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San Luis City Hall

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COMPREHENSIVE
**ANNUAL
FINANCIAL
REPORT**

FOR THE FISCAL YEAR ENDED
JUNE 30, 2019



CITY OF SAN LUIS, AZ
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year ended
June 30, 2019

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, 2019**

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INTRODUCTORY SECTION





December 23, 2019

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, 2019. 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, 2019.

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, 2019, 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 36,000 increasing 41% from 2010 to 2018. 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 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, one gym, one cultural center, one senior center, one youth center, one activity center, one swimming pool, and 5 parks encompassing 60 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 2019 was \$46 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

The City of San Luis continues to experience economic growth. Retail trade, agriculture and manufacturing forms a large portion of the local economy.

The real estate sector continues to experience substantial interest in new developments. In this fiscal year, over 600 new residential lots were developed and approximately 300 residential building permits were issued this year. Several residential subdivisions are under construction which will provide 600 new residential lots this coming year.

Significant investments were made in commercial and industrial development including a new \$2 million gas station, \$1.2 million improvements to an existing commercial facility, a \$4 million textile manufacturing facility and \$9 million warehouse facility creating over 80 jobs. Furthermore, the federal government invested \$6 million in a pedestrian facility at the San Luis I Port of Entry.

Major developments in the pipeline includes a commercial mix use development to include a hotel, gas station, medical office space and retail store. In addition, a 75,000 SF medical mall project is under construction with an investment of \$22 million expected to be completed in June 2020.

A 3 Phase multi-million-dollar mix use project expected to be completed in the next 2 years. Phase I is a 20,000 SF charter school to serve 300 students and employ 20 people. Phase II is a 50,000 SF executive office and Phase III includes a building for medical and dental office. A \$1.8 million expansion of a charter school is under the review process as well as a 3 phase manufacturing plan with an investment of \$4 million.

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. Currently, a \$248 million modernization of the San Luis I Port of Entry project is in the presidential budget. This project will double the amount of vehicle lanes entering the United States.

The City continues to face many important growth issues, and its citizens and municipal government are committed to finding solutions for the future. San Luis growth is estimated to reach a population of 72,566 in 2040.

City of San Luis will continue to take advantage of its strategic location and create a sustainable economy that will increase the quality of life for its residents.

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 includes community budget hearings. The City Council formally adopts the budget for the following year by the end of June.

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 forecast 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, 2018.

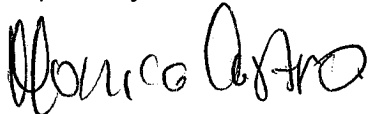
The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standard for preparation of state and local government financial reports.

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 unfailing 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 black ink that reads "Monica Castro". The signature is written in a cursive, flowing style.

Monica Castro, CPA
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, 2018

Christopher P. Morill

Executive Director/CEO

CITY COUNCIL



Elected officials

As of June 30, 2019

Gerardo Sanchez
Mayor

Matias Rosales
Councilmember
Africa L. Carrasco
Councilmember
Gloria Torres
Councilmember

Maria C. Cruz
Vice Mayor
Mario Buchanan
Councilmember
Jose Ponce
Councilmember



Appointed officials

Tadeo De La Hoya
City Manager

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

Kay Macuil
Sonia Cornelio
Jenny Torres
Lizandro Galaviz
Monica Castro
Angel Ramirez
Richard Jessup
Derek Duenas
Nohemy Echavarria
Jose Guzman
Edgar Carbajal
Maria Sabori
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, the business-type activities, each major fund, the discretely presented component unit, the aggregate remaining fund information and the respective budgetary comparisons for the General Fund and the Highway Users Fund of City of San Luis, Arizona (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of San Luis, Arizona, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Highway Users Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the City/Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for the year ended June 30, 2019, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Fund Financial Statements and Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019, on our consideration of the 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 solely 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 effectiveness of the City of San Luis' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of San Luis, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
December 23, 2019

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, 2019**

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, 2019. 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

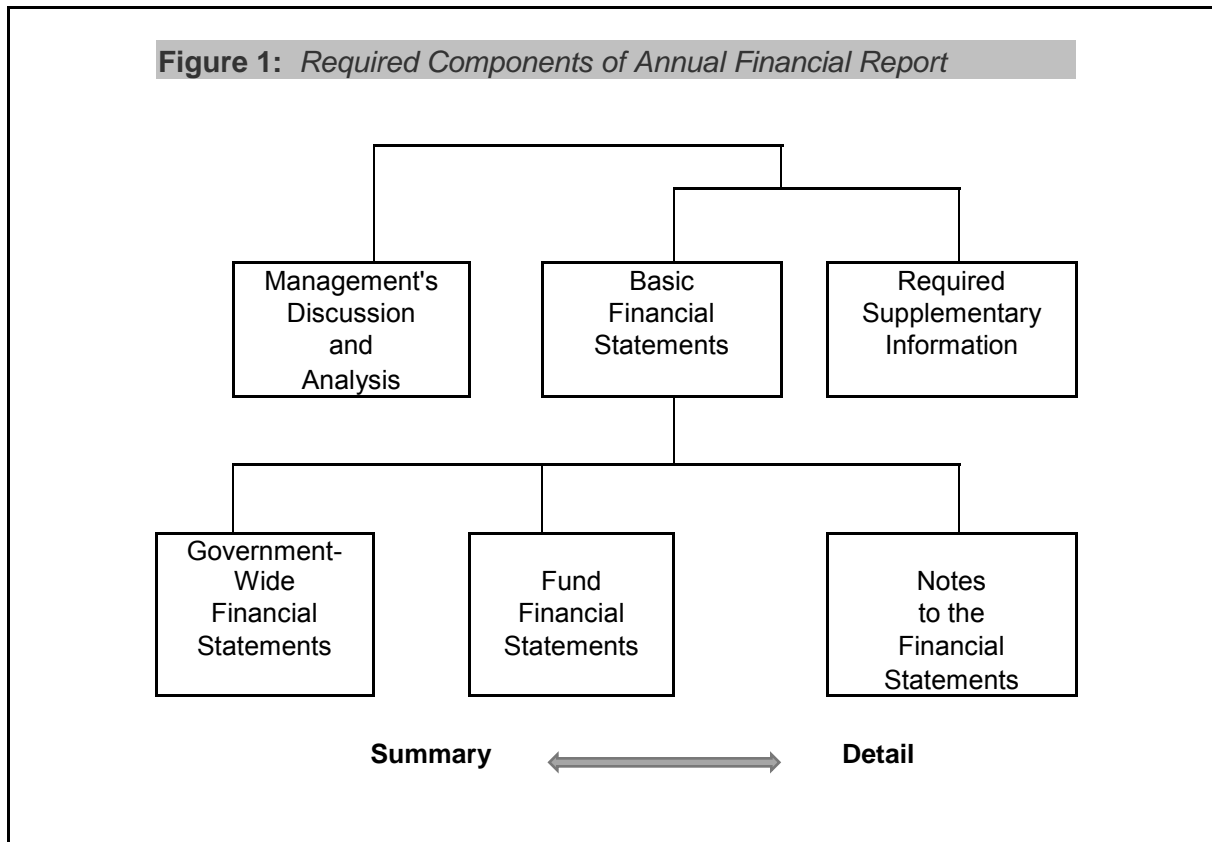
- The assets and deferred outflows of the City exceeded the liabilities and deferred inflows at the close of the fiscal year by \$92.7 million.
- The City's net position of governmental activities increased approximately \$10.7 million to \$63.3 million and business-type activities increased \$4.4 million to \$29.4 million representing 68 percent and 32 percent respectively, of the total net position of \$92.7 million.
- As of the close of the fiscal year the City's governmental funds reported combined ending fund balances of \$18.5 million, an increase of \$4.2 million over the prior year. Approximately 18.5 percent of this amount, or \$3.4 million, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$15.2 million, or 90.1 percent of total general fund expenditures for the fiscal year.
- General revenues from governmental activities accounted for \$19.1 million in revenues or 58 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$13.9 million or 42 percent of total governmental activities. The City had \$13.6 million of program revenues related to business-type activities.
- The City had \$21.9 million in expenses related to governmental activities; of which \$13.9 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$19.1 million were adequate to provide for the costs of these programs. The City had \$10.5 million in expenses related to business-type activities that were offset by program specific charges for services or capital grants and contributions.
- Among major governmental funds, the general fund had \$21.8 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 \$16.9 million. The general fund's fund balance increased from \$11.9 million to \$15.3 million. The highway users fund had revenues of \$3.2 million, which consisted primarily of intergovernmental revenues, and expenditures of \$2.7 million.
- The City's total long-term liabilities decreased from 69.2 million to 64.5 million during the current fiscal year. This decrease was due to the City making scheduled principal payments on its debt.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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, 2019**

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, 2019**

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, 2019**

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 \$92.7 million as of June 30, 2019. By far the largest portion of the City's net position (75 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.

An additional portion 7.8 percent of the City's net position, 7.3 million at June 30, 2019 represents resources that are subject to external restrictions on how they may be used. Unrestricted net position, 15.4 percent at June 30, 2019 may be used to meet the government's ongoing obligations to its citizens and creditors.

The following table presents a summary of the City's net position for the fiscal years ended June 30, 2019 and 2018.

| Figure 2 | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$24,354,335 | \$21,576,182 | \$14,562,100 | \$14,196,880 | \$38,916,435 | \$35,773,062 |
| Capital assets | 68,762,018 | 63,259,250 | 52,902,683 | 50,936,814 | 121,664,701 | 114,196,064 |
| Total Assets | 93,116,353 | 84,835,432 | 67,464,783 | 65,133,693 | 160,581,136 | 149,969,126 |
| Total Deferred Outflow of Resources | 3,205,666 | 2,989,699 | 1,596,916 | 1,717,202 | 4,802,582 | 4,706,901 |
| Long-term liabilities | 26,393,735 | 30,124,091 | 35,434,299 | 39,080,072 | 61,828,034 | 69,204,163 |
| Other liabilities | 3,832,984 | 3,514,619 | 3,493,279 | 2,173,669 | 7,326,263 | 5,688,288 |
| Total Liabilities | 30,226,719 | 33,638,710 | 38,927,578 | 41,253,741 | 69,154,297 | 74,892,451 |
| Total Deferred inflow of Resources | 2,756,139 | 1,535,065 | 724,464 | 556,509 | 3,480,603 | 2,091,574 |
| Net Position | | | | | | |
| Net Investment in Capital assets | 52,027,709 | 47,586,157 | 19,200,217 | 16,864,092 | 71,227,926 | 64,450,249 |
| Restricted | 6,287,051 | 2,981,920 | 978,691 | 284,192 | 7,265,742 | 3,266,111 |
| Unrestricted | 5,024,402 | 2,083,278 | 9,230,749 | 7,892,361 | 14,255,151 | 9,975,639 |
| Total net position | \$63,339,161 | \$52,651,356 | \$29,409,657 | \$25,040,645 | \$92,748,818 | \$77,692,000 |

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Changes in net position

Governmental Activities: Net position in governmental activities saw an increase of \$10.7 million. The reasons for this change can be summarized as follows:

- Program revenues covered 63 percent of total governmental expenses, increasing from 38 percent from last year to 63 percent. This is a 25 percent increase in total governmental expense coverage. Overall, revenues exceeded expenses resulting in the increase in net position.
- Program revenues totaled \$13.9 million, which was an increase of \$5.4 million from the previous year. Due primarily to a 132.3 percent increase in charges for services, a 18.5 percent increase in operating grants and a 52.4% percent increase in capital grants. These increases reflect the ongoing economic growth experienced locally and nationally over the past years.
- General revenues are used to support program activities citywide. Total general revenues increased from the prior year by \$ 1.1 million totaling \$19.1 million. This amounts to an overall increase in total revenue of 6 percent.
- Expenses totaled \$21.9 million, a 2.5 percent decrease compared to the previous year.
- For governmental activities city sales taxes represents 29.5 percent of the total revenues, being the largest single source of funds, followed by state share revenues representing 26.1percent and 20.9 percent of capital grants and contributions.

Business-type Activities: Net position of the enterprise funds at the end of the year amounted to \$29.4 million. The Enterprise Funds had an increase in net position of \$4.4 million. Overall, total revenues exceeded expenses for all the proprietary funds, with the exception of business incubator.

Expenses totaled \$10.5 million, a 1.5 percent decrease compared to prior year.

Capital contributions and investment earnings increased in comparison with prior year a 16 percent and 285 percent respectively, offset by a decrease in charges for services. This decrease is caused by an increase to the allowance for doubtful account in the ambulance fund to appropriately reflect the accounts receivable the ambulance fund might not collect.

The last rate increase from city rate study to compensate for historical shortfalls took place on July 1st, 2017. The steady rate increases over the past years are also contributors to the increase in net position for the enterprise funds.

For Business-type activities, the largest part of the revenue is attributable to Charges for Services - Program Revenues, which is made up of 35.3 percent Water, 31.7 percent Wastewater, 16.2 percent Ambulance, and 11.6 percent Sanitation.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

| Figure 3 | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$4,611,810 | \$1,985,216 | \$12,411,706 | \$12,756,708 | \$17,023,516 | \$14,741,925 |
| Operating grants and contributions | 2,372,433 | 2,002,228 | | | 2,372,433 | 2,002,228 |
| Capital grants and contributions | 6,874,510 | 4,511,855 | 1,214,350 | 1,046,430 | 8,088,860 | 5,558,285 |
| General Revenues: | | | | | | |
| City sales taxes | 9,720,729 | 8,978,743 | | | 9,720,729 | 8,978,743 |
| Franchise taxes | 437,765 | 435,767 | | | 437,765 | 435,767 |
| State shared revenues | 8,609,052 | 8,407,534 | | | 8,609,052 | 8,407,534 |
| Investment earnings | 296,968 | 182,505 | 285,758 | 74,278 | 582,725 | 256,783 |
| Development fees | | | 552,832 | | 552,832 | |
| Total Revenues | 32,923,267 | 26,503,849 | 14,464,646 | 13,877,417 | 47,387,912 | 40,381,266 |
| Expenses | | | | | | |
| General Government | 5,691,431 | 6,163,171 | | | 5,691,431 | 6,163,171 |
| Public Safety | 8,248,004 | 8,144,859 | | | 8,248,004 | 8,144,859 |
| Health and Welfare | 183,081 | 213,634 | | | 183,081 | 213,634 |
| Culture and Recreation | 2,726,204 | 2,579,256 | | | 2,726,204 | 2,579,256 |
| Community Development | 1,035,590 | 987,340 | | | 1,035,590 | 987,340 |
| Public Works & Streets | 3,436,305 | 3,810,361 | | | 3,436,305 | 3,810,361 |
| Interest on Long-Term Debt | 550,817 | 541,343 | | | 550,817 | 541,343 |
| Water | | | 2,955,792 | 2,696,643 | 2,955,792 | 2,696,643 |
| Wastewater | | | 3,624,956 | 3,648,877 | 3,624,956 | 3,648,877 |
| Business Center | | | 669,248 | 1,016,409 | 669,248 | 1,016,409 |
| Sanitation | | | 1,305,797 | 1,141,085 | 1,305,797 | 1,141,085 |
| Business Incubator | | | 182,586 | 173,272 | 182,586 | 173,272 |
| Ambulance Services | | | 1,721,285 | 1,946,014 | 1,721,285 | 1,946,014 |
| Total expenses | 21,871,431 | 22,439,965 | 10,459,664 | 10,622,300 | 32,331,094 | 33,062,264 |
| Increase/(decrease) in net position | 11,051,836 | 4,063,884 | 4,004,982 | 3,255,117 | 15,056,818 | 7,319,001 |
| Transfer | -364,030 | -407,435 | 364,030 | 407,435 | | 0 |
| Net position – beginning, as restated | 52,651,355 | 48,994,906 | 25,040,645 | 21,378,093 | 77,692,000 | 70,372,999 |
| Net position - ending | \$63,339,161 | \$52,651,355 | \$29,409,657 | \$25,040,645 | \$92,748,818 | \$77,692,000 |

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

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 Debt Service fund. The remaining governmental funds are considered non-major.

At June 30, 2019, the City's governmental funds reported combined fund balance of \$18.5 million, an increase of \$4.2 million from 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 \$15.3 million and the total fund balance was \$18.5 million. As a measure of the general fund's liquidity, unassigned fund balance represents approximately 90.1 percent of total general fund expenditures, while total fund balance represents approximately 90.5 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 4) 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 \$21.9 million. The cost of all business-type activities this year was \$10.5 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 \$27.5 million.
- The net cost of governmental activities of \$8.0 million was financed by general revenues of \$19.1 million, which are made up of primarily taxes and state shared revenues.
- Business type activities showed an increase in changes to net position of \$4.4 million in the fiscal year ended June 30, 2019 as compared to the prior fiscal year. The steady increase in user rates over the past years have played a significant role to this result. In addition, grants, capital contributions received, and investment earnings increased in significantly in comparison with prior year.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

| Figure 4 - Activities | Total Expenses | Net (Expense)/ Revenue |
|---------------------------------|----------------------|------------------------|
| Governmental Activities | | |
| General Government | \$ 5,691,431 | \$ (1,252,855) |
| Public Safety | 8,248,004 | (7,311,831) |
| Public Works and Streets | 3,436,305 | 4,506,661 |
| Health and Welfare | 183,081 | (183,081) |
| Culture and Recreation | 2,726,204 | (2,453,736) |
| Community Development | 1,035,590 | (767,020) |
| Interest on Long-Term Debt | 550,817 | (550,817) |
| Total Expenses | 21,871,431 | (8,012,678) |
| Business-Type Activities | | |
| Water | 2,955,792 | 2,034,950 |
| Wastewater | 3,624,956 | 912,554 |
| Business Center | 669,248 | (69,248) |
| Sanitation | 1,305,797 | 138,725 |
| Ambulance Services | 1,721,285 | 293,129 |
| Business Incubator | 182,586 | (143,717) |
| Total Expenses | 10,459,664 | 3,166,393 |
| Total | \$ 32,331,094 | \$ (4,846,285) |

Discretely Component Unit

The Detention Facility, which is a legally separate component unit from the financial statements of the City of San Luis, presents at June 30, 2019, a deficit of 1.5 million. This is an increase of 11.7 million when compared to the \$13.2 million deficit from last year. The reason for this favorable result is due to a change in the accounting method. At inception, the building and subsequent building expansion were depreciated at 20 years. In order to reflect appropriately the life of the asset and to be consistent with City of San Luis depreciation policy we changed the depreciation method to 45 years, instead of 20 years. There was also a considerable increase in revenue and expenses due to an increase in bed count occupancy due to the current political environment. Revenues increased 56 percent in comparison to prior year and expenditures increased 52 percent.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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.

General Fund revenues for fiscal year 2019 were \$ 3.0 million more than projected. Key differences between final estimated revenues and actual revenues were as follows:

- An increase in inmate population caused an increase in the rent revenue originated from the San Luis Detention Facility. The fees collected from this facility have a fixed fee component, in addition to a variable fee driven by the number of inmates.
- There was a significant increase in tax revenue. This is the result of an increase in housing developments, which have contributed to an increase in construction sales.

General Fund expenditures were 3.2 million less than the revised fiscal year 2019 budget due to the following:

- Per City of San Luis incentive policy, we can assist investors to bring new business to the City. In the budget FY 2019, City of San Luis allocated \$500,000 to assist investor in the development of a Hotel. This project experienced some delays in FY 2019, and it has been included again in budget for FY 2020.
- City of San Luis has struggled in filling its open positions in various departments, particularly in the Police and Fire Department. This has contributed to a significant variance in operating budget for these two departments.
- Construction of the first phase of a fleet shop was budgeted for \$450,000. There were delays in securing the design; hence, the project did not come to fruition in 2019.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

CAPITAL ASSETS

As of June 30, 2019, the City had invested \$180.4 million in capital assets including land, buildings, facilities, vehicles, computers, equipment, and infrastructure assets prior to depreciation. Total depreciation expense for the year was \$3.2 million for the governmental activities and \$2.0 million for the business-type-activities.

The following schedule (Figure 5) presents capital asset balances for the fiscal year ended June 30, 2019.

CAPITAL ASSETS

| Figure 5 | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Land | \$ 2,073,972 | \$ 1,531,972 | \$ 685,239 | \$ 685,239 | \$ 2,759,211 | \$ 2,217,211 |
| Construction in progress | 775,827 | 933,622 | 107,468 | 800,157 | 883,295 | 1,733,779 |
| Buildings and Improvements | 25,452,080 | 24,492,880 | 9,812,282 | 8,860,617 | 35,264,362 | 33,353,497 |
| Machinery and equipment | 11,880,275 | 11,571,732 | 10,090,660 | 9,119,143 | 21,970,935 | 20,690,875 |
| Infrastructure | 61,148,638 | 58,336,651 | 58,336,651 | 56,295,688 | 119,485,289 | 114,632,339 |
| Total | <u>\$ 101,330,792</u> | <u>\$ 96,866,857</u> | <u>\$ 79,032,299</u> | <u>\$ 75,760,844</u> | <u>\$ 180,363,092</u> | <u>\$ 172,627,701</u> |

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

- In 2001 the Public Health Community Facilities District (PHCFD) entered into a 30 year lease agreement with WAAHEC, such agreement stipulates that buildings and improvements constructed in PHCFD land are property of the PHCFD. Accordingly, the building and improvements for \$880,000 have been added to the Capital assets.
- Completion of reconstruction of Roadway International Plaza I Arden & Guiu at a cost of \$476,625.
- Developer contributed construction of infrastructure in subdivisions Santa Cecilia I, and Santa Cecilia II in the amount of \$1.9 Million and \$2.1 million respectively.
- Developer contributed construction of water and wastewater lines in subdivisions Santa Cecilia I, and Santa Cecilia II in the amount of \$653,020 and \$ 561,330 respectively.

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

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

DEBT ADMINISTRATION

At year end, the City's debts represent Revenue Bonds in the amount of \$49.3 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.

The following schedule presents a summary of the City's outstanding long-term obligations for the fiscal year ended June 30, 2019.

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

| Figure 6 | Governmental Activities | | Business-type Activities | | Total | |
|----------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenue bonds | \$ 14,546,314 | \$ 15,231,768 | \$ 34,744,986 | \$ 36,427,536 | \$ 49,291,301 | \$ 51,659,304 |
| Capital leases | 265,209 | 297,873 | 262,367 | 339,795 | 527,576 | 637,668 |
| Note payable | 174,463 | 270,762 | 243,768 | 57,843 | 418,231 | 328,605 |
| Total | \$ 14,985,986 | \$ 15,800,402 | \$ 35,251,121 | \$ 36,825,174 | \$ 50,237,108 | \$ 52,625,576 |

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 7 | BORDER CROSSING | | | | | |
|-------------|-----------------|---------------|---------------|----------------|---------------|---------------|
| Class | FY 2019 | | | FY 2018 | | |
| | Per Month High | Per Month Low | Daily Average | Per Month High | Per Month Low | Daily Average |
| Vehicles | 279,305 | 218,228 | 8,263 | 294,516 | 256,731 | 9,079 |
| Pedestrians | 273,033 | 156,686 | 6,721 | 363,727 | 151,796 | 7,499 |
| Commercial | 4,511 | 1,799 | 88 | 3,230 | 1,857 | 77 |

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

ECONOMICS FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

- 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 51 percent of the 19.1 million general revenues in fiscal year 2019. 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 2019, with the exception of retail sales which slightly declined 3.9 percent in comparison to prior year.
- 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.

A 3 Phase multi-million-dollar mix use project expected to be completed in the next 2 years. Phase I is a 20,000 square foot charter school to serve 300 students and employ 20 people. Phase II is a 50,000 square foot executive office and Phase III includes a building for medical and dental office.

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, ARIZONA
STATEMENT OF NET POSITION
June 30, 2019

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|---------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total | Detention Facility |
| ASSETS | | | | |
| Current assets: | | | | |
| Equity in Pooled Cash | \$3,628,848 | \$1,143,464 | \$4,772,312 | \$ - |
| Cash and Cash Equivalents | 3,128,653 | 568,404 | 3,697,057 | 3,517,233 |
| Investments | 12,016,054 | 12,303,547 | 24,319,599 | - |
| Receivables (net of allowance) | 2,211,920 | 1,529,830 | 3,741,750 | 2,944,551 |
| Prepaid items | 142,634 | 143,031 | 285,665 | - |
| Internal Balances | 1,190,982 | (1,190,982) | - | - |
| Inventories | 152,172 | - | 152,172 | - |
| Notes receivable | - | 64,806 | 64,806 | - |
| Due from other governments | 1,883,072 | - | 1,883,072 | - |
| Total current assets | <u>24,354,335</u> | <u>14,562,100</u> | <u>38,916,433</u> | <u>6,461,784</u> |
| Noncurrent assets: | | | | |
| Restricted Investment | 1,690,747 | 668,155 | 2,358,902 | 5,537,444 |
| Land | 2,073,972 | 685,239 | 2,759,211 | 661,359 |
| Construction in progress | 775,827 | 107,468 | 883,295 | - |
| Buildings and improvements | 25,452,080 | 9,812,282 | 35,264,362 | 34,129,886 |
| Machinery and equipment | 11,880,275 | 10,090,660 | 21,970,935 | 329,194 |
| Infrastructure | 61,148,638 | 58,336,651 | 119,485,289 | - |
| Accumulated depreciation | (34,259,521) | (26,797,772) | (61,057,293) | (7,944,862) |
| Total noncurrent assets | <u>68,762,018</u> | <u>52,902,683</u> | <u>121,664,701</u> | <u>32,713,021</u> |
| Total assets | <u>93,116,353</u> | <u>67,464,783</u> | <u>160,581,135</u> | <u>39,174,804</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflow related to pension | 3,090,333 | 511,821 | 3,602,154 | - |
| Deferred Loss on Refunding | 115,333 | 1,085,095 | 1,200,428 | 441,743 |
| Total deferred outflows of resources | <u>3,205,666</u> | <u>1,596,916</u> | <u>4,802,582</u> | <u>441,743</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | \$1,002,247 | \$463,573 | \$1,465,820 | \$ 4,188,587 |
| Claims payable | 284,423 | - | 284,423 | - |
| Accrued payroll and taxes | 994,199 | 53,415 | 1,047,614 | - |
| Court bonds payable | 72,981 | - | 72,981 | - |
| Customer deposits | 350 | 426,010 | 426,360 | - |
| Retainage | - | 101,317 | 101,317 | - |
| Accrued interest | 320,503 | 676,135 | 996,638 | 426,130 |
| Accrued principal | 567,325 | - | 567,325 | - |
| Current portion of Long Term Debt | 558,956 | 1,772,829 | 2,331,785 | 2,235,000 |
| Unearned Revenue | 32,000 | - | 32,000 | - |
| Total Current Liabilities | <u>3,832,984</u> | <u>3,493,279</u> | <u>7,326,263</u> | <u>6,849,717</u> |
| Non current liabilities | | | | |
| Pension | 11,892,897 | 1,861,624 | 13,754,521 | - |
| Non-current portion of long term debt | 14,500,838 | 33,572,675 | 48,073,513 | 34,252,977 |
| Total non current liabilities | <u>26,393,735</u> | <u>35,434,299</u> | <u>61,828,034</u> | <u>34,252,977</u> |
| Total liabilities | <u>30,226,719</u> | <u>38,927,578</u> | <u>69,154,296</u> | <u>41,102,694</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflow related to pension | 2,583,231 | 533,544 | 3,116,775 | - |
| Deferred gain on refunding | 172,908 | 190,920 | 363,828 | - |
| Total deferred inflows of resources | <u>2,756,139</u> | <u>724,464</u> | <u>3,480,603</u> | <u>-</u> |
| NET POSITION | | | | |
| Net Investment in capital assets | 52,027,709 | 19,200,217 | 71,227,926 | (8,870,657) |
| Restricted for: | | | | |
| Debt service | - | - | - | 5,111,314 |
| Capital Project | 2,313,172 | 978,691 | 3,291,863 | - |
| Assessment Districts | 417,210 | - | 417,210 | - |
| Employee Benefit Trust | 3,075,725 | - | 3,075,725 | - |
| HURF | 188,882 | - | 188,882 | - |
| Restricted for other purposes | 292,062 | - | 292,062 | - |
| Unrestricted | <u>5,024,402</u> | <u>9,230,749</u> | <u>14,255,151</u> | <u>2,273,197</u> |
| Total net position | <u>\$63,339,161</u> | <u>\$29,409,657</u> | <u>\$92,748,817</u> | <u>(\$1,486,146)</u> |

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



City of San Luis
Statement of Activities
For the Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities: | | | | |
| General government | \$5,691,431 | \$3,544,657 | \$4,919 | \$889,000 |
| Public safety | 8,248,004 | 423,258 | 322,859 | 190,056 |
| Public works and streets | 3,436,305 | 371,427 | 1,776,085 | 5,795,454 |
| Health and welfare | 183,081 | - | - | - |
| Culture and recreation | 2,726,204 | 272,468 | - | - |
| Community development | 1,035,590 | - | 268,570 | - |
| Interest on long-term debt | 550,817 | - | - | - |
| Total governmental activities | <u>21,871,431</u> | <u>4,611,810</u> | <u>2,372,433</u> | <u>6,874,510</u> |
| Business-type activities: | | | | |
| Water | 2,955,792 | 4,382,952 | - | 607,790 |
| Wastewater | 3,624,956 | 3,930,950 | - | 606,560 |
| Business Center | 669,248 | 600,000 | - | - |
| Sanitation | 1,305,797 | 1,444,522 | - | - |
| Ambulance Services | 1,721,285 | 2,014,413 | - | - |
| Business Incubator | 182,586 | 38,869 | - | - |
| Total business-type activities | <u>10,459,664</u> | <u>12,411,706</u> | <u>-</u> | <u>1,214,350</u> |
| Total primary government | <u>\$ 32,331,094</u> | <u>\$ 17,023,516</u> | <u>\$ 2,372,433</u> | <u>\$ 8,088,860</u> |
| Component Unit | | | | |
| Detention Facility | <u>\$26,996,933</u> | <u>\$26,703,542</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total component unit | <u>\$26,996,933</u> | <u>\$26,703,542</u> | <u>\$ -</u> | <u>\$ -</u> |

General revenues:
Taxes:
City sales taxes for general purposes
Franchise taxes
State shared revenue (not restricted)
Investment earnings
Development Fees
Transfer
Total general revenues and transfers
Changes in net position
Net position - beginning, as restated
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | | Component Unit |
|--------------------------------|---------------------------------|-----------------------|---------------------------|
| Governmental Activities | Business-type Activities | Total | Detention Facility |
| (\$1,252,855) | \$ - | (\$1,252,855) | \$ - |
| (7,311,831) | - | (7,311,831) | - |
| 4,506,661 | - | 4,506,661 | - |
| (183,081) | - | (183,081) | - |
| (2,453,736) | - | (2,453,736) | - |
| (767,020) | - | (767,020) | - |
| (550,817) | - | (550,817) | - |
| <u>(8,012,678)</u> | <u>-</u> | <u>(8,012,678)</u> | <u>-</u> |
| | 2,034,950 | 2,034,950 | |
| - | 912,554 | 912,554 | |
| - | (69,248) | (69,248) | |
| - | 138,725 | 138,725 | |
| - | 293,129 | 293,129 | |
| - | (143,717) | (143,717) | |
| <u>-</u> | <u>3,166,393</u> | <u>3,166,393</u> | <u>-</u> |
| <u>\$ (8,012,678)</u> | <u>\$ 3,166,393</u> | <u>\$ (4,846,285)</u> | <u>\$</u> |
| | | | <u>(\$293,391)</u> |
| | | | <u>(\$293,391)</u> |
| 9,720,729 | - | 9,720,729 | - |
| 437,765 | - | 437,765 | - |
| 8,609,052 | - | 8,609,052 | - |
| 296,968 | 285,758 | 582,725 | 154,717 |
| | 552,832 | 552,832 | - |
| (364,030) | 364,030 | - | - |
| <u>18,700,483</u> | <u>1,202,620</u> | <u>19,903,103</u> | <u>154,717</u> |
| 10,687,806 | 4,369,012 | 15,056,818 | (138,673) |
| <u>52,651,355</u> | <u>25,040,645</u> | <u>77,691,999</u> | <u>(1,347,473)</u> |
| <u>\$ 63,339,161</u> | <u>\$ 29,409,657</u> | <u>\$ 92,748,817</u> | <u>\$ (1,486,146)</u> |



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUNDS

**CITY OF SAN LUIS, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | MAJOR FUNDS | | | | Total Governmental Funds |
|---|----------------------|-------------------|---------------------|---------------------|--------------------------------|
| | General | Highway Users | Debt Service | Non-Major Funds | |
| <u>ASSETS</u> | | | | | |
| Equity in Pooled Cash | \$ 2,951,764 | \$ - | \$ - | \$ 677,085 | \$ 3,628,848 |
| Investments | 9,271,711 | 446,751 | - | 2,297,594 | 12,016,056 |
| Restricted Investments | | - | 1,690,747 | | 1,690,747 |
| Accounts receivable (net) | 1,887,819 | - | 2,232 | 90,374 | 1,980,425 |
| Due from governmental entities | 1,535,164 | 250,312 | - | 97,596 | 1,883,072 |
| Due from other funds | 2,487,783 | | - | | 2,487,783 |
| Prepaid items | 63,098 | 278 | 857 | 78,400 | 142,634 |
| Supplies Inventory | 13,977 | 138,195 | - | - | 152,172 |
| Total assets | \$ 18,211,316 | \$ 835,536 | \$ 1,693,837 | \$ 3,241,049 | \$ 23,981,737 |
| <u>LIABILITIES</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 689,219 | \$ 185,624 | \$ - | \$ 127,405 | \$ 1,002,247 |
| Accrued payroll and taxes | 984,050 | 10,149 | - | - | 994,199 |
| Due to other funds | | 312,409 | 984,392 | - | 1,296,802 |
| Court bonds payable | 72,981 | - | - | - | 72,981 |
| Customer deposits | 350 | - | - | - | 350 |
| Accrued interest | | - | 320,503 | - | 320,503 |
| Accrued principal | | - | 567,325 | | 567,325 |
| Unearned Revenue | 19,200 | - | - | 12,800 | 32,000 |
| Total liabilities | 1,765,800 | 508,181 | 1,872,220 | 140,205 | 4,286,406 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | |
| Unavailable revenue | 1,122,832 | - | - | 81,730 | 1,204,562 |
| Total Deferred inflows of resources | 1,122,832 | - | - | 81,730 | 1,204,562 |
| <u>FUND BALANCES (DEFICITS)</u> | | | | | |
| Non-spendable | | | | | |
| Non spendable in form | 77,075 | 138,473 | 857 | 78,400 | 294,805 |
| Restricted for: | | | | | |
| HURF | - | 188,882 | - | - | 188,882 |
| Other Purposes | - | - | - | 292,062 | 292,062 |
| Assesment Districts | | - | | 335,480 | 335,480 |
| Impact Fees | | | | 2,313,172 | 2,313,172 |
| Unassigned | 15,245,609 | - | (179,241) | - | 15,066,368 |
| Total fund balances | 15,322,684 | 327,354 | (178,384) | 3,019,114 | 18,490,769 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 18,211,316 | \$ 835,536 | \$ 1,693,836 | \$ 3,241,049 | \$ 23,981,737 |

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

**CITY OF SAN LUIS, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

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

| | | |
|---|---------------------|-----------------------------|
| Total governmental fund balances | | \$ 18,490,768 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | |
| Governmental capital assets | \$ 101,330,791 | |
| Less accumulated depreciation | <u>(34,259,521)</u> | 67,071,270 |
| Some Receivables are not available to pay current period expenditures and, therefore, are reported as unavailable revenues in the funds. | | |
| Municipal Court | 786,521 | |
| LaSalle | 336,311 | |
| Assesments | 81,730 | |
| Intergovernmental | <u>-</u> | 1,204,562 |
| 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. | | |
| | | (57,575) |
| Deferred outflows and inflows of resources related to pensions are applicable to future period and therefore are not reported in the funds | | |
| Deferred outflows of resources related to pension | 3,090,333 | |
| Deferred inflows of resources related to pension | <u>(2,583,231)</u> | 507,102 |
| The assets and liabilities of the internal service fund, which is used by management to charge the cost of insurance to individual funds, are included in governmental activities in the statement of net position. | | |
| | | 3,075,725 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds | | |
| Net pension liability | (11,892,897) | |
| Revenue bonds payable | (13,978,989) | |
| Capatl Lease Payable | (265,209) | |
| Compensated absences payable | (641,133) | |
| Note payable | <u>(174,462)</u> | <u>(26,952,691)</u> |
| Net position of governmental activities | | \$ <u>63,339,161</u> |

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



CITY OF SAN LUIS, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

| | MAJOR FUNDS | | | | Total Governmental Funds |
|--|----------------------|-------------------|----------------------|------------------------------------|-----------------------------|
| | General | Highway Users | Debt Service Fund | Non-Major Governmental Funds | |
| REVENUES | | | | | |
| Taxes | \$ 10,158,495 | \$ - | \$ - | \$ - | \$ 10,158,495 |
| Special assessments | | | | 335,006 | 335,006 |
| Licenses and permits | 843,768 | - | - | | 843,768 |
| Intergovernmental | 8,609,052 | 2,804,155 | - | 1,223,490 | 12,636,697 |
| Charges for services | 101,775 | - | - | 763,955 | 865,730 |
| Fines and forfeitures | 270,007 | - | - | 224,821 | 494,828 |
| Investment earnings | 178,783 | 35,565 | 36,654 | 40,945 | 291,947 |
| Rents | 1,358,079 | - | - | | 1,358,079 |
| Other | 304,536 | 371,427 | - | 2,500 | 678,463 |
| Total revenues | 21,824,495 | 3,211,147 | 36,654 | 2,590,717 | 27,663,013 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 5,248,380 | - | - | 171,578 | 5,419,958 |
| Public safety | 7,701,341 | - | - | 520,065 | 8,221,406 |
| Public works and streets | - | 1,628,617 | - | 66,436 | 1,695,053 |
| Health and welfare | 258,917 | - | - | - | 258,917 |
| Culture and recreation | 2,511,205 | - | - | 18,637 | 2,529,842 |
| Community development | 824,189 | - | 1,293 | 283,024 | 1,108,506 |
| Capital outlay | 237,386 | 1,042,629 | - | 1,238,145 | 2,518,160 |
| Debt service | - | - | - | - | - |
| Interest | 2,854 | - | 641,005 | - | 643,859 |
| Principal | 141,265 | - | 567,325 | - | 708,590 |
| Total expenditures | 16,925,538 | 2,671,246 | 1,209,624 | 2,297,885 | 23,104,293 |
| Excess (deficiency) of revenues over expenditures | 4,898,956 | 539,901 | (1,172,970) | 292,832 | 4,558,720 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | 1,192,968 | 243,196 | 1,436,164 |
| Transfers out | (1,528,170) | (243,196) | - | (28,828) | (1,800,194) |
| Issuance of capital lease | 12,302 | - | - | - | 12,302 |
| Total other financing sources (uses) | (1,515,868) | (243,196) | 1,192,968 | 214,368 | (351,728) |
| Net Change in fund balances | 3,383,088 | 296,705 | 19,998 | 507,200 | 4,206,992 |
| Fund balance - beginning, as restated | 11,939,597 | 30,648 | (198,383) | 2,511,915 | 14,283,777 |
| Fund balance (deficit) - ending | \$ 15,322,684 | \$ 327,353 | \$ (178,384) | \$ 3,019,115 | \$ 18,490,768 |

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

CITY OF SAN LUIS, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

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

| | |
|--|-------------|
| Net change in fund balances - total governmental funds | \$4,206,992 |
|--|-------------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense in the current period.

| | | |
|-------------------------------------|--------------------|-------------|
| Expenditures for capitalized assets | 2,097,384 | |
| Less current year depreciation | <u>(3,197,904)</u> | (1,100,520) |

Some Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the Governmental funds.

| | | |
|---|---------------|-----------|
| Municipal Court | (28,342) | |
| Capital Contribution | 4,915,692 | |
| LaSalle | 336,311 | |
| Intergovernmental grant and special assessments | <u>31,574</u> | 5,255,235 |

The issuance of long term debt provides current financial resources to governmental funds, while the repayments of Long Term Debt principal are expenditures in the governmental funds that consumes the current financial resources of governmental funds; however, neither transaction has any effect on net position.

| | | |
|----------------------------------|---------------|---------|
| Principal Accrued | 327,325 | |
| Principal Accrued | 240,000 | |
| Issuance of Capital Lease | (12,302) | |
| Capital Lease Payable | 44,966 | |
| Note Payable Principal Repayment | <u>96,300</u> | 696,289 |

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 | 1,454,054 | |
| Pension Expense | <u>(583,319)</u> | 870,735 |

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 | (3,153) | |
| Amortization of Deferred bond items | 93,043 | |
| Compensated absences | <u>(81,358)</u> | 8,532 |

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

750,544

Change in net position in governmental activities

\$10,687,806

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

CITY OF SAN LUIS, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|--|--------------------|--------------------|----------------------|-------------------------------|
| | Original | Final | Actual Amounts | |
| Revenues: | | | | |
| Taxes | \$8,935,600 | \$8,935,600 | \$10,158,495 | \$1,222,895 |
| Licenses and permits | 587,600 | 587,600 | 843,768 | 256,168 |
| Intergovernmental | 8,575,000 | 8,575,000 | 8,609,052 | 34,052 |
| Charges for services | 99,600 | 99,600 | 101,775 | 2,175 |
| Fines and forfeitures | 253,500 | 253,500 | 270,007 | 16,507 |
| Investment earnings | 90,500 | 90,500 | 178,783 | 88,283 |
| Rents | 226,900 | 226,900 | 1,358,079 | 1,131,179 |
| Other | 91,100 | 91,100 | 304,536 | 213,436 |
| Total revenues | 18,859,800 | 18,859,800 | 21,824,494 | 2,964,694 |
| Expenditures: | | | | |
| General government: | | | | |
| City Council | 1,339,260 | 1,211,323 | 827,875 | 383,448 |
| City Administration | 1,278,420 | 584,470 | 441,264 | 143,206 |
| City Clerk | 257,230 | 328,597 | 296,276 | 32,321 |
| City Attorney | 431,770 | 431,770 | 378,318 | 53,452 |
| City Prosecutor | 303,050 | 304,130 | 258,826 | 45,304 |
| Finance | 842,420 | 853,520 | 827,359 | 26,161 |
| Human Resources | 473,810 | 479,730 | 378,337 | 101,393 |
| Municipal Court | 675,590 | 680,740 | 598,946 | 81,794 |
| Information Technology | 432,160 | 438,750 | 418,636 | 20,114 |
| Facilities | 341,900 | 348,600 | 336,179 | 12,421 |
| Fleet Services | 217,320 | 220,020 | 180,767 | 39,253 |
| Risk & Property | 137,530 | 137,530 | 62,825 | 74,705 |
| Non Departmental | 163,400 | 243,240 | 242,773 | 467 |
| Public Safety | | | | |
| Police Department | 5,330,670 | 5,471,880 | 5,171,648 | 300,232 |
| Fire Department | 2,857,230 | 3,025,700 | 2,529,694 | 496,006 |
| Health and Welfare | | | | |
| Senior Services | 256,480 | 277,130 | 258,917 | 18,213 |
| Culture and Recreation | | | | |
| Cultural Center | 263,330 | 265,160 | 261,820 | 3,340 |
| Parks Ground | 1,371,200 | 1,404,580 | 1,350,583 | 53,997 |
| Parks - Recreation | 410,490 | 426,000 | 407,078 | 18,922 |
| Youth Center | 280,780 | 285,370 | 258,894 | 26,476 |
| Aquatic Center | 276,040 | 287,520 | 232,830 | 54,690 |
| Community Development | | | | |
| Development Services | 378,400 | 378,400 | 278,947 | 99,453 |
| Building Safety | 343,510 | 350,800 | 287,846 | 62,954 |
| Economic Development | 338,430 | 338,430 | 257,396 | 81,034 |
| Capital Outlay | 1,213,990 | 1,208,790 | 237,386 | 971,404 |
| Debt Service | | | | |
| Interest and Fiscal Changes | 2,250 | 2,950 | 2,854 | 96 |
| Principal Retirement | 138,850 | 141,350 | 141,265 | 85 |
| Total expenditures | 20,355,510 | 20,126,480 | 16,925,538 | 3,200,942 |
| Excess (deficiency) of revenues over expenditures | (1,495,710) | (1,266,680) | 4,898,956 | 6,165,636 |
| Other financing sources (uses): | | | | |
| Capital lease agreement | | | 12,302 | 12,302 |
| Transfers out | (2,357,025) | (2,357,025) | (1,528,170) | (828,855) |
| Total other financing sources (uses) | (2,357,025) | (2,357,025) | (1,515,868) | (816,553) |
| Change in fund balances | (3,852,735) | (3,623,705) | 3,383,088 | 7,006,793 |
| Fund balances - beginning | 4,323,222 | 3,887,452 | 11,939,597 | 8,052,145 |
| Fund Balances - ending | \$ 470,487 | \$ 263,747 | \$ 15,322,685 | \$ 15,058,938 |

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

CITY OF SAN LUIS, ARIZONA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
HIGHWAY USERS FUND
FOR THE YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|-----------------------|-----------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 2,533,900 | \$ 2,533,900 | \$2,804,155 | \$270,255 |
| Investment Earnings | 21,400 | 21,400 | 35,565 | 14,165 |
| Other | 202,800 | 202,800 | 371,427 | 168,627 |
| TOTAL REVENUES | <u>2,758,100</u> | <u>2,758,100</u> | <u>3,211,147</u> | <u>453,047</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Works and Streets | 2,084,410 | 2,182,660 | 1,628,617 | 554,043 |
| Capital Outlay | 1,202,520 | 1,177,020 | 1,042,629 | 134,391 |
| Total Expenditures | <u>3,286,930</u> | <u>3,359,680</u> | <u>2,671,246</u> | <u>688,434</u> |
| Excess (deficiency) of revenues over expenditures | <u>(528,830)</u> | <u>(601,580)</u> | <u>539,901</u> | <u>1,141,481</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(260,000)</u> | <u>(260,000)</u> | <u>(243,196)</u> | <u>(16,804)</u> |
| Total other financing sources (uses) | <u>(260,000)</u> | <u>(260,000)</u> | <u>(243,196)</u> | <u>(16,804)</u> |
| Change in fund balances | <u>(788,830)</u> | <u>(861,580)</u> | <u>296,705</u> | <u>1,158,285</u> |
| Fund balances - beginning, as restated | <u>(1,087,520)</u> | <u>(1,408,955)</u> | <u>30,648</u> | <u>1,439,603</u> |
| Fund Balances - ending | <u>\$ (1,876,350)</u> | <u>\$ (2,270,535)</u> | <u>\$ 327,353</u> | <u>\$ 2,597,888</u> |

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

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF SAN LUIS, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

| | Enterprise Funds | | | |
|---|----------------------|----------------------|--------------------|---------------------|
| | Water | Wastewater | Sanitation | Business Incubator |
| ASSETS | | | | |
| Current assets: | | | | |
| Equity in pooled cash | \$ | \$ 128,518 | \$ | \$ |
| Cash and cash equivalents | 370,004 | - | - | - |
| Investments | 7,786,278 | 4,517,269 | - | - |
| Accounts receivable (net) | 500,145 | 137,962 | 43,726 | 3,474 |
| Notes receivable | 64,806 | - | - | - |
| Prepaid items and other assets | 93,784 | 16,609 | 13,030 | 150 |
| Total current assets | 8,815,017 | 4,800,358 | 56,756 | 3,624 |
| Non-current assets: | | | | |
| Restricted Investments | 667,689 | - | - | - |
| Land | 190,271 | 150,757 | - | - |
| Buildings and improvements | - | 1,902,764 | 26,596 | 2,007,718 |
| Infrastructure | 24,628,850 | 33,707,801 | - | - |
| Machinery and equipment | 2,436,913 | 2,099,321 | 2,217,831 | 136,264 |
| Construction in progress | 3,350 | 96,646 | - | - |
| Accumulated depreciation | (8,010,486) | (11,906,143) | (1,757,585) | (209,226) |
| Total non-current assets | 19,916,587 | 26,051,146 | 486,842 | 1,934,756 |
| Total assets | 28,731,604 | 30,851,504 | 543,598 | 1,938,380 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflow related to pension | 77,390 | 108,305 | 36,576 | - |
| Deferred loss on refundings | - | - | - | - |
| Total deferred outflows of resources | 77,390 | 108,305 | 36,576 | - |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 142,030 | 181,920 | 77,097 | 3,029 |
| Estimated Claims and judgements | - | - | - | - |
| Accrued payroll and taxes | 10,902 | 15,209 | 3,438 | 541 |
| Due to other funds | 158,892 | - | 39,494 | 496,783 |
| Customer deposits | 415,101 | 6,800 | - | 4,109 |
| Retainage payable | 101,317 | - | - | - |
| Accrued interest | 238,635 | 278,618 | - | - |
| Current portion of long-term debt | 374,480 | 468,874 | 67,562 | 1,180 |
| Total current liabilities | 1,441,357 | 951,421 | 187,591 | 505,642 |
| Non-current liabilities: | | | | |
| Pension | 530,273 | 795,410 | 265,137 | - |
| Non-current portion of long-term debt | 10,640,571 | 12,557,187 | 189,325 | 346 |
| Total non-current liabilities | 11,170,844 | 13,352,597 | 454,462 | 346 |
| Total liabilities | 12,612,201 | 14,304,018 | 642,053 | 505,988 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pension | 68,380 | 102,569 | 34,190 | - |
| Deferred inflow on refundings | 90,057 | 100,863 | - | - |
| Total deferred inflow | 158,437 | 203,432 | 34,190 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 8,163,746 | 14,273,059 | 243,074 | 1,934,755 |
| Restricted for Capital Project | 60,945 | 917,746 | - | - |
| Restricted for Employee Benefit Trust | - | - | - | - |
| Unrestricted | 7,813,665 | 1,261,554 | (339,143) | (502,363) |
| Total net position | \$ 16,038,356 | \$ 16,452,359 | \$ (96,069) | \$ 1,432,392 |

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

| Ambulance Services | Enterprise Funds | | Internal Service Fund |
|---------------------|-----------------------|----------------------|-----------------------|
| | Business Center | Total | Insurance Fund |
| \$ 1,014,946 | \$ | \$ 1,143,464 | \$ |
| - | 198,400 | 568,404 | 3,128,653 |
| - | - | 12,303,547 | - |
| 794,522 | 50,001 | 1,529,830 | 231,495 |
| - | - | 64,806 | - |
| 19,458 | - | 143,031 | - |
| <u>1,828,926</u> | <u>248,401</u> | <u>15,753,082</u> | <u>3,360,148</u> |
| - | 466 | 668,155 | - |
| - | 344,211 | 685,239 | - |
| - | 5,875,204 | 9,812,282 | - |
| - | - | 58,336,651 | - |
| 536,387 | 2,663,944 | 10,090,660 | - |
| - | 7,472 | 107,468 | - |
| <u>(153,069)</u> | <u>(4,761,263)</u> | <u>(26,797,772)</u> | <u>-</u> |
| <u>383,318</u> | <u>4,130,034</u> | <u>52,902,683</u> | <u>-</u> |
| <u>2,212,244</u> | <u>4,378,435</u> | <u>68,655,765</u> | <u>3,360,148</u> |
| 289,550 | - | 511,821 | - |
| - | 1,085,095 | 1,085,095 | - |
| <u>289,550</u> | <u>1,085,095</u> | <u>1,596,916</u> | <u>-</u> |
| 59,422 | 75 | 463,573 | - |
| - | - | - | 284,423 |
| 23,325 | - | 53,415 | - |
| - | 495,813 | 1,190,982 | - |
| - | - | 426,010 | - |
| - | - | 101,317 | - |
| 7,507 | 151,375 | 676,135 | - |
| 105,733 | 755,000 | 1,772,829 | - |
| <u>195,987</u> | <u>1,402,263</u> | <u>4,684,261</u> | <u>284,423</u> |
| 270,804 | - | 1,861,624 | - |
| 190,215 | 9,995,031 | 33,572,675 | - |
| <u>461,019</u> | <u>9,995,031</u> | <u>35,434,299</u> | <u>-</u> |
| <u>657,006</u> | <u>11,397,294</u> | <u>40,118,560</u> | <u>284,423</u> |
| - | - | - | - |
| 328,405 | - | 533,544 | - |
| - | - | 190,920 | - |
| <u>328,405</u> | <u>-</u> | <u>724,464</u> | <u>-</u> |
| 120,951 | (5,535,368) | 19,200,217 | - |
| - | - | 978,691 | - |
| - | - | - | 3,075,725 |
| <u>1,395,432</u> | <u>(398,396)</u> | <u>9,230,749</u> | <u>-</u> |
| <u>\$ 1,516,383</u> | <u>\$ (5,933,764)</u> | <u>\$ 29,409,657</u> | <u>\$ 3,075,725</u> |

CITY OF SAN LUIS, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET FUND POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

| | Enterprise Funds | | |
|---|----------------------|----------------------|--------------------|
| | Water | Wastewater | Sanitation |
| Operating revenues: | | | |
| Charges for services | \$ 4,271,011 | \$ 3,930,054 | \$ 1,408,126 |
| Rent | - | - | - |
| Other | 111,942 | 896 | 36,396 |
| Total operating revenues | <u>4,382,953</u> | <u>3,930,950</u> | <u>1,444,522</u> |
| Operating expenses: | | | |
| Cost of sales and services | 1,910,980 | 2,148,748 | 1,201,434 |
| Insurance Premiums/Claims | - | - | - |
| Depreciation | 614,010 | 968,664 | 99,400 |
| Total operating expenses | <u>2,524,990</u> | <u>3,117,412</u> | <u>1,300,834</u> |
| Operating income (loss) | <u>1,857,963</u> | <u>813,538</u> | <u>143,688</u> |
| Nonoperating revenues (expenses): | | | |
| Investment earnings | 194,117 | 90,207 | - |
| Development Fees | - | 552,832 | - |
| Interest and fiscal charges | (430,802) | (507,544) | (4,963) |
| Total nonoperating revenues (expenses) | <u>(236,685)</u> | <u>135,495</u> | <u>(4,963)</u> |
| Income before Contributions and Transfers | 1,621,278 | 949,033 | 138,725 |
| Capital contributions | 607,790 | 606,560 | - |
| Transfer in | - | 28,828 | - |
| Changes in net position | <u>2,229,068</u> | <u>1,584,421</u> | <u>138,725</u> |
| Total net position, beginning of year | <u>13,809,290</u> | <u>14,867,938</u> | <u>(234,794)</u> |
| Total net position, end of year | <u>\$ 16,038,358</u> | <u>\$ 16,452,359</u> | <u>\$ (96,069)</u> |

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

| Enterprise Funds | | | | Internal Service Fund |
|---------------------|---------------------|-----------------------|----------------------|-----------------------|
| Business Incubator | Ambulance Services | Business Center | Total | Insurance Fund |
| \$ - | \$ 2,005,913 | \$ - | \$ 11,615,104 | \$ 2,711,758 |
| 36,367 | - | 600,000 | 636,367 | - |
| 2,502 | 8,500 | - | 160,236 | - |
| <u>38,869</u> | <u>2,014,413</u> | <u>600,000</u> | <u>12,411,707</u> | <u>2,711,758</u> |
| 135,999 | 1,640,594 | 76,287 | 7,114,042 | - |
| - | - | - | - | 1,966,234 |
| <u>46,587</u> | <u>73,184</u> | <u>190,897</u> | <u>1,992,742</u> | <u>-</u> |
| <u>182,586</u> | <u>1,713,778</u> | <u>267,184</u> | <u>9,106,784</u> | <u>1,966,234</u> |
| <u>(143,717)</u> | <u>300,635</u> | <u>332,816</u> | <u>3,304,923</u> | <u>745,524</u> |
| - | - | 1,432 | 285,756 | 5,020 |
| - | - | - | 552,832 | - |
| <u>-</u> | <u>(7,507)</u> | <u>(402,064)</u> | <u>(1,352,880)</u> | <u>-</u> |
| - | (7,507) | (400,632) | (514,292) | 5,020 |
| <u>(143,717)</u> | <u>293,129</u> | <u>(67,816)</u> | <u>2,790,632</u> | <u>750,544</u> |
| - | - | - | 1,214,350 | - |
| - | - | 335,202 | 364,030 | - |
| <u>(143,717)</u> | <u>293,129</u> | <u>267,386</u> | <u>4,369,012</u> | <u>750,544</u> |
| <u>1,576,108</u> | <u>1,223,253</u> | <u>(6,201,150)</u> | <u>25,040,645</u> | <u>2,325,181</u> |
| <u>\$ 1,432,391</u> | <u>\$ 1,516,382</u> | <u>\$ (5,933,764)</u> | <u>\$ 29,409,657</u> | <u>\$ 3,075,725</u> |

**CITY OF SAN LUIS, ARIZONA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019**

| | Enterprise Funds | | |
|--|---------------------|---------------------|--------------------|
| | Water | Wastewater | Sanitation |
| <u>Increase/(Decrease) In Cash and Cash Equivalents</u> | | | |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 4,432,754 | \$ 3,903,390 | \$ 1,438,056 |
| Cash payments to suppliers for goods and services | (1,552,571) | (1,156,572) | (845,790) |
| Cash payments to employees for services | (614,507) | (852,018) | (298,070) |
| Net cash provided by (used for) operating activities | 2,265,676 | 1,894,799 | 294,196 |
| Cash flows from noncapital and related financing activities: | | | |
| Transfers from other funds | - | - | - |
| Increase (decrease) due to other funds | (560,738) | - | (198,415) |
| Net cash provided by (used for) noncapital and related financing activities | (560,738) | - | (198,415) |
| Cash flows from capital and related financing activities: | | | |
| Proceeds from debt issuance | - | - | 246,842 |
| Development Fees | - | 552,832 | - |
| Payments for capital acquisitions | (659,013) | (692,460) | (276,743) |
| Principal paid on long-term debt | (346,035) | (431,381) | (60,917) |
| Interest paid on long-term debt | (483,138) | (564,682) | (4,963) |
| Net cash provided by (used for) capital and related financing activities | (1,488,187) | (1,135,691) | (95,781.00) |
| Cash flows from investing activities: | | | |
| Investment income (loss) | 194,116 | 90,207 | - |
| Net cash provided by investing activities | 194,116 | 90,207 | - |
| Net increase/decrease in cash and cash equivalents | 410,866 | 849,316 | - |
| Cash and cash equivalents, beginning of year, as restated | 8,413,105 | 3,796,472 | - |
| Cash and cash equivalents, end of year | \$ 8,823,971 | \$ 4,645,788 | - |
| <u>Reconciliation of Operating Income (loss) to</u> | | | |
| <u>Net Cash Provided by (Used for) Operating Activities</u> | | | |
| Operating income (loss) | \$ 1,857,963 | \$ 813,538 | 143,688 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation | 614,010 | 968,664 | 99,400 |
| Difference between pension expense and pension contributions | (138,259) | 42,444 | (17,179) |
| Change in assets and liabilities: | | | |
| (Increase)/ decrease in accounts receivable | 968 | (28,010) | (6,467) |
| (Increase)/ decrease in prepaid items and other assets | (15,061) | 316 | 37,328 |
| Increase/ (decrease) in accounts payable | (106,919) | 96,047 | 41,521 |
| Increase/ (decrease) in customer deposits | 48,834 | 450 | - |
| Increase/ (decrease) in retainage payable | - | - | - |
| Increase/ (decrease) in accrued payroll and taxes | 1,291 | 1,460 | (1,142) |
| Increase/ (decrease) in unearned revenue | - | - | - |
| Increase/ (decrease) in compensated absences payable | 2,850 | (110) | (2,952) |
| Total adjustments | 407,713 | 1,081,262 | 150,509 |
| Net cash provided by (used for) operating activities | \$ 2,265,676 | \$ 1,894,799 | \$ 294,196 |

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

| Business Incubator | Enterprise Funds | | | Total | Internal Service |
|---------------------|--------------------|--------------------|---------------------|-------------------|------------------|
| | Ambulance Services | Business Center | Insurance Fund | | |
| \$ 34,631 | \$ 2,085,958 | \$ 600,412 | \$ 12,495,201 | \$ 2,712,508 | |
| (97,937) | (459,273) | (537,108) | (4,649,252) | (1,840,212) | |
| (38,269) | (1,147,739) | - | (2,950,603) | - | |
| <u>(101,576)</u> | <u>478,946</u> | <u>63,304</u> | <u>4,895,347</u> | <u>872,296</u> | |
| - | - | 335,202 | 335,202 | - | |
| 119,106 | - | 495,813 | (144,235) | - | |
| <u>119,106</u> | <u>-</u> | <u>831,015</u> | <u>190,968</u> | <u>-</u> | |
| - | - | - | 246,842 | - | |
| - | - | - | 552,832 | - | |
| (17,530) | - | (401,529) | (2,047,276) | - | |
| - | (77,428) | (830,000) | (1,745,761) | - | |
| - | (9,853) | (378,144) | (1,440,780) | - | |
| <u>(17,530)</u> | <u>(87,281)</u> | <u>(1,609,673)</u> | <u>(4,434,143)</u> | <u>-</u> | |
| - | - | 1,432 | 285,755 | 5,020 | |
| - | - | 1,432 | 285,755 | 5,020 | |
| - | 391,665 | (713,922) | 937,925 | 877,316 | |
| - | 623,280 | 912,787 | 13,745,645 | 2,251,337 | |
| - | \$ 1,014,946 | \$ 198,866 | \$ 14,683,569 | \$ 3,128,653 | |
| <u>\$ (143,717)</u> | <u>\$ 300,635</u> | <u>\$ 332,816</u> | <u>3,304,923</u> | <u>\$ 745,524</u> | |
| 46,587 | 73,184 | 190,897 | 1,992,742 | - | |
| - | 5,458 | - | (107,536) | - | |
| (2,827) | 71,544 | 412 | 35,621 | 750 | |
| - | (9,418) | - | 13,165 | - | |
| (415) | 11,666 | (415,497) | (373,598) | 126,022 | |
| 580 | - | - | 49,863 | - | |
| - | - | (45,324) | (45,324) | - | |
| 56 | 7,274 | - | 8,939 | - | |
| (1,991) | - | - | (1,991) | - | |
| 151 | 18,603 | - | 18,542 | - | |
| <u>42,141</u> | <u>178,311</u> | <u>(269,512)</u> | <u>1,590,423</u> | <u>126,772</u> | |
| <u>\$ (101,576)</u> | <u>\$ 478,946</u> | <u>\$ 63,304</u> | <u>\$ 4,895,345</u> | <u>\$ 872,296</u> | |

NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 year ended June 30, 2019, the City implemented the provisions of GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. This Statement requires enhanced note disclosures and clarifies which liabilities governments should include when disclosing information related to debt.

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 Public Health Community Facilities District (PHCFD) 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

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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.

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, 2019**

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, 2019**

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.

The County Treasurer is responsible for collecting property taxes for all governmental entities within the county. The county levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise

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.

Debt Service Fund– 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, 2019**

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
- Community Development

Capital Projects Funds

- Capital Outlay Reserve

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 Fund 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, 2019**

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, 2019**

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 non-operating 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.

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 of the governmental are recorded under the consumption method. Inventories are recorded as expenditures when consumed rather than when purchased. Inventories are valued at year end based on cost, with cost determined using an average cost method.

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, 2019**

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, 2019**

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, 2019.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2017 |
| Measurement Date: | June 30, 2018 |
| Measurement Period: | July 1, 2016 to June 30, 2017 |

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.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2019**

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.

| | <u>General Fund</u> | <u>Highway Users Fund</u> | <u>Debt Service Fund</u> | <u>Non-Major Governmental Funds</u> |
|----------------------|----------------------|-------------------------------|------------------------------|---|
| Fund Balances: | | | | |
| Non spendable: | | | | |
| Inventory | \$ 13,977 | \$ 138,195 | \$ | \$ |
| Prepaid items | 63,098 | 278 | 857 | 78,400 |
| Restricted: | | | | |
| HURF | | 188,882 | | |
| Assessment Districts | | | | 335,480 |
| Impact fees | | | | 2,313,172 |
| Other purposes | | | | 292,062 |
| Unassigned | 15,245,609 | | (179,241) | |
| Total fund balances | <u>\$ 15,322,684</u> | <u>\$ 327,354</u> | <u>\$ (178,384)</u> | <u>\$ 3,019,114</u> |

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

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

T. Budget (Continued)

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.

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 | |
| Equity in Pooled Cash | \$ 3,628,848 | \$ 1,143,464 | \$ | \$ 4,772,312 |
| Cash and cash equivalents | 3,128,653 | 568,404 | 3,517,233 | 7,214,290 |
| Investments | 12,016,056 | 12,303,548 | | 24,319,604 |
| Restricted assets: | | | | |
| Cash and Investments | 1,690,746 | 668,154 | 5,537,444 | 7,896,344 |
| Total | <u>\$ 20,464,303</u> | <u>\$ 14,683,570</u> | <u>\$ 9,054,677</u> | <u>\$ 44,202,550</u> |

Cash and investments consisted of the following:

| | |
|-----------------|----------------------|
| Cash on hand | \$ 4,435 |
| Demand deposits | 8,464,934 |
| Investments | 35,733,181 |
| Total | <u>\$ 44,202,550</u> |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2- CASH AND INVESTMENTS (CONTINUED)

Demand Deposits - The carrying amounts of the City's demand deposits were \$8,464,934 at June 30, 2019. Bank balances were \$8,840,830 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 |
|-----------------|---------------|---|
| Money Market | \$ 11,413,577 | \$ 11,413,577 |
| State Treasurer | 24,319,604 | 24,319,064 |
| Total | \$ 35,733,181 | \$ 35,733,181 |

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, 2019**

NOTE 2- CASH AND INVESTMENTS (CONTINUED)

At June 30, 2019, all the City's investments were considered to be level two investments. The pricing methodology utilized by evaluators to value City's investment consisted in gathering information from market sources and integrate relative credit information, observed market movements, and sector news onto the evaluated pricing applications and models.

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, 2019, the City's investment in the State Treasurer's Government Investment Pool (LGIP) were rated AAA by Standard and Poor's Corporation. The City's investments in Money market were rated Aaa by Moody's investors.

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, 2019 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, 2019, City deposits of \$7,836,830 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, 2019, the City had \$11,413,577 of 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, 2019, the City's investments include 32 percent invested in money market funds, and 68 percent invested in the State Treasurer's investment pool.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3- RECEIVABLES

Receivables are reported net of allowance for uncollectible of \$1,027,200 for Proprietary Fund receivables and \$365,947 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 | | | | | | |
|--------------------------------|--------------------------|-------------------|-------------------|----------------------------------|--------------------|---------------------|---------------------|
| | General | Highway Users | Debt Service Fund | Non-Major Governmental and Other | Insurance Fund | Total | |
| Accounts receivable | \$ 1,101,299 | \$ - | \$ 2,232 | \$ 90,374 | \$ 231,495 | \$ 1,425,400 | |
| Fines receivable | 786,520 | | | | | 786,520 | |
| Due from governmental entities | 1,535,164 | 250,312 | | 97,596 | | 1,883,072 | |
| Net total receivable | <u>\$ 3,422,983</u> | <u>\$ 250,312</u> | <u>\$ 2,232</u> | <u>\$ 187,970</u> | <u>\$ 231,495</u> | <u>\$ 4,094,992</u> | |
| | | | | | | | |
| | Business-Type Activities | | | | | | |
| | Water | Wastewater | Business Center | Sanitation | Ambulance Services | Business Incubator | Total |
| Accounts receivable | \$ 500,145 | \$ 137,962 | \$ 50,001 | \$ 43,726 | \$ 794,522 | \$ 3,474 | \$ 1,529,830 |
| Notes receivable | 64,806 | | | | | | 64,806 |
| Net total receivables | <u>\$ 564,951</u> | <u>\$ 137,962</u> | <u>\$ 50,001</u> | <u>\$ 43,726</u> | <u>\$ 794,522</u> | <u>\$ 3,474</u> | <u>\$ 1,594,636</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 \$1,204,562.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4- INTERFUND TRANSACTIONS

A. Due From and To Other Funds

A. Due From and to Other Funds

| <u>Fund</u> | <u>Due From Other Funds</u> | <u>Due to other Funds</u> |
|--------------------|---------------------------------|-------------------------------|
| General | \$ 2,487,783 | |
| Highway Users | | \$ 312,409 |
| Water | | 158,892 |
| Sanitation | | 39,494 |
| Business Incubator | | 496,783 |
| Business Center | | 495,813 |
| Debt Service | | 984,392 |
| Total | <u>\$ 2,487,783</u> | <u>\$ 2,487,783</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.

B. Transfers

Transfers between primary government funds:

| <u>Transfer In:</u> | <u>Transfer Out</u> | | |
|---------------------|---------------------|--------------------------|----------------------------|
| | <u>General Fund</u> | <u>Highway User Fund</u> | <u>Non Major Gov Funds</u> |
| Debt Service Fund | \$ 1,192,968 | | |
| Non Mayor Fund | | \$ 243,196 | |
| Wastewater Fund | | | \$ 28,828 |
| Business Center | 335,202 | | |
| | <u>\$ 1,528,170</u> | <u>\$ 243,196</u> | <u>\$ 28,828</u> |

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 (2) to move revenues collected in the Highway Users fund to match the street projects for which grants were received, (3) to move funds from the special revenue account that manages grants obtained to fund waste water projects. (4) General fund is moving funds to Business Center fund to finance portion of debt in accordance to budgetary authorizations.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 5- CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2019 follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|--------------------|---------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,531,972 | \$ 542,000 | \$ | \$ 2,073,972 |
| Construction in progress | 933,622 | 1,183,208 | 1,341,003 | 775,827 |
| Total capital assets, not being depreciated | <u>2,465,594</u> | <u>1,725,208</u> | <u>1,341,003</u> | <u>2,849,799</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 24,492,880 | 985,500 | 26,300 | 25,452,080 |
| Machinery and equipment | 11,571,732 | 465,629 | 157,086 | 11,880,275 |
| Infrastructure | 55,970,894 | 5,177,744 | | 61,148,638 |
| Total capital assets being depreciated | <u>92,035,506</u> | <u>6,628,873</u> | <u>183,386</u> | <u>98,480,993</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (8,558,705) | (1,128,892) | (26,300) | (9,661,297) |
| Machinery and equipment | (7,317,315) | (879,021) | (153,933) | (8,042,403) |
| Infrastructure | (15,365,830) | (1,189,991) | | (16,555,821) |
| Total accumulated depreciation | <u>(31,241,850)</u> | <u>(3,197,904)</u> | <u>(180,233)</u> | <u>(34,259,521)</u> |
| Total capital assets, being depreciated, net | <u>60,793,656</u> | <u>3,430,969</u> | <u>3,153</u> | <u>64,221,472</u> |
| Governmental activities capital assets, net | <u>\$ 63,259,250</u> | <u>\$ 5,156,177</u> | <u>\$1,344,156</u> | <u>\$ 67,071,271</u> |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 5- CAPITAL ASSETS (CONTINUED)

| Business-type Activities | Beginning Balance | Increase | Decrease | Ending Balance |
|---|-------------------------------------|---------------------|---------------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 685,239 | \$ | \$ | \$ 685,239 |
| Construction in progress | 800,157 | 1,030,379 | 1,723,068 | 107,468 |
| Total capital assets, not being depreciated | <u>1,485,396</u> | <u>1,030,379</u> | <u>1,723,068</u> | <u>792,707</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 8,860,617 | 951,665 | | 9,812,282 |
| Machinery and equipment | 9,119,143 | 990,517 | 19,000 | 10,090,660 |
| Infrastructure | 56,295,688 | 2,040,963 | | 58,336,651 |
| Total capital assets being depreciated | <u>74,275,448</u> | <u>3,983,145</u> | <u>19,000</u> | <u>78,239,593</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (2,310,197) | (289,757) | | (2,599,954) |
| Machinery and equipment | (7,240,301) | (425,328) | (19,000) | (7,646,629) |
| Infrastructure | (15,273,532) | (1,277,657) | | (16,551,187) |
| Total accumulated depreciation | <u>(24,824,030)</u> | <u>(1,992,742)</u> | <u>(19,000)</u> | <u>(26,797,772)</u> |
| Total capital assets, being depreciated, net | <u>49,451,419</u> | <u>1,990,402</u> | | <u>51,441,821</u> |
| Business-type activities capital assets, net | <u>\$ 50,936,815</u> | <u>\$ 3,020,781</u> | <u>\$ 1,723,068</u> | <u>\$ 52,234,528</u> |
| | | | | |
| Discretely Presented Component Unit | Beginning Balance as restated | Increase | Decrease | Ending Balance |
| 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 | (6,852,859) | (762,809) | | (7,615,668) |
| Machinery and equipment | (327,760) | (1,434) | | (329,194) |
| Total accumulated depreciation | <u>(7,180,619)</u> | <u>(764,243)</u> | | <u>(7,944,862)</u> |
| Total capital assets, being depreciated, net | <u>27,278,461</u> | <u>(764,243)</u> | | <u>26,514,218</u> |
| Discretely presented component unit capital assets, net | <u>\$ 27,939,820</u> | <u>\$(764,243)</u> | <u>\$</u> | <u>\$ 27,175,577</u> |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 5- CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

| Governmental activities: | Amount |
|---|--------------|
| General government | \$ 940,545 |
| Public safety | 552,587 |
| Health and welfare | 11,651 |
| Culture and recreation | 307,596 |
| Community development | 9,260 |
| Public works and streets | 1,376,265 |
| Total depreciation expense | \$ 3,197,904 |
| Business-type activities: | |
| Water | \$ 614,010 |
| Wastewater | 968,664 |
| Business Center | 190,897 |
| Sanitation | 99,400 |
| Business Incubator | 46,587 |
| Ambulance Services | 73,184 |
| Total depreciation expense | \$ 1,992,742 |
| Discretely presented Component Unit: | |
| Detention Facility | \$ 764,243 |
| Total depreciation expense | \$ 764,243 |

NOTE 6- CONSTRUCTION COMMITMENTS

The City entered into several construction contracts for street projects (special revenue fund projects) and wastewater treatment projects totaling almost \$2.4 million. These commitments have only been recorded in the accompanying financial statements for work completed as of June 30, 2019. The remaining balance for work not yet complete at the end of the year is estimated at \$434,741 for governmental activities projects and \$592,141 million for business-type activities projects.

NOTE 7- OBLIGATIONS UNDER LEASES

Operating Leases – The City leases copiers/printers under certain non-cancelable operating leases. The City also leases copiers/printers on month to month basis, which are not subject to an agreement. 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 2019 amounted to \$54,725.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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: | |
| 2020 | \$ 17,097 |
| 2021 | 10,059 |
| 2022 | 6,924 |
| 2023 | 298 |
| Total | <u>\$ 34,378</u> |

Operating Lease Receivables- The city receives lease payments for leasing a commercial building to Advance Call Center Technologies, LLC (ACT). The term of this agreement has an ending date of April, 2027. Tenant have the option to extend term for two additional periods of (5) years each. Lease payments received during the FY 2019 amounted to \$ 600,000.

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

| | |
|------------------------|---------------------|
| Year Ending June 30th: | |
| 2020 | \$ 600,000 |
| 2021 | 600,000 |
| 2022 | 600,000 |
| 2023 | 600,000 |
| 2024 | 600,000 |
| 2025-27 | 1,800,000 |
| Total | <u>\$ 4,800,000</u> |

Capital Leases Obligation – 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 City has acquired one copier machine 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 General Fund is used to pay the capital lease obligation. Amortization of assets recorded under capital leases is included with depreciation expense.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7- OBLIGATIONS UNDER LEASES (CONTINUED)

The City has acquired 63 portable radios for the City of San Luis Fire and Police Departments 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 General Fund and the Ambulance Fund are 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:

| Asset: | Governmental Activities | Business-Type Activities | Total |
|-----------------------------------|----------------------------|-----------------------------|-------------------|
| Equipment | \$ 310,175 | \$ 442,890 | \$ 753,065 |
| Less: Accumulated Depreciation | 47,719 | 121,825 | 169,544 |
| Total | \$ 262,456 | \$ 321,065 | \$ 583,521 |

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

| Year ending June 30, | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| 2020 | \$ 45,392 | \$ 87,281 | \$ 132,673 |
| 2021 | 45,392 | 87,281 | 132,673 |
| 2022 | 45,392 | 87,281 | 132,673 |
| 2023 | 45,395 | 5,231 | 50,626 |
| 2024 | 42,766 | 5,233 | 47,999 |
| 2025 | 42,766 | 5,233 | 47,999 |
| Total minimum lease payments | \$ 267,103 | \$ 277,540 | \$ 544,643 |
| Less: amount representing interest | 1,894 | 15,173 | 17,067 |
| Present Value of minimum lease payments | 265,209 | 262,367 | 527,576 |
| Due within one year | \$ 44,863 | \$ 79,774 | \$ 124,637 |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8- REVENUE BONDS PAYABLE

PRIMARY GOVERNMENT

Revenue bonds payable at June 30, 2019 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 | Interest Rate | Maturity | Outstanding Principal June 30, 2019 |
|--------------------------|---------------|-----------|---|
| Governmental activities | 4.00-5.00% | 7/1/19-38 | \$ 10,591,304 |
| Business-type activities | 4.00-5.00% | 7/1/19-38 | <u>16,588,696</u> |
| Total | | | <u>\$ 27,180,000</u> |

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

| | Governmental Activities | | Business-Type Activities | |
|----------------------|-------------------------|---------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| Year Ending June 30: | | | | |
| 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 | 374,086 | 464,743 | 585,914 | 727,907 |
| 2024 | 391,621 | 445,600 | 613,379 | 697,925 |
| 2025-29 | 2,260,102 | 1,922,002 | 3,539,898 | 3,010,348 |
| 2030-34 | 2,875,784 | 1,290,206 | 4,504,216 | 2,020,794 |
| 2035-39 | 3,666,820 | 475,985 | 5,743,180 | 745,515 |
| Total | <u>\$ 10,591,304</u> | <u>\$ 6,096,634</u> | <u>\$ 16,588,696</u> | <u>\$ 9,548,891</u> |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8- REVENUE BONDS PAYABLE (CONTINUED)

In October 2017, the City issued \$14,540,000 in Excise Tax Revenue Refunding obligations tax exempt Series 2017 A \$2,825,000, and \$11,715,000 Series 2017 B Taxable obligations collectively with average true-interest rate of 3% to refund the Greater Arizona Development Authority (GADA) obligations in the amount of \$12,845,000.

In prior years, the City defeasend certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the defeasend bonds. Accordingly, the trust accounts assets and liabilities for the defeasend bonds is not included in the City's financial statements. At year end, \$9,555,000 of the defeasend bonds are still outstanding.

| Purpose | Original Amount | Interest Rate | Maturity | Outstanding Principal June 30, 2019 |
|--------------------------|-----------------|---------------|-----------|---|
| Governmental activities | \$ 2,825,000 | 2.00-5% | 7/1/20-27 | \$ 2,555,000 |
| Business-Type Activities | 11,715,000 | 1.50-3.50% | 7/1/20-31 | 10,885,000 |
| Total | | | | <u>\$ 13,440,000</u> |

| | Governmental Activities | | Business-Type Activities | |
|----------------------|-------------------------|-------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| Year Ending June 30: | | | | |
| 2020 | \$ 240,000 | \$ 116,900 | \$ 755,000 | \$ 297,088 |
| 2021 | 245,000 | 108,400 | 765,000 | 283,775 |
| 2022 | 255,000 | 97,125 | 780,000 | 268,325 |
| 2023 | 265,000 | 84,125 | 795,000 | 251,581 |
| 2024 | 280,000 | 70,500 | 815,000 | 232,450 |
| 2025-29 | 1,270,000 | 130,750 | 4,410,000 | 794,684 |
| 2030-32 | | | 2,565,000 | 121,284 |
| Total | <u>\$ 2,555,000</u> | <u>\$ 607,800</u> | <u>\$ 10,885,000</u> | <u>\$ 2,249,188</u> |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8- REVENUE BONDS PAYABLE (CONTINUED)

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, 2019 |
|--------------------------|------------------------------|------------------|-------------|--|
| Business-type activities | \$6,580,000 | 3.80-4.00% | 7/1/19-2034 | <u>\$ 5,770,000</u> |
| Total | | | | <u><u>\$ 5,770,000</u></u> |

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

| | Business-Type Activities | | |
|----------------------|----------------------------|----------------------------|----------------------------|
| | Principal | Interest | Total |
| Year Ending June 30: | | | |
| 2020 | \$ 295,000 | \$ 213,655 | \$ 508,655 |
| 2021 | 305,000 | 202,255 | 507,255 |
| 2022 | 315,000 | 190,475 | 505,475 |
| 2023 | 325,000 | 178,315 | 503,315 |
| 2024 | 340,000 | 165,680 | 505,680 |
| 2025-29 | 1,900,000 | 621,300 | 2,521,300 |
| 2030-34 | 2,290,000 | 224,200 | 2,514,200 |
| Total | <u><u>\$ 5,770,000</u></u> | <u><u>\$ 1,795,880</u></u> | <u><u>\$ 7,565,880</u></u> |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8- REVENUE BONDS PAYABLE (CONTINUED)

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 | Interest Rate | Maturity | Outstanding Principal June 30, 2019 |
|--------------------------------------|-----------------|---------------|-----------|--|
| Discretely presented component units | \$ 26,090,000 | 6.00-7.25% | 5/1/19-30 | \$ 22,080,000 |
| Discretely presented component units | 20,835,000 | 6.00-7.25% | 5/1/19-27 | 15,145,000 |
| Total | | | | <u>\$ 37,225,000</u> |

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

| | 2014 Series Principal | 2014 Series A Principal | 2014 Series Interest | 2014 Series A Interest |
|----------------------|--------------------------|----------------------------|-------------------------|---------------------------|
| Year Ending June 30: | | | | |
| 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 | 1,095,000 | 1,550,000 | 1,375,450 | 764,152 |
| 2024 | 1,175,000 | 1,660,000 | 1,298,800 | 656,428 |
| 2025-29 | 10,620,000 | 7,785,000 | 5,007,826 | 1,244,746 |
| 2030 | 6,250,000 | | 453,126 | |
| Total | <u>\$ 22,080,000</u> | <u>\$ 15,145,000</u> | <u>\$ 12,622,428</u> | <u>\$ 5,458,402</u> |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9- NOTE OBLIGATIONS

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

| <u>Governmental activities</u> | CURRENT PORTION | LONG TERM PORTION | TOTAL |
|---|----------------------------|------------------------------|------------------|
| Notes payable to Walmart Store for \$376,000 dated October 4, 2006 for road extension. Note is due in quarterly installments of the first 1% of City Sales Tax collected on retail sales from the Walmart Store until fully paid. | | \$155,967 | \$155,967 |
| 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% payable in five years. | 18,495 | | 18,495 |
| Total Notes Payable | \$18,495 | \$155,967 | \$174,462 |

| <u>Business-type activities</u> | CURRENT PORTION | LONG TERM PORTION | TOTAL |
|--|----------------------------|------------------------------|------------------|
| 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% payable in five years. | \$11,785 | | \$11,785 |
| Note payable to 1st Bank Yuma issued on February 26, 2019 for equipment purchase for the amount of \$ 246,842 with an interest rate 4.5% payable in 6 years | 45,636 | 186,347 | 231,983 |
| Total Notes Payable | \$57,421 | \$186,347 | \$243,768 |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9- NOTE OBLIGATIONS (CONTINUED)

Future debt service required for the notes payable are as follow:

| | Governmental Activities | | Business-Type Activities | |
|----------------------|-------------------------|----------|--------------------------|-----------|
| | Principal | Interest | Principal | Interest |
| Year Ending June 30: | | | | |
| 2020 | \$ 18,495 | \$ 117 | \$ 57,421 | \$ 9,742 |
| 2021 | | | 47,788 | 7,515 |
| 2022 | | | 50,014 | 5,288 |
| 2023 | | | 52,344 | 2,958 |
| 2024 | | | 36,193 | 626 |
| Total | \$ 18,495 | \$ 117 | \$ 243,760 | \$ 26,129 |

PLEGGED REVENUES

CIC REVENUE BONDS- GADA REVENUE BONDS

The City has pledged to repay \$42,825,525 in (CIC) revenue bonds issued from 2005 through 2015, and payable through 2039. This amount represents remaining principal and interest payments on the debt.

The purpose for the (CIC) issuance was to expand its facilities to better serve its citizens. 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. 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).

The city has pledged to repay \$16,296,988 (GADA) revenue bonds issued in 2009 through 2017, and payable through 2032. This amount represents remaining principal and interest. The proceeds from this issue were to refinance the call center development debt, and fund other municipal projects. During 2018 the city issued refunding bonds to advance refund of the GADA obligations issued in 2009 to reduce total debt service payments over the next 21 years by \$7,384,378.

Both bonds issuances (CIC) and (GADA) called for the City to pledge certain revenues until the debt is fully paid. Pledge revenues on the (CIC) and (GADA) bonds include “excise taxes”, state shared revenues, permit fees, franchise taxes. Excise Taxes are defined to include the transaction privilege tax and business taxes, which the city imposes. In 2019 the revenue pledged amounted to \$19.7 million. Principal and interest for the current year were \$1,915,000 and \$1,759,000 respectively.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9- NOTE OBLIGATIONS (CONTINUED)

A portion of the (CIC) is funded by the revenues directly or indirectly derived from the operation and use of the water system. However, that does not relieve the revenues listed in the preceding paragraph to be pledged.

The coverage ratio (pledged revenues to debt service) for 2019 for (CIC) and (GADA) is 5.37.

More in depth disclosures can be referenced from the statistical section, Table XII.

UTILITY REVENUE BOND

The city has pledged to repay \$7,565,880 Utility revenue b issued in 2013, and payable through 2033. The proceeds from this issue financed the construction of new water and sewer lines. The utility bonds are collateralized by the total operating revenues and investment income of the Water and Wastewater Enterprise Funds. In 2019 the revenue pledged amounted to \$8.6 million. Principal and interest for the current year were \$ 777,417 and \$1,034,616 respectively.

The coverage ratio (pledged revenues to debt service) for 2019 for the Utility bonds is 2.5.

More in depth disclosures can be referenced from the statistical section, Table XIII b.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 \$ 641,133 for governmental activities and \$94,383 for business-type activities at June 30, 2019 is expected to be paid in future years from future resources. Compensated absences have been liquidated primarily by the General Fund and proprietary fund revenues. Pension liabilities have typically been liquidated with General Fund and Proprietary Fund revenues.

Long-term liability activity for all categories for the year ended June 30, 2018 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|---|----------------------|-------------------|---------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 559,775 | \$ 523,664 | \$ 442,306 | \$ 641,133 | \$ 495,598 |
| Revenue Bonds Payable | 13,733,886 | | 587,583 | 13,146,303 | 567,325 |
| Revenue Bonds Premium | 1,497,882 | | 97,871 | 1,400,011 | |
| Notes Payable | 270,763 | | 96,300 | 174,463 | 18,495 |
| Capital Leases | 297,873 | 12,302 | 44,966 | 265,209 | 44,863 |
| Pension | 13,763,912 | | 1,871,015 | 11,892,897 | |
| Governmental Activities Long Term Liabilities | <u>\$ 30,124,091</u> | <u>\$ 535,966</u> | <u>\$ 3,140,041</u> | <u>\$ 27,520,016</u> | <u>\$ 1,126,281</u> |
| Business-type activities: | | | | | |
| Compensated Absences | \$ 75,785 | \$ 116,851 | \$ 98,254 | \$ 94,382 | \$ 72,959 |
| Revenue Bonds Payable | 34,851,113 | | 1,607,417 | 33,243,696 | 1,562,675 |
| Revenue Bond Premium | 1,722,378 | | 86,119 | 1,636,259 | |
| Revenue Bond Discount | (145,955) | | (10,987) | (134,969) | |
| Notes Payable | 57,843 | 246,842 | 60,917 | 243,768 | 57,421 |
| Capital Leases | 339,795 | | 77,428 | 262,368 | 79,774 |
| Pension | 2,179,113 | | 317,489 | 1,861,624 | |
| Business -type Activities Long Term Liabilities | <u>\$ 39,080,072</u> | <u>\$ 363,693</u> | <u>\$ 2,236,637</u> | <u>\$ 37,207,128</u> | <u>\$ 1,772,829</u> |
| Discretely Presented Component units | | | | | |
| Revenue Bonds Payable | \$ 39,345,000 | | \$ 2,120,000 | \$ 37,225,000 | \$ 2,235,000 |
| Revenue Bonds Discount | (811,907) | | (74,884) | (737,023) | |
| Discretely Presented Component units Long Term Liabilities | <u>\$ 38,533,093</u> | <u>\$ -</u> | <u>\$ 2,045,116</u> | <u>\$ 36,487,977</u> | <u>\$ 2,235,000</u> |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 11- COMMITMENTS AND CONTINGENCIES

Lawsuits – The City is a defendant in various lawsuits, and other claims that are incidental to its normal operations. 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.

NOTE 12- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Individual Deficit Fund Balance/Net Position – At June 30, 2019, the following individual funds reported deficits in Fund Balance/Net Position.

| | Deficit |
|--------------------------------------|----------------|
| Governmental Funds: | |
| Debt Service | \$ (178,385) |
| Enterprise Funds: | |
| Business Center | \$ (5,933,764) |
| Sanitation | (96,069) |
| Discretely Presented Component Unit: | |
| Detention Facility | \$ (1,486,146) |

The fund balance deficit of the Debt Service Fund is expected to be subsidized through processing inter-funds transfers with the General Fund.

The net position deficit of the Business Center Fund 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.

At inception, the building and subsequent building expansion was depreciated at 20 years. In order to reflect appropriately the life of the asset and to be consistent with City of San Luis depreciation policy, the useful life of the asset was increased from 20 years to 45 years. This change in accounting method will improve the net position for of the SLDF. In addition, a new operator agreement will take in effect on January 2020 which it is expected to improve the net position of this fund.

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 carries commercial insurance for vision, life, disability and stop loss. 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, 2019**

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:

| | <u>Year Ended June 30, 2019</u> | <u>Year Ended June 30, 2018</u> |
|---|-------------------------------------|-------------------------------------|
| Unpaid claims, beginning of fiscal year | \$ 158,401 | \$ 175,531 |
| Incurred claims (including IBNRs) | 1,561,171 | 2,020,267 |
| Claim payments | <u>(1,435,149)</u> | <u>(2,037,397)</u> |
| Unpaid claims, end of fiscal year | <u>\$ 284,423</u> | <u>\$ 158,401</u> |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS

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

At June 30, 2019, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

| | Governmental Activities | Business- type Activities | Total |
|--------------------------------|----------------------------|------------------------------|---------------|
| Net pension liability | \$ 11,892,897 | \$ 1,861,623 | \$ 13,754,520 |
| Deferred outflows of resources | 3,090,333 | 511,820 | 3,602,153 |
| Deferred inflows of resources | 2,583,231 | 533,543 | 3,116,774 |
| Pension expense | 556,892 | 153,650 | 710,542 |

The City reported \$ 1,715,242 of pension contributions as expenditures in the governmental and proprietary funds related to all plans to which it contributes.

Arizona State Retirement System

Plan Description – City employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. ASRS is a component unit of the State of Arizona. 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 benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

AS RS

| | ASRS Retirement | |
|--|--|--|
| | <u>Initial membership date:</u> | |
| | <u>Before July 1, 2011</u> | <u>On or after July 1, 2011</u> |
| 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, 2019**

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 11.80 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.80 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 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, 2019 were \$752,249.

Employers are also required to pay an Alternative Contribution rate (ACR) for retired members who return to work in positions that would be typically be filled by an employee who contributes to ASRS. The City was required by statute to contribute at the actuarially determined rate of 10.53 percent (10.41 for retirement, 0.06 percent for health insurance premium benefit, and 0.06 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. ACR contributions are included in employer contributions presented above.

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

Pension Liability – At June 30, 2019, the City reported a liability of \$ 8,837,885 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The total liability as of June 30, 2018 reflects changes in actuarial assumptions based on the results of an actuarial experience study for the five-year period ended June 30, 2016, including decreasing the discount rate from 8.0 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates. The City's proportion of the net assets/liability was based on the City's actual contributions to the applicable plan relative to the total of all participating employers' contributions to the plan for the year ended June 30, 2018.

The City's reported liability at June 30, 2019, decreased by \$1,035,484 from the City's prior year liability of \$9,873,369 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, 2018, was .0634 percent, which was no difference from its proportion measured as of June 30, 2017.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2019, the City recognized pension expense for ASRS of \$128,856. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 243,477 | \$ 48,722 |
| Changes of assumptions or other inputs | 233,867 | 783,600 |
| Net difference between projected and actual earnings on pension investments | - | 212,530 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 11,642 | 94,807 |
| Contributions subsequent to the measurement date | 752,249 | |
| Total | \$ 1,241,235 | \$ 1,139,659 |

The \$752,249 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, 2020. 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 Ending June 30: | Pension |
|----------------------|-----------|
| 2020 | \$ 3,215 |
| 2021 | (236,183) |
| 2022 | (322,393) |
| 2023 | (95,312) |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

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

| | |
|-----------------------------|---------------------|
| Actuarial valuation date | June 30, 2017 |
| Actuarial roll forward date | June 30, 2018 |
| Actuarial cost method | Entry age normal |
| Asset valuation method | Fair value |
| Investment Rate of Return | 7.5% |
| Projected salary increases | 2.7-7.2% |
| Inflation | 2.3% |
| Permanent base increases | Included |
| Mortality rates | 2017 SRA Scale U-MP |
| Healthcare cost trend rate | Not Applicable |

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

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 the target asset allocation percentage and by adding expected inflation.

At June 29, 2018, the ASRS Board approved updated strategic asset allocation targets, to be effective July 2018.

The target allocation and best estimates of geometric 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 Geometric Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Equity | 50% | 5.50% |
| Fixed income | 30% | 3.83% |
| Real estate | 20% | 5.85% |
| Total | <u>100%</u> | |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Discount Rate. At June 30, 2018, the discount rate used to measure the ASRS total pension liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| Proportionate share of the net (assets) liability | | |
|---|--------------------------|--------------|
| 1% Decrease | Current Discount Rate | 1% Increase |
| \$ 12,598,608 | \$ 8,837,885 | \$ 5,695,861 |

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.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

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. 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.

Benefits Provided – The PSPRS provides retirement, 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 based on initial membership dates. See the publicly available PSPRS financial report for additional benefits information.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

| | Initial Membership Date: | |
|--|--|---|
| | Tier 1-Before January 1, 2012 | Tier 2- On or after January 1, 2012 |
| Years of service and age required to receive benefit | 20 years of service, any age 15 years of service, age 62 | 25 years or 15 years of credited service, age 52.5 |
| Final average salary is based on | Highest 36 consecutive months of last 20 years | Highest 60 consecutive months of last 20 years |
| Normal retirement | 50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80% | 1.5 % to 2.5% per year of credited service, not to exceed 80% |
| Accidental disability retirement | 50% or normal retirement, whichever is greater | |
| 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% to 100% of retired member's pension benefit | |
| Active members | 80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job | |

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the agent pension plans' benefit terms:

| | <u>PSPRS</u> | |
|-------------------------------|---------------|-------------|
| | <u>Police</u> | <u>Fire</u> |
| Retirees and beneficiaries | 8 | 3 |
| Inactive, non-retired members | 2 | 10 |
| Active members | 32 | 30 |
| Total | <u>42</u> | <u>43</u> |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Contributions - 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 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, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

| | PSPRS | |
|-------------------------|---------------------|---------------------|
| | Police | Fire |
| Active members -Pension | 7.65% to 11.65% | 7.65% to 11.65% |
| City - Pension | 23.44% to 25.67% | 14.36% to 18.51% |

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to PSPRS. The City of San Luis was required by statute to contribute at the actuarially determined rate of 13.76 percent for the PSPRS. ACR contributions are included in employer contributions presented above.

For the agent plans, the City's contributions to the pension plan for the year ended June 30, 2019, were:

| | PSPRS | |
|-----------------------|------------|------------|
| | Police | Fire |
| Pension Contributions | \$ 525,830 | \$ 382,197 |

During fiscal year 2019, the City paid for PSPRS pension contributions as follows: 67 percent from the General Fund, and 33 percent from the Ambulance Services Fund.

Pension Liability – At June 30, 2019, the City reported the following net pension

| | PSPRS | |
|------------------------|-------------|------------|
| | Police | Fire |
| Net (Assets) Liability | \$3,558,794 | \$ 815,387 |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The net pension liability was measured as of June 30, 2017. The total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2018, does not reflect changes of actuarial assumptions based on the results of an actuarial experience study for the five-year period ended June 30, 2016, which includes an investment rate of return of 7.4 percent for Tier 1 & 2, and 7% for Tier 3. Wage inflation assumption of 3.5 percent, mortality, withdrawal, disability, and retirement assumptions remain the same as well.

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

| | |
|----------------------------|---|
| PSPRS - Pension | Pension |
| Actuarial valuation date | June 30, 2018 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.4% for Tier 1 & 2, 7% for Tier 3 |
| Projected salary increases | 3.5% |
| Inflation | 2.5% |
| Permanent benefit increase | Included |
| Mortality rates | RP 2014 - tables using MP-2016 improvement scale with adjustments to match current experience |
| Healthcare cost trend rate | Not Applicable |

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|------------------------------|---|
| U.S. Equity | 16% | 7.60% |
| Non-U.S. equity | 14% | 8.70% |
| Private Equity | 12% | 5.83% |
| Fixed Income | 5% | 1.25% |
| Private Credit | 16% | 6.75% |
| GTS | 12% | 3.96% |
| Real Assets | 9% | 4.52% |
| Real Estate | 10% | 3.75% |
| Risk Party | 4% | 5.00% |
| Short Term Investments | 2% | 0.25% |
| | <u>100%</u> | |

Pension Discount Rates – At June 30, 2018, the discount rate used to measure the total pension liability was 7.4 percent, which is the same as the discount rate used as of June 30, 2016.

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, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|--|-----------------------------|-----------------------------------|------------------------|
| | Total (Assets) Liability | Plan Fiduciary Net Position | Net (Assets) Liability |
| PSPRS - Police | | | |
| Balances at June 30, 2018 | \$ 10,038,629 | \$ 6,260,542 | \$ 3,778,087 |
| Changes for the year: | | | |
| Service Cost | 365,220 | | 365,220 |
| Interest on the Total Pension Liability | 721,974 | | 721,974 |
| Difference between expected and actual experience on the Total Pension Liability | (461,278) | | (461,278) |
| Contributions - employer | | 258,678 | (258,678) |
| Contributions - employee | | 178,569 | (178,569) |
| Net investment income | | 414,905 | (414,905) |
| Benefit payments, including refunds of employee contributions | (929,669) | (929,669) | - |
| Administrative Expense | | (7,015) | 7,015 |
| Other changes | | 72 | (72) |
| Net Changes | (303,753) | (84,460) | (219,293) |
| Balance at June 30, 2019 | \$ 9,734,876 | \$ 6,176,082 | \$ 3,558,794 |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|--|-----------------------------|-----------------------------------|---------------------------|
| | Total (Assets) Liability | Plan Fiduciary Net Position | Net (Assets) Liability |
| Balances at June 30, 2018 | \$ 6,127,969 | \$ 4,993,739 | \$ 1,134,230 |
| Changes for the year: | | | |
| Service Cost | 344,233 | | 344,233 |
| Interest on the Total Pension Liability | 463,118 | | 463,118 |
| Difference between expected and actual experience on the Total Pension Liability | (487,056) | | (487,056) |
| Contributions - employer | | 143,184 | (143,184) |
| Contributions - employee | | 149,282 | (149,282) |
| Net investment income | | 352,682 | (352,682) |
| Benefit payments, including refunds of employee contributions | (83,463) | (83,463) | - |
| Administrative Expense | | (6,068) | 6,068 |
| Other changes | | 58 | (58) |
| Net Changes | 236,832 | 555,675 | (318,843) |
| Balance at June 30, 2019 | <u>\$ 6,364,801</u> | <u>\$ 5,549,414</u> | <u>\$ 815,387</u> |

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.

| | Current | | |
|--------------------------------|--------------|---------------|--------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| PSPRS - Police | | | |
| Rate | 6.40% | 7.40% | 8.40% |
| Net pension (assets) liability | \$ 5,210,466 | \$ 3,558,794 | \$ 2,252,410 |
| PSPRS - Fire | | | |
| Rate | 6.40% | 7.40% | 8.40% |
| Net pension (assets) liability | \$ 1,971,367 | \$ 815,387 | \$ (100,691) |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

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, 2019, the City recognized the following pension expense:

| | PSPRS | |
|-----------------|-----------|------------|
| | Police | Fire |
| Pension Expense | \$541,790 | \$ 264,211 |

Pension Deferred Outflows/Inflows of Resources - At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|-------------------------------------|---------------------------------|
| PSPRS - Police | | |
| Difference between expected and actual experience | \$ 289,849 | \$ 642,299 |
| Changes in assumptions | 533,288 | - |
| Net difference between projected and actual earnings on pension plan investments | 77,067 | - |
| Contributions subsequent to the measurement date | 525,830 | - |
| Total | \$ 1,426,034 | \$ 642,299 |
| PSPRS - Fire | | |
| Difference between expected and actual experience | \$ 32,612 | \$ 988,823 |
| Changes in assumptions | 398,239 | - |
| Net difference between projected and actual earnings on pension plan investments | 58,783 | - |
| Contributions subsequent to the measurement date | 382,197 | - |
| Total | \$ 871,831 | \$ 988,823 |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30: | PSPRS - Police | PSPRS - Fire |
|----------------------|-------------------|---------------------|
| 2020 | \$ 136,058 | \$ (952) |
| 2021 | 94,515 | (32,885) |
| 2022 | 8,404 | (93,564) |
| 2023 | 1,513 | (55,564) |
| 2024 | 26,283 | (60,437) |
| Thereafter | <u>\$ (8,868)</u> | <u>\$ (255,787)</u> |

Elected Officials Retirement Plan

Plan Description - Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS. EORP administers a cost-sharing multiple-employer defined benefit pension 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, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Benefits Provided - The EORP provides retirement, 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 | |
|--|--|---|
| | 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 inflation. 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, 2019**

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, 2019, statute required active EORP to contribute 7 or 13 percent of the members' annual covered payroll for the City to contribute at the actuarially determined rate of 61.5% of all active EORP members annual covered payroll. Also, statute required the City to contribute 49.86 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members. In addition, statute required the City to contribute 30.16 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, 2019, were \$54,965.

During fiscal year 2019, the City paid for EORP pension contributions from the General Fund.

Pension Liability - At June 30, 2019, 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 | \$ | 542,454 |
| State's proportionate share of the EORP net pension liability associated with the City | | 92,946 |
| Total | \$ | 635,400 |

The net asset and net liability were measured as of June 30, 2018, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2018, reflect statutory changes in benefits terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustment was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The City's proportion of the net pension liability was based on the City's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2018. The City's proportion measured as of June 30, 2018 was 0.08 percent, which was a decrease of .01 percent from its proportion measured as of June 30, 2017.

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2019, the City recognized pension expense for EORP of \$ (224,315).

Pension Deferred Outflows/Inflows of Resources - At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ | \$ 8,460 |
| Changes of assumptions or other inputs | 3,380 | 225,828 |
| Net difference between projected and actual earnings on pension investments | 4,707 | |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | 111,705 |
| Contributions subsequent to the measurement date | 54,965 | |
| Total | <u>\$ 63,052</u> | <u>\$ 345,993</u> |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The \$54,965 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, 2020. 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: | Pension |
|----------------------|--------------|
| 2020 | \$ (313,112) |
| 2021 | (22,875) |
| 2022 | (1,997) |
| 2023 | 78 |

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

EORP

| | |
|----------------------------|--|
| Actuarial valuation date | June 30, 2018 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.40% |
| Projected salary increases | 3.50% |
| Inflation | 2.50% |
| Cost of Living Adjustments | Included |
| Mortality rates | RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience. |
| | |
| Health cost trend rate | Not applicable |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset class | Target allocation | Long-term expected geometric real rate of return |
|------------------------|-------------------|--|
| Short term investments | 2% | 0.25% |
| Risk parity | 4 | 5.00 |
| Fixed income | 5 | 1.25 |
| Real assets | 9 | 4.52 |
| GTS | 12 | 3.96 |
| Private credit | 16 | 6.75 |
| Real estate | 10 | 3.75 |
| Private Equity | 12 | 5.83 |
| Non-U.S. equity | 14 | 8.70 |
| U.S. equity | 16 | 7.60 |
| Total | <u>100%</u> | |

Discount Rate - At June 30, 2018, the discount rate used to measure the EORP total pension liability was 7.4 percent, which was an increase of 3.49 from the discount rate used as of June 30, 2017. 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 actuarially determined rates, and state contributions will be made as currently required by statute. Based on those assumptions, the 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 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, 2019**

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 7.4 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 (6.4 percent) or one percentage point higher (8.4 percent) than the current rate:

| Proportionate share of the net (assets) liability | | |
|---|--------------------------|-------------|
| 1% Decrease | Current Discount Rate | 1% Increase |
| _____ | _____ | _____ |
| \$ 622,863 | \$ 542,454 | \$ 474,104 |

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

NOTE 15- PRIOR PERIOD ADJUSTMENT

The July 1, 2018, governmental activities net position and component unit (SLDF) net position do not agree to the prior year financial statements due to a correction of an error. Restatement in governmental activities is to reflect accrual of principal in the appropriate year. Restatement to the Component unit is to appropriately reflect the useful life of the building. The useful life was changed from 20 years to 45 years.

| | Debt Service Fund | Component Unit |
|---------------------------------|----------------------|-----------------------|
| | _____ | _____ |
| Net Position, June 30, 2018 | \$ 14,871,362 | \$ (13,197,656) |
| Correction to GAAP Presentation | (587,587) | 3,356,375 |
| Depreciation Correction | _____ | 8,493,808 |
| Net Position, July 1st, 2018 | <u>\$ 14,283,775</u> | <u>\$ (1,347,473)</u> |

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 16- 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 2019.

NOTE 17- SUBSEQUENT EVENTS

We evaluated subsequent events through the date of issuance of the financial statements. There have been no subsequent events that occurred during such period that would require adjustment to or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN LUIS, ARIZONA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Measurement date | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| City's proportion of the net pension (assets) liability | 0.06% | 0.06% | 0.06% | 0.06% | 0.06% |
| City's proportionate share of the net pension (assets) liability | \$ 8,837,885 | \$ 9,873,369 | \$ 10,475,512 | \$ 9,932,851 | \$ 9,246,398 |
| City's covered payroll | \$ 6,356,202 | \$ 6,155,121 | \$ 9,781,656 | \$ 10,080,810 | \$ 9,456,971 |
| City's proportionate share of the net pension (assets) liability as a percentage of its covered payroll | 139.04% | 160.41% | 107.09% | 98.53% | 97.77% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.40% | 69.92% | 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
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ELECTED OFFICIAL RETIREMENT PLAN
LAST THREE FISCAL YEARS**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------|---------------------|---------------------|
| Measurement date | June 30, 2018 | June 30, 2017 | June 30, 2016 |
| City's proportion of the net pension (assets) liability | 0.08% | 0.09% | 0.11% |
| City's proportionate share of the net pension (assets) liability | \$ 542,454 | \$ 1,157,339 | \$ 1,008,290 |
| State's proportionate share of the net pension liability | \$ 92,946 | \$ 374,681 | \$ 208,186 |
| Total | <u>\$ 635,400</u> | <u>\$ 1,532,020</u> | <u>\$ 1,216,476</u> |
| City's covered payroll | \$ 94,323 | \$ 68,562 | \$ 132,685 |
| City's proportionate share of the net pension (assets) liability as a percentage of its covered payroll | 575.10% | 1688.02% | 759.91% |
| Plan fiduciary net position as a percentage of the total pension liability | 30.40% | 19.66% | 23.42% |

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
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - POLICE

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|----------------------|---------------------|---------------------|---------------------|
| Measurement date | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Total pension liability | | | | | |
| Service cost | \$ 365,220 | \$ 449,219 | \$ 350,332 | \$ 306,944 | \$ 282,241 |
| Interest | 721,974 | 647,619 | 562,087 | 555,140 | 466,641 |
| Changes of benefit terms | - | 162,160 | 512,893 | - | 91,936 |
| Differences between expected and actual experience | (461,278) | 385,365 | (58,955) | (423,441) | (9,596) |
| Changes of assumptions or other inputs | - | 121,338 | 362,672 | | 606,442 |
| Benefit payments, including refunds of employee contributions | (929,669) | (274,770) | (333,006) | (410,680) | (234,608) |
| Net change in total pension liability | (303,753) | 1,490,931 | 1,396,023 | 27,963 | 1,203,056 |
| Total pension liability -beginning | 10,038,629 | 8,547,698 | 7,151,675 | 7,123,712 | 5,920,656 |
| Total pension liability -ending | <u>\$ 9,734,876</u> | <u>\$ 10,038,629</u> | <u>\$ 8,547,698</u> | <u>\$ 7,151,675</u> | <u>\$ 7,123,712</u> |
| Plan fiduciary net position | | | | | |
| Contribution -employer | \$ 258,678 | \$ 393,486 | \$ 351,711 | \$ 248,515 | \$ 264,741 |
| Contribution -employee | 178,569 | 231,348 | 207,745 | 182,813 | 165,787 |
| Net investment income | 414,905 | 640,556 | 30,048 | 179,881 | 580,609 |
| Benefit payments, including refunds of employee contributions | (929,669) | (274,770) | (333,006) | (410,680) | (234,608) |
| Administrative expense | (7,015) | (6,068) | (4,724) | (4,770) | (4,714) |
| Other | 72 | 68 | (99,246) | (3,823) | 2,155 |
| Net change in plan fiduciary net position | (84,460) | 984,620 | 152,528 | 191,936 | 773,970 |
| Plan fiduciary net position -beginning | 6,260,542 | 5,275,922 | 5,123,394 | 4,931,458 | 4,157,488 |
| Plan fiduciary net position -ending | <u>\$ 6,176,082</u> | <u>\$ 6,260,542</u> | <u>\$ 5,275,922</u> | <u>\$ 5,123,394</u> | <u>\$ 4,931,458</u> |
| Net pension (assets) liability -ending | <u>\$ 3,558,794</u> | <u>\$ 3,778,087</u> | <u>\$ 3,271,776</u> | <u>\$ 2,028,281</u> | <u>\$ 2,192,254</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 63.44% | 62.36% | 61.72% | 71.64% | 69.23% |
| Covered payroll | \$ 1,728,405 | \$ 2,081,175 | \$ 1,794,507 | \$ 1,799,219 | \$ 1,663,348 |
| Net pension (assets) liability as a percentage of covered payroll | 205.90% | 181.54% | 182.32% | 112.73% | 131.80% |

NOTE: The pension scheduled 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
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - FIRE

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Measurement date | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Total pension liability | | | | | |
| Service cost | \$ 344,233 | \$ 429,788 | \$ 335,758 | \$ 296,352 | \$ 294,507 |
| Interest | 463,118 | 433,198 | 347,995 | 308,046 | 275,282 |
| Changes of benefit terms | - | 88,014 | 588,157 | - | (8,383) |
| Differences between expected and actual experience | (487,056) | (519,052) | (33,940) | 51,216 | (184,049) |
| Changes of assumptions or other inputs | - | 200,618 | 264,127 | - | 77,627 |
| Benefit payments, including refunds of employee contributions | (83,463) | (131,347) | (281,063) | (51,738) | (25,329) |
| Net change in total pension liability | <u>236,832</u> | <u>501,219</u> | <u>1,221,034</u> | <u>603,876</u> | <u>429,655</u> |
| Total pension liability -beginning | <u>6,127,969</u> | <u>5,626,750</u> | <u>4,405,716</u> | <u>3,801,840</u> | <u>3,372,185</u> |
| Total pension liability -ending | <u>\$ 6,364,801</u> | <u>\$ 6,127,969</u> | <u>\$ 5,626,750</u> | <u>\$ 4,405,716</u> | <u>\$ 3,801,840</u> |
| Plan fiduciary net position | | | | | |
| Contribution -employer | \$ 143,184 | \$ 241,876 | \$ 253,312 | \$ 208,243 | \$ 199,532 |
| Contribution -employee | 149,282 | 195,123 | 207,731 | 173,223 | 157,403 |
| Net investment income | 352,682 | 517,876 | 23,851 | 138,174 | 416,103 |
| Benefit payments, including refunds of employee contributions | (83,463) | (131,347) | (281,063) | (51,738) | (25,329) |
| Administrative expense | (6,068) | (4,982) | (3,832) | (3,755) | (3,378) |
| Other | 58 | (92,419) | (26,171) | (2,750) | 8,528 |
| Net change in plan fiduciary net position | <u>555,675</u> | <u>726,127</u> | <u>173,828</u> | <u>461,397</u> | <u>752,859</u> |
| Plan fiduciary net position -beginning | <u>4,993,739</u> | <u>4,267,612</u> | <u>4,093,784</u> | <u>3,632,387</u> | <u>2,879,528</u> |
| Plan fiduciary net position -ending | <u>\$ 5,549,414</u> | <u>\$ 4,993,739</u> | <u>\$ 4,267,612</u> | <u>\$ 4,093,784</u> | <u>\$ 3,632,387</u> |
| Net pension (assets) liability -ending | <u>\$ 815,387</u> | <u>\$ 1,134,230</u> | <u>\$ 1,359,138</u> | <u>\$ 311,932</u> | <u>\$ 169,453</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 87.19% | 81.49% | 75.85% | 92.92% | 95.54% |
| Covered payroll | \$ 1,769,302 | \$ 1,778,902 | \$ 1,594,143 | \$ 1,544,922 | \$ 1,471,355 |
| Net pension (assets) liability as a percentage of covered payroll | 46.09% | 63.76% | 85.26% | 20.19% | 11.52% |

NOTE: The pension scheduled 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
SCHEDULE OF PENSION CONTRIBUTIONS
ALL PENSION PLANS
LAST SEVEN FISCAL YEARS**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Arizona State Retirement System: | | | | | | | |
| Actuarially determined contribution | \$ 752,249 | \$ 692,826 | \$ 663,522 | \$ 650,874 | \$ 644,042 | \$ 584,114 | \$ 543,219 |
| Contribution in relation to the actuarially determined contribution | 752,249 | 692,826 | 663,522 | 650,874 | 644,042 | 584,114 | 543,219 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 6,524,967 | \$ 6,356,202 | \$ 6,155,121 | \$ 5,998,839 | \$ 5,914,065 | \$ 5,299,698 | \$ 5,209,366 |
| Contributions as a percentage of covered payroll | 11.18% | 10.90% | 10.78% | 10.85% | 10.89% | 11.02% | 10.43% |
| Public Safety Personnel Retirement System - Police: | | | | | | | |
| Actuarially determined contribution | \$ 525,830 | \$ 435,558 | \$ 400,210 | \$ 352,801 | \$ 281,218 | \$ 272,789 | \$ 242,295 |
| Contribution in relation to the actuarially determined contribution | 525,830 | 435,558 | 400,210 | 352,801 | 281,218 | 272,789 | 242,295 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 2,353,202 | \$ 1,728,405 | \$ 2,081,175 | \$ 1,794,507 | \$ 1,799,219 | \$ 1,663,348 | \$ 1,571,304 |
| Contributions as a percentage of covered payroll | 25.67% | 25.20% | 19.23% | 19.66% | 15.63% | 16.40% | 15.42% |
| Public Safety Personnel Retirement System - Fire: | | | | | | | |
| Actuarially determined contribution | \$ 382,197 | \$ 347,491 | \$ 233,214 | \$ 203,572 | \$ 188,635 | \$ 180,241 | \$ 169,598 |
| Contribution in relation to the actuarially determined contribution | 382,197 | 347,491 | 233,214 | 203,572 | 188,635 | 180,241 | 169,598 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 1,998,964 | \$ 1,769,302 | \$ 1,778,902 | \$ 1,594,143 | \$ 1,544,922 | \$ 1,471,355 | \$ 1,481,205 |
| Contributions as a percentage of covered payroll | 18.51% | 19.64% | 13.11% | 12.77% | 12.21% | 12.25% | 11.45% |
| Elected Official Retirement Plan: | | | | | | | |
| Actuarially determined contribution | \$ 54,965 | \$ 20,495 | \$ 16,112 | | | | |
| Contribution in relation to the actuarially determined contribution | 54,965 | 20,495 | 16,112 | | | | |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | | | | |
| City's covered payroll | \$ 110,239 | \$ 87,213 | \$ 68,562 | | | | |
| Contributions as a percentage of covered payroll | 49.86% | 23.50% | 23.50% | | | | |

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.

NOTE 1: PENSION PLAN SCHEDULES

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

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2017 valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. 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, 2017, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The actuarial assumptions used in the June 30, 2018, valuation for PSPRS and EORP were based on the results of an actuarial experience study for the five-year period ending June 30, 2016. Several actuarial assumptions were adjusted as a result of the study, including decreasing wage inflation from 4.0% to 3.5%.

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes increased the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

**SUPPLEMENTARY INFORMATION COMBINING FUND
FINANCIAL STATEMENTS**

**CITY OF SAN LUIS, ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

SPECIAL REVENUES

| | Police Grants and Special Revenues | Judicial Collection Enhancement | SL Community Facilities District | Assessment Districts | Community Development |
|--|--|---------------------------------------|---|-------------------------|--------------------------|
| ASSETS | | | | | |
| Equity in pooled cash | \$ 8,874 | \$ 166,714 | \$ 32,500 | \$ 338,756 | \$ 114,662 |
| Investments | - | - | - | - | - |
| Accounts receivable (net) | - | 2,621 | - | 87,752 | - |
| Due from governmental entities | 97,596 | - | - | - | - |
| Prepaid items | - | - | - | - | 78,400 |
| Total assets | \$ 106,470 | \$ 169,336 | \$ 32,500 | \$ 426,509 | \$ 193,062 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 2,068 | \$ 14,840 | \$ - | \$ 9,299 | \$ 101,199 |
| Unearned revenue | - | - | - | - | 12,800 |
| Total liabilities | 2,068 | 14,840 | - | 9,299 | 113,999 |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue | - | - | - | 81,730 | - |
| Fund balances: | | | | | |
| Non-spendable | - | - | - | - | 78,400 |
| Restricted | 104,402 | 154,496 | 32,500 | 335,480 | 663 |
| Total fund balances | 104,402 | 154,496 | 32,500 | 335,480 | 79,063 |
| Total liabilities and fund balances | \$ 106,470 | \$ 169,336 | \$ 32,500 | \$ 426,509 | \$ 193,062 |

CAPITAL PROJECTS

| <u>Capital Outlay Reserve</u> | <u>Totals</u> |
|-------------------------------|---------------------|
| \$ 15,578 | \$ 677,085 |
| 2,297,594 | 2,297,594 |
| - | 90,374 |
| - | 97,596 |
| - | 78,400 |
| <u>\$ 2,313,172</u> | <u>\$ 3,241,049</u> |
| | |
| \$ - | \$ 127,406 |
| - | 12,800 |
| <u>-</u> | <u>140,206</u> |
| | |
| - | 81,730 |
| | |
| - | 78,400 |
| 2,313,172 | 2,940,713 |
| <u>2,313,172</u> | <u>3,019,113</u> |
| | |
| <u>\$ 2,313,172</u> | <u>\$ 3,241,049</u> |

CITY OF SAN LUIS, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES- NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

SPECIAL REVENUES

| | Public Grants & Special Revenues | Judicial Collection Enhancement | SL Community Facilities District | Assessment Districts | Community Development |
|--|-------------------------------------|---------------------------------------|-------------------------------------|-------------------------|--------------------------|
| Revenues: | | | | | |
| Intergovernmental | \$ 544,314 | \$ 4,919 | \$ - | \$ - | \$ 674,257 |
| Fines and forfeitures | 98,317 | 126,504 | - | - | - |
| Special assessments | - | - | - | 335,006 | - |
| Charges for services | - | - | - | - | 19,300 |
| Investment earnings | - | - | - | - | - |
| Other | - | - | 2,500 | - | - |
| Total revenues | <u>642,631</u> | <u>131,423</u> | <u>2,500</u> | <u>335,006</u> | <u>693,557</u> |
| Expenditures: | | | | | |
| Current | | | | | |
| General government | - | 144,981 | - | - | - |
| Public safety | 520,065 | - | - | - | - |
| Public works and streets | - | - | - | 66,436 | - |
| Culture and recreation | - | - | - | - | 18,637 |
| Community development | - | - | - | 283,024 | - |
| Capital outlay | 279,012 | 1,000 | - | - | 888,625 |
| Total expenditures | <u>799,077</u> | <u>145,981</u> | <u>-</u> | <u>349,460</u> | <u>907,262</u> |
| Excess (deficiency) of revenues over expenditures | <u>(156,446)</u> | <u>(14,558)</u> | <u>2,500</u> | <u>(14,454)</u> | <u>(213,705)</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | - | 243,196 |
| Transfers out | - | - | - | - | (28,828) |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>214,368</u> |
| Change in fund balances | <u>(156,446)</u> | <u>(14,558)</u> | <u>2,500</u> | <u>(14,454)</u> | <u>663</u> |
| Fund balances - beginning | 260,849 | 169,054 | 30,000 | 349,935 | 78,400 |
| Fund balances - ending | <u>\$ 104,403</u> | <u>\$ 154,496</u> | <u>\$ 32,500</u> | <u>\$ 335,481</u> | <u>\$ 79,063</u> |

CAPITAL PROJECTS

| Capital Outlay Reserve | Totals |
|------------------------|---------------------|
| \$ - | \$ 1,223,490 |
| - | 224,821 |
| - | 335,006 |
| 744,655 | 763,955 |
| 40,945 | 40,945 |
| - | 2,500 |
| <u>785,600</u> | <u>2,590,717</u> |
| 26,597 | 171,578 |
| - | 520,065 |
| - | 66,436 |
| - | 18,637 |
| - | 283,024 |
| <u>69,508</u> | <u>1,238,145</u> |
| <u>96,105</u> | <u>2,297,885</u> |
| 689,495 | 292,832 |
| - | 243,196 |
| - | (28,828) |
| - | 214,368 |
| <u>689,495</u> | <u>507,200</u> |
| 1,623,677 | 2,511,915 |
| <u>\$ 2,313,172</u> | <u>\$ 3,019,115</u> |

CITY OF SAN LUIS, ARIZONA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -SPECIAL REVENUE
 BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2019

| Police Grants and Special Revenues | | | |
|--|------------|------------|-----------------------------------|
| | Budget | Actual | Variance - Positive (Negative) |
| Revenues: | | | |
| Intergovernmental | \$ 913,330 | \$ 544,314 | \$ (369,016) |
| Fines and forfeitures | 374,300 | 98,317 | (275,983) |
| Special assessments | - | - | - |
| Charges for services | - | - | - |
| Other | - | - | - |
| Total revenues | 1,287,630 | 642,631 | (644,999) |
| Expenditures: | | | |
| Current | | | |
| General government | - | - | - |
| Public safety | 994,430 | 520,066 | 474,364 |
| Public works and streets | - | - | - |
| Culture and recreation | - | - | - |
| Community development | - | - | - |
| Capital outlay | 293,200 | 279,011 | 14,189 |
| Total expenditures | 1,287,630 | 799,077 | 488,553 |
| Excess (deficiency) of revenues over expenditures | - | (156,446) | (156,446) |
| Other financing sources (uses): | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Change in fund balances | - | (156,446) | (156,446) |
| Fund balances - beginning | 92,837 | 260,848 | 168,011 |
| Fund Balances - ending | \$ 92,837 | \$ 104,402 | \$ 11,565 |

Judicial Collection Enhancement

SL Community Facilities District

| Judicial Collection Enhancement | | | SL Community Facilities District | | |
|---------------------------------|------------|--------------------------------|----------------------------------|-----------|--------------------------------|
| Budget | Actual | Variance - Positive (Negative) | Budget | Actual | Variance - Positive (Negative) |
| \$ 23,800 | \$ 4,919 | \$ (18,881) | \$ - | \$ - | \$ - |
| 116,500 | 126,504 | 10,004 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 2,500 | 2,500 | - |
| 140,300 | 131,423 | (8,877) | 2,500 | 2,500 | - |
| 154,110 | 144,981 | 9,129 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 1,000 | (1,000) | - | - | - |
| 154,110 | 145,981 | 8,129 | - | - | - |
| (13,810) | (14,558) | (748) | 2,500 | 2,500 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (13,810) | (14,558) | (748) | 2,500 | 2,500 | - |
| (11,426) | 169,054 | 180,480 | 2,500 | 30,000 | 27,500 |
| \$ (25,236) | \$ 154,496 | \$ 179,732 | \$ 5,000 | \$ 32,500 | \$ 27,500 |

CITY OF SAN LUIS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SPECIAL REVENUE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

| | Assessment Districts | | | Community Development | | |
|--|----------------------|-------------------|--------------------------------------|-----------------------|------------------|--------------------------------------|
| | Budget | Actual | Variance - Positive (Negative) | Budget | Actual | Variance - Positive (Negative) |
| Revenues: | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ 682,000 | \$ 674,257 | \$ (7,743) |
| Fines and forfeitures | - | - | - | - | - | - |
| Special assessments | 381,820 | 335,006 | (46,814) | - | - | - |
| Charges for services | - | - | - | 30,000 | 19,300 | (10,700) |
| Other | - | - | - | - | - | - |
| Total revenues | <u>381,820</u> | <u>335,006</u> | <u>(46,814)</u> | <u>712,000</u> | <u>693,557</u> | <u>(18,443)</u> |
| Expenditures: | | | | | | |
| Current | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Public works and streets | 75,720 | 66,436 | 9,284 | - | - | - |
| Culture and recreation | - | - | - | 30,000 | 18,637 | 11,363 |
| Community development | 306,100 | 283,024 | 23,076 | - | - | - |
| Capital outlay | - | - | - | 942,000 | 888,625 | 53,375 |
| Total expenditures | <u>381,820</u> | <u>349,460</u> | <u>32,360</u> | <u>972,000</u> | <u>907,262</u> | <u>64,738</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>(14,454)</u> | <u>(14,454)</u> | <u>(260,000)</u> | <u>(213,705)</u> | <u>46,295</u> |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | 260,000 | 243,196 | (16,804) |
| Transfers out | - | - | - | - | (28,828) | (28,828) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>260,000</u> | <u>214,368</u> | <u>(45,632)</u> |
| Change in fund balances | <u>-</u> | <u>(14,454)</u> | <u>(14,454)</u> | <u>-</u> | <u>663</u> | <u>663</u> |
| Fund balances - beginning | <u>319,991</u> | <u>349,934</u> | <u>29,943</u> | <u>143,742</u> | <u>78,400</u> | <u>(65,342)</u> |
| Fund Balances - ending | <u>\$ 319,991</u> | <u>\$ 335,480</u> | <u>\$ 15,489</u> | <u>\$ 143,742</u> | <u>\$ 79,063</u> | <u>\$ (64,679)</u> |

Totals

| Budget | Actual | Variance - Positive (Negative) |
|-------------------|-------------------|-----------------------------------|
| \$ 1,619,130 | \$ 1,223,490 | \$ (395,640) |
| 490,800 | 224,821 | (265,979) |
| 381,820 | 335,006 | (46,814) |
| 30,000 | 19,300 | (10,700) |
| 2,500 | 2,500 | - |
| <u>2,524,250</u> | <u>1,805,117</u> | <u>(719,133)</u> |
| 154,110 | 144,981 | 9,129 |
| 994,430 | 520,066 | 474,364 |
| 75,720 | 66,436 | 9,284 |
| 30,000 | 18,637 | 11,363 |
| 306,100 | 283,024 | 23,076 |
| <u>1,235,200</u> | <u>1,168,636</u> | <u>66,564</u> |
| <u>2,795,560</u> | <u>2,201,780</u> | <u>593,780</u> |
| (271,310) | (396,663) | (125,353) |
| 260,000 | 243,196 | 16,804 |
| - | (28,828) | (28,828) |
| <u>260,000</u> | <u>214,368</u> | <u>(12,024)</u> |
| <u>(11,310)</u> | <u>(182,295)</u> | <u>(170,985)</u> |
| <u>547,644</u> | <u>888,235</u> | <u>340,591</u> |
| <u>\$ 536,334</u> | <u>\$ 705,940</u> | <u>\$ 169,606</u> |

CITY OF SAN LUIS, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - DEBT SERVICE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

| | Debt Service Fund | | |
|--|-----------------------|---------------------|-----------------------------------|
| | Budget | Actual | Variance - Positive (Negative) |
| Revenues: | | | |
| Intergovernmental | \$ - | \$ - | \$ - |
| Charges for services | - | - | - |
| Investment earnings | - | 36,654 | 36,654 |
| Total Revenue | <u>-</u> | <u>36,654</u> | <u>36,654</u> |
| Expenditures: | | | |
| Current - | | | |
| General government | - | - | - |
| Community development | - | - | - |
| Capital outlay | 6,000 | 1,293 | 4,707 |
| Debt service | | | |
| Interest | 676,500 | 641,005 | 35,495 |
| Principal | 587,600 | 567,325 | 20,275 |
| Total Expenditures | <u>1,270,100</u> | <u>1,209,624</u> | <u>60,476</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,270,100)</u> | <u>(1,172,970)</u> | <u>97,130</u> |
| Other financing sources (uses): | | | |
| Transfer In | 1,270,100 | 1,192,968 | (77,132) |
| Total other financing sources (uses) | <u>1,270,100</u> | <u>1,192,968</u> | <u>(77,132)</u> |
| Change in fund balances | <u>-</u> | <u>19,998</u> | <u>19,998</u> |
| Fund balances - beginning, as restated | <u>(2,269,595)</u> | <u>(198,382)</u> | <u>2,071,213</u> |
| Fund Balances - ending | <u>\$ (2,269,595)</u> | <u>\$ (178,384)</u> | <u>\$ 2,091,211</u> |

**CITY OF SAN LUIS, ARIZONA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS
 BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2019**

| Capital Outlay Reserve | | | Totals | | |
|------------------------|---------------------|--------------------------------------|-----------------------|---------------------|-----------------------------------|
| Budget | Actual | Variance - Positive (Negative) | Budget | Actual | Variance - Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 464,000 | 744,656 | 280,656 | 464,000 | 744,656 | 280,656 |
| 13,800 | 40,945 | 27,145 | 13,800 | 77,599 | 63,799 |
| <u>477,800</u> | <u>785,600</u> | <u>307,800</u> | <u>477,800</u> | <u>822,255</u> | <u>344,455</u> |
| - | - | - | - | - | - |
| - | 26,597 | (26,597) | - | 26,597 | (26,597) |
| 121,000 | 69,508 | 51,492 | 127,000 | 70,801 | 56,199 |
| - | - | - | 676,500 | 641,005 | 35,495 |
| - | - | - | 587,600 | 567,325 | 20,275 |
| <u>121,000</u> | <u>96,105</u> | <u>24,895</u> | <u>1,391,100</u> | <u>1,305,728</u> | <u>85,372</u> |
| <u>356,800</u> | <u>689,495</u> | <u>332,695</u> | <u>(913,300)</u> | <u>(483,474)</u> | <u>429,826</u> |
| - | - | - | 1,270,100.00 | 1,192,968 | (77,132) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>1,270,100</u> | <u>1,192,968</u> | <u>(77,132)</u> |
| <u>356,800</u> | <u>689,495</u> | <u>332,695</u> | <u>356,800</u> | <u>709,494</u> | <u>352,694</u> |
| <u>760,929</u> | <u>1,623,677</u> | <u>862,748</u> | <u>(1,508,666)</u> | <u>1,425,295</u> | <u>2,933,961</u> |
| <u>\$ 1,117,729</u> | <u>\$ 2,313,172</u> | <u>\$ 1,195,443</u> | <u>\$ (1,151,866)</u> | <u>\$ 2,134,789</u> | <u>\$ 3,286,655</u> |

CITY OF SAN LUIS, AZ
 COMPONENT UNIT
 STATEMENT OF NET POSITION
 JUNE 30, 2019

| <u>ASSETS</u> | <u>Detention Facility</u> |
|---------------------------------------|---------------------------|
| Current assets: | |
| Cash held with trustee | \$ 3,517,233 |
| Accounts receivable (net) | 2,944,551 |
| | 6,461,784 |
| Non-current assets: | |
| Restricted investments | 5,537,444 |
| Land | 661,359 |
| Buildings and improvements | 34,129,886 |
| Machinery and equipment | 329,194 |
| Accumulated depreciation | (7,944,862) |
| | 32,713,021 |
| Total noncurrent assets | 32,713,021 |
| Total assets | 39,174,804 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| Deferred Outflow on Refundings | 441,743 |
| <u>LIABILITIES</u> | |
| Current Liabilities | |
| Account Payable | 4,188,587 |
| Accrued interest | 426,130 |
| Current portion of Long Term Debt | 2,235,000 |
| Total current liabilities | 6,849,717 |
| Non current liabilities | |
| Non current portion of long term debt | 34,252,977 |
| Total non current liabilities | 34,252,977 |
| Total Liabilities | 41,102,694 |
| <u>NET POSITION</u> | |
| Net Investment in Capital assets | (8,870,657) |
| Restricted | 5,111,314 |
| Unrestricted | 2,273,197 |
| Total Net Position | \$ (1,486,146) |

CITY OF SAN LUIS, AZ
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2019

| | Detention Facility |
|--|---------------------------|
| Operating Revenues | |
| Charges for Services | \$26,703,542 |
| Total operating revenues | 26,703,542 |
| Operating Expenses | |
| General Operations | 23,449,779 |
| Depreciation | 764,241 |
| Total operating expenses | 24,214,019 |
| Operating Income (loss) | 2,489,523 |
| Non-operating Revenues (expenses) | |
| Investment Earnings | 154,717 |
| Interest Expense | (2,782,914) |
| Total Non Operating Revenue (Expenses) | (2,628,196) |
| Change in Net Position | (138,673) |
| Net Position- Beginning (As Restated) | (1,347,473) |
| Net Position - Ending | \$ (1,486,146) |

**CITY OF SAN LUIS, ARIZONA
COMPONENT UNIT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

| <u>(Decrease) In Cash and Cash Equivalents</u> | <u>Detention Facility</u> |
|--|----------------------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 23,765,972 |
| Cash payments to suppliers for goods and services | (19,261,192) |
| Net cash provided by operating activities | <u>4,504,780</u> |
| Cash flows from capital and related financing activities: | |
| Principal paid on long-term debt | (2,120,000) |
| Interest paid on long-term debt | (2,670,636) |
| Net cash (used for) capital and related financing | <u>(4,790,636)</u> |
| Cash flows from investing activities: | |
| Investment income | 154,717 |
| Net cash provided by investing activities | <u>154,717</u> |
| Net decrease/increase in cash and cash equivalents | (131,139) |
| Cash and cash equivalents, beginning of year as restated | 9,185,816 |
| Cash and cash equivalents, end of year | <u>\$ 9,054,677</u> |
| <u>Reconciliation of Operating Income to</u> | |
| <u>Operating Activities</u> | |
| Operating income | \$ 2,489,523 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 764,241 |
| Change in assets and liabilities: | |
| (Increase)/ decrease in accounts receivable | (2,937,570) |
| Increase/ (decrease) in accounts payable | 4,188,587 |
| Total adjustments | <u>2,015,257</u> |
| Net cash provided by operating activities | <u>\$ 4,504,780</u> |

STATISTICAL SECTION

STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

These schedules present various demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to help make comparisons with other cities.

Operating Information

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

Due to cost considerations for the accumulation of data, the City has elected to present less than ten years of data, or data from less than nine years prior, for certain statistical schedules. This information will be accumulated and reported each year until the complete ten years of data is presented.

Note: For locally assessed property (i.e., excluding mines, utilities, etc.) Proposition 117, approved by voters in 2012, amended the Arizona Constitution to require that all property taxes after fiscal year 2014-15 be based upon property values limited to five percent in annual growth. The aggregate assessed value of all taxable properties within a taxing jurisdiction (i.e., after applying assessment ratios based on the use of a property), including property values with a growth limit, is currently referred to as net limited assessed value and formerly as primary assessed value. In accordance with Proposition 117, this value is used for all taxing purposes beginning fiscal year 2015-16. Aggregate assessed value without a growth limit is currently referred to as net full cash assessed value and formerly as secondary assessed value. This remains the value utilized for determining debt capacity limits.

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

| | Fiscal Year | | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 52,027,709 | \$ 47,586,157 | \$ 45,187,300 | \$43,224,321 | \$35,443,285 | \$33,724,834 | \$34,204,009 | \$33,670,959 | \$33,676,211 | \$33,561,001 |
| Restricted | 6,287,051 | 2,981,920 | 3,063,550 | 1,785,917 | 2,383,498 | 2,479,675 | 2,517,103 | 1,775,967 | 1,671,594 | 1,427,157 |
| Unrestricted | 5,024,402 | 2,083,278 | 531,781 | 2,061,627 | 3,056,046 | 11,368,513 | 10,918,683 | 9,812,934 | 10,053,672 | 9,610,455 |
| Total governmental activities net position | \$63,339,161 | \$52,651,355 | \$48,782,631 | \$47,071,865 | \$40,882,829 | \$47,573,022 | \$47,639,795 | \$45,259,860 | \$45,401,477 | \$44,598,613 |
| Business-type Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 19,200,217 | 16,864,092 | 14,221,545 | \$15,188,424 | \$13,550,172 | \$11,403,309 | \$9,916,229 | \$10,549,845 | \$11,335,286 | \$12,641,773 |
| Restricted | 978,691 | 284,192 | | 7,214,146 | 8,444,571 | 9,905,406 | 4,052,098 | 3,872,154 | 3,741,669 | 3,785,623 |
| Unrestricted | 9,230,749 | 7,892,361 | 7,368,823 | (3,637,294) | (6,706,347) | (5,047,319) | 2,101,534 | 1,908,868 | 2,045,658 | 2,509,079 |
| Total business-type activities net position | \$29,409,657 | \$25,040,645 | \$21,590,368 | \$18,765,276 | \$15,288,396 | \$16,261,396 | \$16,069,861 | \$16,330,867 | \$17,122,613 | \$18,936,475 |
| Primary Government | | | | | | | | | | |
| Net investment in capital assets | \$71,227,926 | \$64,450,249 | \$59,408,845 | \$58,412,745 | \$48,993,457 | \$45,128,143 | \$44,120,238 | \$44,220,804 | \$45,011,497 | \$46,202,774 |
| Restricted | 7,265,740 | 3,266,112 | 3,063,550 | 9,000,063 | 10,828,069 | 12,385,081 | 6,569,201 | 5,648,121 | 5,413,263 | 5,212,780 |
| Unrestricted | 14,255,151 | 9,975,639 | 7,900,604 | (1,575,667) | (3,650,301) | 6,321,194 | 13,020,217 | 11,721,802 | 12,099,330 | 12,119,534 |
| Total primary government net position | \$92,748,817 | \$77,692,000 | \$70,372,999 | \$65,837,141 | \$56,171,225 | \$63,834,418 | \$63,709,656 | \$61,590,727 | \$62,524,090 | \$63,535,088 |

Source: Statement of Net Position
City financial records and reports

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

Table II

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| Expenses: | Fiscal Year | | | | | | | | | |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Governmental Activities: | | | | | | | | | | |
| General Government | \$ 5,691,433 | \$ 6,163,171 | \$ 5,994,778 | \$ 8,228,000 | \$ 7,694,562 | \$ 7,322,938 | \$ 6,458,869 | \$ 4,703,849 | \$ 4,096,333 | \$ 4,250,328 |
| Public Safety | 8,248,004 | 8,144,859 | 9,126,508 | 7,905,663 | 7,483,604 | 6,949,558 | 6,519,936 | 6,399,600 | 6,086,718 | 6,054,459 |
| Health and Welfare | 3,436,305 | 213,634 | 222,820 | 235,413 | 226,788 | 168,499 | 168,025 | 197,462 | 213,814 | 235,594 |
| Culture and Recreation | 183,081 | 2,579,256 | 2,839,136 | 2,467,238 | 2,509,450 | 2,285,536 | 2,043,985 | 1,949,400 | 1,855,966 | 2,192,471 |
| Community Development | 2,726,204 | 987,340 | 945,698 | 906,408 | 703,901 | 691,362 | 550,348 | 585,843 | 698,776 | 751,305 |
| Public Works & Streets | 1,035,590 | 3,810,361 | 3,560,360 | 3,270,282 | 2,591,698 | 2,427,548 | 2,174,454 | 2,121,419 | 2,270,980 | 2,552,573 |
| Interest on Long-Term Debt | 550,817 | 541,343 | 649,618 | 658,670 | 1,367,055 | 830,808 | 891,737 | 912,848 | 970,092 | 989,460 |
| Total Governmental activities | \$21,871,432 | \$22,439,964 | \$23,338,918 | \$23,671,674 | \$22,577,058 | \$20,676,249 | \$18,807,354 | \$16,870,421 | \$16,192,679 | \$17,026,190 |
| Business-type activities | | | | | | | | | | |
| Water | \$ 2,955,792 | \$ 2,696,643 | \$ 2,826,192 | \$ 2,741,022 | \$ 3,218,848 | \$ 2,672,415 | \$ 2,699,661 | \$ 2,578,057 | \$ 2,642,458 | \$ 2,799,088 |
| Wastewater | 3,624,956 | 3,648,877 | 3,141,132 | 2,944,122 | 3,395,825 | 2,849,798 | 2,781,638 | 2,715,388 | 2,544,486 | 2,721,154 |
| Business Center | 669,248 | 1,016,409 | 1,226,764 | 1,215,501 | 1,197,456 | 1,263,313 | 1,282,395 | 1,357,589 | 1,390,561 | 1,450,087 |
| Sanitation | 1,305,797 | 1,141,085 | 1,120,902 | 1,105,078 | 1,117,567 | 1,010,243 | 939,596 | 1,060,828 | 1,008,757 | 1,206,998 |
| Business Incubator | 182,586 | 173,272 | 163,062 | 144,578 | 56,534 | - | - | - | - | - |
| Ambulance Services | 1,721,285 | 1,946,014 | 1,049,335 | | | | | | | |
| Total business-type activities | \$10,459,664 | \$10,622,300 | 9,527,387 | \$8,150,301 | \$8,986,230 | \$7,795,769 | \$7,703,290 | \$7,711,862 | \$7,586,262 | \$8,177,327 |
| Total expenses | \$32,331,096 | \$33,062,264 | \$32,866,305 | \$31,821,975 | \$31,563,288 | \$28,472,018 | \$26,510,644 | \$24,582,283 | \$23,778,941 | \$25,203,517 |
| Program revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General Government | \$ 3,544,657 | \$ 1,350,023 | \$ 1,765,937 | \$ 3,021,700 | \$ 2,780,190 | \$ 2,494,028 | \$ 2,226,528 | \$ 1,002,249 | \$ 531,031 | \$ 587,365 |
| Public Safety | 423,258 | 305,749 | 426,767 | 315,098 | 1,007,465 | 980,528 | 867,899 | 677,226 | 686,632 | 374,162 |
| Health and Welfare | 371,427 | - | - | - | - | - | - | - | - | - |
| Culture and Recreation | 272,468 | 142,037 | 211,126 | 74,395 | 373,194 | 288,009 | 219,142 | 284,797 | 264,622 | 176,077 |
| Community Development | | | | 594,182 | 385,797 | 432,936 | 497,921 | 334,557 | 318,051 | 407,927 |
| Public Works & Streets | | 187,408 | 342,089 | 62,642 | 62,640 | 51,595 | 50,530 | 49,978 | 49,368 | 33,432 |
| Operating Grants and Contributions | 2,372,433 | 2,002,228 | 2,308,056 | 2,709,123 | 2,989,656 | 2,564,023 | 3,343,398 | 2,601,626 | 2,715,700 | 2,251,704 |
| Capital Grants and Contributions | 6,874,510 | 4,511,855 | 3,749,914 | 7,816,499 | 612,897 | 157,458 | 947,390 | 122,614 | 1,314,549 | 547,555 |
| Total Governmental activities | \$ 13,858,753 | \$ 8,499,300 | \$ 8,803,889 | \$ 14,593,639 | \$ 8,211,839 | \$ 6,968,577 | \$ 8,152,808 | \$ 5,073,047 | \$ 5,879,953 | \$ 4,378,222 |
| | | | | 0 | 0 | 0 | | | | |
| Business-type activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Water | \$ 4,382,952 | \$ 4,182,192 | \$ 4,025,661 | \$ 3,796,031 | \$ 3,592,820 | \$ 3,369,477 | \$ 3,056,742 | \$ 2,884,311 | \$ 2,547,790 | \$ 2,409,843 |
| Wastewater | 3,930,950 | 4,054,103 | 4,006,279 | 3,686,360 | 3,397,094 | 2,663,176 | 2,156,201 | 1,975,447 | 1,537,835 | 1,456,616 |
| Business Center | 600,000 | 626,826 | 629,265 | 629,265 | 629,265 | 629,265 | 629,265 | 629,265 | 629,265 | 629,268 |
| Business Incubator | 38,869 | 29,999 | 3,471 | | | | | | | |
| Sanitation | 1,444,522 | 1,386,984 | 1,284,544 | 1,205,279 | 1,159,196 | 1,142,822 | 1,117,185 | 1,056,628 | 1,047,317 | 1,146,276 |
| Ambulance Services | 2,014,413 | 2,476,604 | 1,953,337 | | | | | | | |
| Capital Grants and Contributions | 1,214,350 | 1,046,430 | | 1,941,586 | 1,177,792 | 1,322,452 | 481,955 | 361,918 | | |
| Total business activities | \$ 13,626,056 | \$ 13,803,138 | \$ 11,902,557 | \$ 11,258,521 | \$ 9,956,167 | \$ 9,127,192 | \$ 7,441,348 | \$ 6,907,569 | \$ 5,762,207 | \$ 5,642,003 |
| Total program revenues | \$ 27,484,809 | \$ 22,302,438 | \$ 20,706,446 | \$ 25,852,160 | \$ 18,168,006 | \$ 16,095,769 | \$ 15,594,156 | \$ 11,980,616 | \$ 11,642,160 | \$ 10,020,225 |

Source: City financial records and reports
- Statement of Activities

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

| | Fiscal Year | | | | | | | | | |
|---|----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities: | \$ (8,012,678) | \$(13,940,665) | \$(14,535,029) | \$ (9,078,035) | \$(14,365,219) | \$(13,707,672) | \$(10,654,546) | \$(11,797,374) | \$(10,312,726) | \$(12,647,968) |
| Business-type activities | 3,166,394 | 3,180,839 | 2,375,170 | 3,108,220 | 969,937 | 1,331,423 | (261,942) | (804,293) | (1,824,055) | (2,535,324) |
| Total primary government net (expense) revenue | <u>(\$4,846,284)</u> | <u>(\$10,759,826)</u> | <u>(\$12,159,859)</u> | <u>(\$5,969,815)</u> | <u>(\$13,395,282)</u> | <u>(\$12,376,249)</u> | <u>(\$10,916,488)</u> | <u>(\$12,601,667)</u> | <u>(\$12,136,781)</u> | <u>(\$15,183,292)</u> |
| General Revenues and Other Changes in net Position | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Sales and use taxes | \$ 9,720,729 | \$ 8,978,743 | \$ 7,694,566 | \$ 7,448,887 | \$ 7,324,294 | \$ 6,750,517 | \$ 6,531,779 | \$ 6,073,811 | \$ 5,659,566 | \$ 7,498,691 |
| Franchise taxes | 437,765 | 435,767 | 401,364 | 435,822 | 439,034 | 427,800 | 432,371 | 397,532 | 381,836 | 351,505 |
| Other taxes | 0 | - | - | - | 122,163 | (69,355) | 1,296 | 95,172 | 32,715 | 76,342 |
| State shared Revenues | 8,609,052 | 8,407,534 | 8,073,305 | 7,123,544 | 6,936,337 | 7,331,517 | 5,725,447 | 4,997,430 | 4,840,064 | 5,491,122 |
| Investment Earnings | 296,968 | 182,505 | 56,947 | 26,179 | 19,300 | 16,064 | 28,197 | 12,341 | 12,032 | 10,072 |
| Miscellaneous | - | - | - | 624,606 | 246,626 | 213,640 | 321,613 | 79,471 | 189,377 | 41,593 |
| Transfer in (out) | (364,030) | (407,435) | (394,435) | (391,967) | (100,841) | - | - | - | - | (169,525) |
| Total general revenues and transfers | <u>\$ 18,700,484</u> | <u>\$ 17,597,114</u> | <u>\$ 15,831,747</u> | <u>\$ 15,267,071</u> | <u>\$ 14,986,913</u> | <u>\$ 14,670,183</u> | <u>\$ 13,040,703</u> | <u>\$ 11,655,757</u> | <u>\$ 11,115,590</u> | <u>\$ 13,299,800</u> |
| Business-type activities | | | | | | | | | | |
| Investment Earnings | 285,755 | 74,278 | 55,487 | \$24,708 | \$21,667 | \$13,909 | \$20,935 | \$10,130 | \$10,194 | \$17,994 |
| Miscellaneous | 552,832 | - | - | (48,015) | - | - | (\$19,999) | \$2,417 | - | - |
| Transfer in (out) | 364,030 | 407,435 | 394,435 | 391,967 | 100,841 | - | - | - | - | 169,525 |
| Total Business-type activities | <u>\$ 1,202,617</u> | <u>\$ 481,713</u> | <u>\$ 449,922</u> | <u>\$ 368,660</u> | <u>\$ 122,508</u> | <u>\$ 13,909</u> | <u>\$ 936</u> | <u>\$ 12,547</u> | <u>\$ 10,194</u> | <u>\$ 187,519</u> |
| <i>Total primary government</i> | <u>\$ 19,903,101</u> | <u>\$ 18,078,827</u> | <u>\$ 16,281,669</u> | <u>\$ 15,635,731</u> | <u>\$ 15,109,421</u> | <u>\$ 14,684,092</u> | <u>\$ 13,041,639</u> | <u>\$ 11,668,304</u> | <u>\$ 11,125,784</u> | <u>\$ 13,487,319</u> |
| Change in net Position | | | | | | | | | | |
| Governmental Activities | \$ 10,687,806 | \$ 3,656,449 | \$ 1,296,718 | \$ 6,189,036 | \$ 621,694 | \$ 962,511 | \$ 2,386,157 | \$ (141,617) | \$ 802,864 | \$ 651,832 |
| Business-type activities | 4,369,012 | 3,662,552 | 2,825,092 | 3,476,880 | 1,092,445 | 1,345,332 | (261,006) | (791,746) | (1,813,861) | (2,347,805) |
| Total Changes in Net Position | <u>\$ 15,056,818</u> | <u>\$ 7,319,001</u> | <u>\$ 4,121,810</u> | <u>\$ 9,665,916</u> | <u>\$ 1,714,139</u> | <u>\$ 2,307,843</u> | <u>\$ 2,125,151</u> | <u>\$ (933,363)</u> | <u>\$ (1,010,997)</u> | <u>\$ (1,695,973)</u> |

Source: - City financial records and reports
- Statement of Activities

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

| | Fiscal Year | | | | | | | | | |
|------------------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| General Fund | | | | | | | | | | |
| Nonspendable | \$77,075 | \$80,392 | \$118,243 | \$128,035 | \$42,831 | \$56,719 | \$99,774 | \$211,131 | \$1,218,352 | -\$ |
| Committed | | | | 106,785 | 106,624 | 106,465 | 106,250 | 106,250 | - | - |
| Unassigned | 15,245,609 | 11,859,205 | 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>\$15,322,684</u> | <u>\$11,939,597</u> | <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> |
| All other governmental funds | | | | | | | | | | |
| Nonspendable | \$ 217,730 | \$ 118,543 | \$ 93,575 | \$ 168,175 | \$ 167,914 | \$ 190,319 | \$ 147,511 | \$ 65,677 | \$ 31,625 | -\$ |
| Restricted | 3,129,596 | 2,822,456 | 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 | (179,241) | (9,234) | - | (715,933) | (951,255) | 272,948 | - | - | - | - |
| Total all other governmental funds | <u>\$ 3,168,085</u> | <u>\$ 2,931,765</u> | <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>\$ -</u> |
| General Fund | | | | | | | | | | |
| Unreserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,244,397 |
| Total General Fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,244,397</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | | -\$ | -\$ | -\$ | -\$ | -\$ | -\$ | -\$ | -\$ | \$ 1,320,251 |
| Unreserved, reported in: | | | | | | | | | | |
| Undesignated | | - | - | - | - | - | - | - | - | 43,273 |
| Special revenue funds | | - | - | - | - | - | - | - | - | 1,163,015 |
| Capital projects funds | | - | - | - | - | - | - | - | - | 946,543 |
| Total all other governmental funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,473,082</u> |
| TOTAL GOVERNMENTAL FUNDS | <u>\$18,490,769</u> | <u>\$ 14,871,362</u> | <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> |

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.

Source: Balance Sheet - Governmental Funds

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

Table IV

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| | Fiscal Year | | | | | | | | | |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Revenues: | | | | | | | | | | |
| Taxes | \$ 10,158,495 | \$ 9,414,511 | \$ 8,095,930 | \$ 7,884,709 | \$ 7,885,491 | \$ 7,108,962 | \$ 6,965,446 | \$ 6,566,515 | \$ 6,074,117 | \$ 7,926,538 |
| Special Assessments | 335,006 | \$345,509 | \$302,546 | 302,865 | 374,470 | 282,484 | 218,171 | 290,987 | 267,579 | 156,102 |
| Licenses and permits | 843,768 | \$3,236,021 | \$734,502 | 528,034 | 483,218 | 431,909 | 389,295 | 349,777 | 355,759 | 393,365 |
| Interest earnings | 291,947 | \$179,601 | \$54,631 | 24,445 | 17,057 | 13,322 | 24,266 | 11,437 | 12,032 | 10,072 |
| Fines and forfeits | 494,828 | \$519,153 | \$577,989 | 541,336 | 611,178 | 687,319 | 792,994 | 523,053 | 491,230 | 553,262 |
| Intergovernmental | 12,636,697 | 8,828,680 | 11,705,819 | 10,159,135 | 10,098,225 | 9,895,694 | 9,030,736 | 7,605,264 | 8,763,843 | 7,846,596 |
| Charges for user services | 865,730 | 526,714 | 778,835 | 432,193 | 376,938 | 218,807 | 214,180 | 160,919 | 151,474 | 304,930 |
| Rents | 1,358,079 | \$424,340 | \$268,690 | 339,119 | 761,335 | 811,666 | 674,019 | 659,222 | 712,121 | 384,118 |
| Others | 678,463 | \$187,987 | \$408,006 | 624,606 | 529,759 | 418,940 | 577,687 | 140,909 | 167,388 | 103,039 |
| Total revenues | \$27,663,013 | \$ 23,662,516 | \$ 22,926,948 | \$ 20,836,442 | \$ 21,137,671 | \$ 19,869,103 | \$ 18,886,794 | \$ 16,308,083 | \$ 16,995,543 | \$ 17,678,022 |
| Expenditures: | | | | | | | | | | |
| General government | \$ 5,419,958 | \$ 5,463,647 | \$ 5,236,772 | \$ 5,037,910 | \$ 4,652,111 | \$ 4,546,198 | \$ 4,251,259 | \$ 4,032,759 | \$ 3,636,045 | \$ 3,775,913 |
| Public safety | 8,221,406 | \$7,073,034 | \$7,587,098 | 7,328,654 | 6,688,960 | 6,519,780 | 6,194,930 | 6,089,036 | 5,695,080 | 5,701,487 |
| Public works & streets | 1,695,053 | \$1,831,640 | \$1,832,799 | 1,673,193 | 1,636,602 | 1,506,770 | 1,276,486 | 1,238,738 | 1,403,846 | 1,679,798 |
| Community, recreational, and cultural | 3,638,348 | \$3,345,062 | \$3,445,381 | 3,001,225 | 2,768,148 | 2,615,816 | 2,254,791 | 2,198,001 | 2,239,756 | 2,648,083 |
| Health and welfare | 258,917 | \$209,748 | \$213,543 | 210,378 | 205,049 | 149,367 | 141,225 | 165,387 | 187,211 | 201,555 |
| Capital outlay | 2,518,160 | \$2,691,771 | \$2,402,247 | 2,771,769 | 3,843,180 | 1,348,004 | 1,280,367 | 921,671 | 1,649,441 | 1,289,406 |
| Debt service/authorities: | | | | | | | | | | |
| Interest | 643,859 | \$626,133 | \$713,695 | 722,772 | 1,168,906 | 839,755 | 859,513 | 880,623 | 928,920 | 948,289 |
| Principal | 708,590 | \$398,030 | \$385,490 | 660,504 | 391,834 | 331,242 | 445,229 | 477,261 | 492,044 | 542,425 |
| Bond issue costs | | \$87,664 | | - | 238,101 | | | | | |
| Total expenditures | \$23,104,293 | \$ 21,726,729 | \$ 21,817,025 | \$ 21,406,405 | \$ 21,592,891 | \$ 17,856,932 | \$ 16,703,800 | \$ 16,003,476 | \$ 16,232,343 | \$ 16,786,956 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 4,558,720 | \$ 1,935,787 | \$ 1,109,923 | \$ (569,963) | \$ (455,220) | \$ 2,012,171 | \$ 2,182,994 | \$ 304,607 | \$ 763,200 | \$ 891,066 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Premium on debt issued | \$ - | \$ 428,870 | \$ - | \$ - | \$ 1,296,704 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Debt issued | | 2,825,000 | | - | 12,085,699 | - | - | - | - | - |
| Payment to Refunded Bond Escrow Agent | | (3,164,208) | | - | (13,850,916) | - | - | - | - | - |
| Notes Issued | | | | - | 300,939 | 37,693 | - | - | - | - |
| capital leases | 12,302 | 297,873 | | - | - | - | - | - | - | - |
| Transfer from Other Funds | 1,436,164 | 1,014,000 | 1,060,544 | 1,462,992 | 1,426,905 | 1,739,361 | 1,359,172 | 1,198,137 | 1,153,242 | 18,537 |
| Transfer to Other Funds | (1,800,194) | (1,421,435) | (1,454,979) | (1,854,959) | (1,527,746) | (1,739,361) | (1,359,172) | (2,284,670) | (1,153,242) | (188,062) |
| Total other financing sources (Uses) | \$ (351,728) | \$ (19,900) | \$ (394,435) | \$ (391,967) | \$ (268,415) | \$ 37,693 | \$ - | \$ (1,086,533) | \$ - | \$ (169,525) |
| NET CHANGE IN FUND BALANCES | \$ 4,206,992 | \$ 1,915,887 | \$ 715,488 | \$ (961,930) | \$ (723,635) | \$ 2,049,864 | \$ 2,182,994 | \$ (781,926) | \$ 763,200 | \$ 721,541 |
| Debt Services as a percentage of noncapital expenditures | 9.37% | 9.01% | 5.66% | 7.16% | 8.55% | 6.56% | 8.42% | 8.95% | 9.68% | 9.62% |

Source: City financial records and reports

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

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Governmental Activities: | | | | | | | | | | |
| Charges for service | | | | | | | | | | |
| General Government | \$ 3,544,657 | \$ 1,350,023 | \$ 1,765,937 | \$ 3,021,700 | \$ 2,780,190 | \$ 2,494,028 | \$ 2,226,528 | \$ 1,002,249 | \$ 531,031 | \$ 587,365 |
| Public Safety | 423,258 | 305,749 | 426,767 | 315,098 | 1,007,465 | 980,528 | 867,899 | 677,226 | 686,632 | 356,262 |
| Health and Welfare | | - | - | - | - | - | - | - | - | - |
| Culture and Recreation | 272,468 | 142,037 | 211,126 | 74,395 | 373,194 | 288,009 | 219,142 | 284,797 | 264,622 | 176,077 |
| Community Development | | - | - | 594,182 | 385,797 | 432,936 | 497,921 | 334,557 | 318,051 | 407,927 |
| Public Works & Streets | 371,427 | 187,408 | 342,089 | 62,642 | 62,640 | 51,595 | 50,530 | 49,978 | 49,368 | 33,432 |
| Operating grants and contributions | 2,372,433 | 2,002,228 | 2,308,056 | 2,709,123 | 2,989,656 | 2,564,023 | 3,343,398 | 2,601,626 | 2,715,700 | 2,269,604 |
| Capital grants and contributions | 6,874,510 | 4,511,855 | 3,749,914 | 7,816,499 | 612,897 | 157,458 | 947,390 | 122,614 | 1,314,549 | 547,555 |
| <i>Total governmental activities</i> | <u>\$13,858,753</u> | <u>\$8,499,300</u> | <u>\$8,803,889</u> | <u>\$14,593,639</u> | <u>\$8,211,839</u> | <u>\$6,968,577</u> | <u>\$8,152,808</u> | <u>\$5,073,047</u> | <u>\$5,879,953</u> | <u>\$4,378,222</u> |
| Business-type activities | | | | | | | | | | |
| Charges for service | | | | | | | | | | |
| Water | \$ 4,382,952 | \$ 4,182,192 | \$ 4,025,661 | \$ 3,796,031 | \$ 3,592,820 | \$ 3,369,477 | \$ 3,056,742 | \$ 2,884,311 | \$ 2,547,790 | \$ 2,409,843 |
| Wastewater | 3,930,950 | 4,054,103 | 4,006,279 | 3,686,360 | 3,397,094 | 2,663,176 | 2,156,201 | 1,975,447 | 1,537,835 | 1,456,616 |
| Business Center | 600,000 | 626,826 | 629,265 | 629,265 | 629,265 | 629,265 | 629,265 | 629,265 | 629,265 | 629,268 |
| Business Incubator | 38,869 | 29,999 | 3,471 | - | - | - | - | - | - | - |
| Sanitation | 1,444,522 | 1,386,984 | 1,284,544 | 1,205,279 | 1,159,196 | 1,142,822 | 1,117,185 | 1,056,628 | 1,047,317 | 1,146,276 |
| Ambulance Services | 2,014,413 | 2,476,604 | 1,953,337 | - | - | - | - | - | - | - |
| Operating grants and contributions | | | | - | - | - | - | - | - | - |
| Capital grants and contributions | 1,214,350 | 1,046,430 | - | 1,941,586 | 1,177,792 | 1,322,452 | 481,955 | 361,918 | - | - |
| <i>Total business-type activities</i> | <u>\$ 13,626,056</u> | <u>\$ 13,803,138</u> | <u>\$ 11,902,557</u> | <u>\$ 11,258,521</u> | <u>\$ 9,956,167</u> | <u>\$ 9,127,192</u> | <u>\$ 7,441,348</u> | <u>\$ 6,907,569</u> | <u>\$ 5,762,207</u> | <u>\$ 5,642,003</u> |
| Total primary government | <u>\$ 27,484,809</u> | <u>\$ 22,302,438</u> | <u>\$ 20,706,446</u> | <u>\$ 25,852,160</u> | <u>\$ 18,168,006</u> | <u>\$ 16,095,769</u> | <u>\$ 15,594,156</u> | <u>\$ 11,980,616</u> | <u>\$ 11,642,160</u> | <u>\$ 10,020,225</u> |

Source: City financial records and reports
Statement of Activities

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

| | Fiscal Year | | | | | | | | | |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Governmental Activities | | | | | | | | | | |
| General Government | \$ 4,438,576 | 1,355,037 | 1,807,078 | 3,107,233 | 2,856,516 | 2,531,262 | 2,288,465 | \$1,029,723 | \$554,389 | \$640,571 |
| Public Safety | 936,173 | 631,996 | 964,958 | 932,208 | 1,990,965 | 1,653,703 | 2,184,656 | 1,746,600 | 1,746,918 | 910,540 |
| Health and Welfare | | - | - | - | - | - | - | - | - | - |
| Culture and Recreation | 272,468 | 150,537 | 211,126 | 197,593 | 489,099 | 368,966 | 302,596 | 343,483 | 320,814 | 198,810 |
| Community Development | 268,570 | 275,175 | 202,706 | 594,182 | 385,797 | 432,936 | 497,921 | 334,557 | 1,529,630 | 527,822 |
| Public Works & Streets | 7,942,966 | 6,086,555 | 5,618,021 | 9,762,423 | 2,489,462 | 1,981,710 | 2,879,170 | 1,618,684 | 1,728,202 | 2,100,479 |
| Unallocated General Revenues | 18,700,485 | 17,597,115 | 15,831,747 | 15,267,071 | 14,986,913 | 14,670,183 | 13,040,703 | 11,655,757 | 11,115,590 | 13,299,800 |
| Total Governmental Activities | \$ 32,559,238 | \$ 26,096,415 | \$ 24,635,636 | \$ 29,860,710 | \$ 23,198,752 | \$ 21,638,760 | \$ 21,193,511 | \$ 16,728,804 | \$ 16,995,543 | \$ 17,678,022 |
| Business-type activities | | | | | | | | | | |
| Water | \$4,990,743 | \$4,672,760 | \$4,025,661 | \$3,796,031 | \$3,592,820 | \$3,869,477 | \$3,106,217 | \$2,894,971 | \$2,547,790 | \$2,409,843 |
| Wastewater | 4,537,510 | 4,609,965 | 4,006,279 | 5,627,946 | 3,418,093 | 2,663,176 | 2,588,681 | 2,326,705 | 1,537,835 | 1,456,616 |
| Business Center | 600,000 | 626,826 | 629,265 | 629,265 | 629,265 | 629,265 | 629,265 | 629,265 | 629,265 | - |
| Business Incubator | 38,869 | 29,999 | 3,471 | - | 1,156,793 | - | - | - | - | - |
| Sanitation | 1,444,522 | 1,386,984 | 1,284,544 | 1,205,279 | 1,159,196 | 822,452 | 1,117,185 | 1,056,628 | 1,047,317 | 1,146,276 |
| Ambulance Services | 2,014,413 | 2,476,604 | 1,953,337 | - | - | - | - | - | - | 169,525 |
| Industrial Park | | | | - | - | - | - | - | - | - |
| Unallocated General Revenues | 1,202,616 | 481,713 | 449,922 | 368,660 | 122,508 | 13,909 | 936 | 12,547 | 10,194 | 187,519 |
| Total Business Activities | \$ 14,828,673 | \$ 14,284,851 | \$ 12,352,479 | \$ 11,627,181 | \$ 10,078,675 | \$ 7,998,279 | \$ 7,442,284 | \$ 6,920,116 | \$ 5,772,401 | \$ 5,369,779 |

Source: Statement of Activities.
 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>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| City Sales Tax | \$9,720,729 | \$8,989,483 | \$7,694,566 | \$7,508,359 | \$7,324,294 | \$6,750,517 | \$6,531,779 | \$6,073,811 | \$5,659,566 | \$7,498,691 |
| State Sales taxes | 3,272,469 | 3,090,501 | 2,889,943 | 2,659,098 | 2,550,568 | 2,812,693 | 2,104,763 | 1,992,968 | 1,771,253 | 1,682,728 |
| Franchise Tax | 437,765 | 435,767 | 401,364 | 435,822 | 439,034 | 427,800 | 432,371 | 397,532 | 381,836 | 351,505 |
| Special Districts | 335,006 | 345,509 | 302,546 | 302,865 | 374,470 | 282,484 | 218,171 | 290,987 | 267,579 | 156,102 |
| Others | 131,423 | 129,514 | - | - | 122,163 | (69,355) | 1,296 | 95,172 | 32,715 | 76,342 |
| Total tax revenues | <u>\$13,897,392</u> | <u>\$12,990,774</u> | <u>\$11,288,419</u> | <u>\$10,906,144</u> | <u>\$10,810,529</u> | <u>\$10,204,139</u> | <u>\$9,288,380</u> | <u>\$8,850,470</u> | <u>\$8,112,949</u> | <u>\$9,765,367</u> |

Source: Statement of Activities
Statement of Revenues, Expenditures and Change in Fund Balance Governmental Fund

Note: Includes Governmental Fund Types
Special Districts include Strret 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>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| State Shared Sales Tax | \$3,272,469 | \$3,090,501 | \$2,889,943 | \$2,659,098 | \$2,550,568 | \$2,812,693 | \$2,104,763 | \$1,992,968 | \$1,771,253 | \$1,682,728 |
| Urban Revenue Sharing | 3,929,206 | 3,981,836 | 3,856,245 | 3,360,240 | 3,378,557 | 3,559,275 | 2,605,281 | 2,152,641 | 2,231,840 | 2,960,504 |
| Highway Users | 2,804,155 | 2,651,344 | 2,526,082 | 2,239,260 | 2,126,238 | 1,929,961 | 2,041,357 | 1,562,498 | 1,678,834 | 1,700,626 |
| Auto-in-lieu | 1,407,377 | 1,335,198 | 1,259,413 | 1,104,206 | 1,007,212 | 959,549 | 1,015,403 | 851,821 | 836,971 | 847,890 |
| Local Transportation Aid | | | - | - | - | - | - | - | - | 35,312 |
| Federal | 1,140,890 | 40,939 | 1,139,781 | 673,284 | 615,896 | 634,216 | 1,130,716 | 1,004,693 | 2,177,538 | 565,787 |
| Others | 82,600 | 14,010 | 64,356 | 123,047 | 419,754 | - | 133,216 | 40,643 | 67,407 | 53,749 |
| Total tax revenues | \$12,636,697 | \$11,113,828 | \$11,735,820 | \$10,159,135 | \$10,098,225 | \$9,895,694 | \$9,030,736 | \$7,605,264 | \$8,763,843 | \$7,846,596 |

Source: Statement of Activities
Finance Records

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>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Retail Sales | \$5,100,707 | \$5,307,579 | \$4,693,648 | \$3,731,819 | \$3,719,366 | \$3,498,869 | \$3,288,946 | \$3,046,645 | \$2,901,155 | \$2,813,146 |
| Contracting | 2,039,455 | 1,188,901 | 888,499 | 1,573,668 | 1,654,681 | 1,336,456 | 1,468,887 | 1,574,491 | 1,413,388 | 3,354,443 |
| Rentals | 456,557 | 360,153 | 333,635 | 407,570 | 356,150 | 324,795 | 297,456 | 280,163 | 244,048 | 274,975 |
| Communications/Utilities | 92,458 | 123,547 | 947,825 | 1,174,550 | 1,044,285 | 1,053,760 | 959,929 | 624,166 | 570,915 | 584,850 |
| Restaurant/Bar | 604,790 | 611,999 | 456,027 | 422,284 | 417,278 | 363,027 | 371,107 | 342,810 | 309,338 | 294,048 |
| Use | 314,662 | 221,860 | 356,078 | 129,156 | 121,091 | 109,195 | 84,108 | 131,100 | 83,071 | 110,978 |
| Other | 1,112,100 | 1,175,444 | 18,855 | 69,312 | 45,339 | 64,415 | 61,346 | 74,436 | 137,650 | 66,250 |
| | <u>\$9,720,729</u> | <u>\$8,989,483</u> | <u>\$7,694,566</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>\$5,659,566</u> | <u>\$7,498,691</u> |
| | | | | | | | | | | |
| % Growth by year | | | | | | | | | | |
| Retail Sales | -3.9% | 13.1% | 25.8% | 0.3% | 6.3% | 6.4% | 8.0% | 5.0% | 3.1% | -8.3% |
| Contracting | 71.5% | 33.8% | -43.5% | -4.9% | 23.8% | -9.0% | -6.7% | 11.4% | -57.9% | 20.8% |
| Rentals | 26.8% | 7.9% | -18.1% | 14.4% | 9.7% | 9.2% | 6.2% | 14.8% | -11.2% | -8.7% |
| Utilities | -25.2% | -87.0% | -19.3% | 12.5% | -0.9% | 9.8% | 53.8% | 9.3% | -2.4% | 4.3% |
| Restaurant/Bar | -1.2% | 34.2% | 8.0% | 1.2% | 14.9% | -2.2% | 8.3% | 10.8% | 5.2% | 17.9% |
| Use | 41.8% | -37.7% | 175.7% | 6.7% | 10.9% | 29.8% | -35.8% | 57.8% | -25.1% | 88.6% |
| Other | -5.4% | 6134.3% | -72.8% | 52.9% | -29.6% | 5.0% | -17.6% | -45.9% | 107.8% | -39.6% |
| | <u>104.5%</u> | <u>6098.7%</u> | <u>55.7%</u> | <u>83.1%</u> | <u>96.6%</u> | <u>60.2%</u> | <u>16.0%</u> | <u>63.3%</u> | <u>19.5%</u> | <u>75.0%</u> |

Note: Includes governmental fund types

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**

| | 2019 | | | | 2010 | | | |
|-------------------------------|------------------|----------------------------|--------------------|--|------------------|----------------------------|------------------|--|
| | 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 | 730 | 31.28% | \$5,100,707 | 52.47% | 396 | 31.55% | 2,909,492 | 38.80% |
| Construction, MFG & Wholesale | 893 | 38.25% | 2,039,455 | 20.98% | 461 | 36.74% | 2,776,765 | 37.03% |
| Rentals | 154 | 6.60% | 456,557 | 4.70% | 133 | 10.63% | 299,948 | 4.00% |
| Communications/Utilities | 68 | 2.93% | 92,458 | 0.95% | 50 | 4.02% | 554,903 | 7.40% |
| Restaurant/Bar | 43 | 1.84% | 604,790 | 6.22% | 42 | 3.35% | 247,457 | 3.30% |
| Use/Services | 307 | 13.15% | 314,662 | 3.24% | 108 | 8.62% | 599,895 | 8.00% |
| Other | 139 | 5.96% | 1,112,100 | 11.44% | 64 | 5.10% | 110,231 | 1.47% |
| | 2,336 | 100% | \$9,720,729 | 100% | 1,255 | 100% | 7,498,691 | 100.00% |

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 | | | |
| 2019 | \$ 14,546,315 | \$ 174,462 | \$ 265,209 | \$ 34,744,986 | \$ 243,768 | \$ 262,367 | \$ 50,237,107 | 4.28% | \$1,511 |
| 2018 | 15,231,748 | 270,762 | 297,873 | 36,427,536 | 57,843 | 339,794 | 52,625,556 | 4.43% | 1,590 |
| 2017 | 12,369,441 | 3,387,834 | - | 33,955,220 | 102,171 | 379,540 | 50,194,206 | 4.55% | 1,543 |
| 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 |

Note; See Table XIV for Personal Income and Population

Source: (1) Based on data provided by the Greater Yuma Economic Development City financial Records and reports

**CITY OF SAN LUIS, ARIZONA
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

| Civic Improvement Corporation (CIC) - Greater Arizona Development Authority (GADA) Bonds | | | | | | | | | | | |
|---|-----|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Pledged revenues | (1) | \$19,715,582 | \$18,672,560 | \$15,562,640 | \$15,766,957 | \$15,379,657 | \$15,052,446 | \$13,283,180 | \$11,781,918 | \$11,341,493 | \$12,882,852 |
| Debt service requirements | (2) | | | | | | | | | | |
| Principal | | \$1,915,000 | \$1,035,000 | \$995,000 | \$1,690,001 | \$1,020,000 | \$785,000 | \$755,000 | \$725,000 | \$700,000 | \$675,000 |
| Interest | | 1,759,000 | 1,679,297 | 2,337,226 | 2,369,747 | 3,528,124 | 2,723,387 | 2,756,749 | 2,787,893 | 2,814,803 | 2,853,206 |
| Total Annual Requirements | | 3,674,000 | 2,714,297 | 3,332,226 | 4,059,748 | 4,548,124 | 3,508,387 | 3,511,749 | 3,512,893 | 3,514,803 | 3,528,206 |
| Estimated Coverage | | 5.37 | 6.88 | 4.67 | 3.88 | 3.38 | 4.29 | 3.78 | 3.35 | 3.23 | 3.65 |

(1) Pledged revenues on the Civic Improvement Corporation (CIC) bonds and Greater Arizona Development (GADA) 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 and business portion of outstanding CIC issues, and GADA issues.

Water and Wastewater allocations of Utility Revenue bonds series 2013 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
PLEGDED REVENUE COVERAGE
GOVERNMENT PORTION
LAST TEN FISCAL YEARS**

| Civic Improvement Corporation (CIC) - Greater Arizona Development Authority (GADA) Bonds | | | | | | | | | | | |
|---|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Pledged revenues | (3) (1) | \$19,715,582 | \$18,672,560 | \$15,562,640 | \$15,766,957 | \$15,379,657 | \$15,052,446 | \$13,283,180 | \$11,781,918 | \$11,341,493 | \$12,882,852 |
| Debt service requirements | (2) | | | | | | | | | | |
| Principal | | \$587,583 | \$305,893 | \$298,100 | \$572,820 | \$317,583 | \$305,893 | \$294,203 | \$282,513 | \$272,771 | \$263,029 |
| Interest | | 641,005 | 621,293 | 706,211 | 712,751 | 1,158,267 | 839,213 | 852,213 | 864,349 | 875,649 | 886,254 |
| Total Annual Requirements | | 1,228,588 | 927,186 | 1,004,311 | 1,285,571 | 1,475,850 | 1,145,106 | 1,146,416 | 1,146,862 | 1,148,420 | 1,149,283 |
| Estimated Coverage | | 16.05 | 20.14 | 15.50 | 12.26 | 10.42 | 13.15 | 11.59 | 10.27 | 9.88 | 11.21 |

(1) Pledged revenues on the Civic Improvement Corporation (CIC) bonds and Greater Arizona Development (GADA) 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, and GADA issues.

(3) In fiscal year 2019, the principal and interest amounts were revised to reflect the (GADA) government portion for all years, and to correct misstatements in prior years. 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 - CIVIC IMPROVEMENT CORPORATION
ENTERPRISE PORTION
LAST TEN FISCAL YEARS**

| UTILITY REVENUE BONDS - CIC UTILITY BONDS | | | | | | | | | | | |
|--|-----|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|
| | (5) | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Gross Revenues | (1) | 8,598,226 | 8,232,732 | \$8,086,255 | \$7,506,930 | \$7,011,185 | \$6,045,693 | \$5,232,580 | \$4,869,271 | \$4,095,810 | \$3,866,459 |
| Operating Expenses | (2) | 4,059,728 | 3,363,861 | 5,027,804 | 4,388,160 | 5,387,500 | 4,315,552 | 4,259,081 | 4,042,114 | 3,954,072 | 3,061,620 |
| Net Revenues available | | <u>\$4,538,498</u> | <u>\$4,868,871</u> | <u>\$3,058,451</u> | <u>\$3,118,770</u> | <u>\$1,623,685</u> | <u>\$1,730,141</u> | <u>\$973,499</u> | <u>\$827,157</u> | <u>\$141,738</u> | <u>\$804,839</u> |
| Principal | | 777,417 | 749,107 | 726,900 | 897,181 | 497,417 | 479,107 | 460,797 | 442,487 | 427,229 | 411,971 |
| Interest | (3) | 1,034,616 | 1,061,135 | 1,085,677 | 1,105,804 | 1,803,596 | 1,212,889 | 1,074,198 | 1,093,206 | 1,110,906 | 1,135,881 |
| Total debt Expense | (4) | 1,812,033 | 1,810,242 | 1,812,577 | 2,002,985 | 2,301,013 | 1,691,996 | 1,534,995 | 1,535,693 | 1,538,135 | 1,547,852 |
| Ratio of Total Revenue/debt Expense | | 2.505 | 2.690 | 1.687 | 1.557 | 0.706 | 1.023 | 0.634 | 0.539 | 0.092 | 0.520 |

Note:

- (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) 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.
- (4) Includes debt service requirement for Utility Bond, and business portion of (CIC) Bonds, which are serviced by the Water Utility, Wasterwater Utility funds.
- (5) In fiscal year 2019, the principal and interest amounts were revised to reflect the Utility Bond Revenue principal and interest starting on FY 2014, and to correct misstatements in prior years.

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, 2019

| <u>Jurisdiction</u> | <u>Net Assessed Value</u> | <u>Net Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|---------------------------|-----------------------------|--|--|
| City of San Luis: General Obligation | \$ 78,623,580 | \$ 174,462 | 100.00% | \$ 174,462 |
| City of San Luis: Revenue Bond | 78,623,580 | 13,146,304 | 100.00% | 13,146,304 |
| City of San Luis: Premiums | 78,623,580 | 1,400,011 | 100.00% | 1,400,011 |
| City of San Luis: Capital Leases | 78,623,580 | 265,209 | 100.00% | 265,209 |
| | | <u>\$ 14,985,986</u> | | <u>\$ 14,985,986</u> |
| As presented fiscal year ended June 30, 2019 | | | | |
| Arizona Western College | \$ 1,183,062,653 | \$ 48,845,000 | 100.00% (1) | \$ 48,845,000 |
| Somerton Elementary School District No. 11 | 66,504,791 | 1,600,440 | 5.62% | 89,945 |
| Crane Elementary Shool District No. 13 | 222,818,040 | 10,840,000 | 18.83% | 2,041,172 |
| Antelope Union High School District No. 50 | 110,374,468 | 595,000 | 9.33% | 55,514 |
| Yuma Union High School District No 70 | <u>1,072,688,185</u> | <u>39,606,483</u> | 90.67% (2) | <u>35,911,198</u> |
| Total Overlapping General Obligation Bonded Debt | | <u>\$ 101,486,923</u> | | <u>\$ 86,942,828</u> |
| Total Direct and Ovelapping General Obligation Bonded Debt | | | | <u>\$ 101,928,814</u> |

Sources: YUMA County Finance Department

(1) Total debt is shared with La Paz County. Esimated 50% allocation to each County Source: Michelle.Landis@azwestern.edu

(2) Total Net Debt Outstanding from FY18 Report of Bonded Indebtedness, AZ Financial Transparency Portal

(3) City Records

* County records and the State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

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

| Fiscal Year | Population | Personal Income | Labor force | Employment | Unemployment | Unemployment rate percentage |
|--------------------|-------------------|----------------------------|--------------------|-------------------|---------------------|---|
| 2019 | 33,243 | \$ 37,800 | 14,534 | 11,220 | 3,314 | 22.8% |
| 2018 | 33,107 | 33,967 | 14,139 | 10,787 | 3,352 | 23.7% |
| 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% |

Data Source:

Greater Yuma Economic Development Corporation

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

| Employer | 2019 | | | 2012 (1) | | |
|--------------------------------|----------------|------|-------------------------------|----------------|------|-------------------------------|
| | # of Employees | Rank | Percentage of City Employment | # of Employees | Rank | Percentage of City Employment |
| Arizona State Prison | 996 | 1 | 28.64% | 653 | 2 | 26.32% |
| Gadsen Unified School District | 870 | 2 | 25.01% | 448 | 3 | 18.06% |
| ACT Call Center | 533 | 3 | 15.32% | 700 | 1 | 28.21% |
| Factor Sales | 423 | 4 | 12.16% | | | 0.00% |
| City of San Luis | 282 | 5 | 8.11% | 230 | 5 | 9.27% |
| Walmart | 206 | 6 | 5.92% | 270 | 4 | 10.88% |
| San Luis Detention Center | 168 | 7 | 4.83% | 80 | 7 | 3.22% |
| Basha's/Food City | - | - | 0.00% | 100 | 6 | 4.03% |
| Total Employees | 3,478 | | 100.00% | 2,481 | | 100.00% |

Source: Greater Yuma Economic Development Corporation

Notes:

- (1) Data was tracked for City's 1st CAFR.
- (2) City of San Luis Finance Department
- (3) Data for years 2006 - 2011 is not available

**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>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| General Fund | | | | | | | | | | |
| General Government | 89 | 79 | 56 | 58 | 55 | 57 | 57 | 54 | 52 | 51 |
| Public Safety | 83 | 96 | 89 | 94 | 85 | 90 | 90 | 87 | 86 | 77 |
| Health and Welfare | 4 | 4 | 3 | 4 | 4 | 2 | 2 | 2 | 2 | 3 |
| Culture and Recreation | 47 | 23 | 35 | 47 | 37 | 36 | 36 | 28 | 22 | 21 |
| Community Development | 12 | 10 | 9 | 9 | 8 | 9 | 9 | 9 | 9 | 11 |
| Sub total General Fund | 235 | 212 | 192 | 212 | 189 | 194 | 194 | 180 | 171 | 163 |
| General Fund | 235 | 212 | 192 | 212 | 189 | 194 | 194 | 180 | 171 | 163 |
| Public Works & Streets | 15 | 17 | 18 | 15 | 16 | 11 | 11 | 13 | 15 | 16 |
| Enterprise Funds | 30 | 53 | 50 | 32 | 32 | 32 | 32 | 26 | 30 | 31 |
| Total Permanent Positions | 280 | 282 | 260 | 259 | 237 | 237 | 237 | 219 | 216 | 210 |

Source: City Payroll

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

| | Utility Rate Increases & Average Bill | | | | | | | | | |
|--------------------------------|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Water | | | | | | | | | | |
| Average bill | \$48.28 | \$48.16 | \$48.45 | \$48.03 | \$46.59 | \$45.05 | \$41.72 | \$38.31 | \$36.56 | \$33.92 |
| % Increase | 0.25% | -0.60% | 0.88% | 3.09% | 3.41% | 7.98% | 8.89% | 4.80% | 7.78% | -5.00% |
| Wastewater | | | | | | | | | | |
| Average bill | \$44.56 | \$44.60 | \$51.57 | \$48.40 | \$46.30 | \$37.33 | \$31.57 | \$29.41 | \$23.24 | \$22.10 |
| % Increase | -0.09% | -13.52% | 6.56% | 4.52% | 24.03% | 18.25% | 7.34% | 26.53% | 5.19% | -10.11% |
| Residential Solid Waste | | | | | | | | | | |
| Average bill | \$17.64 | \$17.82 | \$17.03 | \$16.95 | \$16.86 | \$16.89 | \$17.11 | \$16.45 | \$15.89 | \$17.60 |
| % Increase | -1.01% | 4.64% | 0.47% | 0.52% | -0.15% | -1.32% | 4.07% | 3.51% | -9.74% | -0.34% |

Source: City Customer Service and Billing records (Billing Register Summary)

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

| | Utility Accounts | | | | | | | | | |
|--------------------------------|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Water | | | | | | | | | | |
| Number of Accounts | 7,194 | 6,828 | 6,669 | 6,384 | 6,190 | 6,023 | 5,890 | 6,036 | 5,701 | 5,865 |
| % Increase | 5.36% | 2.38% | 4.46% | 3.13% | 2.77% | 2.26% | -2.42% | 5.88% | -2.80% | 2.50% |
| Wastewater | | | | | | | | | | |
| Number of Accounts | 7,027 | 6,618 | 6,495 | 6,216 | 5,990 | 5,827 | 5,688 | 5,597 | 5,514 | 5,491 |
| % Increase | 6.18% | 1.89% | 4.49% | 3.77% | 2.80% | 2.44% | 1.63% | 1.51% | 0.42% | 4.31% |
| Residential Solid Waste | | | | | | | | | | |
| Number of Accounts | 6,620 | 6,222 | 6,113 | 5,825 | 5,643 | 5,549 | 5,366 | 5,249 | 5,172 | 5,330 |
| % Increase | 6.40% | 1.78% | 4.94% | 3.23% | 1.69% | 3.41% | 2.23% | 1.49% | -2.96% | 4.88% |

Source: City Customer Service and Billing records

CITY OF SAN LUIS, ARIZONA
UTILITY STATISTICAL DATA - RATES

Charges for Water Services
Based Minimum Monthly Bill

| Service Fees | | | | | |
|-------------------|--------------------|-----------------------|----------------------------------|---------------------------|---------------|
| Residential | | | Commercial / Government / School | | |
| <i>Meter Size</i> | <i>1st 2,000 G</i> | <i>Excess / 000's</i> | <i>1st 2,000 G</i> | <i>Commercial / Gov't</i> | <i>School</i> |
| 5/8" - 3/4" | \$ 13.80 | \$ 2.11 | \$ 35.10 | \$ 2.66 | \$ 2.95 |
| 1" | N/A | N/A | \$ 58.62 | \$ 2.66 | \$ 2.95 |
| 1 1/2" | N/A | N/A | \$ 116.89 | \$ 2.66 | \$ 2.95 |
| 2" | N/A | N/A | \$ 187.09 | \$ 2.66 | \$ 2.95 |
| 3" | N/A | N/A | \$ 409.64 | \$ 2.66 | \$ 2.95 |
| 4" | N/A | N/A | \$ 1,404.07 | \$ 2.66 | \$ 2.95 |
| 6" | N/A | N/A | \$ 2,925.15 | \$ 2.66 | \$ 2.95 |
| 8" | N/A | N/A | \$ 4,212.22 | \$ 2.66 | \$ 2.95 |

Charges for Wastewater Services
Based Minimum Monthly Bill

| Service Fees | | | | |
|-------------------|-------------|-----------------------|----------------------------------|---------------------|
| Residential | | | Commercial / Government / School | |
| <i>Meter Size</i> | <i>Base</i> | <i>Excess / 000's</i> | <i>Base</i> | <i>Volume/000's</i> |
| Senior 60+ yrs | \$ 20.23 | N/A | N/A | N/A |
| 5/8" - 3/4" | \$ 40.00 | N/A | \$ 24.50 | \$ 2.47 |
| 1" - 8" | N/A | N/A | \$ 24.50 | \$ 2.47 |
| Gadsden | \$ 55.27 | N/A | \$ 76.35 | \$ 2.47 |
| Gadsden School | N/A | N/A | \$ 205.81 | \$ 2.47 |

Source: City Customer Service and Billing records

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

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Miscellaneous data on water utility | | | | | | | | | | |
| Annual Consumption (000's gal) | 1,144,797 | 1,085,982 | 1,067,585 | 1,041,105 | 1,023,995 | 1,080,987 | 962,719 | 1,025,510 | 1,122,644 | 1,052,673 |
| Avg gallons/account/month | 13,261 | 13,254 | 13,340 | 13,590 | 13,786 | 14,956 | 13,621 | 14,158 | 16,410 | 15,387 |
| Avg gallons/account/year | 159,132 | 159,048.33 | 160,082 | 163,080 | 165,427 | 179,477 | 163,452 | 169,899 | 196,920 | 184,647 |
| Avg. daily demand (MGD) | 3.23 | 3.23 | 445 | 453 | 460 | 499 | 454 | 472 | 547 | 513 |
| Peak demand (MGD) | 3.81 | 3.81 | 3.81 | 3.43 | 3.43 | 3.43 | 3.43 | 3.43 | 3.43 | 3.33 |
| Number of wells in system | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Available storage capacity (million Gallons) | 4,025 | 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) | 586,810 | 514,839 | 458,763 | 465,867 | 471,403 | 463,767 | 457,864 | 437,574 | 445,704 | 437,715 |
| Average daily flow (000's) | 1,608 | 10,740 | 1,286 | 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 | 24,091 | 11,719 | 10,740 | 10,306 | 9,681 | 10,610 | 9,013 | 9,523 | 9,066 | 13,053 |

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>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Commercial | | | | | | | | | | | |
| | Number of Permits | 1 | 1 | 6 | 16 | 16 | 16 | 16 | 16 | 13 | 12 |
| | Value | 10 | \$568 | \$7,091 | \$51 | \$128 | \$2,181 | \$204 | \$5,773 | \$7,560 | \$1,048 |
| Residential | | | | | | | | | | | |
| | Number of Dwelling Units | 340 | 193 | 267 | 169 | 159 | 112 | 120 | 85 | 68 | 182 |
| | Value | \$ 49,318 | \$ 29,110 | \$ 35,339 | \$ 24,850 | \$ 24,530 | \$ 16,908 | \$ 20,166 | \$ 13,147 | \$ 11,078 | \$ 20,338 |
| Other | | | | | | | | | | | |
| | Number of Permits | 352 | 404 | 480 | 523 | 318 | 200 | 138 | 161 | 134 | 127 |
| | Value | \$ 6,664 | \$ 8,293 | \$ 9,601 | \$ 10,652 | \$ 2,146 | \$ 19,089 | \$ 3,649 | \$ 1,157 | \$ 1,554 | \$ 1,165 |
| | | Single Family Housing Sales | | | | | | | | | |
| | | Calendar Year | | | | | | | | | |
| | | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| | New units sold | 314 | 258 | 228 | 175 | 88 | 56 | 118 | 114 | 63 | 85 |

Source: City Development Services

CITY OF SAN LUIS, ARIZONA
Operating Indicator by Function
LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| GENERAL GOVERNMENT | | | | | | | | | | |
| <i>Court</i> | | | | | | | | | | |
| Charges filed/ Charges adjudicated(resolved) | 2,749 | 2,200 | 3,317 | 3,734 | 3,989 | 4,630 | 7,214 | 4,449 | 3,385 | 4,225 |
| Charges dismissed | 1,014 | 754 | 1,037 | 841 | 938 | 1,019 | 8,469 | 690 | 847 | 835 |
| <i>Human Resources</i> | | | | | | | | | | |
| # of employment Applications Processed | 1,816 | 2,829 | 3,047 | 1,643 | 750 | 530 | 601 | 44* | 40* | 306 |
| <i>Finance</i> | | | | | | | | | | |
| # of Accounts Payable checks issued | 4,780 | 4,721 | 4,785 | 4,264 | 4,201 | 3,848 | 3,739 | 3,723 | 3,929 | 4,329 |
| # of Claims filed, injured or ill workers | 33 | 27 | 16 | 13 | 29 | 27 | 18 | 16 | ** | ** |
| # of electrical inspections performed | 4 | ** | ** | 3 | 1 | 8 | 10 | 6 | 1 | ** |
| Notice of claims | 7 | 14 | 3 | 2 | 4 | 1 | 6 | 6 | ** | ** |
| PUBLIC SAFETY | | | | | | | | | | |
| <i>Police</i> | | | | | | | | | | |
| # of 911 Emergency and Animal Calls | 7,276 | 5,467 | 4,889 | 5,920 | 5,483 | 5,694 | 5,046 | ** | ** | ** |
| # of Traffic Stops | 5,463 | 4,786 | 5,220 | 4,681 | 6,393 | 6,834 | 9,439 | ** | ** | ** |
| # of Arrests | 396 | 374 | 468 | 439 | ** | ** | ** | ** | ** | ** |
| <i>Fire</i> | | | | | | | | | | |
| # of Ambulance Transport Services | 2,972 | 2,699 | 2,767 | 2,665 | 2,476 | 2,318 | 2,169 | 1,912 | 1,620 | 1,415 |
| # of Fire & Hazmat Incidents | 61 | 63 | 41 | 57 | 28 | 78 | 62 | 69 | 72 | 76 |
| HEALTH AND WELFARE | | | | | | | | | | |
| # of Meals served - Food Assistance | 4,787 | 5,783 | 7,791 | 8,869 | 7,963 | 9,604 | 9,296 | 7,677 | 9,239 | 7,528 |
| # of citywide transit ridership | 6,157 | 6,166 | 9,538 | 10,661 | 8,136 | 9,243 | 8,378 | 6,323 | 5,190 | 4,096 |

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>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| General Government | | | | | | | | | | |
| City Hall | | | | | | | | | | |
| Building | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Vehicle | 34 | 33 | 31 | 26 | 26 | 18 | 18 | 18 | 17 | 19 |
| Public Safety | | | | | | | | | | |
| Building | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Vehicle | 72 | 70 | 69 | 70 | 70 | 57 | 57 | 53 | 50 | 56 |
| Culture & Recreation | | | | | | | | | | |
| Building | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Equipment | 38 | 37 | 39 | 33 | 33 | 23 | 23 | 22 | 19 | 19 |
| Health and Welfare | | | | | | | | | | |
| Building | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Vehicle | 2 | 2 | 3 | 3 | 3 | 5 | 5 | 6 | 6 | 6 |
| Public Works and streets | | | | | | | | | | |
| Building | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Equipment | 28 | 28 | 27 | 26 | 26 | 18 | 18 | 17 | 17 | 20 |
| Enterprise | | | | | | | | | | |
| Building | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 3 |
| Equipment | 67 | 61 | 61 | 51 | 51 | 44 | 44 | 49 | 47 | 48 |

Source: City records Finance Department

