (480,692)</u>

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

Enterprise Funds

Business Incubator	Ambulance Services	Business Center	Totals	Governmental Activities: Internal Service Funds
\$ 3,443	\$ 1,953,337	\$ 629,265	\$ 632,708	\$ 2,394,700
28			11,124,929	
<u>3,471</u>	<u>1,953,337</u>	<u>629,265</u>	<u>11,902,557</u>	<u>2,394,700</u>
116,707	1,035,134	67,649	5,841,919	
46,355	8,277	373,617	1,899,759	2,011,692
<u>163,062</u>	<u>1,043,411</u>	<u>441,266</u>	<u>7,741,678</u>	<u>2,011,692</u>
<u>(159,591)</u>	<u>909,926</u>	<u>187,999</u>	<u>4,160,879</u>	<u>383,008</u>
	937	233	55,487	2,316
	(5,924)	(785,498)	(1,785,709)	
	<u>(4,987)</u>	<u>(785,265)</u>	<u>(1,730,222)</u>	<u>2,316</u>
<u>(159,591)</u>	<u>904,939</u>	<u>(597,266)</u>	<u>2,430,657</u>	<u>385,324</u>
		394,435	394,435	
<u>(159,591)</u>	<u>904,939</u>	<u>(202,831)</u>	<u>2,825,092</u>	<u>385,324</u>
1,878,973		(5,979,740)	18,765,276	1,362,977
<u>\$ 1,719,382</u>	<u>\$ 904,939</u>	<u>\$ (6,182,571)</u>	<u>\$ 21,590,368</u>	<u>\$ 1,748,301</u>

CITY OF SAN LUIS, ARIZONA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Enterprise Funds	
	Water	Wastewater
<u>Increase/(Decrease) In Cash and Cash Equivalents</u>		
Cash flows from operating activities:		
Cash received from customers	\$ 3,959,893	\$ 3,961,161
Cash payments to suppliers for goods and services	(1,490,127)	(1,060,679)
Cash payments to employees for services	(636,627)	(722,648)
Net cash provided by (used for) operating activities	1,833,139	2,177,834
Cash flows from noncapital and related financing activities:		
Increase (decrease) due to other funds	(4,606,918)	3,327,279
Net cash provided by (used for) noncapital and related financing activities	(4,606,918)	3,327,279
Cash flows from capital and related financing activities:		
Payments for capital acquisitions	(8,567)	(2,798,802)
Principal paid on long-term debt	(323,748)	(452,987)
Interest paid on long-term debt	(467,712)	(547,241)
Net cash (used for) capital and related financing activities	(800,027)	(3,799,030)
Cash flows from investing activities:		
Investment income	43,420	10,897
Net cash provided by investing activities	43,420	10,897
Net increase/ (decrease) in cash and cash equivalents	(3,530,386)	1,716,980
Cash and cash equivalents, beginning of year	8,923,730	1,567,503
Cash and cash equivalents, end of year	\$ 5,393,344	\$ 3,284,483
 <u>Reconciliation of Operating Income (loss) to</u>		
<u>Net Cash Provided by (Used for) Operating Activities</u>		
Operating income (loss)	\$ 1,652,778	\$ 1,401,356
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	569,057	819,128
Change in assets and liabilities:		
(Increase)/ decrease in accounts receivable	(63,373)	(44,868)
(Increase)/ decrease in prepaid items and other assets	9,710	1,873
(Increase) in notes receivable	(2,395)	
Increase/ (decrease) in accounts payable	(304,764)	16,896
Increase/ (decrease) in customer deposits		(250)
(Decrease) in estimated claims and judgments		
Increase in accrued payroll and taxes	1,084	4,742
(Decrease) in deferred outflows/inflows related to pension	(38,541)	(27,784)
Increase in net pension liabilities	9,583	6,741
Increase in unearned revenue		
Increase in compensated absences payable		
Total adjustments	180,361	776,478
Net cash provided by (used for) operating activities	\$ 1,833,139	\$ 2,177,834



NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting standards.

During the fiscal year ended June 30, 2017, the provisions of GASB Statement No. 77, *Tax Abatement Disclosures* were implemented. This statement establishes guidance requiring state and local governments to disclose key information about tax abatement agreements.

A. Reporting Entity

The City of San Luis (the “City”) was incorporated in 1979 under the provision of the Arizona Constitution and is located on the Arizona-Sonora Mexico border. The City is a municipal entity governed by an elected Mayor and council.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Statement Entity – Omnibus*. The City is the primary government unit. Component units are financially accountable to the City. Financial accountability exists if the primary government appoints a voting majority of the entity’s governing body and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide financial benefit, or impose financial burdens on the primary government. Component units meeting the criteria have been accounted for as “blended” component units of the City. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City’s operations. Accordingly, the balances and transactions of these component units are reported within the funds of the City.

Blended Component Units

The San Luis Community Facilities District (SLCFD) was created in 1999 under the provisions of Title 48, Chapter 4, Article 6 of the Arizona Revised Statutes. The District is considered by law to be an independent political sub-division of the state, and separate from the City. Council members serve as the Board of Directors. The purpose of the entity is to provide land for the development of the Regional Center for Border Health which will revert along with the development to the City at the end of the term. The District leases the land under a 30-year agreement to Western Arizona Area Health Education Center, Inc. (WAAHEC), an unrelated not-for-profit corporation for \$2,500 per year. The activity is reported in the San Luis Community Facilities District Fund.

The San Luis Employees’ Self Insurance Health Fund (ESI) was formed for the purpose of managing the health insurance fund and is governed by five Board members. The Board consists of three non-staff members, one member of Council and one member from the Human Resources Department. Although it is legally separate from the City, the Trust is reported as if it were part of the City government, because its sole purpose is to provide services exclusively to City employees through a self-insured plan. Employees are covered 100 percent by the plan and pay on the average \$250 for family or dependent care. The activity of the ESI is reported as the Insurance Fund, an internal service fund.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

No separate financial statements are prepared for the blended component units.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the primary government but for which omission would cause the primary government's financial statements to be misleading or incomplete. The component units below do not meet the criteria for blended presentation and therefore, they are reported separately from the primary government.

The San Luis Facility Development Corporation (SLFDC) was incorporated in 2005 exclusively for the purpose of financing, owning, and/or operating one or more public projects that affect economic development in the City of San Luis, Arizona or San Luis County and to provide facilities, equipment, and other physical plant and related support to the project. It is governed by a Board of five Directors of which two are members of City Council. The Corporation was used in April 2014 and July 2014 to refinance two bond issues that were originally used to build and extend the detention facility respectively. The City General Fund receives certain revenues in form of a bed tax from the operations. The activity is reported in the City's Detention Facility Fund.

No separate financial statements are prepared for the discretely presented component units.

Joint Ventures

A joint venture (JV) is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. A "jointly governed organization" is an organization that meets all the JV criteria except the participants do not retain on-going financial interest or responsibility.

The City participates under a membership provision with two other entities in a jointly governed organization, the Greater San Luis Port Authority, Inc. (GYPA) which is directed by a seven person board. The GYPA was established in September 8, 2000, as a nonprofit corporation for the purpose of promoting and developing the new port district through cooperative regional effort of government entities (members), within the Yuma County region and to ensure the economic wellness of the San Luis area. Members are required to pay a fee of \$50,000 per year for operational expenses of the corporation. The City carries in its budget an annual appropriation of \$50,000 to retain its membership. The City does not retain an on-going financial interest or an on-going financial responsibility in the GYPA. Complete financial statements of the GYPA may be obtained from the GYPA's office at P.O. Box 4601, San Luis, AZ 85349.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Related Organizations

The City's officials are also responsible for appointing the board members of other organizations; however, the City's accountability for these organization does not extend beyond the making of appointments and therefore they are not included as part of the financial statements.

The following are related organizations that are excluded from the reporting entity:

- San Luis Police Activities/Athletics League
- San Luis AZ Chamber of Commerce
- East San Luis Community Facility District

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled

Government-Wide Financial Statements – The Government-Wide Financial Statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Fiduciary activities are not included in these statements.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due from and to other funds
- Transfers in and out

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Governmental Fund Financial Statements – All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recognized as soon as they are both “*measurable*” and “*available*”. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For these purposes, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, other local taxes, franchise fees, forfeitures and penalties, motor license fees, rents and concessions, interest revenue, and state and federal grants and subventions. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliations of the fund financial statements to the Government-Wide Financial Statements are provided to explain the differences.

Certain indirect costs are included as part of the program expenses reported for individual functions and activities.

The City reports the following major governmental funds.

General – This fund is the general operating fund of the City. It accounts for all financial resources of the City, except those required to be accounted for in other funds.

Highway Users – This fund accounts for the revenue received from the State for public works and streets.

Municipal Projects Bond – This fund accounts for the construction of the City’s various construction projects.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The City's non-major funds are as follows:

Special Revenue Funds

- Police Grants and Special Revenues
- Judicial Collection Enhancement
- Assessment Districts
- San Luis Community Facilities District

Capital Projects Funds

- Capital Outlay Reserve
- Cultural Center

Proprietary Fund Financial Statements - Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following proprietary funds:

Water – This fund accounts for the City's water operations.

Wastewater – This fund accounts for the City's wastewater operations.

Business Center – This fund accounts for revenues and expenditures related to properties acquired by the City from the Industrial Development Authority to develop trade, encourage production, and assure job opportunities in the City.

Sanitation – This fund accounts for the activities of the City's sanitation operations.

Business Incubator – This fund accounts for the City's business incubator operations which offers assistance to small businesses, encourage light manufacturing and help create job opportunities within the City.

Ambulance Services – This fund accounts for City's Ambulance resources to provide emergency 9-1-1 response and emergency medical transportation for the residents and guests of the City of San Luis.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Additionally, the City reports the following internal service fund type:

Insurance (ESI) - The Insurance fund is used to account for the accumulation and allocation of costs associated with the City's self-insured group health and dental insurance program.

C. Cash, Cash Equivalents and Investments

The City considers cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months from the date of acquisition to be cash equivalents. All cash and investments of proprietary funds are held in the City's investment pool. These cash pools have the general characteristics of a demand deposit account, therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for Statement of Cash Flows purposes.

Cash and investments are generally pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Arizona Revised Statutes (A.R.S.) 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 or any of its counties, cities, towns, school districts, and special districts as specified by statute.

The State Board of Deposit provides oversight for the State Treasurer's pool, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares.

Money market investments are stated at amortized cost. All other investments are stated at cost, which approximates fair value. Certain resources set aside for the repayments of debt are classified as investments held by trustee – restricted. Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Restricted Cash and Investments with Fiscal Agents

Cash and investments with fiscal agents are restricted due to limitations on their use by bond covenants. Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in investment earnings in the governmental fund financial statements and in nonoperating revenues in the proprietary fund financial statements.

F. Prepaid Items

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

G. Receivables

Receivables include such items as taxes, intergovernmental revenues, charges for services, miscellaneous account receivable, and interest receivable, and are reported net of allowance for uncollectible. The City reserved all receivable in excess of 180 days as an allowance.

H. Interfund Receivables and Payable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

I. Inventories

Inventories are stated at average cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenses when consumed in the government-wide and proprietary financial statements and as expenditures when purchased in the governmental fund financial statements.

J. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, 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 historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation.

**CITY OF SAN LUIS, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Certain capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	15-50
Buildings	7-50
Improvements other than buildings	5-50
Vehicles, machinery, and equipment	4-15

K. Deferred Inflows and Outflows

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the statement of net position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable. The City and component unit have items that qualify for reporting in this category.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- In conjunction with pension accounting requirements, the difference between expected and actual investment earnings is recorded as a deferred outflow of resources related to pensions. This amount is determined based on the actuarial valuation performed for the plan.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time. In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from Municipal Court fines and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Inflows and Outflows (Continued)

Under the full accrual basis, the City has two items that qualify for reporting in this category:

- A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- In conjunction with pension accounting requirements, the difference between expected and actual experience related is recorded as a deferred inflow of resources related to pensions. This amount is determined based on the actuarial valuation performed for the plan as described further in Note 15.

L. Compensated Absences

The City's employee vacation and sick leave policies provide for granting vacation and sick leave with pay. Annual leave, based on graduated scale of years of employment, is credited to each employee as it accrues and differs between administrative and public safety functions. The maximum accrual allowed follows the aforementioned pattern of accrued hours and cannot exceed twice the yearly earned hours. Vacation benefits vest at the employee's current rate of pay.

The current and long-term liabilities for accumulated vacation are reported on the government-wide financial statements and in the proprietary fund 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. Resources from the General Fund are generally used to liquidate the governmental funds liabilities for compensated absences.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities, net of bond premiums or discounts. Bond premiums and discounts are amortized over the life of the bonds using straight-line method. Issuance costs are reported as expense when incurred.

Governmental fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

N. Arbitrage Rebate Requirement

The City is subject to the Internal Revenue Code ("IRC") Section 148(f), related to its tax exempt revenue bonds. The IRC requires that investment earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. The City had no rebate liability for arbitrage as of June 30, 2017.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Claims Liabilities

The City accounts for material claims and judgments outstanding at year-end. When it is probable that a claim liability has incurred at year-end, and the amount of loss can be reasonably estimated, the City records the estimated loss.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date:	June 30, 2015
Measurement Date:	June 30, 2016
Measurement Period:	July 1, 2015 to June 30, 2016

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Q. Net Position

For government-wide and proprietary fund financial statements, net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred for purposes for which both restricted and unrestricted Net Position are available, the City's policy is to apply restricted Net Position first.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to show the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items – Portion of fund balance that is not an available resource because it represents the year-end portion of prepaid items, which are not spendable resources.

Restricted – This classification includes revenue sources that are restricted to specific purposes externally imposed by 1) external parties such as: grantors creditors or 2) imposed by law through constitutional provisions or 3) enabling legislation legally enforceable by external parties.

Committed – Represents portion of fund balance that can only be used for specific purpose imposed by majority vote of City Council, the highest level of decision-making authority. Such commitment is made via a Council resolution and must be made prior to the end of the fiscal year. Any changes or removal of specific purposes requires majority action as well by the governing body. Committed funds include funds for capital projects and specified program services as defined by the creation of the fund.

Assigned – Amounts are constrained by the City's intent to be used for specific purposes. Intent should be expressed by the Council or the City Manager but requires City Council to approve a resolution to set up encumbrances.

Assigned for Capital Projects – Portion of fund balance that has been budgeted or designated by Council for capital projects.

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and does not have a specific purpose. In the governmental funds, other than the general fund, if expenditures incurred exceeded the amounts restricted, committed or assigned, the fund may report a negative fund balance as unassigned.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Balances (Continued)

The City has a revenue spending guideline for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. Management may deviate from this policy if it's in the best interest of the City.

	General Fund	Highway Users Fund	Municipal Projects Bond Fund	Non-Major Governmental Funds
Fund Balances:				
Nonspendable:				
Inventory	\$ 26,758	\$ 14,473	\$	\$
Prepaid items	91,485	442	260	78,400
Restricted:				
Highways and streets		635,407		
Debt service			291,646	
Capital projects				1,231,394
Impact fees				353,921
Other purposes				373,053
Unassigned	9,858,234			
Total fund balances	\$ 9,976,477	\$ 650,322	\$ 291,906	\$ 2,036,768

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

T. Budget

The City publishes and adopts an annual budget in accordance with applicable state statutes. The City prepares an annual budget on a basis consistent with Generally Accepted Accounting Principles for all governmental funds. After review of the tentative budgets, City Council holds public hearings and then adopts the annual budget for the General, Major Special Revenue, and the Enterprise funds. All annual appropriations lapse at the fiscal year end.

The appropriated budget is prepared by fund and department on the same basis of accounting as required for governmental fund types and conforms to GAAP. Amendments are required for any revisions that increases total expenditures of any fund or that change functional appropriations. During the year, several amendments to the original budget were necessary to meet the needs of the City. Also, transfers of appropriations between departments and over-expenditures of appropriations at the department level require Council approval. The City legal level of budgetary control, which is the level at which expenditures may not legally exceed appropriations, is at the department level.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2- CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

	Primary Government		Component Unit	Total
	Governmental Activities	Business-type Activities	Detention Facility	
Cash and cash equivalents	\$ 3,421,611	\$ 1,243,921	\$	\$ 4,665,532
Investments	10,545,222	7,015,856		17,561,078
Restricted assets:				
Investments	2,147,139	1,291,490	6,590,246	10,028,875
Total	<u>\$ 16,113,972</u>	<u>\$ 9,551,267</u>	<u>\$ 6,590,246</u>	<u>\$ 32,255,485</u>

Cash and investments consisted of the following:

Cash on hand	\$ 4,440
Demand deposits	4,661,092
Investments	27,589,953
Total	<u>\$ 32,255,485</u>

Demand Deposits - The carrying amounts of the City's demand deposits were \$4,661,132 at June 30, 2017. Bank balances were \$5,234,308 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name.

Risk Disclosures – Disclosures Related to Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity its fair value is to changes in market interest rates. The City does not have a formal investment policy that limit its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate.

	Fair Value	Investment Maturities (in years)
		Less than 1
U.S. Agencies	\$ 256,643	\$ 256,643
Money Market	9,772,232	9,772,232
State Treasurer	17,561,078	17,561,078
Total	<u>\$ 27,589,953</u>	<u>\$ 27,589,953</u>

Investment should be recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments will be recognized as an increase or decrease to investment assets and investment income as applicable.

The City measures and records investment using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2- CASH AND INVESTMENTS (CONTINUED)

At June 30, 2017, all the City's investments were considered to be level two investments.

Disclosures Related to Credit Risk. Credit risk is defined as the risk that an issuer of an investment will not fulfill its obligation to repay the holder at the maturity date. This is generally measured by the assignment of a rating by a nationally recognized statistical organization. However, some issuers do not seek a credit rating. The City has no investment policy that would further limit its investment choices. As of June 30, 2017, the City's investment in the State Treasurer's Government Investment Pool (LGIP) did not receive a credit quality rating from national rating agency. The City's investments in U.S. agencies were rated Aaa-mf by Moody's Investors Service and AAAM by Standard & Poor's.

That portion of the external investment pool which belongs to local government participants is reported in the State's Annual Financial Report. A copy of the report can be obtained from the State's website at www.aztreasury.gov or by writing to Arizona State Treasurer's Office, 1700 West Washington Street, 1st Floor, Phoenix, AZ 85007. The City's position in the LGIP at June 30, 2017 is stated at cost which approximates fair value.

Disclosures Related to Custodial Credit Risk. For 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 policy for custodial credit risk. As of June 30, 2017, City deposits of \$4,233,814 were collateralized with securities held by the pledging financial institution.

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools as an investment company are not registered 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 participants' shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

Disclosures Related to Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the counterparty's failure, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2017, the City had \$10,028,875 of U.S. agency securities, and money market funds that were uninsured and held by the counterparty's trust department or agent not in the City's name. 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 is not subject to custodial credit risk.

Disclosures Related to Concentration Credit Risk. The City places no limit on the amount the City may invest in any one issuer. As of June 30, 2017, the City's investments include one percent invested in U.S. agency securities, 35 percent invested in money market funds, and 64 percent invested in the State Treasurer's investment pool.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3- RECEIVABLES

Receivables are reported net of allowance for uncollectible of \$275,907 for Proprietary Fund receivables and \$498,959 for Governmental funds receivable of which the majority relates to court fines. As of year-end, the City's net receivables for individual major governmental funds, non-major governmental funds in the aggregate, and major enterprise funds are as follows:

	Governmental Activities				Total
	General	Highway Users	Municipal Projects Bond	Non-Major Governmental and Other	
Accounts receivables	\$ 430,765	\$ 337	\$ 184	\$ 170,116	\$ 601,402
Fines receivable	1,091,279				1,091,279
Due from governmental entities	829,003	225,618		153,003	1,207,624
Net total	<u>\$ 2,351,047</u>	<u>\$ 225,955</u>	<u>\$ 184</u>	<u>\$ 323,119</u>	<u>\$ 2,900,305</u>

	Business-Type Activities					Total
	Water	Wastewater	Business Center	Sanitation	Ambulance Services	
Accounts receivable	\$ 518,487	\$ 138,136	\$ 52,456	\$ 30,166	\$ 582,725	\$ 1,321,970
Notes receivable	52,557					52,557
Net total receivables	<u>\$ 571,044</u>	<u>\$ 138,136</u>	<u>\$ 52,456</u>	<u>\$ 30,166</u>	<u>\$ 582,725</u>	<u>\$ 1,374,527</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, unavailable revenue consisted mostly of fines receivable were reported in the General Fund of \$1,091,279.

NOTE 4- INTERFUND TRANSACTIONS

A. Due From and To Other Funds

Fund	Due from Other Funds	Due to Other Funds
General	\$ 60,135	\$
Highway Users	362,063	
Municipal Projects Bond		1,502,573
Non-Major Governmental	729,411	
Water	1,093,519	
Wastewater	71,158	
Business Center		298,750
Business Incubator		284,900
Sanitation		461,334
Ambulance Services	257,578	
Internal Service		26,307
	<u>\$ 2,573,864</u>	<u>\$ 2,573,864</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 4- INTERFUND TRANSACTIONS (CONTINUED)

B. Transfers

Transfers between primary government funds:

	Transfer From	
	General	Highway Users
Transfer to:		
Cultural Center – Grant Match	\$	\$ 55,797
Business Center – Debt Obligations	394,435	
Municipal Projects Bond – Debt Obligations	1,004,747	
Total	\$ 1,399,182	\$ 55,797

Transfers are used (1) to move receipts restricted for debt service from the funds collecting them to the funds obligated to pay debt service payments as they become due and (2) to move unrestricted revenues collected in the Highway Users Fund and the General Fund, which finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 5- CAPITAL ASSETS

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

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,531,972	\$	\$	\$ 1,531,972
Construction in progress	714,530	150,430	552,042	312,918
Total capital assets, not being depreciated	2,246,502	150,430	552,042	1,844,890
Capital assets, being depreciated:				
Buildings and improvements	24,332,906	149,908		24,482,814
Machinery and equipment	11,001,238	440,958	164,115	11,278,081
Infrastructure	48,397,512	3,735,912		52,133,424
Total capital assets being depreciated	83,731,656	4,326,778	164,115	87,894,319
Less accumulated depreciation for:				
Buildings and improvements	(7,306,122)	(638,966)		(7,945,088)
Machinery and equipment	(6,045,401)	(881,119)	(152,095)	(6,774,425)
Infrastructure	(13,204,563)	(1,042,299)		(14,246,862)
Total accumulated depreciation	(26,556,086)	(2,562,384)	(152,095)	(28,966,375)
Total capital assets, being depreciated, net	57,175,570	1,764,394	12,020	58,927,944
Governmental activities capital assets, net	\$ 59,422,072	\$ 1,914,824	\$ 564,062	\$ 60,772,834

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5- CAPITAL ASSETS (CONTINUED)

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 674,819	\$ 10,420	\$	\$ 685,239
Construction in progress	454,186	2,445,162	363,727	2,535,621
Total capital assets, not being depreciated	<u>1,129,005</u>	<u>2,455,582</u>	<u>363,727</u>	<u>3,220,860</u>
Capital assets, being depreciated:				
Buildings and improvements	8,728,633	79,494		8,808,127
Machinery and equipment	8,099,317	832,549	3,383	8,928,483
Infrastructure	51,908,308	800,209		52,708,517
Total capital assets being depreciated	<u>68,736,258</u>	<u>1,712,252</u>	<u>3,383</u>	<u>70,445,127</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,759,191)	(273,979)		(2,033,170)
Machinery and equipment	(6,425,191)	(477,572)	(3,047)	(6,899,716)
Infrastructure	(12,907,509)	(1,147,870)		(14,055,379)
Total accumulated depreciation	<u>(21,091,891)</u>	<u>(1,899,421)</u>	<u>(3,047)</u>	<u>(22,988,265)</u>
Total capital assets, being depreciated, net	<u>47,644,367</u>	<u>(187,169)</u>	<u>336</u>	<u>47,456,862</u>
Business-type activities capital assets, net	<u>\$ 48,773,372</u>	<u>\$ 2,268,413</u>	<u>\$ 364,063</u>	<u>\$ 50,677,722</u>
<u>Discretely Presented Component Unit</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 661,359	\$	\$	\$ 661,359
Total capital assets, not being depreciated	<u>661,359</u>			<u>661,359</u>
Capital assets, being depreciated:				
Buildings and improvements	34,129,886			34,129,886
Machinery and equipment	329,194			329,194
Total capital assets being depreciated	<u>34,459,080</u>			<u>34,459,080</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,933,680)	(1,706,495)		(13,640,175)
Machinery and equipment	(289,942)	(33,987)		(323,929)
Total accumulated depreciation	<u>(12,223,622)</u>	<u>(1,740,482)</u>		<u>(13,964,104)</u>
Total capital assets, being depreciated, net	<u>22,235,458</u>	<u>(1,740,482)</u>		<u>20,494,976</u>
Discretely presented component unit capital assets, net	<u>\$ 22,896,817</u>	<u>\$(1,740,482)</u>	<u>\$</u>	<u>\$ 21,156,335</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5- CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	Amount
General government	\$ 468,763
Public safety	515,508
Health and welfare	11,604
Culture and recreation	330,688
Community development	4,107
Public works and streets	1,231,714
Total depreciation expense	\$ 2,562,384
Business-type activities:	
Water	\$ 568,888
Wastewater	819,128
Business Center	373,617
Sanitation	83,156
Business Incubator	46,355
Ambulance Services	8,277
Total depreciation expense	\$ 1,899,421
Discretely presented Component Unit:	
Detention Facility	\$ 1,740,482
Total depreciation expense	\$ 1,740,482

NOTE 6- CONSTRUCTION COMMITMENTS

The City entered into several construction contracts for street projects (special revenue fund projects) and wastewater treatment projects totaling almost \$2.3 million. These commitments have only been recorded in the accompanying financial statements for work completed as of June 30, 2017. The remaining balance for work not yet complete at the end of the year is estimated at \$312,917 for governmental activities projects and \$2.5 million for business-type activities projects.

NOTE 7- OBLIGATIONS UNDER LEASES

Operating Leases – The City leases copiers/printers under certain non-cancelable operating leases. Operating leases do not give rise to property rights or lease obligations (long-term debt); therefore, the results of the lease agreements are not reflected in the City’s Statement of Net Position. Lease payments made during the fiscal year 2017 amounted to \$55,099.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 7- OBLIGATIONS UNDER LEASES (CONTINUED)

The following is a schedule of the future minimum lease payments on the operating leases.

Year Ending June 30:		
	2018	\$ 34,540
	2019	29,081
	2020	16,877
	2021	9,839
	2022	<u>6,703</u>
Total		<u>\$ 97,040</u>

Capital Leases – The City has acquired two wheeled coach ambulances under the provisions of a long-term lease agreement classified as a capital lease. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payment as of the inception date. The Ambulance Services Fund is used to pay the capital lease obligation. Amortization of assets recorded under capital leases is included with depreciation expense.

The assets acquired through capital leases that meet the City capitalization threshold are as follows:

	Business-Type Activities
Asset:	
Machinery and equipment	\$ 406,262
Less: Accumulated depreciation	
Total	<u>\$ 406,262</u>

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows:

	Governmental Activities
Year Ending June 30:	
2018	\$ 82,049
2019	82,048
2020	82,048
2021	82,048
2022	<u>82,048</u>
Total minimum lease payments	410,241
Less: amount representing interest	<u>30,951</u>
Present value of minimum lease payments	<u>\$ 379,290</u>
Due within one year	<u>\$ 76,125</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8- REVENUE BONDS PAYABLE

PRIMARY GOVERNMENT

Revenue bonds payable at June 30, 2017 consisted of the outstanding revenue bonds presented below. The bonds are generally callable with interest payable semiannually.

In November 2014 the City issued \$28,795,000 in Excise Tax Revenue Refunding Obligations Series 2014A and \$2,220,000 Series 2014B taxable Obligations collectively with an average true-interest rate of 4.02 percent to refund the 2005 San Luis Civic Improvement Corporation (SLCIC) in the amount of \$40,000,000.

Purpose	Original Amount Issued	Interest Rate	Maturity	Outstanding Principal June 30, 2017
Governmental activities	\$ 28,795,000	5.00%	7/1/17-38	\$ 11,214,780
Business-type activities	28,795,000	5.00%	7/1/17-38	17,565,220
Total				<u>\$ 28,780,000</u>

Future debt service requirements for SLCIC revenue bonds are as follows:

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 305,893	\$ 535,274	\$ 479,107	\$ 838,376
2019	317,583	525,610	497,417	823,240
2020	327,325	514,689	512,675	806,136
2021	339,015	500,398	530,985	783,752
2022	356,551	483,009	558,449	756,516
2023-27	2,059,420	2,129,181	3,225,580	3,334,844
2028-32	2,606,910	1,564,146	4,083,090	2,449,854
2033-37	3,327,805	825,522	5,212,195	1,292,978
2038-39	1,574,278	79,688	2,465,722	124,812
Total	<u>\$ 11,214,780</u>	<u>\$ 7,157,517</u>	<u>\$ 17,565,220</u>	<u>\$ 11,210,508</u>

In November 2013, the City issued Utility Revenue Bonds Series 2013 totaling \$6,580,000 to finance the construction of new water and sewer lines. Payments will be effected when due from Pledged Revenues.

Purpose	Original Amount Issued	Interest Rate	Maturity	Outstanding Principal June 30, 2017
Business-type activities	\$6,580,000	3.80%	7/1/17-33	\$ 6,320,000
Total				<u>\$ 6,320,000</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8- REVENUE BONDS PAYABLE (CONTINUED)

PRIMARY GOVERNMENT (Continued)

Future debt service requirements for the Utility Revenue Bond payable are as follow:

Year Ending June 30:	Business Type Activities		
	Principal	Interest	Total
2018	\$ 270,000	\$ 235,030	\$ 505,030
2019	280,000	224,580	504,580
2020	295,000	213,655	508,655
2021	305,000	202,255	507,255
2022	315,000	190,475	505,475
2023-27	1,760,000	760,380	2,520,380
2028-32	2,125,000	391,875	2,516,875
2033-34	970,000	37,240	1,007,240
Total	<u>\$ 6,320,000</u>	<u>\$ 2,255,490</u>	<u>\$ 8,575,490</u>

DISCRETELY PRESENTED COMPONENT UNIT

In October 2005, the San Luis Facility Development Corporation (SLFDC) issued Senior Lien Project Revenue Bonds Series 2005 totaling \$27,795,000 to finance the construction of a regional detention facility. The principal and interest on the bonds are not a general obligation of the Corporation and City, but the issuer entered into agreements to house prisoners and the revenues there from are to be pledged to secure payment of the bonds. Again, in February 2011, the SLFDC issued Senior Lien Project Revenue Bonds Series 2011 totaling \$20,165,000 to finance the construction for an expansion of the existing regional detention facility. The bonds were issued with the same terms and conditions as the previous issues. Subsequently, during April 2014 and July 2014 the Corporation refunded both issues following an IRS audit in which the issues were found to be taxable as opposed to the non-taxable status at time of issuance. The refunding amounts were \$26,090,000 and \$20,835,000 respectively.

Purpose	Original Amount Issued	Interest Rate	Maturity	Outstanding Principal June 30, 2017
Discretely presented component unit	\$ 26,090,000	6.00-7.25%	5/1/18-30	\$ 23,795,000
Discretely presented component unit	20,835,000	6.00-7.25%	5/1/18-27	17,565,000
Total				<u>\$ 41,360,000</u>

Future debt service requirements for the SLCFDC revenue bonds are as follows:

	Principal		Interest	
	2014 Series Principal	2014 Series A Principal	2014 Series Interest	2014 Series A Interest
2018	\$ 835,000	\$ 1,180,000	\$ 1,640,270	\$ 1,132,542
2019	880,000	1,240,000	1,597,686	1,072,952
2020	925,000	1,310,000	1,550,166	1,006,612
2021	980,000	1,380,000	1,497,440	933,252
2022	1,035,000	1,460,000	1,439,620	853,212
2023-27	6,320,000	10,995,000	6,053,000	2,665,326
2028-30	12,820,000		2,082,202	
Total	<u>\$ 23,795,000</u>	<u>\$ 17,565,000</u>	<u>\$ 15,860,384</u>	<u>\$ 7,663,896</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9- NOTE OBLIGATIONS

Outstanding long-term debt and current portions are summarized as follows:

<u>Governmental activities</u>	<u>CURRENT PORTION</u>	<u>LONG TERM PORTION</u>	<u>TOTAL</u>
Notes payable to the Walmart Store for \$376,000 dated October 4, 2006 for road extension. Note is due in quarterly installments of the first one percent of City Sales Tax collected on retail sales from the Walmart Store until fully paid.	\$	\$ 202,637	\$ 202,637
Notes payable to the Greater Arizona Development Authority (GADA) organization for 3,025,000 dated February 1, 2009 for other municipal projects. Note requires monthly interest payments with an annual variable interest rate averaging six percent per year. Principal is paid once a year starting on July 2036 until the loan expires on July 2038.		3,025,000	3,025,000
Converted a line of credit received from 1st Bank Yuma on June 11, 2015 for equipment purchase to a note payable in the amount of \$554,453 with an interest rate of 3.75 percent payable in five years.	69,558	90,727	160,285
Total Notes Payable	<u>\$ 69,558</u>	<u>\$ 3,318,364</u>	<u>\$ 3,387,921</u>

Debt service requirements on all debt to maturity are shown below.

	Principal	Interest	Total
Year ending June 30:			
2018	\$ 69,558	\$171,268	\$ 240,826
2019	72,319	168,577	240,896
2020	18,495	166,492	184,987
2021		166,375	166,375
2022		166,375	166,375
Thereafter	3,227,549	2,599,713	5,827,262
Total Payments	\$ 3,387,921	\$3,438,800	\$ 6,826,723

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9- NOTE OBLIGATIONS (CONTINUED)

<u>Business-type activities</u>	CURRENT PORTION	LONG TERM PORTION	TOTAL
Notes payable to the Greater Arizona Development Authority (GADA) organization for \$10,725,000 dated February 1, 2009 for refinancing of Call Center development debt and for other municipal projects. Note requires monthly interest payments with an annual variable interest rate averaging eight percent per year. Principal is paid once a year starting on July 2015 until the loan expires on July 2036.	\$ 250,000	\$ 9,820,000	\$ 10,070,000
Converted a line of credit received from 1st Bank Yuma, on June 11, 2015 for equipment purchase to a note payable in the amount of \$554,453 with an interest rate of 3.75 percent payable in five years.	44,322	57,849	102,171
Total Notes Payable	\$ 294,322	\$ 9,877,849	\$ 10,172,171

Debt service requirements on all debt to maturity are shown below.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2018	\$ 294,322	\$ 780,042	\$ 1,074,364
2019	311,038	760,693	1,071,731
2020	296,811	740,532	1,037,343
2021	305,000	719,060	1,024,060
2022	325,000	695,020	1,020,020
Thereafter	8,640,000	5,818,928	14,458,928
Total Payments	\$ 10,172,171	\$ 9,514,275	\$ 19,686,446

NOTE 10- CHANGE IN LONG-TERM LIABILITIES

Compensated Absences

The City's policy relating to compensated absences is described in Note 1-L. As shown in the table below, the long-term portion of this debt, amounting to \$546,622 for governmental activities and \$77,826 for business-type activities at June 30, 2017 is expected to be paid in future years from future resources. Compensated absences for governmental activities have been liquidated primarily by the General Fund. Pension liabilities have typically been liquidated with General Fund and Proprietary Fund revenues.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 10- CHANGE IN LONG-TERM LIABILITIES (CONTINUED)

Compensated Absences (Continued)

Long-term liability activity for all categories for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 533,389	\$ 395,183	\$ 381,950	\$ 546,622	\$ 430,819
Revenue bonds payable	11,512,879		298,100	11,214,779	305,894
Revenue bonds premium	1,209,646		54,984	1,154,662	
GADA loans	3,025,000			3,025,000	
Note payable	450,224		87,302	362,922	69,558
Pension	10,688,361	3,225,912		13,914,273	
Governmental activities long-term liabilities	<u>\$ 27,419,499</u>	<u>\$ 3,621,095</u>	<u>\$ 822,336</u>	<u>\$ 30,218,259</u>	<u>\$ 806,271</u>
Business-type activities:					
Compensated absences	\$ 81,685	\$ 77,668	\$ 81,527	\$ 77,826	\$ 61,338
Revenue bonds payable	24,612,120		726,900	23,885,220	749,106
Revenue bonds premium	1,894,616		86,119	1,808,497	
GADA loans	10,300,000		230,000	10,070,000	250,000
Note payable	144,843		42,672	102,171	44,322
Capital leases		379,290		379,290	76,125
Pension	2,130,469	69,974		2,200,443	
Business-type activities long-term liabilities	<u>\$ 39,163,733</u>	<u>\$ 526,932</u>	<u>\$ 1,167,218</u>	<u>\$ 38,523,447</u>	<u>\$1,180,891</u>
Discretely presented component units					
Revenue bonds payable	\$ 43,285,000		\$ 1,925,000	\$ 41,360,000	\$2,015,000
Revenue bonds discount	(961,676)		(74,884)	(886,792)	
Discretely presented component unit long-term liabilities	<u>\$ 42,323,324</u>	<u>\$</u>	<u>\$ 1,850,116</u>	<u>\$ 40,473,208</u>	<u>\$2,015,000</u>

NOTE 11- COMMITMENTS AND CONTINGENCIES

Federal and State grants and loans – The City has received a number of grants from both Federal and State governments. Although the programs have been audited by the respective agencies, not all audits have been approved as of June 30, 2017; however, the City expects no material disallowance of expenditures.

Lawsuits – The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 12- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Individual Deficit /Net Position – At June 30, 2017, the following individual funds reported deficits in Net Position.

	Deficit
Enterprise Funds:	
Business Center	\$ (6,182,571)
Sanitation	(480,692)
Discretely Presented Component Unit:	
Detention Facility	\$ (12,632,258)

The net position deficit of the Business Center is expected to be subsidized through future rent revenues of unoccupied building space.

The net position deficit of the Sanitation Fund is expected to be subsidized through future rate increases.

The net position deficit of the Detention Facility is expected to improve after several lawsuits that were settled, one of which included payment to the IRS for the original bonds issues of 2005 and 2011 forcing the refinancing of said bonds. Seconded by the lawsuit involving disputes with the previous and current operators of the facility. As of October 20, 2016, the San Luis Facility Development Corporation (SLFCD) and the operator of the Detention Facility have entered into an interim forbearance agreement with the Trustee, which calls for a restructuring period followed by a change in the order of distributions of funds received to stabilize operations. As a result, Trustee’s fees were to be paid first followed by bond interest payments then the operator and lastly the principal on the bonds.

NOTE 13- RISK MANAGEMENT

The City of San Luis, Arizona is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and potential workers-related accidents. The City’s insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members’ additional premiums should reserves and annual premiums be insufficient to meet the pool’s obligations. There were no settlements in excess of insurance coverage in any of the prior three fiscal years.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 13- RISK MANAGEMENT (CONTINUED)

The City established an Insurance Fund (an Internal Service Fund) during fiscal year 2012 to account for and finance its uninsured risks of loss related to health and dental claims. The program provides annual coverage per individual for up to a maximum of \$50,000 for each claim. In addition, the City has an annual aggregate stop loss amount of \$1.0 million. The City purchases commercial insurance for claims in excess of these specified amounts.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended June 30, 2017	Year Ended June 30, 2016
Unpaid claims, beginning of fiscal year	\$ 195,294	\$ 258,398
Incurred claims (including IBNRs)	1,672,652	1,892,100
Claim payments	(1,692,415)	(1,955,204)
Unpaid claims, end of fiscal year	<u>\$ 175,531</u>	<u>\$ 195,294</u>

NOTE 14- RETIREMENT PLANS

A. Pensions and Other Postemployment Benefits

The City has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which requires the following disclosures.

Plan Descriptions - The City contributes to four plans, all of which are described below. The plans are component units of the State of Arizona.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

At June 30, 2017, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities
Net pension liabilities	\$13,914,273	\$2,200,443
Deferred outflows of resources	4,203,448	467,105
Deferred inflows of resources	1,660,906	223,117
Pension expense	2,720,347	134,885

Arizona State Retirement System

Plan Description – City employees not covered by the other pension plans described below or the Elected Official Retirement Plan participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 8, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

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

ASRS

	ASRS 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	

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

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

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2017 were \$663,522.

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.47 percent (9.17 for retirement, 0.21 percent for health insurance premium benefit, and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS.

The City's contributions to the pension plan for the year ended June 30, 2017 were \$663,522. The City's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Year ended June 30:	Health Benefit Supplement Fund	Long-Term Disability Fund
2017	\$ 34,468	\$ 8,617
2016	29,994	7,199
2015	33,719	7,097

During fiscal year 2017, the City paid for ASRS pension and OPEB contributions as follows: 66 percent from the General Fund, 12 percent from Special Revenue funds, and 22 percent from Enterprise funds.

Pension Liability – At June 30, 2017, the City reported a liability of \$10,475,512 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The City's reported liability at June 30, 2017, increased by \$542,661 from the City's prior year liability of \$9,932,881 because of changes in the ASRS' net pension liability and the City's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

The City's proportion of the net pension liability was based on total ASRS employer's pension liability. The City's proportion measured as of June 30, 2016, was 0.06490 percent, which was an increase of 0.00113 from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$793,443. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>ASRS</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 63,659	\$ 720,639
Changes of assumptions or other inputs		
Net difference between projected and actual earnings on pension plan investments	1,135,197	554,238
Changes in proportion and differences between City contributions and proportionate share of contributions	253,476	
City contribution subsequent to the measurement date	663,522	
Total	<u>\$ 2,115,854</u>	<u>\$ 1,274,877</u>

The \$663,522 reported as deferred outflows of resources related to ASRS pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pension will be recognized in pension expense as follows:

Year ended June 30:	Amount
2018	\$ (322,518)
2019	(292,519)
2020	474,186
2021	318,306

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

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

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The Board adopted the experience study recommended changes which were applied to June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class 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	<u>100%</u>	

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District'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%)
Proportionate share of the net pension liability	\$13,357,073	\$10,475,512	\$8,165,130

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

Public Safety Personnel Retirement System

Plan Description – City public safety personnel who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A 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 issue publicly available financial reports that include their financial statements and required supplemental information. The reports are available on the PSPRS Web site at www.psprs.com.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

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

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

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

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

Employees Covered by Benefit Terms – At June 30, 2017, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS	
	<u>Police</u>	<u>Fire</u>
Inactive employees or beneficiaries currently receiving benefits	6	3
Inactive employees entitled to but not yet receiving benefits	5	4
Active employees	33	31
Total	44	38

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, 2017, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS	
	<u>Police</u>	<u>Fire</u>
Active members--Pension	11.65%	11.65%
City		
Pension	19.66%	12.77%
Health insurance premium benefit	0.30%	0.43%

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

For the agent plans, the City's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

FY2017	PSPRS	
	<u>Police</u>	<u>Fire</u>
Pension		
Contributions made	\$396,499	\$226,813
Health Insurance Premium benefit		
Annual OPEB cost	3,711	6,401
Contributions made	3,711	6,401

During fiscal year 2017, the City paid for PSPRS pension and OPEB contributions as follows: 98.67 percent from the General Fund, 1.33 percent from other funds.

Pension Liability – At June 30, 2017, the City reported the following net pension liabilities

	<u>Net Pension Liability</u>
PSPRS Police	\$ 3,271,776
PSPRS Fire	1,359,138

The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, CORP plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was 4.0 percent.
- In May 2016, voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of two percent. The change in the City of San Luis, Arizona's net pension liability as a result of the statutory adjustments is not known.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

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

PSPRS - Pension

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases including inflation	4.0%- 8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).

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

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

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

Pension Discount Rates – The following discount rates were used to measure the total pension liabilities:

	PSPRS	
	Police	Fire
Discount rates	7.50%	7.50%

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 rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<u>PSPRS - Police Department</u>			
Balances at June 30, 2016	\$ 7,151,675	\$ 5,123,394	\$ 2,028,281
Changes for the year:			
Service cost	350,332		350,332
Interest on the total pension liability	562,087		562,087
Changes of benefit terms	512,893		512,893
Differences between expected and actual experience	(58,955)		(58,955)
Changes of assumptions or other inputs	362,672		362,672
Contributions-employer		351,711	(351,711)
Contributions-employee		207,745	(207,745)
Net investment income		30,048	(30,048)
Benefit payments, including refunds of employee contributions	(333,006)	(333,006)	
Administrative expense		(4,724)	4,724
Other changes		(99,246)	99,246
Net changes	1,396,023	152,528	1,243,495
Balances at June 30, 2017	\$ 8,547,698	\$ 5,275,922	\$ 3,271,776

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<u>PSPRS - Fire Department</u>			
Balances at June 30, 2016	\$ 4,405,716	\$ 4,093,784	\$ 311,932
Changes for the year:			
Service cost	335,758		335,758
Interest on the total pension liability	347,995		347,995
Changes of benefit terms	588,157		588,157
Differences between expected and actual experience	(33,940)		(33,940)
Changes of assumptions or other inputs	264,127		264,127
Contributions-employer		253,312	(253,312)
Contributions-employee		207,731	(207,731)
Net investment income		23,851	(23,851)
Benefit payments, including refunds of employee contributions	(281,063)	(281,063)	
Administrative expense		(3,832)	3,832
Other changes		(26,171)	26,171
Net changes	1,221,034	173,828	1,047,206
Balances at June 30, 2017	\$ 5,626,750	\$ 4,267,612	\$ 1,359,138

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate-The following table presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the City's 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
<u>PSPRS Police</u>			
Rate	6.50%	7.50%	8.50%
Net pension liability	\$ 4,637,888	\$ 3,271,776	\$ 2,175,797
<u>PSPRS Fire</u>			
Rate	6.50%	7.50%	8.50%
Net pension liability	\$ 2,403,552	\$ 1,359,138	\$ 524,368

Pension Plan Fiduciary Net Position - Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial report. The reports are available on the PSPRS website at: www.psprs.com.

Pension Expense-For the year ended June 30, 2017, the City recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS Police	\$ 1,045,654
PSPRS Fire	791,421

Pension Deferred Outflows/Inflows of Resources-At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>PSPRS Police</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 371,829
Changes of assumptions or other inputs	690,528	
Net difference between projected and actual earnings on pension plan investments	330,457	
City contributions subsequent to the measurement date	400,210	
Total	<u>\$ 1,421,195</u>	<u>\$ 371,829</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

<u>PSPRS Fire</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,914	\$ 164,810
Changes of assumptions or other inputs	296,617	
Net difference between projected and actual earnings on pension plan investments	269,907	
City contributions subsequent to the measurement date	233,214	
Total	<u>\$ 841,652</u>	<u>\$ 164,810</u>

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

Deferred outflow / inflow amortization

Year ending June 30	PSPRS Police	PSPRS Fire
2018	\$ 130,022	\$ 74,228
2019	130,020	74,228
2020	177,877	108,530
2021	136,344	76,597
2022	50,232	15,919
Thereafter	24,651	94,126
Total	<u>\$ 649,146</u>	<u>\$ 443,628</u>

Agent Plan OPEB Trend Information-The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and preceding years:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2017	\$ 3,711	100%	
2016	5,358	100	
2015	20,633	100	
PSPRS Fire			
2017	\$ 6,401	100%	
2016	7,073	100	
2015	15,806	100	

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

OPEB Agent Plan 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 plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as understood by the City and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements are as follows:

PSPRS - OPEB Contribution Requirements

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

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

PSPRS - OPEB Funded Status

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level of 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%/20% corridor
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.0%-8.0%
Wage growth	4%

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Agent Plan OPEB Funded Status - The following table presents the funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2016.

	PSPRS Police	PSPRS Fire
Actuarial value of Assets (a)	\$ 5,275,922	\$ 4,267,612
Actuarial accrued liability (b)	8,547,698	5,626,750
Unfunded actuarial accrued liability (funding excess) (b) - (a)	3,271,776	1,359,138
Funded ratio (a)/(b)	62%	76%
Annual covered payroll(c)	1,794,507	1,539,290
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)	182.32%	131.77%

Elected Officials Retirement Plan

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

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

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

EORP Retirement and disability	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 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 Any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

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

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

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Contributions - State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2017, statute required active EORP members with an initial membership date on or before July 19, 2011, to contribute 13 percent of the members' annual covered payroll for July 2016 through April 2017 and seven percent of the members' annual covered payroll for April 2017 through June 2017. Statute required active EORP members with an initial membership date after July 19, 2011, to contribute 13 percent of the members' annual covered payroll and the City to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the City to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 17.50 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS and EODCRS for these elected officials and judges. In addition, statute required the City to contribute 23.5 percent of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the EORP would typically fill. The City's contributions to the pension plan for the year ended June 30, 2017, were \$16,112. No OPEB contributions were required or made for the years ended June 30, 2015, 2016, and 2017.

During fiscal year 2017, the City paid for EORP pension contributions from the General Fund.

Pension Liability - At June 30, 2017, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP net pension liability	\$ 1,008,290
State's proportionate share of the EORP net pension liability associated with the City	<u>208,186</u>
Total	<u><u>\$ 1,216,476</u></u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects a decrease in the investment rate of return actuarial assumption from 7.85 percent to 7.50 percent.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2016. The City's proportion measured as of June 30, 2016, was 0.10625 percent, which was an increase of 0.03641 percent from its proportion measured as of June 30, 2015.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

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

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2017, the City recognized pension expense for EORP of \$224,714 and revenue of \$55,555 for the City's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 18,961
Changes of assumptions or other inputs	113,206	
Net difference between projected and actual earnings on pension plan investments	23,357	
Changes in proportion and differences between contributions and proportionate share of contributions	139,177	53,546
City contributions subsequent to the measurement date	16,112	
Total	<u>\$ 291,852</u>	<u>\$ 72,507</u>

The \$16,112 reported as deferred outflows of resources related to EORP pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2018	\$ 126,853
2019	63,213
2020	8,487
2021	4,679

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

EORP

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.25%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

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

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

EORP		
Asset class	Target allocation	Long-term expected arithmetic real rate of return
Short term investments	2%	0.75%
Absolute return	5	4.11
Risk parity	4	5.13
Fixed income	7	2.92
Real assets	8	4.77
GTAA	10	4.38
Private equity	11	9.50
Real estate	10	4.48
Credit opportunities	13	7.08
Non-U.S. equity	14	8.25
U.S. equity	16	6.23
Total	100%	

Discount Rate - At June 30, 2016, the discount rate used to measure the EORP total pension liability was 3.68 percent, which was a decrease of 1.18 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.50 percent was applied to periods of projected benefit payments through the year ended June 30, 2027. A municipal bond rate of 2.85 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2016, was applied to periods of projected benefit payments after June 30, 2027.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Sensitivity of the City’s proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 3.68 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.68 percent) or one percentage point higher (4.68 percent) than the current rate:

	1% Decrease (2.68%)	Current Discount Rate (3.68%)	1% Increase (4.68%)
City’s proportionate share of the net pension liability	\$ 1,173,699	\$ 1,008,290	\$ 870,215

Pension plan fiduciary net position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued EORP financial report.

EODCRS Plan - Elected officials and judges who are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by state statute.

For the year ended June 30, 2017, active EODCRS members were required by statute to contribute eight percent of the members’ annual covered payroll, and the City was required by statute to contribute six percent of active members’ annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the City’s contributions to the individual employee account and the earnings on those contributions. In addition, statute required active EODCRS members and the City to each contribute at the actuarially determined rate of 0.125 percent of the members’ annual covered payroll to the EODCDP plan. For the year ended June 30, 2017, the City recognized pension expense of \$276,034.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 15- RESTATEMENT OF NET POSITION

The July 1, 2016 government-wide net position and fund balance of the Internal Service Fund do not agree to the prior year financial statements due to a correction of an error and due to the beginning net position adjustment to record the beginning liability related to the EORP liability. There was an incorrect accounts payable balance reported in the prior year in the amount of \$989,469.

For the fiscal year ended June 30, 2017, prior year balances have been restated as follows:

	Governmental Activities Statement of Activities	Proprietary Funds Internal Service Fund
Net position/fund balance, June 30, 2016, as previously reported	\$ 47,071,865	\$ 373,508
Correction of an error	989,469	989,469
EORP liability in accordance with GASB 68	(575,421)	
Net position/fund balance, July 1, 2016, as restated	\$ 47,485,913	\$ 1,362,977

NOTE 16- PLEDGED REVENUES

Due to an increase in services caused by a growing population, the City needed to expand its facilities to better serve its citizens. Since the funding for such expansion was not readily available, the City decided to issue the 2005 series Civic Improvement Corporation bonds in the amount of \$40.0 million. The bonds were issued for a term of 33 years. The proceeds were used to finance its public buildings such as: City Hall, Police and Fire stations as well as infrastructure for Water and Sewer storage capacities. These bonds were funded with pledged revenues payable solely from Excise taxes and the revenues directly or indirectly derived from the operation and use of the water system. Those bonds were refunded during fiscal year 2015 to take advantage of substantial savings during the same remaining period (see note 8 for further review). One of the requirements of the original bonds, which was also a condition of the refunding bonds, called for the City to pledge certain revenues until the debt is fully paid. Therefore, the City pledged all excise taxes, franchise, privilege and business taxes, State-shared sales and income taxes, fees or licenses and permits for a total amount of \$15.6 million in governmental activities and \$7.5 million in business-type activities for the current year. More in depth disclosures can be referenced from the statistical section, Table XII and XIII.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 17- TAX ABATEMENTS

In June 2017, the City entered into a tax abatement agreement with San Luis Commercial Holdings, LLC for multi-use sites, which creates significant benefits to the City by providing for the acquisition of infrastructure as part of the development, increasing tax and other revenue to the City as a result of the improvements constructed on the property, and additional employment through development of the property. The agreement is effective until the sum of all abated taxes is equal to \$1,823,000. The City anticipates that it will take approximately 15 years from the start of construction to reach the cap. The agreement was entered into under a Resolution adopted by the Mayor and City Council in June 2017. The Resolution allows for 50% of all transaction privilege taxes of the City as generated from businesses established on the Project Site to be rebated to the Developer or its nominee or assignee until the sum of \$1,823,000 is paid. The ordinance established the following condition that must be met by the developer to qualify for the tax abatement; this retail tax incentive agreement will be conditioned upon the development of and the opening of the businesses (hotels and restaurants) by January 1, 2020.

During the fiscal year no transaction privilege taxes were abated under the San Luis Commercial Holdings, LLC agreement. The City anticipates construction will begin in in the 4th quarter of calendar year 2018.

NOTE 18- SUBSEQUENT EVENTS

The City had an IRS audit to review compliance for payroll taxes and disbursements to vendors. As of the report date no results had been issued from the review. The City anticipates no adverse findings. The Audit is still ongoing.

As of November 2017, the City had an Arizona State Retirement (ASRS) audit to review compliance for Retirement contribution. The City anticipates several findings and a credit in favor for \$26,721 dollar amount.

REQUIRED SUPPLEMENTARY INFORMATION

City of San Luis, Arizona
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Cost-Sharing Pension Plans
 June 30, 2017

<u>Arizona State Retirement System</u>	Reporting Fiscal Year			
	(Measurement Date)			
	2016-2017 (June 30, 2016)	2015-2016 (June 30, 2015)	2014-2015 (June 30, 2014)	2014 through 2007
City's proportion of the net pension liability	0.06490%	0.06377%	0.06249%	Information is not available
City's proportionate share of the net pension liability	\$10,475,512	\$9,932,851	\$9,246,398	
City's covered payroll	9,781,656	10,080,810	9,456,971	
City's proportionate share of the net pension liability as a percentage of its covered payroll	107.09%	98.53%	97.77%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

Note: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

City of San Luis, Arizona
 Required Supplementary Information
 Schedule of Changes in the City's
 Net Pension Liability and Related Ratios
 Agent Pension Plans
 June 30, 2017

PSPRS Police	Reporting Fiscal Year (Measurement Date)			
	2016-2017 (June 30, 2016)	2015-2016 (June 30, 2015)	2014-2015 (June 30, 2014)	2014 through 2008 information not available
Total pension liability				
Service cost	\$ 350,332	\$ 306,944	\$ 282,241	
Interest on the total pension liability	562,087	555,140	466,641	
Changes of benefit terms	512,893	-	91,936	
Differences between expected and actual experience in the measurement of the pension liability	(58,955)	(423,441)	(9,596)	
Changes of assumptions or other inputs	362,672	-	606,442	
Benefit payments, including refunds of employee contributions	(333,006)	(410,680)	(234,608)	
Net change in total pension liability	1,396,023	27,963	1,203,056	
Total pension liability - beginning	7,151,675	7,123,712	5,920,656	
Total pension liability - ending (a)	<u>\$ 8,547,698</u>	<u>\$ 7,151,675</u>	<u>\$ 7,123,712</u>	
Plan fiduciary net position				
Contributions - employer	\$ 351,711	\$ 248,515	\$ 264,741	
Contributions - employee	207,745	182,813	165,787	
Net investment income	30,048	179,881	580,609	
Benefit payments, including refunds of employee contributions	(333,006)	(410,680)	(234,608)	
Administrative expense	(4,724)	(4,770)	(4,714)	
Other changes	(99,246)	(3,823)	2,155	
Net change in plan fiduciary net position	152,528	191,936	773,970	
Plan fiduciary net position - beginning	5,123,394	4,931,458	4,157,488	
Plan fiduciary net position - ending (b)	<u>\$ 5,275,922</u>	<u>\$ 5,123,394</u>	<u>\$ 4,931,458</u>	
City's net pension liability (asset) - ending (a) - (b)	\$ 3,271,776	\$ 2,028,281	\$ 2,192,254	
Plan fiduciary net position as a percentage of the total pension liability	61.72%	71.64%	69.23%	
Covered payroll	\$ 1,794,507	\$ 1,539,290	\$ 1,651,331	
City's net pension liability (asset) as a percentage of covered payroll	182.32%	131.77%	132.76%	

Note: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

City of San Luis, Arizona
 Required Supplementary Information
 Schedule of Changes in the City's
 Net Pension Liability (Asset) and Related Ratios
 Agent Pension Plans
 June 30, 2017

PSPRS Fire	Reporting Fiscal Year (Measurement Date)			
	2016-2017 (June 30, 2016)	2015-2016 (June 30, 2015)	2014-2015 (June 30, 2014)	2014 through 2007 information not available
Total pension liability				
Service cost	\$ 335,758	\$ 296,352	\$ 294,507	
Interest on the total pension liability	347,995	308,046	275,282	
Changes of benefit terms	588,157	-	(8,383)	
Differences between expected and actual experience in the measurement of the pension liability	(33,940)	51,216	(184,049)	
Changes of assumptions or other inputs	264,127	-	77,627	
Benefit payments, including refunds of employee contributions	(281,063)	(51,738)	(25,329)	
Net change in total pension liability	1,221,034	603,876	429,655	
Total pension liability – beginning	4,405,716	3,801,840	3,372,185	
Total pension liability - ending (a)	<u>\$ 5,626,750</u>	<u>\$ 4,405,716</u>	<u>\$ 3,801,840</u>	
Plan fiduciary net position				
Contributions – employer	\$ 253,312	\$ 208,243	\$ 199,532	
Contributions – employee	207,731	173,223	157,403	
Net investment income	23,851	138,174	416,103	
Benefit payments, including refunds of employee contributions	(281,063)	(51,738)	(25,329)	
Administrative expense	(3,832)	(3,755)	(3,378)	
Other changes	(26,171)	(2,750)	8,528	
Net change in plan fiduciary net position	173,828	461,397	752,859	
Plan fiduciary net position – beginning	4,093,784	3,632,387	2,879,528	
Plan fiduciary net position - ending (b)	<u>\$ 4,267,612</u>	<u>\$ 4,093,784</u>	<u>\$ 3,632,387</u>	
City's net pension liability (asset) - ending (a) - (b)	\$ 1,359,138	\$ 311,932	\$ 169,453	
Plan fiduciary net position as a percentage of the total pension liability	75.85%	92.92%	95.54%	
Covered payroll	1,594,143	1,561,322	1,520,803	
City's net pension liability (asset) as a percentage of covered payroll	85.26%	19.98%	11.14%	

Note: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

City of San Luis, Arizona
 Required Supplementary Information
 Schedule of City Pension Contributions
 June 30, 2017

Arizona State Retirement System	Reporting Fiscal Year					2012 through 2007 information not available
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	
Statutorily required contribution	\$ 663,522	\$ 650,874	\$644,042	\$584,114	\$543,219	
City's contributions in relation to the statutorily required contribution	663,522	650,874	644,042	584,114	543,219	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	6,155,121	9,781,656	5,914,065	5,299,698	5,209,366	
City's contributions as a percentage of covered payroll	10.78%	6.65%	10.89%	11.02%	10.43%	

PSPRS Police	Reporting Fiscal Year					2012 through 2007 information not available
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	
Statutorily required contribution	\$ 400,210	\$352,801	\$281,218	\$272,789	\$242,295	
City's contributions in relation to the statutorily required contribution	400,210	352,801	281,218	272,789	242,295	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$2,061,877	\$1,539,290	\$1,725,228	\$1,622,173	\$1,482,708	
City's contributions as a percentage of covered payroll	19.41%	22.92%	16.30%	16.82%	16.34%	

PSPRS Fire	Reporting Fiscal Year					2012 through 2007 information not available
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	
Statutorily required contribution	\$ 233,214	\$203,572	\$188,635	\$180,241	\$169,598	
City's contributions in relation to the statutorily required contribution	233,214	203,572	188,635	180,241	169,598	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$1,730,076	\$1,561,322	\$1,431,223	\$1,372,575	\$1,356,910	
City's contributions as a percentage of covered payroll	13.48%	13.04%	13.18%	13.13%	12.50%	

Note: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

City of San Luis, Arizona
 Required Supplementary Information
 Schedule of Agent OPEB Plans' Funding Progress
 June 30, 2017

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability (UAAL) (funding excess)	Funded ratio	Annual covered payroll	UAAL (funding excess) as a percentage of covered payroll
	(a)	(b)	(b) - (a)	(a)/(b)	(c)	((b) - (a)/c)
PSPRS Police						
6/30/2017	\$285,767	\$223,613	(\$62,154)	127.80%	\$1,908,128	0.00%
6/30/2016	266,015	208,325	(57,690)	127.69%	1,539,290	0.00%
6/30/2015	238,401	213,629	(24,772)	111.60%	1,651,332	0.00%
6/30/2014	-	200,483	200,483	0.00%	1,487,720	13.48%
PSPRS Fire						
6/30/2017	\$198,652	\$166,949	(\$31,703)	118.99%	\$1,745,102	0.00%
6/30/2016	178,355	163,562	(14,793)	109.04%	1,561,322	0.00%
6/30/2015	155,510	158,388	2,878	98.18%	1,520,802	0.19%
6/30/2014	-	139,348	139,348	0.00%	1,492,179	9.34%

City of San Luis, Arizona
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2017

A. Pension Plan Schedule Note

1. Actuarially Determined Contribution Rates

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

Actuarial cost method	Entry age normal
Amortization method	Level of percent closed for unfunded actuarial accrued liability open for excess
Remaining amortization period as of the 2014 actuarial valuation	22 years for unfunded actuarial accrued liability. 20 years for excess
Asset valuation method	7-year smoothed market value, 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%, net of investment and administrative expenses
Projected salary increases	4.00% to 8.00% including inflation
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS
Retirement age	Experience-based table rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006- June 30,2011
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

B. Schedule of Agent OPEB Plans' Funding Progress Note

1. Factors That Affect the Identification of Trends

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

The actuarial assumptions used in the June 30, 2016, valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption from 4.5% to 4.0%.



**SUPPLEMENTARY INFORMATION COMBINING
FUND FINANCIAL STATEMENTS**

CITY OF SAN LUIS
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue		
	Police Grants and Special Revenues	Judicial Collection Enhancement	SL Community Facilities District
<u>ASSETS</u>			
Due from other funds	\$ 161,969	\$ 159,692	\$ 27,500
Investments			
Accounts receivable (net)	132	2,661	
Due from governmental entities	153,003		
Prepaid items			
Total assets	\$ 315,104	\$ 162,353	\$ 27,500
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 14,680	\$ 35,670	\$
Total liabilities	14,680	35,670	
Deferred inflows of resources:			
Unavailable revenue - intergovernmental	81,554		
Fund balances:			
Nonspendable			
Restricted	218,870	126,683	27,500
Total fund balances	218,870	126,683	27,500
Total liabilities, deferred inflows of resources and fund balances	\$ 315,104	\$ 162,353	\$ 27,500

<u>Special Revenue</u>	<u>Capital Projects</u>		<u>Total Non-Major Governmental Funds</u>
<u>Assesment Districts</u>	<u>Cultural Center</u>	<u>Capital Outlay Reserve</u>	
\$ 346,046	\$ 6,238	\$ 27,966	\$ 729,411
7,875		1,245,294	1,245,294
	78,400		10,668
<u>\$ 353,921</u>	<u>\$ 84,638</u>	<u>\$ 1,273,260</u>	<u>\$ 2,216,776</u>
<u>\$</u>	<u>\$ 6,238</u>	<u>\$ 41,866</u>	<u>\$ 98,454</u>
	6,238	41,866	98,454
			81,554
	78,400		78,400
353,921		1,231,394	1,958,368
<u>353,921</u>	<u>78,400</u>	<u>1,231,394</u>	<u>2,036,768</u>
<u>\$ 353,921</u>	<u>\$ 84,638</u>	<u>\$ 1,273,260</u>	<u>\$ 2,216,776</u>

CITY OF SAN LUIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Special Revenue		
	Police Grants and Special Revenues	Judicial Collection Enhancement	SL Community Facilities District
Revenues:			
Intergovernmental	\$ 482,046	\$ 4,836	\$
Fines and forfeitures	164,499	119,164	
Special assessments			
Charges for services			
Investment earnings			
Other			2,500
Total revenues	<u>646,545</u>	<u>124,000</u>	<u>2,500</u>
Expenditures:			
Current -			
General government		307,636	
Public safety	487,455		
Public works and streets			
Community development			
Capital outlay	116,934		
Total expenditures	<u>604,389</u>	<u>307,636</u>	
Excess (deficiency) of revenues over expenditures	<u>42,156</u>	<u>(183,636)</u>	<u>2,500</u>
Other financing sources (uses):			
Transfers in			
Total other financing sources (uses):			
Changes in fund balances	<u>42,156</u>	<u>(183,636)</u>	<u>2,500</u>
Fund balances, beginning of year	176,714	310,319	25,000
Fund balances, end of year	<u>\$ 218,870</u>	<u>\$ 126,683</u>	<u>\$ 27,500</u>

<u>Special Revenue</u>	<u>Capital Projects</u>		<u>Total Non-Major Governmental Funds</u>
<u>Assesment Districts</u>	<u>Cultural Center</u>	<u>Capital Outlay Reserve</u>	
\$	\$ 665,948	\$	\$ 1,152,830
302,546			283,663
		696,373	302,546
		5,278	696,373
			5,278
			2,500
<u>302,546</u>	<u>665,948</u>	<u>701,651</u>	<u>2,443,190</u>
		4,572	312,208
60,937			487,455
241,609			60,937
	787,087	183,482	241,609
<u>302,546</u>	<u>787,087</u>	<u>188,054</u>	<u>1,087,503</u>
			<u>2,189,712</u>
	(121,139)	513,597	253,478
	55,797		55,797
	<u>55,797</u>		<u>55,797</u>
	(65,342)	513,597	309,275
353,921	143,742	717,797	1,727,493
<u>\$ 353,921</u>	<u>\$ 78,400</u>	<u>\$ 1,231,394</u>	<u>\$ 2,036,768</u>

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

	Police Grants and Special Revenues		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 880,580	\$ 482,046	\$ (398,534)
Fines and forfeitures		164,499	164,499
Special assessments			
Other			
Total revenues	880,580	646,545	(234,035)
Expenditures:			
Current -			
General government			
Public safety	697,380	487,455	209,925
Public works and streets			
Community development			
Capital outlay	183,200	116,934	66,266
Total expenditures	880,580	604,389	276,191
Changes in fund balances		42,156	42,156
Fund balances, beginning of year	92,837	176,714	83,877
Fund balances, end of year	\$ 92,837	\$ 218,870	\$ 126,033

Judicial Collection Enhancement		
Budget	Actual	Variance - Positive (Negative)
\$ 4,800	\$ 4,836	\$ 36
171,500	119,164	(52,336)
<u>176,300</u>	<u>124,000</u>	<u>(52,300)</u>
393,170	307,636	85,534
<u>393,170</u>	<u>307,636</u>	<u>85,534</u>
(216,870)	(183,636)	33,234
265,204	310,319	45,115
<u>\$ 48,334</u>	<u>\$ 126,683</u>	<u>\$ 78,349</u>

SL Community Facilities District		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	2,500	2,500
	<u>2,500</u>	<u>2,500</u>
	2,500	2,500
	25,000	25,000
<u>\$</u>	<u>\$ 27,500</u>	<u>\$ 27,500</u>

(Continued)

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

	Assesment Districts		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Intergovernmental	\$	\$	\$
Fines and forfeitures			
Special assessments	306,150	302,546	(3,604)
Other			
Total revenues	<u>306,150</u>	<u>302,546</u>	<u>(3,604)</u>
Expenditures:			
Current -			
General government			
Public safety			
Public works and streets	62,640	60,937	1,703
Community development	248,360	241,609	6,751
Capital outlay			
Total expenditures	<u>311,000</u>	<u>302,546</u>	<u>8,454</u>
Changes in fund balances	<u>(4,850)</u>		<u>4,850</u>
Fund balances, beginning of year	354,841	353,921	(920)
Fund balances, end of year	<u>\$ 349,991</u>	<u>\$ 353,921</u>	<u>\$ 3,930</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 885,380	\$ 486,882	\$ (398,498)
171,500	283,663	112,163
306,150	302,546	(3,604)
	2,500	2,500
<u>1,363,030</u>	<u>1,075,591</u>	<u>(287,439)</u>
393,170	307,636	85,534
697,380	487,455	209,925
62,640	60,937	1,703
248,360	241,609	6,751
183,200	116,934	66,266
<u>1,584,750</u>	<u>1,214,571</u>	<u>370,179</u>
<u>(221,720)</u>	<u>(138,980)</u>	<u>82,740</u>
712,882	865,954	153,072
<u>\$ 491,162</u>	<u>\$ 726,974</u>	<u>\$ 235,812</u>

CITY OF SAN LUIS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2017

	Cultural Center		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ 671,550	\$ 665,948	\$ (5,602)
Charges for services			
Investment earnings			
Total revenues	<u>671,550</u>	<u>665,948</u>	<u>(5,602)</u>
Expenditures:			
Current -			
General government			
Community development			
Capital outlay	811,750	787,087	24,663
Debt service -			
Interest			
Principal			
Total expenditures	<u>811,750</u>	<u>787,087</u>	<u>24,663</u>
Excess (deficiency) of revenues over expenditures	<u>(140,200)</u>	<u>(121,139)</u>	<u>19,061</u>
Other financing sources (uses):			
Transfers in	140,200	55,797	(84,403)
Total other financing sources (uses):	<u>140,200</u>	<u>55,797</u>	<u>(84,403)</u>
Changes in fund balances		<u>(65,342)</u>	<u>(65,342)</u>
Fund balances (deficits), beginning of year	143,742	143,742	
Fund balances (deficits), end of year	<u>\$ 143,742</u>	<u>\$ 78,400</u>	<u>\$ (65,342)</u>

Municipal Projects Bond			Capital Outlay Reserve		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
			262,800	696,373	433,573
(600)	793	1,393	1,500	5,278	3,778
<u>(600)</u>	<u>793</u>	<u>1,393</u>	<u>264,300</u>	<u>701,651</u>	<u>437,351</u>
				4,572	(4,572)
6,000	1,229	4,771	205,840	183,482	22,358
715,000	706,211	8,789			
300,000	298,100	1,900			
<u>1,021,000</u>	<u>1,005,540</u>	<u>15,460</u>	<u>205,840</u>	<u>188,054</u>	<u>17,786</u>
<u>(1,021,600)</u>	<u>(1,004,747)</u>	<u>16,853</u>	<u>58,460</u>	<u>513,597</u>	<u>455,137</u>
<u>(1,020,400)</u>	<u>1,004,747</u>	<u>2,025,147</u>			
<u>(1,020,400)</u>	<u>1,004,747</u>	<u>2,025,147</u>			
<u>(2,042,000)</u>		<u>2,042,000</u>	<u>58,460</u>	<u>513,597</u>	<u>455,137</u>
(227,595)	291,906	519,501	492,419	717,797	225,378
<u>\$ (2,269,595)</u>	<u>\$ 291,906</u>	<u>\$ 2,561,501</u>	<u>\$ 550,879</u>	<u>\$ 1,231,394</u>	<u>\$ 680,515</u>

(Continued)

CITY OF SAN LUIS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2017

	Totals		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ 671,550	\$ 665,948	\$ (5,602)
Charges for services	262,800	696,373	433,573
Investment earnings	900	6,071	5,171
Total revenues	<u>935,250</u>	<u>1,368,392</u>	<u>433,142</u>
Expenditures:			
Current -			
General government		4,572	(4,572)
Community development	6,000	1,229	4,771
Capital outlay	1,017,590	970,569	47,021
Debt service -			
Interest	715,000	706,211	8,789
Principal	300,000	298,100	1,900
Total expenditures	<u>2,038,590</u>	<u>1,980,681</u>	<u>57,909</u>
Excess (deficiency) of revenues over expenditures	<u>(1,103,340)</u>	<u>(612,289)</u>	<u>491,051</u>
Other financing sources (uses):			
Transfers in	(880,200)	1,060,544	1,940,744
Total other financing sources (uses):	<u>(880,200)</u>	<u>1,060,544</u>	<u>1,940,744</u>
Changes in fund balances	<u>(1,983,540)</u>	<u>448,255</u>	<u>2,431,795</u>
Fund balances (deficits), beginning of year	408,566	1,153,445	744,879
Fund balances (deficits), end of year	<u>\$ (1,574,974)</u>	<u>\$ 1,601,700</u>	<u>\$ 3,176,674</u>

**CITY OF SAN LUIS
 COMPONENT UNIT
 STATEMENT OF NET POSITION
 JUNE 30, 2017**

	Detention Facility
<u>ASSETS</u>	
Current assets:	
Restricted investments	\$ 6,590,246
Accounts receivable (net)	2,024
Total current assets	6,592,270
Noncurrent assets:	
Land	661,359
Buildings and improvements	34,129,886
Machinery and equipment	329,194
Accumulated depreciation	(13,964,104)
Total noncurrent assets	21,156,335
Total assets	27,748,605
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflow on refundings	554,480
 <u>LIABILITIES</u>	
Current liabilities:	
Accrued interest	462,135
Current portion of long-term debt	2,015,000
Total current liabilities	2,477,135
Noncurrent liabilities:	
Non-current portion of long-term debt	38,458,208
Total noncurrent liabilities	38,458,208
Total liabilities	40,935,343
 <u>NET POSITION</u>	
Net investment in capital assets	(18,762,393)
Unrestricted	6,130,135
Total net position	\$ (12,632,258)

CITY OF SAN LUIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DETENTION FACILITY
YEAR ENDED JUNE 30, 2017

	Detention Facility
<u>OPERATING REVENUES</u>	
Charges for services	\$ 16,941,340
Total operating revenues	16,941,340
<u>OPERATING EXPENSES</u>	
General operations	11,486,305
Depreciation	1,740,481
Total operating expenses	13,226,786
Operating income	3,714,554
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Investment earnings	21,811
Interest expense	(2,978,990)
Total non-operating revenues (expenses)	(2,957,179)
Change in Net Position	757,375
Net Position - Beginning	\$ (13,389,633)
Net Position - Ending	\$ (12,632,258)

**CITY OF SAN LUIS, ARIZONA
STATEMENT OF CASH FLOWS
DETENTION FACILITY
YEAR ENDED JUNE 30, 2017**

	<u>Detention Facility</u>
<u>Increase In Cash and Cash Equivalents</u>	
Cash flows from operating activities:	
Cash received from customers	\$ 16,939,560
Cash payments to suppliers for goods and services	<u>(11,486,305)</u>
Net cash provided by operating activities	<u>5,453,255</u>
 Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(1,850,116)
Interest paid on long-term debt	<u>(2,937,607)</u>
Net cash (used for) capital and related financing activities	<u>(4,787,723)</u>
 Cash flows from investing activities:	
Investment income	21,811
Net cash provided by investing activities	<u>21,811</u>
Net increase in cash and cash equivalents	687,343
Cash and cash equivalents, beginning of year	<u>5,902,903</u>
Cash and cash equivalents, end of year	<u>\$ 6,590,246</u>
 <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating income	<u>\$ 3,714,554</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,740,481
Change in assets and liabilities:	
(Increase) in accounts receivable	(1,780)
Total adjustments	<u>1,738,701</u>
Net cash provided by operating activities	<u>\$ 5,453,255</u>



STATISTICAL SECTION

CITY OF SAN LUIS, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities										
Net investment in capital assets	\$45,187,300	\$43,224,321	\$35,443,285	\$33,724,834	\$34,204,009	\$33,670,959	\$33,676,211	\$33,561,001	\$20,863,383	\$22,096,036
Restricted	3,063,550	1,785,917	2,383,498	2,479,675	2,517,103	1,775,967	1,671,594	1,427,157	4,592,820	4,605,445
Unrestricted	531,781	2,061,627	3,056,046	11,368,513	10,918,683	9,812,934	10,053,672	9,610,455	12,608,868	6,428,171
Total governmental activities net position	\$48,782,631	\$47,071,865	\$40,882,829	\$47,573,022	\$47,639,795	\$45,259,860	\$45,401,477	\$44,598,613	\$38,065,071	\$33,129,652
Business-type Activities										
Net investment in capital assets	\$14,221,545	\$15,188,424	\$13,550,172	\$11,403,309	\$9,916,229	\$10,549,845	\$11,335,286	\$12,641,773	\$17,754,682	\$14,094,461
Restricted		7,214,146	8,444,571	9,905,406	4,052,098	3,872,154	3,741,669	3,785,623	2,645,628	2,183,356
Unrestricted	7,368,823	(3,637,294)	(6,706,347)	(5,047,319)	2,101,534	1,908,868	2,045,658	2,509,079	2,506,053	2,947,426
Total business-type activities net position	\$21,590,368	\$18,765,276	\$15,288,396	\$16,261,396	\$16,069,861	\$16,330,867	\$17,122,613	\$18,936,475	\$22,906,363	\$19,225,243
Primary Government										
Net investment in capital assets	\$59,408,845	\$58,412,745	\$48,993,457	\$45,128,143	\$44,120,238	\$44,220,804	\$45,011,497	\$46,202,774	\$38,618,065	\$36,190,497
Restricted	\$3,063,550	9,000,063	10,828,069	12,385,081	6,569,201	5,648,121	5,413,263	5,212,780	7,238,448	6,788,801
Unrestricted	\$7,900,604	(1,575,667)	(3,650,301)	6,321,194	13,020,217	11,721,802	12,099,330	12,119,534	15,114,921	9,375,597
Total primary government net position	\$70,372,999	\$65,837,141	\$56,171,225	\$63,834,418	\$63,709,656	\$61,590,727	\$62,524,090	\$63,535,088	\$60,971,434	\$52,354,895

Source: City financial records and reports

**CITY OF SAN LUIS, ARIZONA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

Table II

	Fiscal Year									
Expenses:	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities:										
General Government	\$5,994,778	\$8,228,000	\$7,694,562	\$7,322,938	\$6,458,869	\$4,703,849	\$4,096,333	\$4,250,328	\$5,631,037	\$5,640,433
Public Safety	9,126,508	7,905,663	7,483,604	6,949,558	6,519,936	6,399,600	6,086,718	6,054,459	12,326,527	9,233,750
Health and Welfare	222,820	235,413	226,788	168,499	168,025	197,462	213,814	235,594	329,290	545,081
Culture and Recreation	2,839,136	2,467,238	2,509,450	2,285,536	2,043,985	1,949,400	1,855,966	2,192,471	2,180,227	2,314,793
Community Development	945,698	906,408	703,901	691,362	550,348	585,843	698,776	751,305	976,797	718,941
Public Works & Streets	3,560,360	3,270,282	2,591,698	2,427,548	2,174,454	2,121,419	2,270,980	2,552,573	2,699,630	2,678,498
Interest on Long-Term Debt	649,618	658,670	1,367,055	830,808	891,737	912,848	970,092	989,460	3,480,809	3,234,265
Total Governmental activities	\$23,338,918	\$23,671,674	\$22,577,058	\$20,676,249	\$18,807,354	\$16,870,421	\$16,192,679	\$17,026,190	\$27,624,317	\$24,365,761
Business-type activities										
Water	\$2,826,192	\$2,741,022	\$3,218,848	\$2,672,415	\$2,699,661	\$2,578,057	\$2,642,458	\$2,799,088	\$2,847,656	\$2,587,707
Wastewater	3,141,132	2,944,122	3,395,825	2,849,798	2,781,638	2,715,388	2,544,486	2,721,154	2,644,682	2,551,794
Business Center	1,226,764	1,215,501	1,197,456	1,263,313	1,282,395	1,357,589	1,390,561	1,450,087	1,181,660	-
Sanitation	1,120,902	1,105,078	1,117,567	1,010,243	939,596	1,060,828	1,008,757	1,206,998	1,177,957	1,189,520
Business Incubator	163,062	144,578	56,534	-	-	-	-	-	-	-
Industrial Park	-	-	-	-	-	-	-	-	-	78,097
Ambulance Services	1,049,335	-	-	-	-	-	-	-	-	-
Total business-type activities	\$9,527,387	\$8,150,301	\$8,986,230	\$7,795,769	\$7,703,290	\$7,711,862	\$7,586,262	\$8,177,327	\$7,851,955	\$6,407,118
Total expenses	\$32,866,305	\$31,821,975	\$31,563,288	\$28,472,018	\$26,510,644	\$24,582,283	\$23,778,941	\$25,203,517	\$35,476,272	\$30,772,879
Program revenues										
Governmental activities										
Charges for services										
General Government	\$1,765,937	\$3,021,700	\$2,780,190	\$2,494,028	\$2,226,528	\$1,002,249	\$531,031	\$587,365	\$578,509	\$713,179
Public Safety	426,767	315,098	1,007,465	980,528	867,899	677,226	686,632	374,162	363,882	216,217
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	211,126	74,395	373,194	288,009	219,142	284,797	264,622	176,077	66,070	74,558
Community Development	-	594,182	385,797	432,936	497,921	334,557	318,051	407,927	395,856	584,126
Public Works & Streets	342,089	62,642	62,640	51,595	50,530	49,978	49,368	33,432	169,935	341,947
Operating Grants and Contributions	2,308,056	2,709,123	2,989,656	2,564,023	3,343,398	2,601,626	2,715,700	2,251,704	2,471,619	2,875,139
Capital Grants and Contributions	3,749,914	7,816,499	612,897	157,458	947,390	122,614	1,314,549	547,555	6,312,084	9,693,641
Total Governmental activities	\$8,803,889	\$14,593,639	\$8,211,839	\$6,968,577	\$8,152,808	\$5,073,047	\$5,879,953	\$4,378,222	\$10,357,955	\$14,498,807
Business-type activities										
Charges for services										
Water	\$4,025,661	\$3,796,031	\$3,592,820	\$3,369,477	\$3,056,742	\$2,884,311	\$2,547,790	\$2,409,843	\$2,253,608	\$2,167,833
Wastewater	4,006,279	3,686,360	3,397,094	2,663,176	2,156,201	1,975,447	1,537,835	1,456,616	1,354,541	1,244,636
Business Center	629,265	629,265	629,265	629,265	629,265	629,265	629,265	629,268	618,777	629,265
Business Incubator	3,471	-	-	-	-	-	-	-	-	-
Sanitation	1,284,544	1,205,279	1,159,196	1,142,822	1,117,185	1,056,628	1,047,317	1,146,276	1,092,549	1,059,287
Industrial Park	-	-	-	-	-	-	-	-	-	27,618
Ambulance Services	1,953,337	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	-	-	-	-	-	-	-	-	30,000	22,400
Capital Grants and Contributions	-	1,941,586	1,177,792	1,322,452	481,955	361,918	-	-	2,512,240	5,707,191
Total business activities	\$11,902,557	\$11,258,521	\$9,956,167	\$9,127,192	\$7,441,348	\$6,907,569	\$5,762,207	\$5,642,003	\$7,861,715	\$10,858,230
Total program revenues	\$20,706,446	\$25,852,160	\$18,168,006	\$16,095,769	\$15,594,156	\$11,980,616	\$11,642,160	\$10,020,225	\$18,219,670	\$25,357,037

Source: City financial records and reports

CITY OF SAN LUIS, ARIZONA
CHANGES IN NET POSITION (continued)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net (Expense)/Revenue										
Governmental Activities:	(\$14,535,029)	(\$9,078,035)	(\$14,365,219)	(\$13,707,672)	(\$10,654,546)	(\$11,797,374)	(\$10,312,726)	(\$12,647,968)	(\$17,266,362)	(\$9,866,954)
Business-type activities	2,375,170	3,108,220	969,937	1,331,423	(261,942)	(804,293)	(1,824,055)	(2,535,324)	9,760	4,451,112
Total primary government net (expense) revenue	(\$12,159,859)	(\$5,969,815)	(\$13,395,282)	(\$12,376,249)	(\$10,916,488)	(\$12,601,667)	(\$12,136,781)	(\$15,183,292)	(\$17,256,602)	(\$5,415,842)
General Revenues and Other Changes in net Position										
Governmental Activities										
Taxes										
Sales and use taxes	\$7,694,566	\$7,448,887	\$7,324,294	\$6,750,517	\$6,531,779	\$6,073,811	\$5,659,566	\$7,498,691	\$7,125,840	\$4,621,222
Franchise taxes	401,364	435,822	439,034	427,800	432,371	397,532	381,836	351,505	346,429	337,757
Other taxes	-	-	122,163	(69,355)	1,296	95,172	32,715	76,342	12,347	34,274
State shared Revenues	8,073,305	7,123,544	6,936,337	7,331,517	5,725,447	4,997,430	4,840,064	5,491,122	6,126,141	6,239,750
Investment Earnings	56,947	26,179	19,300	16,064	28,197	12,341	12,032	10,072	13,748	240,139
Miscellaneous	-	624,606	246,626	213,640	321,613	79,471	189,377	41,593	222,292	-
Transfer in (out)	(394,435)	(391,967)	(100,841)	-	-	-	-	(169,525)	-	-
Total general revenues and transfers	\$15,831,747	\$15,267,071	\$14,986,913	\$14,670,183	\$13,040,703	\$11,655,757	\$11,115,590	\$13,299,800	\$13,846,797	\$11,473,142
Business-type activities										
Investment Earnings	\$55,487	\$24,708	\$21,667	\$13,909	\$20,935	\$10,130	\$10,194	\$17,994	\$32,580	\$191,587
Miscellaneous	-	(48,015)	-	-	(19,999)	2,417	-	-	-	-
Transfer in (out)	394,435	391,967	100,841	-	-	-	-	169,525	-	-
Total Business-type activities	\$449,922	\$368,660	\$122,508	\$13,909	\$936	\$12,547	\$10,194	\$187,519	\$32,580	\$191,587
Total primary government	\$16,281,669	\$15,635,731	\$15,109,421	\$14,684,092	\$13,041,639	\$11,668,304	\$11,125,784	\$13,487,319	\$13,879,377	\$11,664,729
Change in net Position										
Governmental Activities	\$1,296,718	\$6,189,036	\$621,694	\$962,511	\$2,386,157	(\$141,617)	\$802,864	\$651,832	(\$3,419,565)	\$1,606,188
Business-type activities	2,825,092	3,476,880	1,092,445	1,345,332	(261,006)	(791,746)	(1,813,861)	(2,347,805)	42,340	4,642,699
Total Changes in Net Position	\$4,121,810	\$9,665,916	\$1,714,139	\$2,307,843	\$2,125,151	(\$933,363)	(\$1,010,997)	(\$1,695,973)	(\$3,377,225)	\$6,248,887

Source: City financial records and reports

CITY OF SAN LUIS, ARIZONA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund										
Nonspendable	\$118,243	\$128,035	\$42,831	\$56,719	\$99,774	\$211,131	\$1,218,352	\$0	\$0	\$0
Committed	-	106,785	106,624	106,465	106,250	106,250	-	-	-	-
Unassigned	9,858,234	9,207,428	10,005,982	9,061,328	7,139,348	5,599,699	5,314,536	-	-	-
Total General Fund	<u>\$9,976,477</u>	<u>\$9,442,248</u>	<u>\$10,155,437</u>	<u>\$9,224,512</u>	<u>\$7,345,372</u>	<u>\$5,917,080</u>	<u>\$6,532,888</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
All other governmental funds										
Nonspendable	\$93,575	\$168,175	\$167,914	\$190,319	\$147,511	\$65,677	\$31,625	\$0	\$0	\$0
Restricted	2,885,421	754,165	1,181,060	1,461,661	1,223,913	488,962	383,351	-	-	-
Assigned	-	2,591,330	2,648,759	2,776,109	3,158,888	3,227,193	3,532,974	-	-	-
Unassigned	-	(715,933)	(951,255)	272,948	-	-	-	-	-	-
Total all other governmental funds	<u>\$2,978,996</u>	<u>\$2,797,737</u>	<u>\$3,046,478</u>	<u>\$4,701,037</u>	<u>\$4,530,312</u>	<u>\$3,781,832</u>	<u>\$3,947,950</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund										
Unreserved	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,244,397	\$3,554,287	\$823,410
Total General Fund	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,244,397</u>	<u>\$3,554,287</u>	<u>\$823,410</u>
All other governmental funds										
Reserved	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,320,251	\$4,426,742	\$3,441,745
Unreserved, reported in:										
Undesignated	-	-	-	-	-	-	-	43,273	1,581,519	667,614
Special revenue funds	-	-	-	-	-	-	-	1,163,015	1,057,942	980,483
Capital projects funds	-	-	-	-	-	-	-	946,543	1,555,997	50
Total all other governmental funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,473,082</u>	<u>\$8,622,200</u>	<u>\$5,089,892</u>
TOTAL GOVERNMENTAL FUNDS	<u>\$12,955,473</u>	<u>\$12,239,985</u>	<u>\$13,201,915</u>	<u>\$13,925,549</u>	<u>\$11,875,684</u>	<u>\$9,698,912</u>	<u>\$10,480,838</u>	<u>\$9,717,479</u>	<u>\$12,176,487</u>	<u>\$5,913,302</u>

NOTE: GASB Statement 54 (Fund Balance Reporting) established new fund balance classifications. The first section shows the fund balance information after the implementation of GASB Statement 54 and the second section shows the fund balance information prior to the implementation of GASB Statement 54.

CITY OF SAN LUIS, ARIZONA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Table IV

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:										
Taxes	\$8,095,930	\$7,884,709	\$7,885,491	\$7,108,962	\$6,965,446	\$6,566,515	\$6,074,117	\$7,926,538	\$7,484,617	\$4,993,254
Special Assessments	302,546	302,865	374,470	282,484	218,171	290,987	267,579	156,102	169,935	341,947
Licenses and permits	734,502	528,034	483,218	431,909	389,295	349,777	355,759	393,365	458,802	555,409
Interest earnings	54,631	24,445	17,057	13,322	24,266	11,437	12,032	10,072	13,749	166,878
Fines and forfeits	577,989	541,336	611,178	687,319	792,994	523,053	491,230	553,262	549,231	592,197
Intergovernmental	11,705,819	10,159,135	10,098,225	9,895,694	9,030,736	7,605,264	8,763,843	7,846,596	9,191,793	9,134,943
Charges for user services	778,835	432,193	376,938	218,807	214,180	160,919	151,474	304,930	358,428	514,023
Rents	268,690	339,119	761,335	811,666	674,019	659,222	712,121	384,118	358,520	240,935
Others	408,006	624,606	529,759	418,940	577,687	140,909	167,388	103,039	230,842	210,196
Total revenues	\$22,926,948	\$20,836,442	\$21,137,671	\$19,869,103	\$18,886,794	\$16,308,083	\$16,995,543	\$17,678,022	\$18,815,917	\$16,749,782
Expenditures:										
General government	\$5,236,772	\$5,037,910	\$4,652,111	\$4,546,198	\$4,251,259	\$4,032,759	\$3,636,045	\$3,775,913	\$3,889,489	\$3,826,844
Public safety	7,587,098	7,328,654	6,688,960	6,519,780	6,194,930	6,089,036	5,695,080	5,701,487	5,562,706	5,561,179
Public works	1,832,799	1,673,193	1,636,602	1,506,770	1,276,486	1,238,738	1,403,846	1,679,798	1,867,333	2,100,147
Community, recreational, and cultural	3,445,381	3,001,225	2,768,148	2,615,816	2,254,791	2,198,001	2,239,756	2,648,083	3,339,382	2,624,039
Health and welfare	213,543	210,378	205,049	149,367	141,225	165,387	187,211	201,555	288,465	512,345
Capital outlay	2,402,247	2,771,769	3,843,180	1,348,004	1,280,367	921,671	1,649,441	1,289,406	2,058,853	6,854,982
Debt service/authorities:										
Interest	713,695	722,772	1,168,906	839,755	859,513	880,623	928,920	948,289	839,906	791,882
Principal	385,490	660,504	391,834	331,242	445,229	477,261	492,044	542,425	408,910	319,375
Bond issue costs	-	-	238,101	-	-	-	-	-	-	-
Total expenditures	\$21,817,025	\$21,406,405	\$21,592,891	\$17,856,932	\$16,703,800	\$16,003,476	\$16,232,343	\$16,786,956	\$18,255,044	\$22,590,793
Excess (Deficiency) of Revenues Over Expenditures	\$1,109,923	(\$569,963)	(\$455,220)	\$2,012,171	\$2,182,994	\$304,607	\$763,200	\$891,066	\$560,873	(\$5,841,011)
OTHER FINANCING SOURCES (USES)										
Premium on debt issued	\$0	\$0	\$1,296,704	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt issued	-	-	12,085,699	-	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	(13,850,916)	-	-	-	-	-	-	-
Notes Issued	-	-	300,939	37,693	-	-	-	-	3,025,000	375,628
capital leases	-	-	-	-	-	-	-	-	-	1,115,798
Transfer from Other Funds	1,060,544	1,462,992	1,426,905	1,739,361	1,359,172	1,198,137	1,153,242	18,537	43,605	612,201
Transfer to Other Funds	(1,454,979)	(1,854,959)	(1,527,746)	(1,739,361)	(1,359,172)	(2,284,670)	(1,153,242)	(188,062)	(43,605)	(612,201)
Total other financing sources (Uses)	(\$394,435)	(\$391,967)	(\$268,415)	\$37,693	\$0	(\$1,086,533)	\$0	(\$169,525)	\$3,025,000	\$1,491,426
NET CHANGE IN FUND BALANCES	\$715,488	(\$961,930)	(\$723,635)	\$2,049,864	\$2,182,994	(\$781,926)	\$763,200	\$721,541	\$3,585,873	(\$4,349,585)
Debt Services as a percentage of noncapital expenditures	5.66%	7.16%	8.55%	6.56%	8.42%	8.95%	9.68%	9.62%	7.61%	7.23%

Source: City financial records and reports

CITY OF SAN LUIS, ARIZONA
PROGRAM REVENUES
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities:										
Charges for service										
General Government	\$1,765,937	\$3,021,700	\$2,780,190	\$2,494,028	\$2,226,528	\$1,002,249	\$531,031	\$587,365	\$648,751	\$713,179
Public Safety	426,767	315,098	1,007,465	980,528	867,899	677,226	686,632	356,262	363,882	216,217
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	211,126	74,395	373,194	288,009	219,142	284,797	264,622	176,077	66,070	74,558
Community Development	-	594,182	385,797	432,936	497,921	334,557	318,051	407,927	395,856	584,126
Public Works & Streets	342,089	62,642	62,640	51,595	50,530	49,978	49,368	33,432	169,935	341,947
Operating grants and contributions	2,308,056	2,709,123	2,989,656	2,564,023	3,343,398	2,601,626	2,715,700	2,269,604	2,471,619	2,875,139
Capital grants and contributions	3,749,914	7,816,499	612,897	157,458	947,390	122,614	1,314,549	547,555	6,241,842	9,693,641
<i>Total governmental activities</i>	\$8,803,889	\$14,593,639	\$8,211,839	\$6,968,577	\$8,152,808	\$5,073,047	\$5,879,953	\$4,378,222	\$10,357,955	\$14,498,807
Business-type activities										
Charges for service										
Water	\$4,025,661	\$3,796,031	\$3,592,820	\$3,369,477	\$3,056,742	\$2,884,311	\$2,547,790	\$2,409,843	\$2,253,608	\$2,167,833
Wastewater	4,006,279	3,686,360	3,397,094	2,663,176	2,156,201	1,975,447	1,537,835	1,456,616	1,354,541	1,244,636
Business Center	629,265	629,265	629,265	629,265	629,265	629,265	629,265	629,268	618,777	629,265
Business Incubator	3,471	-	-	-	-	-	-	-	-	-
Sanitation	1,284,544	1,205,279	1,159,196	1,142,822	1,117,185	1,056,628	1,047,317	1,146,276	1,092,549	1,059,287
Ambulance Services	1,953,337	-	-	-	-	-	-	-	-	-
Industrial Park	-	-	-	-	-	-	-	-	-	27,618
Operating grants and contributions	-	-	-	-	-	-	-	-	30,000	22,400
Capital grants and contributions	-	1,941,586	1,177,792	1,322,452	481,955	361,918	-	-	2,512,240	5,707,191
<i>Total business-type activities</i>	\$11,902,557	\$11,258,521	\$9,956,167	\$9,127,192	\$7,441,348	\$6,907,569	\$5,762,207	\$5,642,003	\$7,861,715	\$10,858,230
Total primary government	\$20,706,446	\$25,852,160	\$18,168,006	\$16,095,769	\$15,594,156	\$11,980,616	\$11,642,160	\$10,020,225	\$18,219,670	\$25,357,037

Source: City financial records and reports

CITY OF SAN LUIS, ARIZONA
GOVERNMENT-WIDE REVENUES BY FUNCTION
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities										
General Government	\$1,807,078	\$3,107,233	\$2,856,516	\$2,531,262	\$2,288,465	\$1,029,723	\$554,389	\$640,571	\$722,004	\$719,519
Public Safety	964,958	932,208	1,990,965	1,653,703	2,184,656	1,746,600	1,746,918	910,540	9,589,253	779,629
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	211,126	197,593	489,099	368,966	302,596	343,483	320,814	198,810	273,942	108,843
Community Development	202,706	594,182	385,797	432,936	497,921	334,557	1,529,630	527,822	1,025,956	693,867
Public Works & Streets	5,618,021	9,762,423	2,489,462	1,981,710	2,879,170	1,618,684	1,728,202	2,100,479	7,343,275	2,553,786
Unallocated General Revenues	15,831,747	15,267,071	14,986,913	14,670,183	13,040,703	11,655,757	11,115,590	13,299,800	13,846,797	11,473,142
Total Governmental Activities	\$24,635,636	\$29,860,710	\$23,198,752	\$21,638,760	\$21,193,511	\$16,728,804	\$16,995,543	\$17,678,022	\$32,801,227	\$16,328,786
Business-type activities										
Water	\$4,025,661	\$3,796,031	\$3,592,820	\$3,869,477	\$3,106,217	\$2,894,971	\$2,547,790	\$2,409,843	\$2,472,311	\$2,167,833
Wastewater	4,006,279	5,627,946	3,418,093	2,663,176	2,588,681	2,326,705	1,537,835	1,456,616	1,092,549	1,244,636
Business Center	629,265	629,265	629,265	629,265	629,265	629,265	629,265	-	-	-
Business Incubator	3,471	-	1,156,793	-	-	-	-	-	-	-
Sanitation	1,284,544	1,205,279	1,159,196	822,452	1,117,185	1,056,628	1,047,317	1,146,276	1,553,236	1,081,687
Ambulance Services	1,953,337	-	-	-	-	-	-	169,525	-	27,618
Industrial Park	-	-	-	-	-	-	-	169,525	-	27,618
Unallocated General Revenues	449,922	368,660	122,508	13,909	936	12,547	10,194	187,519	32,580	191,587
Total Business Activities	\$12,352,479	\$11,627,181	\$10,078,675	\$7,998,279	\$7,442,284	\$6,920,116	\$5,772,401	\$5,369,779	\$5,150,676	\$4,713,361

Source: City financial Records and reports.

CITY OF SAN LUIS, ARIZONA
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
City Sales Tax	\$7,694,566	\$7,508,359	\$7,324,294	\$6,750,517	\$6,531,779	\$6,073,811	\$5,659,566	\$7,498,691	\$7,125,840	\$4,621,222
State Sales taxes	2,889,943	2,659,098	2,550,568	2,812,693	2,104,763	1,992,968	1,771,253	1,682,728	1,824,384	2,107,358
Franchise Tax	401,364	435,822	439,034	427,800	432,371	397,532	381,836	351,505	346,429	337,757
Special Districts*	302,546	302,865	374,470	282,484	218,171	290,987	267,579	156,102	169,935	341,947
Others		-	122,163	(69,355)	1,296	95,172	32,715	76,342	12,347	34,274
Total tax revenues	\$11,288,419	\$10,906,144	\$10,810,529	\$10,204,139	\$9,288,380	\$8,850,470	\$8,112,949	\$9,765,368	\$9,478,935	\$7,442,558

Note: Includes Governmental Fund Types
Special Districts include Street Light Improvement Districts (SLIDs), Maintenance Improvement Districts (MIDs); both are levy as secondary property taxes.

CITY OF SAN LUIS, ARIZONA
INTERGOVERNMENTAL REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
State Shared Sales Tax	\$2,889,943	\$2,659,098	\$2,550,568	\$2,812,693	\$2,104,763	\$1,992,968	\$1,771,253	\$1,682,728	\$1,824,384	\$2,107,358
Urban Revenue Sharing	3,856,245	3,360,240	3,378,557	3,559,275	2,605,281	2,152,641	2,231,840	2,960,504	3,417,109	3,226,939
Highway Users	2,526,082	2,239,260	2,126,238	1,929,961	2,041,357	1,562,498	1,678,834	1,700,626	1,804,058	2,093,904
Auto-in-lieu	1,259,413	1,104,206	1,007,212	959,549	1,015,403	851,821	836,971	847,890	884,648	905,453
Local Transportation Aid	-	-	-	-	-	-	-	35,312	104,499	108,840
Federal	1,139,781	673,284	615,896	634,216	1,130,716	1,004,693	2,177,538	565,787	1,152,596	679,861
Others	64,356	123,047	419,754	-	133,216	40,643	67,407	53,749	4,499	12,588
Total intergovernmental revenues	\$11,735,820	\$10,159,135	\$10,098,225	\$9,895,694	\$9,030,736	\$7,605,264	\$8,763,843	\$7,846,596	\$9,191,793	\$9,134,943

Note: Includes governmental fund types
Includes all governmental revenues, including revenues from federal government

**CITY OF SAN LUIS, ARIZONA
CITY TRANSACTION PRIVILEGE TAXES BY CATEGORY
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Retail Sales	\$4,693,648	\$3,731,819	\$3,719,366	\$3,498,869	\$3,288,946	\$3,046,645	\$2,901,155	\$2,813,146	\$3,069,240	\$1,846,807
Contracting	888,499	1,573,668	1,654,681	1,336,456	1,468,887	1,574,491	1,413,388	3,354,443	2,776,939	1,815,150
Rentals	333,635	407,570	356,150	324,795	297,456	280,163	244,048	274,975	301,065	197,161
Communications/Utilities	947,825	1,174,550	1,044,285	1,053,760	959,929	624,166	570,915	584,850	560,704	402,304
Restaurant/Bar	456,027	422,284	417,278	363,027	371,107	342,810	309,338	294,048	249,331	235,140
Use	356,078	129,156	121,091	109,195	84,108	131,100	83,071	110,978	58,856	45,286
Other	18,855	69,312	45,339	64,415	61,346	74,436	137,650	66,250	109,705	79,374
	<u>\$7,694,567</u>	<u>\$7,508,359</u>	<u>\$7,358,190</u>	<u>\$6,750,517</u>	<u>\$6,531,779</u>	<u>\$6,073,811</u>	<u>\$5,659,565</u>	<u>\$7,498,690</u>	<u>\$7,125,840</u>	<u>\$4,621,222</u>
% Growth by year										
Retail Sales	25.8%	0.3%	6.3%	6.4%	8.0%	5.0%	3.1%	-8.3%	66.2%	32.3%
Contracting	-43.5%	-4.9%	23.8%	-9.0%	-6.7%	11.4%	-57.9%	20.8%	53.0%	11.0%
Rentals	-18.1%	14.4%	9.7%	9.2%	6.2%	14.8%	-11.2%	-8.7%	52.7%	31.4%
Utilities	-19.3%	12.5%	-0.9%	9.8%	53.8%	9.3%	-2.4%	4.3%	39.4%	12.4%
Restaurant/Bar	8.0%	1.2%	14.9%	-2.2%	8.3%	10.8%	5.2%	17.9%	6.0%	14.0%
Use	175.7%	6.7%	10.9%	29.8%	-35.8%	57.8%	-25.1%	88.6%	30.0%	7.0%
Other	-72.8%	52.9%	-29.6%	5.0%	-17.6%	-45.9%	107.8%	-39.6%	38.2%	-30.1%
	<u>55.8%</u>	<u>83.1%</u>	<u>35.1%</u>	<u>49.0%</u>	<u>16.2%</u>	<u>63.2%</u>	<u>19.5%</u>	<u>75.0%</u>	<u>285.5%</u>	<u>78.0%</u>

Note: Includes governmental fund types
Information is unavailable prior to FY05 due to limits of tax software.

Source: AZ Department of Revenues
City of San Luis Finance Department

**CITY OF SAN LUIS, ARIZONA
SALES TAX PAYERS - BY CATEGORY
CURRENT YEAR AND TEN YEARS AGO**

	2017				2008			
	Number of Payers	Percentage of Total Payers	Sales Tax Paid	Percentage of Total City Sales Tax Revenue	Number of Payers	Percentage of Total Payers	Sales Tax Paid	Percentage of Total City Sales Tax Revenue
Retail Sales	530	43.34%	\$4,693,648	61.00%	338	31.18%	\$1,653,935	35.79%
Construction, MFG & Wholesale	40	3.27%	888,499	11.55%	370	34.13%	1,936,754	41.91%
Rentals	118	9.65%	333,635	4.34%	118	10.89%	177,455	3.84%
Communications/Utilities	72	5.89%	947,825	12.32%	51	4.70%	423,766	9.17%
Restaurant/Bar	27	2.21%	456,027	5.93%	31	2.86%	244,463	5.29%
Use/Services	295	24.12%	356,078	4.63%	95	8.76%	50,371	1.09%
Other	141	11.53%	18,855	0.25%	81	7.47%	134,478	2.91%
	1,223	100%	\$7,694,567	100%	1,084	100%	\$4,621,222	100%

Note: Includes governmental fund types

Source: AZ Department of Revenues
City financial Records and reports

CITY OF SAN LUIS, ARIZONA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Municipal Bonds	Notes Payable	Capital Leases	Municipal Bonds/Loans	Notes Payable	Capital Leases			
2017	\$11,214,780	\$3,387,922	-	\$33,955,220	\$102,171	\$379,290	\$49,039,383	4.55%	\$1,507
2016	\$13,350,329	\$3,562,910	-	\$38,010,036	\$185,909	-	\$55,109,184	4.86%	\$1,621
2015	13,350,329	3,562,910	-	38,010,036	185,909	-	55,109,184	6.64%	1,660
2014	14,383,209	3,336,222	-	39,733,576	127,693	-	57,580,700	8.26%	1,847
2013	14,698,048	3,323,879	-	33,642,562	834,330	-	52,498,819	5.61%	1,602
2012	15,001,198	3,347,536	133,235	34,113,235	844,703	54,246	53,494,153	7.65%	2,057
2011	15,292,656	3,970,481	305,037	34,565,602	866,495	173,673	54,653,849	6.40%	2,102
2010	15,574,373	3,992,005	582,176	24,277,708	864,211	350,649	55,839,041	6.06%	2,148
2009	15,846,348	4,013,134	945,566	24,699,558	866,495	524,699	57,074,895	6.25%	2,238
2008	15,855,295	1,009,406	1,507,405	24,709,436	-	432,321	50,449,133	6.05%	1,964

Note: See Table XV for Personal Income and Population

Sources: (1) Based on data provided by the Greater Yuma Economic Development
(2) City financial records and reports

**CITY OF SAN LUIS, ARIZONA
 PLEDGED REVENUE COVERAGE - EXCISE TAX REVENUE FUNDING BONDS SERIES 2014A & 2014B
 GOVERNMENTAL PORTION
 LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Pledged revenues (1)	\$15,562,640	\$15,766,957	\$15,379,657	\$15,052,446	\$13,283,180	\$11,781,918	\$11,341,493	\$12,882,852	\$13,168,416	\$10,790,053
Debt service requirements (2)										
Principal	\$298,100	\$572,820	\$317,583	\$305,893	\$294,203	\$282,513	\$272,771	\$263,029	-	-
Interest	706,211	605,739	1,158,269	679,338	691,906	703,624	714,730	725,117	730,049	730,049
Total Annual Requirements	<u>\$1,004,311</u>	<u>\$1,178,559</u>	<u>\$1,475,852</u>	<u>\$985,231</u>	<u>\$986,109</u>	<u>\$986,137</u>	<u>\$987,501</u>	<u>\$988,146</u>	<u>\$730,049</u>	<u>\$730,049</u>
Estimated Coverage	15.50	13.38	10.42	15.28	13.47	11.95	11.49	13.04	18.04	14.78

Notes:

Civic Improvement Corporation (CIC) Bonds issued by the City of San Luis in 2005 and were refunded by bonds issued in 2014.
 (1) Pledged revenues on the Civic Improvement Corporation (CIC) bonds are the "Excise Taxes", "State Shared Revenues", Licenses and Permit Fees, and Franchise fees. Excise Taxes are defined to include the transaction privilege and business taxes, which the City imposes. State Shared Revenues are defined as any excise tax, transaction privilege and use taxes and income taxes imposed by the State of Arizona and allocated or apportioned to the City, except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes.
 (2) Debt service requirements reflect the governmental portion of outstanding CIC issues.
 Water and Wastewater allocations of CIC issues are excluded. Those portions are serviced by the Water Utility, Wasterwater Utility funds.

Source: Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds Debt service schedules - City financial records

**CITY OF SAN LUIS, ARIZONA
PLEDGED REVENUE COVERAGE - EXCISE TAX REVENUE FUNDING BONDS SERIES 2014A & 2014B
ENTERPRISE PORTION
LAST EIGHT FISCAL YEARS**

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Gross Revenues	(1) \$8,086,255	\$7,506,930	\$7,011,185	\$6,045,693	\$5,232,580	\$4,869,271	\$4,095,810	\$3,866,459	\$4,025,548	\$3,412,469
Operating Expenses	(2) 3,589,621	4,388,160	5,387,500	4,315,552	4,259,081	4,042,114	3,954,072	3,061,620	3,222,085	3,069,232
Net Revenues available	\$4,496,634	\$3,118,770	\$1,623,685	\$1,730,141	\$973,499	\$827,157	\$141,738	\$804,839	\$803,463	\$343,237
Debt Service Requirements										
Principal	(3) \$726,900	\$497,416	\$497,416	\$479,107	\$460,797	\$442,487	\$427,229	\$411,971	- \$	- \$
Interest	(4) 989,518	1,514,082	1,514,082	1,064,017	1,083,702	1,102,056	1,119,450	1,135,719	1,143,444	1,143,444
Total debt Expense	\$1,716,418	\$2,011,498	\$2,011,498	\$1,543,124	\$1,544,499	\$1,544,543	\$1,546,679	\$1,547,690	\$1,143,444	\$1,143,444
Ratio of Total Revenue/debt Expense	2.620	1.550	0.807	1.121	0.630	0.536	0.092	0.520	0.703	0.300

Notes:

Civic Improvement Corporation (CIC) Bonds issued by the City of San Luis in 2005 and were refunded by bonds issued in 2014.

- (1) Includes total operating revenues and investment income of the Water Utility and Wastewater Utility Enterprise Funds.
- (2) Includes total operating expenses of the Water Utility and Wastewater Utility Enterprise Funds less depreciation and amortization.
- (3) Includes principal for Water and Sewer Revenue bonds, Water Infrastructure Finance Authority bonds, and the utility portion of the Municipal Development Authority bonds.
- (4) Bond interest payments only. Does not include amortization of loss on refunding, capitalized interest, agent fees or amortization of bond issuance costs that are included in interest expense on the statement of revenues, expenses, and changes in net assets.

Source: Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds Repayment schedules for debt serviced by the Water and Sewer Utility Enterprise Funds

CITY OF SAN LUIS
Computation of Direct and Overlapping Debt
June 30, 2017

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Yuma County	\$6,634,000	5.34% (1)	\$354,256
Yuma County Library	38,320,000	5.34% (1)	2,046,288
Yuma Union High School District No 70	50,665,000	5.34% (1)	<u>2,705,511</u>
Subtotal Overlapping Debt			5,106,055
City of San Luis	14,602,702	100.00%	<u>14,602,702</u>
Total Direct and Overlapping Debt			19,708,757

Sources: YUMA County Finance Department
 Comprehensive Annual Financial Reports for overlapping jurisdictions

Notes: (1) Based on State and County abstract of the assessment Roll, Arizona Department of Revenue
 (2) The amounts presented for the overlapping debt is as of 6/30/2016.

**CITY OF SAN LUIS, ARIZONA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	(1) Population	(3) Personal Income	(2) Labor force	(2) Employment	(2) Unemployment	(2) Unemployment rate percentage
2017	32,540	\$33,124	13,382	9,897	3,485	26.0%
2016	34,001	33,376	18,632	9,998	8,633	46.3%
2015	33,190	25,000	18,662	9,822	8,840	47.4%
2014	31,180	22,368	19,824	9,689	10,134	65.8%
2013	32,763	28,548	17,965	6,000	11,965	66.6%
2012	26,000	26,889	17,249	5,614	11,635	67.5%
2011	26,000	32,828	15,896	5,489	10,407	65.5%
2010	25,505	36,103	8,466	4,109	4,357	51.5%
2009	25,682	35,584	7,986	4,175	3,811	47.7%
2008	24,654	33,838	7,176	4,267	2,909	40.5%

Data Sources:

- (1) Census Bureau
- (2) AZ. Department of Economic Security
- (3) Greater Yuma Economic Development Corporation

**CITY OF SAN LUIS, ARIZONA
MAJOR EMPLOYERS WITHIN THE CITY
CURRENT YEAR AND SEVEN YEARS AGO**

Employer	2017			2011 (1)		
	# of Employees	Rank	Percentage of City Employment	# of Employees	Rank	Percentage of City Employment
Arizona State Prison	949	1	25.85%	653	2	11.90%
Gadsen Unified School District	900	2	24.52%	448	3	8.16%
ACT Call Center	702	3	19.12%	700	1	12.75%
Factor Sales	432	4	11.77%			
Walmart	275	5	7.49%	270	4	4.92%
City of San Luis	260	6	7.08%	230	5	4.19%
San Luis Detention Center	153	7	4.17%	80	7	1.46%
Basha's/Food City	-			100	6	1.82%
Total Employees	3,671		100.00%	2,481		45.20%

Source: Greater Yuma Economic Development Corporation

Notes:

(1) Data was tracked for City's 1st CAFR.

**CITY OF SAN LUIS, ARIZONA
AUTHORIZED FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Permanent Position by Function	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund										
General Government	56	58	55	57	57	54	52	51	56	56
Public Safety	89	94	85	90	90	87	86	77	72	72
Health and Welfare	3	4	4	2	2	2	2	3	3	3
Culture and Recreation	35	47	37	36	36	28	22	21	26	26
Community Development	9	9	8	9	9	9	9	11	10	10
Sub total General Fund	192	212	189	194	194	180	171	163	167	167
General Fund	192	212	189	194	194	180	171	163	167	167
Public Works & Streets	18	15	16	11	11	13	15	16	20	20
Enterprise Funds	50	32	32	32	32	26	30	31	33	33
Total Permanent Positions	260	259	237	237	237	219	216	210	220	220

Source: City Payroll

**CITY OF SAN LUIS, ARIZONA
UTILITY STATISTICAL DATA - BILLINGS
LAST TEN FISCAL YEARS**

	Utility Rate Increases & Average Bill									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Water										
Average bill	\$48.45	\$48.03	\$46.59	\$45.05	\$41.72	\$38.31	\$36.56	\$33.92	\$35.70	\$33.58
% Increase	0.88%	3.09%	3.41%	7.98%	8.89%	4.80%	7.78%	-5.00%	6.31%	7.48%
Wastewater										
Average bill	\$51.57	\$48.40	\$46.30	\$37.33	\$31.57	\$29.41	\$23.24	\$22.10	\$24.58	\$21.30
% Increase	6.56%	4.52%	24.03%	18.25%	7.34%	26.53%	5.19%	-10.11%	15.40%	-4.96%
Residential Solid Waste										
Average bill	\$17.03	\$16.95	\$16.86	\$16.89	\$17.11	\$16.45	\$15.89	\$17.60	\$17.66	\$17.96
% Increase	0.47%	0.52%	-0.15%	-1.32%	4.07%	3.51%	-9.74%	-0.34%	-1.67%	4.16%

Source: City Customer Service and Billing records

**CITY OF SAN LUIS, ARIZONA
UTILITY STATISTICAL DATA - ACCOUNTS
LAST TEN FISCAL YEARS**

	Utility Accounts									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Water										
Number of Accounts	6,669	6,384	6,190	6,023	5,890	6,036	5,701	5,865	5,722	5,316
% Increase	4.46%	3.13%	2.77%	2.26%	-2.42%	5.88%	-2.80%	2.50%	7.64%	4.13%
Wastewater										
Number of Accounts	6,495	6,216	5,990	5,827	5,688	5,597	5,514	5,491	5,264	4,869
% Increase	4.49%	3.77%	2.80%	2.44%	1.63%	1.51%	0.42%	4.31%	8.11%	3.97%
Residential Solid Waste										
Number of Accounts	6,113	5,825	5,643	5,549	5,366	5,249	5,172	5,330	5,082	4,857
% Increase	4.94%	3.23%	1.69%	3.41%	2.23%	1.49%	-2.96%	4.88%	4.63%	3.80%

Source: City Customer Service and Billing records

**CITY OF SAN LUIS, ARIZONA
UTILITY STATISTICAL DATA - RATES**

**Charges for Water Services
Based Minimum Monthly Bill**

<u>Meter Size</u>	-----Service Fees-----				
	<u>Residential</u>		<u>Commercial/Government/School</u>		
	<u>1st 2,000 G</u>	<u>Excess/000's</u>	<u>1st 2,000 G</u>	<u>Commercial / Gov't Excess/000's</u>	<u>School</u>
5/8" - 3/4"	\$13.53	\$2.07	\$34.41	\$2.61	\$2.89
1"	N/A	N/A	57.47	2.61	2.89
1 1/2"	N/A	N/A	114.60	2.61	2.89
2"	N/A	N/A	183.42	2.61	2.89
3"	N/A	N/A	401.61	2.61	2.89
4"	N/A	N/A	1,376.54	2.61	2.89
6"	N/A	N/A	2,867.80	2.61	2.89
8"	N/A	N/A	4,129.63	2.61	2.89

**Charges for Waste-Water Services
Based Minimum Monthly Bill**

<u>Meter Size</u>	-----Service Fees-----			
	<u>Residential</u>		<u>Commercial / Gadsden school</u>	
	<u>Base</u>	<u>Excess/000's</u>	<u>Base</u>	<u>Volume/000's</u>
Senior 60+ yrs	\$19.84	N/A	N/A	N/A
5/8" - 3/4"	\$39.21	N/A	\$24.02	\$2.42
1" - 8"	N/A	N/A		Varies
2" School	\$24.02	\$2.42	\$201.78	N/A
2" Gadsden	\$54.18	N/A	\$74.85	

Source: City Customer Service and Billing records

**CITY OF SAN LUIS, ARIZONA
UTILITY STATISTICAL DATA
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Miscellaneous data on water utility										
Annual Consumption (000's gal)	1,067,585	1,041,105	1,023,995	1,080,987	962,719	1,025,510	1,122,644	1,052,673	1,030,064	1,089,127
Avg gallons/account/month	13,340	13,590	13,786	14,956	13,621	14,158	16,410	15,387	14,636	15,862
Avg gallons/account/year	160,082	163,080	165,427	179,477	163,452	169,899	196,920	184,647	175,629	190,340
Avg. daily demand (MGD)	445	453	460	499	454	472	547	513	488	529
Peak demand (MGD)	3.81	3.43	3.43	3.43	3.43	3.43	3.43	3.33	3.23	3.23
Number of wells in system	12	12	12	12	12	12	12	12	12	12
Available storage capacity (million Gallons)	4,052	4,025	4,025	4,025	4,025	4,025	4,025	4,025	4,025	4,025
Miscellaneous data on wastewater utility										
Treatment plant capacity (000's)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Annual wastewater treated (000's)	458,763	465,867	471,403	463,767	457,864	437,574	445,704	437,715	433,508	418,973
Average daily flow (000's)	1,286	1,340	1,340	1,340	1,340	1,340	1,340	1,340	1,340	1,340
Miscellaneous data on solid waste service										
Tons of waste collected and disposed	21,479	10,306	9,681	10,610	9,013	9,523	9,066	13,053	10,952	N/A

Source: City Customer Service and Billing records
Public Works records

**CITY OF SAN LUIS, ARIZONA
BUILDING PERMITS AND HOME SALES
LAST TEN FISCAL YEARS
(\$'s in 000's)**

		Building Permits									
		Fiscal Year									
		<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Commercial											
	Number of Permits	6	16	16	16	16	16	13	12	12	16
	Value	\$7,091,021	\$51	\$128	\$2,181	\$204	\$5,773	\$7,560	\$1,048	\$3,629	\$3,059
Residential											
	Number of Dwelling Units	267	169	159	112	120	85	68	182	245	193
	Value	\$35,338,926	\$24,850	\$24,530	\$16,908	\$20,166	\$13,147	\$11,078	\$20,338	\$24,754	\$21,041
Other											
	Number of Permits	180	523	318	200	138	161	134	127	162	216
	Value	\$9,601,189	\$10,652	\$2,146	\$19,089	\$3,649	\$1,157	\$1,554	\$1,165	\$2,652	\$2,736

		Single Family Housing Sales									
		Calendar Year									
		<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
New units sold		228	-	88	56	118	114	63	85	218	231

Source: City Development Services

**CITY OF SAN LUIS, ARIZONA
OPERATING INDICATOR BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
GENERAL GOVERNMENT										
<i>Court</i>										
Charges filed/ Charges adjudicated(resolved)	3,317	3,734	3,989	4,630	7,214	4,449	3,385	4,225	3,248	4,621
Charges dismissed	1,037	841	938	1,019	8,469	690	847	835	798	1,501
<i>Human Resources</i>										
# of employment Applications Processed	3,047	1,643	750	530	601	44*	40*	306	**	**
<i>Finance</i>										
# of Accounts Payable checks issued	4,785	4,264	4,201	3,848	3,739	3,723	3,929	4,329	3,901	**
# of Claims filed, injured or ill workers	16	13	29	27	18	16	**	**	**	**
# of electrical inspections performed	**	3	1	8	10	6	1	**	**	**
Notice of claims	3	2	4	1	6	6	**	**	**	**
PUBLIC SAFETY										
<i>Police</i>										
# of 911 Emergency and Animal Calls	4,889	5,920	5,483	5,694	5,046	**	**	**	**	**
# of Traffic Stops	5,220	4,681	6,393	6,834	9,439	**	**	**	**	**
# of Arrests	468	439	**	**	**	**	**	**	**	**
<i>Fire</i>										
# of Ambulance Transport Services	2,767	2,665	2,476	2,318	2,169	1,912	1,620	1,415	1,494	**
# of Fire & Hazmat Incidents	41	57	28	78	62	69	72	76	89	**
HEALTH AND WELFARE										
# of Meals served - Food Assistance	7,791	8,869	7,963	9,604	9,296	7,677	9,239	7,528	7,077	**
# of citywide transit ridership	9,538	10,661	8,136	9,243	8,378	6,323	5,190	4,096	3,699	**

Note: (*) Hiring Freeze

(**) Information is not available

Source: Various Departments:

**CITY OF SAN LUIS, ARIZONA
CAPITAL ASSETS BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Government										
City Hall										
Building	1	1	1	1	1	1	1	1	1	1
Vehicle	31	26	26	18	18	18	17	19	18	17
Public Safety										
Building	2	2	2	2	2	2	2	2	2	2
Vehicle	69	70	70	57	57	53	50	56	52	50
Culture & Recreation										
Building	3	3	3	3	3	3	3	3	3	3
Vehicle	39	33	33	23	23	22	19	19	14	13
Health and Welfare										
Building	2	2	2	2	2	2	2	2	2	2
Vehicle	3	3	3	5	5	6	6	6	6	6
Public Works and streets										
Building	1	1	1	1	1	1	1	1	-	-
Equipment	27	26	26	18	18	17	17	20	20	20
Enterprise										
Building	4	4	4	3	3	3	3	3	3	3
Equipment	61	51	51	44	44	49	47	48	49	47

Source: City records Finance Department