



COMPREHENSIVE ANNUAL

FINANCIAL REPORT

June 30th, 2011

CITY OF SAN LUIS
*COMPREHENSIVE ANNUAL FINANCIAL
REPORT*

For the Fiscal Year ended
June 30, 2011

City of San Luis, Arizona



City Council:

Juan Carlos Escamilla, Mayor

Gerardo Sanchez, Vice Mayor

Africa Luna Carrasco

Jose L. Suarez

Marco Pinzon

Mario Buchanan

Gloria Torres

Ralph Velez, Chief Executive Officer

Ketie St. Louis, Chief Financial Officer

CITY OF SAN LUIS, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTORY SECTION	
Letter of Transmittal	iv-viii
City of San Luis Organizational Chart	ix-x
Principal Officials of the City	xi
 II. FINANCIAL SECTION	
Independent Auditors' Report	
MANAGEMENT'S DISCUSSION AND ANALYSIS (required supplementary information)	MDA-1
 A. BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	3
 Fund Financial Statements	
Governmental Funds:	
Balance Sheet	5
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances Of Governmental Funds to the Statement of Activities - Governmental Activities	9
Budgetary Comparison Statements - General Fund and major Special Revenue Funds:	
General Fund	10
Highway User Revenue Fund	11
Municipal Projects Fund	12
Greater Yuma Port Authority	13
 Proprietary Fund Financial Statements	
Statement of Net Assets	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets	15
Statement of Cash Flows	16
 Fiduciary Fund:	
Balance Sheet	18
Statement of Changes in Net Assets	19
 Notes to the Financial Statements	 20

CITY OF SAN LUIS, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2011

Page

B. REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information Schedule of Agent Retirement Plan Funding Progress	48
---	----

C. SUPPLEMENTARY INFORMATION - COMBINING FUND FINANCIAL STATEMENTS AND BUDGETARY SCHEDULES

Non-Major Governmental Funds

Combining Statements:

Combining Balance Sheet	50-51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	52-53

III. STATISTICAL SECTION - Unaudited

Net Assets by Component	I	55
Changes in Net Assets	II	56-57
Fund Balances, Governmental Funds	III	58
Changes in Fund Balances, Governmental Funds	IV	59
Program Revenues	V	60
Government-wide Revenues by Function	VI	61
Tax Revenues by Source, Governmental Funds	VII	62
Intergovernmental Revenues by Source, Governmental Funds	VIII	63
City Transaction Privilege Taxes By Category	IX	64
Sales Tax Payers - By Category	X	65
Ratio of Outstanding Debt by Type	XI	66
Pledge Revenue Coverage - Government	XII	67
Pledge Revenue Coverage - Enterprise	XIII	68
Demographic and Economic Statistics	XIV	69
Major Employers within the City	XV	70
Authorized Full-time Equivalent City Government Employees by Function	XVI	71
Utility Statistical Data - Billings	XVII	72
Utility Statistical Data - Accounts	XVIII	73
Utility Statistical Data - Rates	XIX	74
Utility Statistical Data - Consumption	XX	75
Building Permits and Home Sales	XXI	76
Capital Assets by Function	XXII	77



INTRODUCTORY SECTION



City of San Luis

P.O. Box 1170
1090 E. Union Street
San Luis, AZ 85349-1170
Ph (928) 341-8520 • Fax (928) 341-8539

December 27, 2011

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of San Luis, Arizona (the City) for the fiscal year ended June 30, 2011. The report was prepared by the Finance Department.

State law requires that every general-purpose local government publish within six months of the close of each fiscal year 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, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame-work 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 CAFR is organized into three sections: Introductory, Financial and Statistical.

1. The introductory section is unaudited and includes the table of contents, this letter, an organizational chart and a listing of current principal elected and appointed officials.
2. The financial section includes the independent auditor's report, the management's discussion and analysis (MD&A) of the City's financial activities, the basic financial statements and notes, the combining and individual fund financial statements, schedules and supplementary information.
3. The statistical section of the report, which is also unaudited, includes statistical information pertaining to the City's financial condition and operations, generally presented on a multi-year basis. This section has been expanded to comply with GASB (Government Accounting and Standards Board) Statement Number 44. Also included in this section are schedules required for bond covenant and SEC compliance.

The basic financial statements and related notes have been audited by an independent firm of certified public accountants, Lumbard & Associates PLLC, 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 unqualified opinion that the financial statements of the City of San Luis, Arizona for the fiscal year ended June 30, 2011, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of City of San Luis was 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. Specific emphasis was placed on internal controls and compliance with laws and regulations involving the administration of federal awards. This Single Audit Report is available in the City of San Luis' separately issued Single Audit Report.

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

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 32 square miles and serves a population of approximately 26,000. 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 three 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 Judge. 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 26,000. Based on current projections, population growth trends are expected to continue, at the same pace. While having a positive impact, this growth will continue to present challenges to the City in providing its current high level of services.

The City provides a full range of municipal services, including police and fire protection, solid waste services, water and sewer services, construction and maintenance of streets, recreational and cultural activities, planning and zoning services, and general administrative services. San Luis offers a wide range of community facilities including two community centers, one swimming pool, and 5 parks encompassing 314 acres. The City opened its first large community park, Friendship Park, in the southern part of the City in fiscal year 1979. This 50 plus acre facility has athletic fields, playgrounds, ramadas and other amenities for the citizens' enjoyment.

This report includes financial statements on both a government-wide and 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 City of San Luis Municipal Development Authority, Inc. and the San Luis Community Facilities District as discussed further in Note 1.A of the notes to the financial statements.

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 2011 was \$32 million.

The annual budget serves as the foundation for the City's financial planning and control. All departments are required to submit requests for appropriation to the City Manager by the last week in January. The Finance Director uses these requests as the starting point for developing a proposed budget. The Finance Department is responsible for estimating the revenues for the budget. The proposed budget is given to the Council members before April 15. Councils' then holds budget work sessions to hear specific requests from department heads and make any changes to the proposed budget they deem necessary. 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 as soon thereafter. The appropriated budget is adopted by fund, then by department, then by the categories of personal services, supplies, other services and charges, capital expenditures and debt service. The City additionally exercises management control and oversight of the budget at the department level within each fund. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance system for its budget. Encumbrances are made against appropriations upon the issuance of a purchase order. Encumbered appropriations lapse at fiscal year-end and are re-budgeted as needed in the next fiscal year. Budget-to-actual comparisons are provided in this report for all of the Governmental funds for which a budget is adopted.

Factors Affecting Financial Condition

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

Local economy

Retail trade, agriculture and manufacturing form a large portion of the local economy. Another significant segment is the light industry located on both sides of the United States/Mexico border. A new 40-acre privately owned industrial park and a 40-acre commercial area are currently under

construction in north San Luis along Highway 95. The State also is a significant economic presence thanks to the state prison that provides employment to more than 650 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.

In fiscal year 2011 the City has continued to experience a downturn in the overall economy. However, there is quite a bit of opportunity and business potential still available for this area. Numerous commercial and retail developments are in various stages of planning. The San Luis Medical Clinic, urgent-care walk-ins is anticipated to start construction in the next year.

Two major companies are contemplating a hotel complex designed to enhance the overall concept of the Downtown area. The realization of the project will attract major new commercial and office developments enhancing the economic outlook for the City.

The overall trend has been that commercial development is dependent on, and follows, residential development activity. Since residential construction has declined significantly over the last year, commercial activity has slowed dramatically. When the residential market turns, the City of San Luis will become a major commercial market for new construction within the Yuma County area.

Cash Management

The Finance Department manages the City's investment portfolio and ensures compliance with the City's Investment and Portfolio Policies. The City's investment policy is to invest public funds with maximum security in a manner which will provide a reasonable return while meeting the daily cash flow demands of the City and conform to all applicable state and local statutes. The primary objectives, in priority order, are safety of principal, liquidity, and attaining a market rate of return.

The City is permitted to invest in certificates of deposit, money market mutual funds, repurchase agreements, commercial paper, Direct U.S. Treasury debt, securities guaranteed by the U.S. Government or any of its agencies and instrumentalities, and the State of Arizona's Local Government Investment Pool.

Temporary idle cash during the year was invested in the State Treasurer's Investment Pool and overnight repurchase agreements collateralized by U.S. Government securities. The average yield on unrestricted investments was 2.34% for the year ended June 30, 2011. The book value of the City's unrestricted investment portfolio at June 30, 2011 was \$5,258,370. For further information on the City's investments please refer to Note 2 of the notes to the financial statements.

Risk Management

The City is exposed to various risks of loss related to public and property liability and workers' compensation. Public liability includes public officials' errors and omissions, automobile and general liability. During fiscal year 2011 the City was self-insured for the first \$500,000 of each public liability claim. Coverage in excess of these amounts up to \$40,000,000 was provided through the purchase of commercial insurance.

During the fiscal year ended June 30, 2011 there was no significant reduction in excess insurance coverage. The Risk Management Department administers the City's liability insurance program. For further information on risk management and insurance coverage, please refer to Note 13 of the notes to the financial statements.

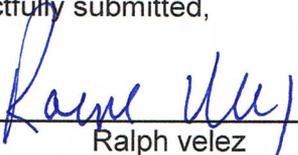
Employee Pension Plans

The City maintains two employee pension plans. The general employee plan is administered through the Arizona State Retirement System. The Public Safety Pension Plan is administered by the Arizona Public Safety Personnel Retirement System. Both the employee and the employer make contributions directly to these organizations. Financial information about these plans can be found in Note 14 of the notes to the financial statements included in the Financial Section of this report. The City also administers a small pension fund that provides retirement income for volunteer firemen.

Acknowledgments

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. We wish to express our appreciation to all members of other departments who assisted and contributed to the preparation of this report. Credit 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.

Respectfully submitted,



Ralph Velez
City Manager

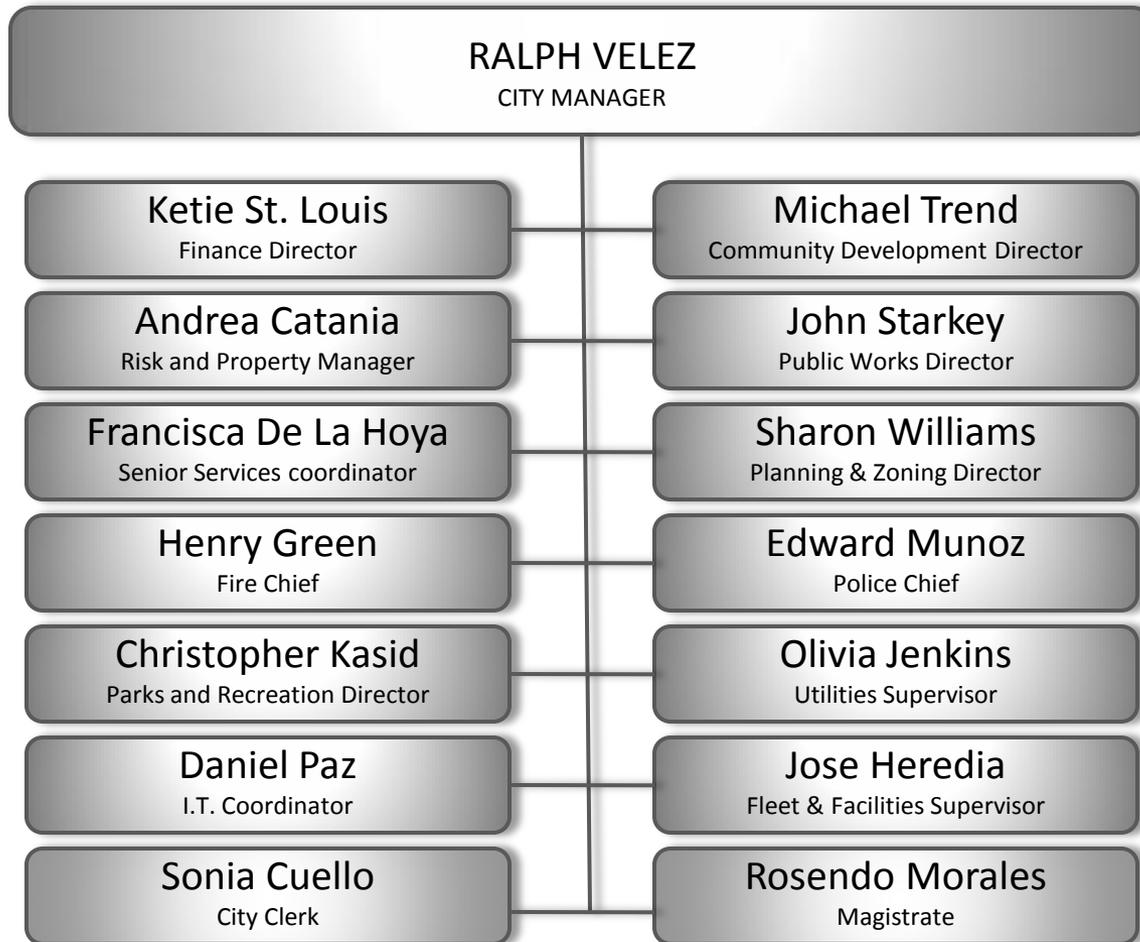


Keturah St. Louis, CPA
Finance Director

CITY COUNCIL



DEPARTMENT HEADS



List of Elected and Appointed officials
June 30, 2011

Elected officials

Juan Carlos Escamilla
Mayor

Gerardo Sanchez
Vice-Mayor
Africa Luna Carrasco
Councilmember
Marco Pinzon
Councilmember

Mario Buchanan, Jr.
Councilmember
Jose L. Suarez
Councilmember
Gloria Torres
Councilmember



Appointed officials

Ralph Velez
City Manager

Attorney
City Clerk
Culture and Recreation Director
Community Development Director
Department of Development Services
Director
Finance Director
Fire Chief
Fleet & Facilities Supervisor
Human Resources Director
Information Technology Coordinator
Judge
Police Chief
Public Works Director
Risk & Property Manager
Utilities Supervisor

Glenn Gimbut
Sonia Cuello
Chris Kasid
Michael Trend
Sharon Williams
Ketie St. Louis
Hank Green
Jose Heredia
Ralph Velez
Daniel Paz
Rosendo Morales
Eddie Munoz
John Starkey
Andrea Catania
Olivia Jenkins

FINANCIAL SECTION

L **LUMBAR & ASSOCIATES P.L.L.C.**
A Certified Public Accounting Firm

Lisa B. Lumbar, C.P.A., C.G.F.M.

Janette Wallin, C.P.A., C.G.F.M.

Carlos E. Valdivia, C.P.A.

C. Cristine Swan, C.P.A.

Jared M. Hansen, C.P.A.

A. Jake Litwiller

Stephanie M. Cancz

American Institute of
Certified Public
Accountants

Government Finance
Officers Association

Arizona Society of
Certified Public
Accountants

Association of
Government
Accountants

Arizona Hispanic
Chamber of
Commerce

Rural Water
Association of
Arizona

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of San Luis, Arizona, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Luis, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages MDA-1 through MDA-13 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of San Luis' basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lumbar & Associates, PLLC

Phoenix, Arizona
December 22, 2011

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, 2011**

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report, and in the basic financial statements and supplementary information.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2011 as follows:

- The primary government net assets of governmental activities increased approximately \$0.803 million to \$45.4 million and business-type activities decreased \$1.81 million to \$17.12 million representing 73% and 27% respectively, of the total net assets of \$62.52 million.
- General revenues from Governmental activities accounted for \$11.12 million in revenues or 65% of all revenues from Governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.88 million or 35% of total governmental activities. The City had \$5.76 million of program revenues and \$10,194 in general revenues related to business-type activities.
- The City had \$16.19 million in expenses related to governmental activities; of which \$5.88 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$11.12 million were adequate to provide for the costs of these programs. The City had \$7.59 million in expenses related to business-type activities, of which \$5.76 million of these expenses were offset by program specific charges for services or grants and contributions.
- Among major governmental funds, the General Fund had \$12.5 million in revenues, which primarily consisted of taxes, licenses and permits, fines and forfeitures, and intergovernmental revenues. The total expenditures of the General Fund were \$11.1 million. The General Fund's fund balance increased from \$6.26 to \$6.53 million. The Highway Users Fund had revenues of \$1.7 million, which consisted primarily of intergovernmental revenues, and expenditures of \$1.4 million.
- During fiscal year 2011, the San Luis Facility Development Corporation (SLFDC) issued \$20.2 million in Project Revenues Bonds.

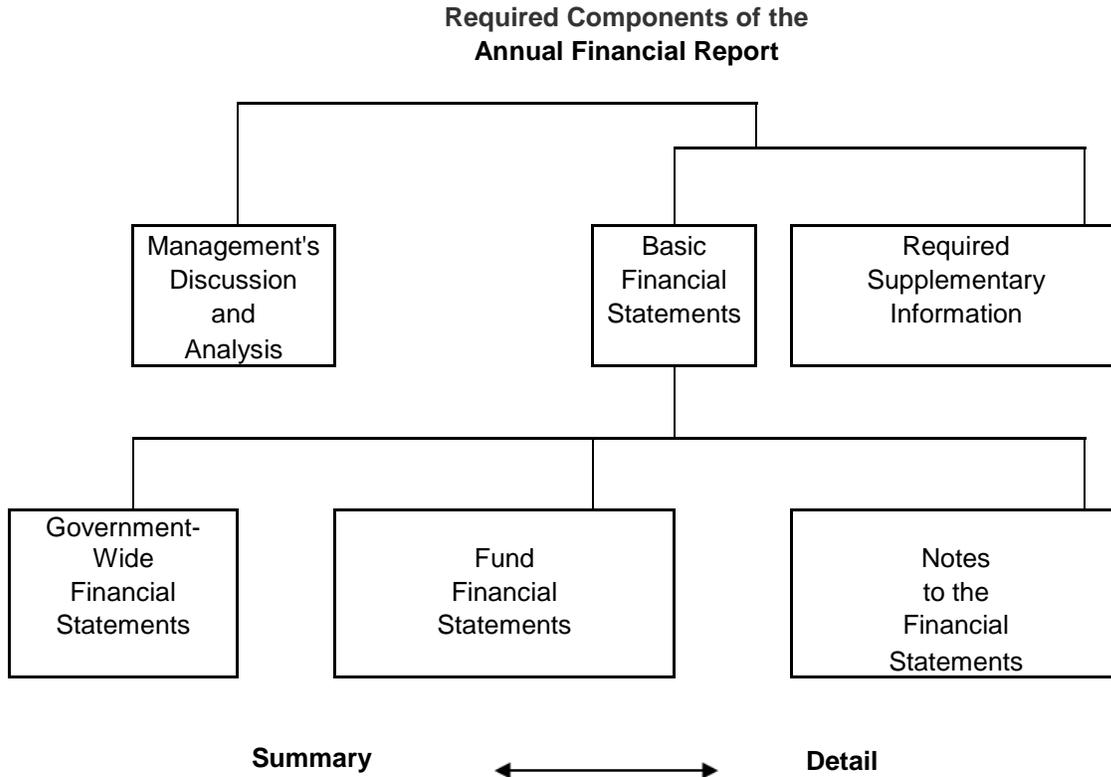
OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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 private-sector business.

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

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

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

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

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

- **Governmental activities** – Most of the City's basic services are included here, such as general government, public safety, public works and streets, health and welfare, culture and recreation, and community development. 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, sanitation services, wastewater, and business center. The services are financed through user fees and charges.
- **Discretely presented component units** – The City includes the activities of two other entities in its report – The San Luis Facility Development Corporation, which owns the Detention Facility, and the San Luis Corporation for the Arts & Humanities. Although legally separate, these "component units" are required to be included for fair presentation in conformity with Generally Accepted Accounting Principles.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing 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, Municipal Projects Bond, and Greater Yuma Port Authority funds, all of which are considered to be major funds. Data from the other 5 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.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

- **Proprietary funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses separate enterprise funds to account for its water, sanitation services, business center, and wastewater, all four 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.
- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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 statement.

Other information. In addition to the basic financial statement and accompanying notes, this report also represents certain *required supplementary information* concerning the City's budget process. The City adopts an annual budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund, Highway Users Fund, Municipal Project Bond Fund, and the Greater Yuma Port Authority, as required supplementary information.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$62.5 million as of June 30, 2011.

By far the largest portion of the City's net assets (72.0%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, improvements other than buildings, machinery and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding.

The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related 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. In addition, portions of the City net assets are restricted or the purposes of debt service repayment (5.8%), impact fees (2.2%), and highway users fund projects (0.7%).

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

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table presents a summary of the City's net assets for the fiscal years ended June 30, 2011 and 2010.

	2011 Governmental Activities	2010 Governmental Activities, as restated	2011 Business- Type Activities	2010 Business-Type Activities, as restated	2011 Total	2010 Total, as restated
Current assets	10,120,821	9,744,723	5,496,820	6,866,425	15,617,641	16,611,148
Restricted assets	4,369,479	4,444,757	415,169	-	4,784,648	4,444,757
Deferred bond issuance cost	1,111,626	1,152,798	1,229,674	1,275,217	2,341,300	2,428,015
Capital assets, net	53,244,385	53,625,839	46,820,220	48,582,754	100,064,605	102,208,593
Total assets	68,846,311	68,968,117	53,961,883	56,724,396	122,808,194	125,692,513
Other liabilities	3,409,462	4,843,323	1,270,306	2,320,541	4,679,768	7,163,864
Long term liabilities	20,035,372	19,526,181	35,568,964	35,467,380	55,604,336	54,993,561
Total liabilities	23,444,834	24,369,504	36,839,270	37,787,921	60,284,104	62,157,425
Net assets						
Invested in capital assets, net of related debt	33,676,211	33,561,001	11,335,286	12,641,773	45,011,497	46,202,774
Restricted for debt service	1,256,618	1,320,251	2,384,745	2,458,275	3,641,363	3,778,526
Restricted for impact fees	-	-	1,356,924	1,327,348	1,356,924	1,327,348
Restricted for HURF	414,976	106,906	-	-	414,976	106,906
Unrestricted	10,053,672	9,610,455	2,045,658	2,509,079	12,099,330	12,119,534
Total net assets	\$ 45,401,477	\$ 44,598,613	\$ 17,122,613	\$ 18,936,475	\$ 62,524,090	\$ 63,535,088

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in net assets. The City's total revenues for the fiscal year ended June 30, 2011, were \$22.8 million. The total cost of all programs and services was \$23.8 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and 2010.

	2011 Governmental Activities	2010 Governmental Activities, as restated	2011 Business- type Activities	2010 Business- type Activities, as restated	2011 Total	2010 Total, as restated
Revenues						
Program Revenues:						
Charges for services	\$ 1,849,704	\$ 1,578,963	\$ 5,132,942	\$ 5,012,735	\$ 6,982,646	\$ 6,591,698
Operating grants and contributions	2,715,700	2,251,704	-	-	2,715,700	2,251,704
Capital grants and contributions	1,314,549	547,555	-	-	1,314,549	547,555
General Revenues:						
City sales taxes	5,659,566	7,498,691	-	-	5,659,566	7,498,691
Franchise taxes	381,836	351,505	-	-	381,836	351,505
Other taxes	32,715	76,342	-	-	32,715	76,342
State shared revenues	4,840,064	5,491,122	-	-	4,840,064	5,491,122
Investment earnings	12,032	10,072	10,194	17,994	22,226	28,066
Miscellaneous	163,888	41,593	-	629,265	163,888	670,858
Rental Income	25,489	-	629,265	-	654,753	-
Transfers	-	(169,525)	-	169,525	-	-
Total Revenues	16,995,543	17,678,022	5,772,401	5,829,519	22,767,943	23,507,541
Expenses						
General government	4,096,333	4,250,328	-	-	4,096,333	4,250,328
Public safety	6,086,718	6,054,459	-	-	6,086,718	6,054,459
Health and Welfare	213,814	235,594	-	-	213,814	235,594
Culture and recreation	1,855,966	2,192,471	-	-	1,855,966	2,192,471
Community development	698,776	751,305	-	-	698,776	751,305
Public works and streets	2,270,980	2,552,573	-	-	2,270,980	2,552,573
Interest on long-term debt	970,092	989,460	-	-	970,092	989,460
Water	-	-	2,642,458	2,799,088	2,642,458	2,799,088
Wastewater	-	-	2,544,486	2,721,154	2,544,486	2,721,154
Business Center	-	-	1,390,561	1,450,087	1,390,561	1,450,087
Sanitation	-	-	1,008,757	1,206,998	1,008,757	1,206,998
Total Expenses	16,192,679	17,026,190	7,586,262	8,177,327	23,778,941	25,203,517
Increase / (decrease) in net assets	802,864	651,832	(1,813,862)	(2,347,808)	(1,010,998)	(1,695,976)
Net assets, beginning of year, as restated	44,598,613	43,946,781	18,936,475	21,284,283	63,535,088	65,231,064
Net assets, end of year, as restated	\$ 45,401,477	\$ 44,598,613	\$ 17,122,613	\$ 18,936,475	\$ 62,524,090	\$ 63,535,088

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental and Business-type activities. The following table 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.

	<u>Total Expenses</u>	<u>Net (Expense)/ Revenue</u>
Governmental Activities		
General	\$ 4,096,333	\$ (3,541,944)
Public safety	6,086,718	(4,339,800)
Health and Welfare	213,814	(213,814)
Culture and recreation	1,855,966	(1,535,152)
Community development	698,776	830,854
Public works and streets	2,270,980	(542,778)
Interest on long-term debt	970,092	(970,092)
	<u>16,192,679</u>	<u>(10,312,726)</u>
Total expenses		
Business-Type Activities		
Water	2,642,458	(94,668)
Wastewater	2,544,486	(1,006,651)
Business Center	1,390,561	(761,296)
Sanitation	1,008,757	38,560
	<u>7,586,262</u>	<u>(1,824,055)</u>
Total expenses		
Total	<u>\$ 23,778,941</u>	<u>\$ (12,136,781)</u>

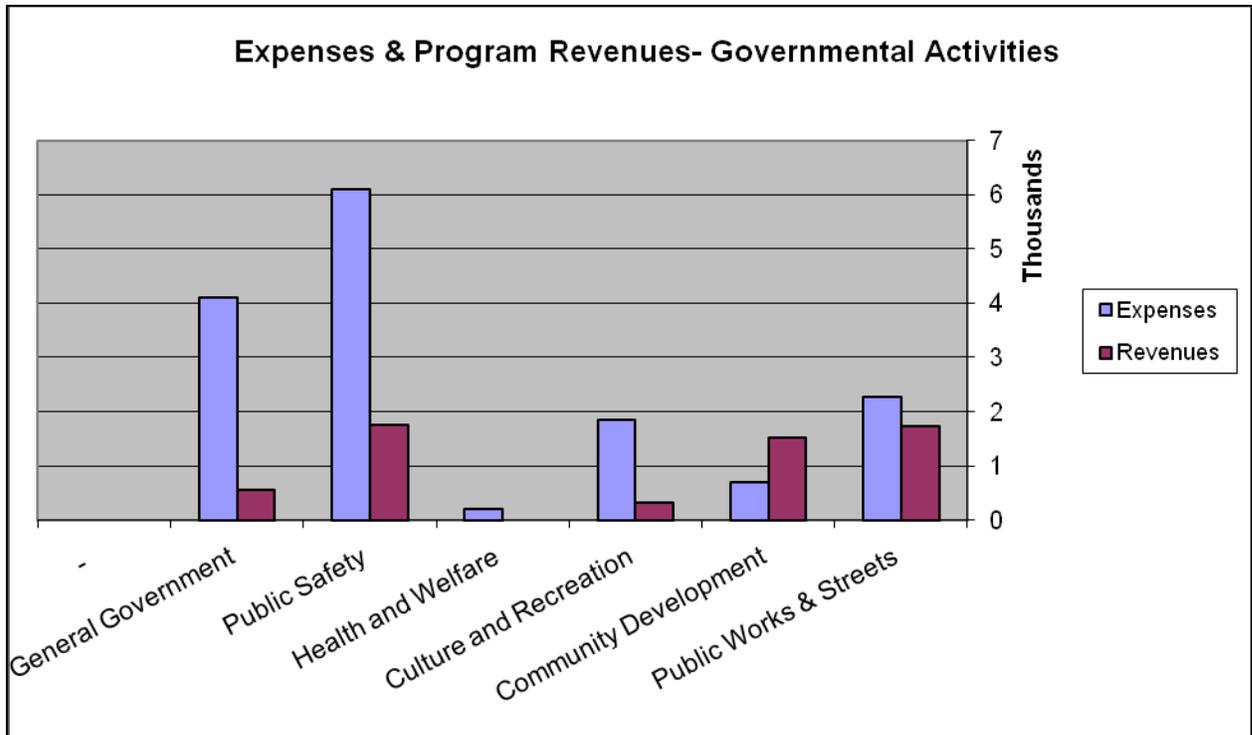
- The cost of all governmental activities this year was \$16.2 million. The cost of all business-type activities this year was \$7.6 million.
- Federal, State, and County governments and charges for services subsidized certain governmental and business-type programs with grants and contributions and other local revenues of \$11.6 million.
- The net cost of governmental activities of \$10.3 million was financed by general revenues of \$11.1 million, which are made up of primarily taxes, donated capital and state shared revenues.
- Business type activities showed an increase in changes to net assets by \$0.5 million in the fiscal year ended June 30, 2011 as compared to the prior fiscal year due to rate increases for all the enterprise funds.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Expenses of the governmental statement of activities are shown below by functional area:

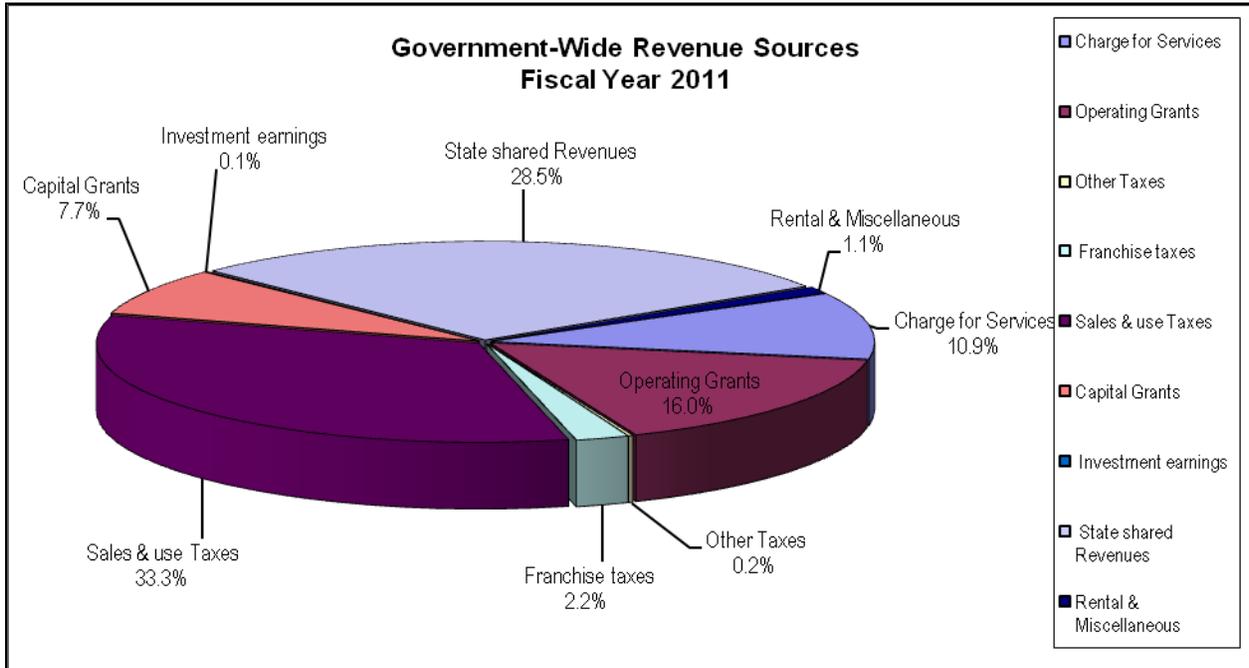
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



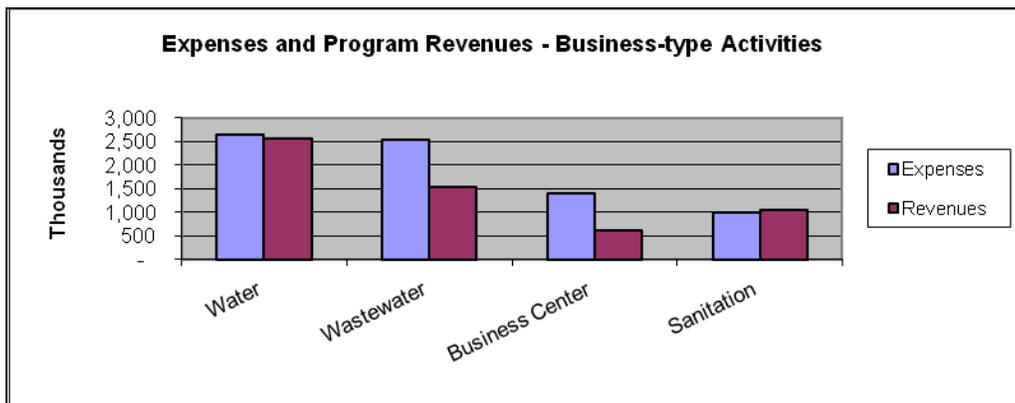
**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

As seen in the graph below, the largest revenue source for governmental activities is Sales & Use Taxes (33.3%) followed by state shared revenues (28.5%).



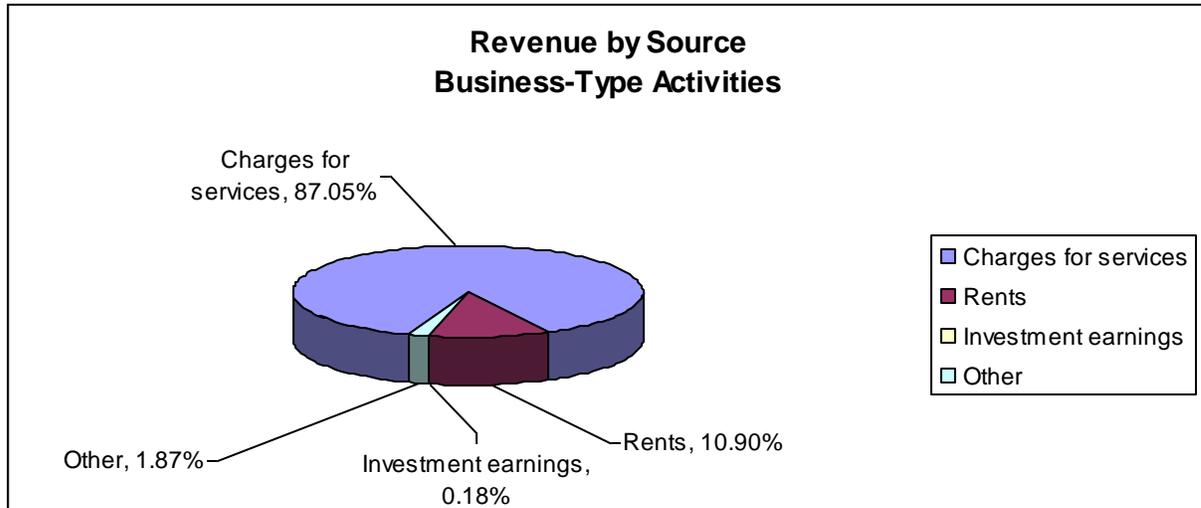
The following graph shows the expenses and program revenues for the enterprise funds by functional area:



**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

As seen in the graph below, the largest revenue source for business-type activities is Charge for Services (87.1%).



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

As the City completed the year, its governmental funds reported a combined fund balance of \$10.5 million, an increase of \$0.76 million due primarily to increase in sales taxes collected.

Proprietary funds. Net assets of the Enterprise Funds at the end of the year amounted to \$17.1 million. The Enterprise Funds had a decrease in net assets of \$1.81 million. Revenues for the Water and Sewer funds increased this year as a result of a 14% rate increase designed primarily to provide additional resources to meet debt service requirements. The Sanitation fund, on the other hand, experienced a decrease in revenues due in part to the elimination of commercial pick-ups for which the cost of disposal exceeded the revenues.

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. Budgetary schedules for the governmental funds are presented on pages 10 - 13.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

BUDGETARY HIGHLIGHTS (CONTINUED)

Amendments to the adopted budget may occur throughout the year in a legally permissible manner. Some of these amendments may include transfers from contingency to cover emergency requests, capital projects with budget overages, and other unanticipated costs. Also, throughout the year, budget amendments are processed to provide expenditure authority from unanticipated revenue sources. These include new or increased grants and intergovernmental agreements. If there are no certainties regarding the awards, they will not be accounted for in the adopted budget.

Five amendments to increase/decrease the City's total adopted budget of \$24.3 million occurred during fiscal year 2011. Budget amendments between funds or departments into operational expense/expenditure accounts did occur.

Expenditure reductions and controls included: salary freezes city-wide for at least three years, Public Safety cost reduction achieved primarily through reductions to all elected officials' budgets and departmental budgets verifying adherence to the Plan's budget.

CAPITAL ASSETS

As of June 30, 2011, the City had invested \$130 million in capital assets including land, buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$1.94 million for the governmental activities and \$1.84 million for the business type activities.

The following schedule presents capital asset balances and accumulated depreciation for the fiscal year ended June 30, 2011.

	Governmental Activities	Business-Type Activities	Total	Discretely Presented Unit
Land	\$ 1,531,972	\$ 634,819	\$ 2,166,791	\$ 661,358
Buildings and Improvements	22,504,244	4,969,295	27,473,539	18,453,744
Machinery and Equipment	6,918,969	6,976,998	13,895,967	302,379
Construction in progress	59,620	90,274	149,894	9,625,422
Infrastructure	39,515,427	46,775,547	86,290,974	
Accumulated depreciation	<u>(17,285,847)</u>	<u>(12,626,713)</u>	<u>(29,912,560)</u>	<u>(3,814,311)</u>
Total	<u>\$ 53,244,385</u>	<u>\$ 46,820,220</u>	<u>\$ 100,064,605</u>	<u>\$ 25,228,592</u>

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

- Construction related to the San Luis Facility Development Corporation 2011 bonds started during the early part of the fourth quarter.

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, 2011**

DEBT ADMINISTRATION

At year end, the City had \$20 million in Governmental long-term obligations outstanding with \$ 1.48 million due within one year. The City had \$36 million in business-type long-term obligations outstanding, with \$647 thousand due within one year. The following schedule presents a summary of the City's outstanding long-term obligations for the fiscal year ended June 30, 2011.

	Governmental Activities	Business-type Activities	Discretely Presented Unit
Compensated absence	\$ 467,198	\$ 84,030	\$ -
Capital lease payable	305,037	173,674	-
Revenue bonds payable	15,051,108	23,573,892	45,155,000
Revenue bonds - Premium	241,548	266,710	-
Revenue bonds - Discount	-	-	(860,646)
Loan payable	3,025,000	10,725,000	-
Note payable	945,481	854,658	-
Deferred charges	-	(109,000)	-
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 20,035,372</u>	<u>\$ 35,568,964</u>	<u>\$ 44,294,354</u>

Additional information on the City's long-term obligations can be found in Notes 6 through 10 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In past years, our retail-based economy has enjoyed positive growth trends. Unfortunately, during fiscal year 2011, the City has experienced its first year of economic downturn mostly as a result of decreased sales taxes.

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 San Luis this past fiscal year are explained below:

- The City of San Luis, like all Arizona cities, places significant reliance on collected sales tax. Overall, sales tax revenues comprised 48.6% of General Fund revenues in fiscal year 2011. Construction employment, the second largest portion of our collected sales tax declined 82% from the previous fiscal year in 2011.
- The number of visitors crossing the border in San Luis declined slightly for private vehicles category whereas, there was a small increase in pedestrians crossing. The daily average varies with the seasons for each category which are summarized below (source: Greater Yuma Economic Development Corporation, GYEDC).

	<u>High</u>	<u>Low</u>
Vehicles	5,900	4,990
Pedestrians	9,480	5,080

- Among the four largest cities within Yuma County, San Luis ranks second in unemployment rates. (Source: GYEDC).

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

The City 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.

During fiscal year 2011, the San Luis Community Facility District started an expansion of the existing detention facility. At June 30, the new construction was near 50 percent completion. The facility will provide housing for 248 more beds and will bring 50 more jobs for the area. There is quite a bit of opportunity and business potential still available within the City. Numerous commercial and retail developments are in various stages of planning and perhaps developing in the near future.

San Luis 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 ASSETS
JUNE 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	SLCFD Detention Facility	San Luis Arts & Humanities
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 312,755	\$ 3,564,174	\$ 3,876,929	\$ -	\$ 4,652
Investments	5,258,370	-	5,258,370	-	-
Accounts receivable (net)	2,747,435	525,369	3,272,804	935	-
Due from governmental entities	1,260,415	-	1,260,415	-	-
Due from component units	105	-	105	-	-
Prepaid items	1,175,580	-	1,175,580	-	-
Notes receivable	600,000	41,825	641,825	-	-
Internal balances	(1,308,236)	1,308,236	-	-	-
Inventories	74,397	57,216	131,613	-	-
Total current assets	10,120,821	5,496,820	15,617,641	935	4,652
Non-current assets:					
Temporarily restricted					
Restricted cash and cash equivalents	4,286,291	-	4,286,291	-	-
Restricted investments	83,188	415,169	498,357	16,335,294	-
Deferred bond issuance cost	1,111,626	1,229,674	2,341,300	3,033,629	-
Capital assets not being depreciated					
Land	1,531,972	634,819	2,166,791	661,358	-
Construction in progress	59,620	90,274	149,894	9,625,422	-
Capital assets net of accumulated depreciation:					
Infrastructure	39,515,427	46,775,547	86,290,974	-	-
Buildings and improvements	22,504,244	4,969,295	27,473,539	18,453,744	-
Machinery and equipment	6,918,969	6,976,998	13,895,967	302,379	-
Accumulated depreciation	(17,285,847)	(12,626,713)	(29,912,560)	(3,814,311)	-
Total non-current assets	58,725,490	48,465,063	107,190,553	44,597,515	-
Total assets	\$ 68,846,311	\$ 53,961,883	\$ 122,808,194	\$ 44,598,450	\$ 4,652

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	SLCFD Detention Facility	San Luis Arts & Humanities
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 492,042	\$ 175,014	\$ 667,056	\$ 3,105,412	2,400
Accrued payroll and taxes	300,083	34,330	334,413	-	-
Court bonds payable	8,788	-	8,788	-	-
Customer deposits	48,550	90,340	138,890	-	-
Retainage payable	-	-	-	599,221	-
Due to primary government	-	-	-	-	105
Accrued interest	437,826	970,622	1,408,448	570,824	-
Unearned revenue	2,122,173	-	2,122,173	-	-
Current portion of long term debt	1,480,017	647,499	2,127,516	815,000	-
Total current liabilities	4,889,479	1,917,805	6,807,284	5,090,457	2,505
Non-current liabilities:					
Non-current portion of long-term obligations	18,555,355	34,921,465	53,476,820	43,479,354	-
Total non-current liabilities	18,555,355	34,921,465	53,476,820	43,479,354	-
Total liabilities	23,444,834	36,839,270	60,284,104	48,569,811	2,505
NET ASSETS					
Invested in capital assets, net of related debt	33,676,211	11,335,286	45,011,497	(9,717,606)	-
Restricted for:					
Debt service	1,256,618	2,384,745	3,641,363	4,239,944	-
Capital projects	-	-	-	9,348,156	-
Impact fees	-	1,356,924	1,356,924	-	-
HURF	414,976	-	414,976	-	-
Unrestricted	10,053,672	2,045,658	12,099,330	(7,841,855)	2,147
Total net assets	\$ 45,401,477	\$ 17,122,613	\$ 62,524,090	\$ (3,971,361)	\$ 2,147

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

**CITY OF SAN LUIS, ARIZONA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 4,096,333	\$ 531,031	\$ 5,186	\$ 18,172
Public safety	6,086,718	686,632	1,028,180	32,106
Health and welfare	213,814	-	-	-
Culture and recreation	1,855,966	264,622	3,500	52,692
Community development	698,776	318,051	-	1,211,579
Public works and streets	2,270,980	49,368	1,678,834	-
Interest on long-term debt	970,092	-	-	-
Total governmental activities	16,192,679	1,849,704	2,715,700	1,314,549
Business-type activities:				
Water	2,642,458	2,547,790	-	-
Wastewater	2,544,486	1,537,835	-	-
Business Center	1,390,561	629,265	-	-
Sanitation	1,008,757	1,047,317	-	-
Total business-type activities	7,586,262	5,762,207	-	-
Total primary government	\$ 23,778,941	\$ 7,611,911	\$ 2,715,700	\$ 1,314,549
Component Units				
Detention Facility	\$ 11,682,086	\$ 11,350,689	\$ -	\$ -
SL Arts & Humanities	6,439	-	3,600	-
Total Component Units	\$ 11,688,525	\$ 11,350,689	\$ 3,600	\$ -

General Revenues:

Taxes:

City sales taxes for general purposes

Franchise taxes

Other taxes

State shared revenue

Investment earnings

Miscellaneous (Impact Fees/Others)

Rental Income

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year, as restated

Net assets, end of year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Totals	Detention Facility	SL Arts & Humanities
\$ (3,541,944)	\$ -	\$ (3,541,944)	\$ -	\$ -
(4,339,800)	-	(4,339,800)	-	-
(213,814)	-	(213,814)	-	-
(1,535,152)	-	(1,535,152)	-	-
830,854	-	830,854	-	-
(542,778)	-	(542,778)	-	-
(970,092)	-	(970,092)	-	-
<u>(10,312,726)</u>	<u>-</u>	<u>(10,312,726)</u>	<u>-</u>	<u>-</u>
-	(94,668)	(94,668)	-	-
-	(1,006,651)	(1,006,651)	-	-
-	(761,296)	(761,296)	-	-
-	38,560	38,560	-	-
<u>-</u>	<u>(1,824,055)</u>	<u>(1,824,055)</u>	<u>-</u>	<u>-</u>
<u>(10,312,726)</u>	<u>(1,824,055)</u>	<u>(12,136,781)</u>	<u>-</u>	<u>-</u>
-	-	-	(331,397)	-
-	-	-	-	(2,839)
-	-	-	(331,397)	(2,839)
5,659,566	-	5,659,566	-	-
381,836	-	381,836	-	-
32,715	-	32,715	-	-
4,840,064	-	4,840,064	-	-
12,032	10,194	22,226	132,109	-
163,888	-	163,888	-	-
25,489	-	25,489	-	-
<u>11,115,590</u>	<u>10,194</u>	<u>11,125,784</u>	<u>132,109</u>	<u>-</u>
<u>802,864</u>	<u>(1,813,861)</u>	<u>(1,010,997)</u>	<u>(199,288)</u>	<u>(2,839)</u>
<u>44,598,613</u>	<u>18,936,475</u>	<u>63,535,088</u>	<u>(3,772,073)</u>	<u>4,986</u>
<u>\$ 45,401,477</u>	<u>\$ 17,122,614</u>	<u>\$ 62,524,091</u>	<u>\$ (3,971,361)</u>	<u>\$ 2,147</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

CITY OF SAN LUIS, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>Highway Users</u>	<u>Municipal Projects Bond Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 4,205,967	\$ 311,891	\$ -	\$ 1,053,267	\$ 5,571,125
Restricted cash and cash equivalents	-	-	4,369,479	-	4,369,479
Accounts receivable (net)	2,731,526	-	68	15,841	2,747,435
Due from governmental entities	604,901	151,505	-	504,009	1,260,415
Due from other funds	564,843	-	-	1,125,804	1,690,647
Due from Component Units	105	-	-	-	105
Prepaid items	1,175,580	-	-	-	1,175,580
Supplies inventory	42,772	31,625	-	-	74,397
Total assets	<u>\$ 9,325,694</u>	<u>\$ 495,021</u>	<u>\$ 4,369,547</u>	<u>\$ 2,698,921</u>	<u>\$ 16,889,183</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 331,921	\$ 36,603	\$ -	\$ 123,518	\$ 492,042
Accrued payroll and taxes	281,374	18,709	-	-	300,083
Due to other funds	-	24,733	2,675,103	299,047	2,998,883
Court bonds payable	8,788	-	-	-	8,788
Customer deposits	48,550	-	-	-	48,550
Accrued interest	-	-	437,826	-	437,826
Deferred revenue	2,122,173	-	-	-	2,122,173
Total liabilities	<u>2,792,806</u>	<u>80,045</u>	<u>3,112,929</u>	<u>422,565</u>	<u>6,408,345</u>
Fund balances:					
Non-spendable fund Balance					
Non spendable in form	1,218,352	31,625	-	-	1,249,977
Restricted for:					
HURF	-	383,351	-	-	383,351
Assigned:					
Debt service funds	-	-	1,256,618	-	1,256,618
Special revenue funds	-	-	-	1,221,739	1,221,739
Capital project funds	-	-	-	1,054,617	1,054,617
Unassigned	5,314,536	-	-	-	5,314,536
Total fund balances	<u>6,532,888</u>	<u>414,976</u>	<u>1,256,618</u>	<u>2,276,356</u>	<u>10,480,838</u>
Total liabilities and fund balances	<u>\$ 9,325,694</u>	<u>\$ 495,021</u>	<u>\$ 4,369,547</u>	<u>\$ 2,698,921</u>	<u>\$ 16,889,183</u>

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

**CITY OF SAN LUIS, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total governmental fund balances \$ 10,480,838

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

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

Governmental capital assets	\$ 70,530,232	
Less accumulated depreciation	<u>(17,285,847)</u>	53,244,385

Notes receivable are not current financial resources to governmental funds		600,000
--	--	---------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		1,111,626
---	--	-----------

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

Compensated absences payable	(467,198)	
Capital leases payable	(305,037)	
Revenue bonds payable	(15,292,656)	
Loans payable	(3,025,000)	
Note payable	<u>(945,481)</u>	<u>(20,035,372)</u>

Net assets of governmental activities \$ 45,401,477

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-
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Highway Users</u>
Revenues:		
Taxes	\$ 6,074,117	\$ -
Special assessments	-	-
Licenses and permits	355,759	-
Intergovernmental	4,840,064	1,678,834
Charges for services	48,504	-
Fines and forfeitures	315,620	-
Investment earnings	7,606	221
Rents	712,121	-
Other	135,156	3,732
	<hr/>	<hr/>
Total revenues	12,488,947	1,682,787
	<hr/>	<hr/>
Expenditures:		
Current		
General government	3,618,555	-
Public safety	4,941,523	-
Public works and streets	-	1,354,478
Health and welfare	187,211	-
Culture and recreation	1,337,984	-
Community development	589,354	-
Capital outlay	161,261	3,940
Debt service		
Interest and fiscal charges	23,708	1,063
Principal retirement	206,030	13,243
	<hr/>	<hr/>
Total expenditures	11,065,626	1,372,724
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	1,423,321	310,063
	<hr/>	<hr/>
Other financing sources (uses):		
Transfers in	-	-
Transfers out	(1,151,249)	(1,993)
	<hr/>	<hr/>
Total other financing sources (uses)	(1,151,249)	(1,993)
	<hr/>	<hr/>
Changes in fund balances	272,072	308,070
	<hr/>	<hr/>
Fund balances, beginning of year	6,244,397	106,906
Prior period adjustment	16,419	-
	<hr/>	<hr/>
Fund balances, beginning of year, as restated	6,260,816	106,906
	<hr/>	<hr/>
Fund balances, end of year	\$ 6,532,888	\$ 414,976
	<hr/> <hr/>	<hr/> <hr/>

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

Municipal Projects Bond Fund	Greater Yuma Port Authority	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 6,074,117
-	-	267,579	267,579
-	-	-	355,759
-	-	2,244,945	8,763,843
-	-	102,970	151,474
-	-	175,610	491,230
2,327	-	1,878	12,032
-	-	-	712,121
-	28,500	-	167,388
<u>2,327</u>	<u>28,500</u>	<u>2,792,982</u>	<u>16,995,543</u>
-	-	17,490	3,636,045
-	-	753,557	5,695,080
-	-	49,368	1,403,846
-	-	-	187,211
-	-	218,210	1,556,194
5,156	-	89,052	683,562
-	-	1,484,240	1,649,441
875,649	28,500	-	928,920
272,771	-	-	492,044
<u>1,153,576</u>	<u>28,500</u>	<u>2,611,917</u>	<u>16,232,343</u>
<u>(1,151,249)</u>	<u>-</u>	<u>181,065</u>	<u>763,200</u>
1,151,249	-	1,993	1,153,242
-	-	-	(1,153,242)
<u>1,151,249</u>	<u>-</u>	<u>1,993</u>	<u>-</u>
-	-	183,058	763,200
1,256,618	-	2,104,572	9,712,493
-	-	(11,274)	5,145
<u>1,256,618</u>	<u>-</u>	<u>2,093,298</u>	<u>9,717,638</u>
<u>\$ 1,256,618</u>	<u>\$ -</u>	<u>\$ 2,276,356</u>	<u>\$ 10,480,838</u>

**CITY OF SAN LUIS, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2011**

Net changes in fund balances - total governmental funds		\$ 763,200
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:</p>		
<p>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.</p>		
Expenditures for capitalized assets (capital outlay expenditures net of \$96,292 items not capitalized)	\$ 1,553,149	
Less current year depreciation	<u>(1,935,419)</u>	(382,270)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		450,872
<p>Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
		(34,374)
<p>Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		<u>5,436</u>
Change in net assets in governmental activities		<u><u>\$ 802,864</u></u>

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

CITY OF SAN LUIS, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 8,758,450	\$ 7,782,450	\$ 6,074,117	\$ (1,708,333)
Licenses and permits	915,000	915,000	355,759	(559,241)
Intergovernmental	3,069,960	3,069,960	4,840,064	1,770,104
Charges for services	482,550	482,550	48,504	(434,046)
Fines and forfeitures	330,000	330,000	315,620	(14,380)
Investment earnings	3,200	3,200	7,606	4,406
Rents	-	-	712,121	712,121
Other	10,100	10,100	135,156	125,056
Total revenues	<u>13,569,260</u>	<u>12,593,260</u>	<u>12,488,947</u>	<u>(104,313)</u>
Expenditures:				
Current				
General government	5,169,371	4,649,451	3,618,555	1,030,896
Public safety	5,630,890	5,168,890	4,941,523	227,367
Health and welfare	209,040	209,040	187,211	21,829
Culture and recreation	1,378,020	1,378,020	1,337,984	40,036
Community development	174,030	174,030	589,354	(415,324)
Capital Outlay	240,760	246,680	161,261	85,419
Debt service				
Interest and fiscal changes	26,980	26,980	23,708	3,272
Principal Retirement	221,960	221,960	206,030	15,930
Total expenditures	<u>13,051,051</u>	<u>12,075,051</u>	<u>11,065,626</u>	<u>1,009,425</u>
Excess (deficiency) of revenues over expenditures	<u>518,209</u>	<u>518,209</u>	<u>1,423,321</u>	<u>905,112</u>
Other financing sources (uses):				
Transfers out	(1,151,251)	(1,151,249)	(1,151,249)	-
Total other financing sources (uses)	<u>(1,151,251)</u>	<u>(1,151,249)</u>	<u>(1,151,249)</u>	<u>-</u>
Change in fund balances	<u>(633,042)</u>	<u>(633,040)</u>	<u>272,072</u>	<u>905,112</u>
Fund balances, July 1, 2010	6,244,397	6,244,397	6,244,397	-
Prior period adjustment	16,419	16,419	16,419	-
Fund balances, July 1, 2010, as restated	<u>6,260,816</u>	<u>6,260,816</u>	<u>6,260,816</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 5,627,774</u>	<u>\$ 5,627,776</u>	<u>\$ 6,532,888</u>	<u>\$ 905,112</u>

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

**CITY OF SAN LUIS, ARIZONA
HIGHWAY USERS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,775,550	\$ 1,766,050	\$ 1,678,834	\$ (87,216)
Investment earnings	610	610	221	(389)
Other	-	-	3,732	3,732
Total revenues	<u>1,776,160</u>	<u>1,766,660</u>	<u>1,682,787</u>	<u>(83,873)</u>
Expenditures:				
Current				
Public works and streets	1,629,560	1,620,060	1,354,478	265,582
Capital outlay	175,000	175,000	3,940	171,060
Debt service				
Interest and fiscal charges	1,200	1,200	1,063	137
Principal retirement	13,260	13,260	13,243	17
Total expenditures	<u>1,819,020</u>	<u>1,809,520</u>	<u>1,372,724</u>	<u>436,796</u>
Excess (deficiency) of revenues over expenditures	<u>(42,860)</u>	<u>(42,860)</u>	<u>310,063</u>	<u>352,923</u>
Other financing sources (uses):				
Transfers out	-	-	(1,993)	(1,993)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,993)</u>	<u>(1,993)</u>
Change in fund balances	<u>(42,860)</u>	<u>(42,860)</u>	<u>308,070</u>	<u>350,930</u>
Fund balances, July 1, 2010	<u>106,906</u>	<u>106,906</u>	<u>106,906</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 64,046</u>	<u>\$ 64,046</u>	<u>\$ 414,976</u>	<u>\$ 350,930</u>

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

**CITY OF SAN LUIS, ARIZONA
MUNICIPAL PROJECT BOND FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 2,327	\$ 2,327
Total revenues	<u>-</u>	<u>-</u>	<u>2,327</u>	<u>2,327</u>
Expenditures:				
Current				
Community Development	-	-	5,156	(5,156)
Debt service				
Interest and fiscal changes	881,120	881,120	875,649	5,471
Principal retirement	<u>272,770</u>	<u>272,770</u>	<u>272,771</u>	<u>(1)</u>
Total expenditures	<u>1,153,890</u>	<u>1,153,890</u>	<u>1,153,576</u>	<u>314</u>
Excess (deficiency) of revenues over expenditures	<u>(1,153,890)</u>	<u>(1,153,890)</u>	<u>(1,151,249)</u>	<u>2,641</u>
Other financing sources (uses):				
Transfers in	<u>1,153,576</u>	<u>1,153,576</u>	<u>1,151,249</u>	<u>(2,327)</u>
Total other financing sources (uses)	<u>1,153,576</u>	<u>1,153,576</u>	<u>1,151,249</u>	<u>(2,327)</u>
Change in fund balances	<u>(314)</u>	<u>(314)</u>	<u>-</u>	<u>314</u>
Fund balances, July 1, 2010	<u>1,256,618</u>	<u>1,256,618</u>	<u>1,256,618</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 1,256,304</u>	<u>\$ 1,256,304</u>	<u>\$ 1,256,618</u>	<u>\$ 314</u>

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

**CITY OF SAN LUIS, ARIZONA
 GREATER YUMA PORT AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other	\$ 28,500	\$ 28,500	\$ 28,500	\$ -
Total revenues	<u>28,500</u>	<u>28,500</u>	<u>28,500</u>	<u>-</u>
Expenditures:				
Debt service				
Interest and fiscal charges	28,500	28,500	28,500	-
Total expenditures	<u>28,500</u>	<u>28,500</u>	<u>28,500</u>	<u>-</u>
Change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, July 1, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></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 ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Enterprise Funds				
	Water	Wastewater	Business Center	Sanitation	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,854,897	\$ 436,231	\$ 1,273,046	\$ -	\$ 3,564,174
Restricted cash and cash equivalents	-	-	415,169	-	415,169
Accounts receivable (net)	369,756	68,613	52,439	34,561	525,369
Notes receivable	41,825	-	-	-	41,825
Due from other funds	844,876	1,199,210	211,262	-	2,255,348
Prepaid items and other assets	34,197	6,024	225	16,770	57,216
Total current assets	3,145,551	1,710,078	1,952,141	51,331	6,859,101
Non-current assets:					
Land	190,271	100,337	344,211	-	634,819
Buildings and improvements	-	-	4,942,699	26,596	4,969,295
Infrastructure	19,300,424	27,475,123	-	-	46,775,547
Machinery and equipment	1,960,971	923,463	2,674,708	1,417,856	6,976,998
Construction in progress	-	90,274	-	-	90,274
Accumulated depreciation	(3,995,906)	(5,497,931)	(1,976,922)	(1,155,954)	(12,626,713)
Deferred bond issuance cost	580,035	649,639	-	-	1,229,674
Total non-current assets	18,035,795	23,740,905	5,984,696	288,498	48,049,894
Total assets	21,181,346	25,450,983	7,936,837	339,829	54,908,995
LIABILITIES					
Current liabilities:					
Accounts payable	92,351	49,124	721	32,818	175,014
Accrued payroll and taxes	23,697	6,630	-	4,003	34,330
Due to other funds	-	-	-	947,112	947,112
Customer deposits	83,340	7,000	-	-	90,340
Accrued interest	269,158	286,295	415,169	-	970,622
Current portion of long-term debt	286,094	268,195	-	93,210	647,499
Total current liabilities	754,640	617,244	415,890	1,077,143	2,864,917
Non-current liabilities:					
Non-current portion of long-term debt	11,677,636	12,482,840	10,725,000	35,989	34,921,465
Total non-current liabilities	11,677,636	12,482,840	10,725,000	35,989	34,921,465
Total liabilities	12,432,276	13,100,084	11,140,890	1,113,132	37,786,382
NET ASSETS					
Invested in capital assets, net of related debt	5,539,270	10,362,684	(4,740,304)	173,636	11,335,286
Restricted for debt service	753,469	800,938	830,338	-	2,384,745
Restricted for impact fees	650,386	706,538	-	-	1,356,924
Unrestricted	1,805,945	480,739	705,913	(946,939)	2,045,658
Total net assets	\$ 8,749,070	\$ 12,350,899	\$ (3,204,053)	\$ (773,303)	\$ 17,122,613

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

CITY OF SAN LUIS, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2011

	Enterprise Funds				Total
	Water	Wastewater	Business Center	Sanitation	
Operating revenues:					
Charges for services	\$ 2,500,918	\$ 1,537,996	\$ -	\$ 986,032	\$ 5,024,946
Rent	-	-	629,265	-	629,265
Other	46,872	(161)	-	61,285	107,996
Total operating revenues	<u>2,547,790</u>	<u>1,537,835</u>	<u>629,265</u>	<u>1,047,317</u>	<u>5,762,207</u>
Operating expenses:					
Cost of sales and services	1,540,670	1,208,889	73,169	880,654	3,703,382
Depreciation	505,827	727,039	484,267	118,550	1,835,683
Total operating expenses	<u>2,046,497</u>	<u>1,935,928</u>	<u>557,436</u>	<u>999,204</u>	<u>5,539,065</u>
Operating income (loss)	<u>501,293</u>	<u>(398,093)</u>	<u>71,829</u>	<u>48,113</u>	<u>223,142</u>
Nonoperating revenues (expenses):					
Investment earnings	7,193	2,991	10	-	10,194
Interest and fiscal charges	(574,478)	(584,497)	(833,125)	(9,553)	(2,001,653)
Bond issuance costs	(21,483)	(24,061)	-	-	(45,544)
Total nonoperating revenues (expenses)	<u>(588,768)</u>	<u>(605,567)</u>	<u>(833,115)</u>	<u>(9,553)</u>	<u>(2,037,003)</u>
Changes in net assets	<u>(87,475)</u>	<u>(1,003,660)</u>	<u>(761,286)</u>	<u>38,560</u>	<u>(1,813,861)</u>
Total net assets, beginning of year	<u>8,836,545</u>	<u>13,354,559</u>	<u>(2,442,767)</u>	<u>(811,863)</u>	<u>18,936,474</u>
Total net assets, end of year	<u>\$ 8,749,070</u>	<u>\$ 12,350,899</u>	<u>\$ (3,204,053)</u>	<u>\$ (773,303)</u>	<u>\$ 17,122,613</u>

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

CITY OF SAN LUIS, ARIZONA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Enterprise Funds				
	Water	Wastewater	Business Center	Sanitation	Total
Increase/(Decrease) In Cash and Cash Equivalents					
Cash flows from operating activities:					
Cash received from customers	\$ 2,406,386	\$ 2,191,171	\$ 789,190	\$ 1,049,381	\$ 6,436,128
Cash payments to suppliers for goods and services	(1,005,834)	(903,317)	(156,403)	(667,465)	(2,733,019)
Cash payments to employees for services	(524,267)	(448,547)	-	(236,010)	(1,208,824)
Net cash provided by (used for) operating activities	876,285	839,307	632,787	145,906	2,494,285
Cash flows from capital and related financing activities:					
Proceeds from capital debt		-	-		-
Payments for capital acquisitions	(71,145)	(4,156)	-	2,153	(73,148)
Principal paid on long-term debt	(219,162)	(246,786)	-	(136,137)	(602,085)
Interest paid on long-term debt	(580,417)	(590,483)	(833,859)	(11,922)	(2,016,681)
Net cash provided by (used for) capital and related financing activities	(870,724)	(841,425)	(833,859)	(145,906)	(2,691,914)
Cash flows from investing activities:					
Investment income	7,193	2,991	10	-	10,194
Net cash provided by investing activities	7,193	2,991	10	-	10,194
Net decrease in cash and cash equivalents	12,754	873	(201,062)	-	(187,435)
Cash and cash equivalents, beginning of year	1,842,143	435,358	1,889,277	-	4,166,778
Cash and cash equivalents, end of year	\$ 1,854,897	\$ 436,231	\$ 1,688,215	\$ -	\$ 3,979,343
Cash received from customers:					
Rent	\$ -	\$ -	\$ 629,265	\$ -	\$ 629,265
Other					-
Charges for services	2,547,791	1,537,835	-	1,047,317	5,132,943
(Increase)/ decrease in accounts receivable	(70,153)	94,687	3	(3,452)	21,085
(Increase)/ decrease in prepaid items	(19,498)	(804)	12,097	(16,770)	(24,975)
(Increase)/ decrease in due from governmental entities	(51,754)	559,453	147,825	22,286	677,810
	<u>2,406,386</u>	<u>2,191,171</u>	<u>789,190</u>	<u>1,049,381</u>	<u>6,436,128</u>
Cash payments to suppliers for goods and services					
Cost of sales and services (non-payroll)	(1,010,158)	(760,992)	(73,169)	(640,057)	(2,484,376)
Increase/ (decrease) in accounts payable	4,324	(142,325)	(83,234)	(27,408)	(248,643)
	<u>(1,005,834)</u>	<u>(903,317)</u>	<u>(156,403)</u>	<u>(667,465)</u>	<u>(2,733,019)</u>
Cash payments to employees for services					
Cost of sales and services (payroll)	(525,800)	(445,663)	-	(239,171)	(1,210,634)
Increase/ (decrease) in accrued payroll and taxes	1,274	(2,048)	-	13	(761)
Increase/ (decrease) in compensated absences payable	259	(836)	-	3,148	2,571
	<u>(524,267)</u>	<u>(448,547)</u>	<u>-</u>	<u>(236,010)</u>	<u>(1,208,824)</u>

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

CITY OF SAN LUIS, ARIZONA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Enterprise Funds				
	Water	Wastewater	Business Center	Sanitation	Total
Reconciliation of Operating Income to					
<u>Net Cash Provided by (Used for) Operating Activities</u>					
Operating income (loss)	\$ 501,294	\$ (398,093)	\$ 71,829	\$ 48,113	\$ 223,143
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation and amortization	505,827	727,039	484,267	118,549	1,835,682
Change in assets and liabilities:					
(Increase)/ decrease in accounts receivable	(67,608)	91,284	3	92,453	116,132
(Increase)/ decrease in prepaid items	(19,498)	(804)	12,097	(16,770)	(24,975)
Increase/ (decrease) in accounts payable	(8,545)	(138,822)	(83,234)	(121,347)	(351,948)
Increase/ (decrease) in accrued payroll and taxes	16,569	(750)	-	4,588	20,407
Increase/ (decrease) in due to other funds	(51,754)	559,453	147,825	20,320	675,844
Total adjustments	374,991	1,237,400	560,958	97,793	2,271,142
Net cash provided by (used for) operating activities	\$ 876,285	\$ 839,307	\$ 632,787	\$ 145,906	\$ 2,494,285

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

FIDUCIARY FUND FINANCIAL STATEMENTS

**CITY OF SAN LUIS, ARIZONA
STATEMENT OF FIDUCIARY FUND NET ASSETS
JUNE 30, 2011**

	<u>Pension Trust</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 31,941</u>
Total assets	<u><u>\$ 31,941</u></u>
<u>NET ASSETS</u>	
Assets held in trust for pension benefits	<u><u>\$ 31,941</u></u>

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

CITY OF SAN LUIS, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FISCAL YEAR ENDED JUNE 30, 2011

	<u>Pension Trust</u>
Additions:	
Net investment earnings	<u>\$ 64</u>
Total additions	<u> 64</u>
Changes in net assets	<u> 64</u>
Net assets, beginning of year	<u> 31,877</u>
Net assets, end of year	<u><u> \$ 31,941</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The financial reporting entity consists of a primary government and its component units. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units are combined with the City for financial statement presentation purposes, and are not included in any other governmental reporting entity. Consequently, the City's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable.

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

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Blended Component Units

The San Luis Civic Improvement Corporation (SLCIC) is maintained by the City to acquire, finance, construct, improve, and purchase real and personal property on behalf of the City for civic, municipal, and government purposes. For the fiscal year ended June 30, 2011, the activity of the SLCIC is reported in the Municipal Projects Bond Fund and the benefiting enterprise funds in the City's financial statements.

The San Luis Community Facilities District (SLCFD) was created in 1999 under the provisions of Title 48, Chapter 4, Article 6 of the Arizona Revised Statutes. The District is considered by law to be an independent political sub-division of the state, and separate from the City. The purpose of the entity is to provide land for the development of the Regional Center for Border Health. 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 City's General Fund.

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

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units

The San Luis Municipal Property Corporation (SLMPC) is an Arizona nonprofit corporation formed under the provision of Title 10 of the Arizona Revised Statutes. The Corporation was organized to acquire, construct, reconstruct, or improve buildings and other real and personal property suitable for leasing or sale to the City. For the audit period ended June 30, 2011, there was no activity.

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 Yuma County and to provide facilities, equipment, and other physical plant and related support to the project. In the fiscal year ended June 30, 2006, the SLFDC was used to issue \$27,795,000 in bonds to build a detention center from which the City is to derive certain revenues. The activity is reported in the City's Detention Center Fund.

The Industrial Development Authority of the City of San Luis (IDA) was incorporated in 2000 by the City to acquire, own, construct, lease, sell, and dispose of all kinds of properties on behalf of the City to, amongst other things, develop trade, encourage production, and assure job opportunities in the City of San Luis. The IDA was used to acquire, renovate and furnish the facility for leasing to an unrelated company that operates a call center to provide employment opportunities to local residents. In 2009, the debt was retired by a GADA Loan to the City and the City took over the assets, liabilities, and all activities of the Call Center. For the audit period ended June 30, 2011, there was no activity reported for the IDA.

The San Luis Corporation for the Arts and Humanities was incorporated in 2006 as a not-for-profit organization for the purpose of promoting Arts & Humanities in San Luis. The activity is reported in the San Luis Arts & Humanities 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 an-going financial interest or responsibility.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Joint Ventures (Continued)

The City participates under a membership provision with three other entities in a jointly governed organization, the Greater Yuma 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 Yuma 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, Yuma, AZ 85366.

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 Facilities District

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the City as a whole. The reported information includes all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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

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

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of internal activity has been eliminated from the government-wide financial statements.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service resources are provided during the current year for payment of long-term debt principal and interest due early in the following year (not to exceed one month) and, therefore, the expenditures and related liabilities have been recognized.

Sales taxes, franchise taxes, licenses and permits, charges for services, special assessments, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Deferred revenues also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Receivables that will not be collected within the availability period have been reported as deferred revenue on the governmental fund financial statements.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major governmental funds.

General Fund – 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 Fund – This fund accounts for the revenue received from the State for public works and streets.

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

Greater Yuma Port Authority Fund – This fund accounts for a \$600,000 loan that the City borrowed from Wells Fargo in March of 2008 in the form of a note dated March of 2008. The purpose of the loan was to supplement the funds that were available to the GYPA for the constructing costs of GYPA property. The note is to be repaid by GYPA in March 2012. The City has a joint venture relationship with GYPA that was explained under the reporting entities section above.

The City reports the following major proprietary funds.

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

Wastewater Fund – 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 Fund – This fund is used to account for the activities of the City's sanitation operations.

The City reports the following fiduciary fund.

Pension Trust Fund – The Pension Trust Fund is used to account for the City's Volunteer Firefighters' Relief and Pension Fund, a defined contribution plan for which the assets are held by the City in a trustee capacity. Contributions are made by the City as well as the City's volunteer firefighters.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 City's enterprise fund are charges to customers for water, wastewater, and sanitation services and rental income from the business center. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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
- Assessment Districts
- Judicial Collection Enhancement

Capital Projects Funds

- Capital Outlay Reserve
- Community Development

Fiduciary funds are reported by fund type.

D. Budgets

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. No annual budget is required for proprietary funds.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash, Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, 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.

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 on the statement of net assets/balance sheet.

F. Investment Income (Loss)

Investment income (loss) is composed of interest and net changes in the fair value of applicable investments.

G. Receivables and Payables

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."

All trade and other receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

H. Inventory

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

CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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.

J. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

K. 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 estimated fair market value at the date of donation.

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:

<u>Assets</u>	<u>Years</u>
Infrastructure	50
Buildings	50
Improvements other than buildings	7-50
Vehicles, machinery, and equipment	5-15

Interest is capitalized in the discretely presented component units on assets acquired with tax-exempt debt.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 then 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 in the applicable governmental and proprietary fund type statement of net assets.

N. Equity Classifications

Government-wide and Proprietary Fund Statements

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

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 Fund Balance – 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.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Equity Classifications (Continued)

Fund Balances (Continued)

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

- Restricted for Capital Projects – Portion of fund balance that is restricted by revenue source for capital project expenditures.

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote of City's highest level of decision-making authority. Any changes or removal of specific purposes requires majority action by the governing body.

Assigned Fund Balance – Portion of fund balance that the City has budgeted.

- Subsequent year's expenditures – Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.
- Assigned for Capital Projects – Portion of fund balance that has been budgeted or designated by Council for capital projects.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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.

O. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the statement of activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

P. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2- CASH, CASH EQUIVALENTS, AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the City’s deposits may not be returned to the City. The City does not have a policy for custodial credit risk. As of June 30, 2011, City deposits of \$717,283 were uninsured and collateralized with securities held by the pledging financial institution.

The investments of the City and its component units at June 30, 2011, were as follows:

Investment Type	Investment Maturities (in years)			
	Fair Value	Less than 1	1-5	6-10
U.S. agency securities	\$ 7,224,072	\$ 4,096,844	\$ -	\$3,127,228
Money market funds	13,895,870	13,895,870	-	-
State Treasurer’s investment pool	6,611,656	6,611,656	-	-
Total	\$ 27,731,598	\$ 24,604,370	\$ -	\$3,127,228

Interest Rate Risk. 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.

Credit Risk. The City has no investment policy that would further limit its investment choices. As of June 30, 2011, the City’s investment in the State Treasurer’s Government Investment Pool (LGIP) did not receive a credit quality rating from national rating agency. The City’s investments in U.S. agencies were rated AAA by Moody’s Investors Service and AAAM by Standard & Poor’s.

That portion of the external investment pool which belongs to local government participants is reported in the State’s Annual Financial Report. A copy of the report can be obtained from the State’s website at www.aztreasury.gov or by writing to Arizona State Treasurer’s Office, 1700 West Washington Street, 1st Floor, Phoenix, AZ 85007.

The City’s position in the LGIP at June 30, 2011 is stated at cost which approximates fair value.

Custodial Credit Risk - Investments. For an investment, 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, 2011, the City had \$21,119,942 of U.S. agency securities, and money market funds that were uninsured and held by the counterparty’s trust department or agent not in the City’s name. The City’s investment in the State Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however, the City’s portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. As of June 30, 2011, the City’s investments include 26.05% invested in U.S. agency securities, 50.11% invested in money market funds, and 23.84% invested in the State Treasurer’s investment pool.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2- CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows:

Cash, deposits, and investments	
Cash on hand	\$ 4,900
Amount of deposits	2,555,336
Amount of investments	<u>27,731,598</u>
 Total	 <u>\$ 30,291,834</u>

	Primary Government			Component Units		Total
	Governmental Activities	Business- type Activities	Pension Trust Fund	Detention Facility	SL Arts & Humanities	
Statement of Net Assets						
Cash and cash equivalents	\$ 5,571,125	\$ 3,564,174	\$ 31,941	\$ -	\$ 4,652	\$9,171,892
Restricted cash and cash equivalents	4,369,479	415,169	-	16,335,294	-	21,119,942
 Total	 <u>\$ 9,940,604</u>	 <u>\$ 3,979,343</u>	 <u>\$ 31,941</u>	 <u>\$ 16,335,294</u>	 <u>\$ 4,652</u>	 <u>\$30,291,834</u>

NOTE 3- INTERFUND BALANCES AND ACTIVITY

At June 30, 2011, interfund balances and activity were as follows:

Due to/from other funds:

Fund	Due From Other Funds	Due to Other Funds
General	\$ 564,843	\$ -
Highway User	-	24,733
Municipal Projects Bond Fund	-	2,675,103
Non-Major Governmental	1,125,804	299,047
Water	844,876	-
Wastewater	1,199,210	-
Business Center	211,262	-
Sanitation	-	947,112
 Total	 <u>\$ 3,945,995</u>	 <u>\$ 3,945,995</u>

Interfund borrowing resulted from the borrowing of funds to cover deficit cash in prior years and transfers made after the current fiscal year-end to eliminate deficit fund balances in several funds and report operating transfers for the fiscal year. All inter-fund balances are expected to be paid within one year.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3- INTERFUND BALANCES AND ACTIVITY (Continued)

Interfund transfers:

Fund	Transfers In	Transfers Out
General	\$ -	\$ 1,151,249
HURF	-	1,993
Municipal Project	1,151,249	-
Non-Major Governmental	1,993	-
Total	<u>\$ 1,153,242</u>	<u>\$ 1,153,242</u>

Transfers between funds are used (1) to close out balances of inactive funds, (2) to cover the overdrawn fund of the municipal project (3) in support of activities of the grants funds as City's match funds for various programs.

NOTE 4- RECEIVABLES

Receivables are reported net of allowance for uncollectible of \$19,179 for utility receivables and \$273,635 for Governmental funds receivable. 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:

	General Fund	Highway Users Fund	Municipal Projects Bond	Greater Yuma Port Authority	Non-Major Governmental Funds	Water	Wastewater	Business Center	Sanitation
Accounts Receivable	\$ 609,353	\$ -	\$ 68	\$ -	\$ 15,841	\$369,756	\$ 68,613	\$ 52,439	\$ 34,561
Fines Receivable	2,122,173	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	600,000	-	41,828	-	-	-
Due from governmental entities	604,901	151,505	-	-	504,009	-	-	-	-
Net total receivables	<u>\$3,336,427</u>	<u>\$151,505</u>	<u>\$ 68</u>	<u>\$ 600,000</u>	<u>\$ 519,850</u>	<u>\$411,581</u>	<u>\$ 68,613</u>	<u>\$ 52,439</u>	<u>\$ 34,561</u>

Governmental funds report deferred 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, deferred revenue consisting mostly of fines receivable were reported in the General Fund of \$2,122,173.

CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5- CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2011 follows:

	Beginning Balance, as restated	Increase	Decrease	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,531,972	\$ -	\$ -	\$ 1,531,972
Construction in progress	45,417	29,645	(15,439)	59,623
Total capital assets, not being depreciated	<u>1,577,389</u>	<u>29,645</u>	<u>(15,439)</u>	<u>1,591,595</u>
Capital assets, being depreciated:				
Infrastructure	38,851,638	663,787	-	39,515,425
Buildings and improvements	22,079,405	424,839	-	22,504,244
Machinery and equipment	6,829,016	455,581	(365,629)	6,918,968
Total capital assets being depreciated	<u>67,760,059</u>	<u>1,544,207</u>	<u>(365,629)</u>	<u>68,938,637</u>
Less accumulated depreciation for:				
Infrastructure	(8,208,926)	(800,104)	-	(9,009,030)
Buildings and improvements	(3,712,863)	(545,401)	164	(4,258,100)
Machinery and equipment	(3,789,823)	(589,914)	361,020	(4,018,717)
Total accumulated depreciation	<u>(15,711,612)</u>	<u>(1,935,419)</u>	<u>361,184</u>	<u>(17,285,847)</u>
Total capital assets, being depreciated, net	<u>52,048,447</u>	<u>(391,212)</u>	<u>(4,445)</u>	<u>51,652,790</u>
Governmental activities capital assets, net	<u>\$ 53,625,836</u>	<u>\$ (361,567)</u>	<u>\$ (19,884)</u>	<u>\$ 53,244,385</u>
	Beginning Balance, as restated	Increase	Decrease	Ending Balance
Business-Type Activities as restated				
Capital assets, not being depreciated:				
Land	\$ 634,819	\$ -	\$ -	\$ 634,819
Construction in progress	90,274	-	-	90,274
Total	<u>725,093</u>	<u>-</u>	<u>-</u>	<u>725,093</u>
Capital assets, being depreciated:				
Infrastructure	46,775,547	-	-	46,775,547
Buildings and improvements	4,969,295	-	-	4,969,295
Machinery and equipment	7,029,846	79,608	(132,456)	6,976,998
Total	<u>58,774,688</u>	<u>79,608</u>	<u>(132,456)</u>	<u>58,721,840</u>
Less accumulated depreciation for:				
Infrastructure	(6,543,706)	(1,045,414)	-	(7,589,120)
Buildings and improvements	(578,268)	(169,140)	-	(747,408)
Machinery and equipment	(3,795,057)	(621,128)	126,000	(4,290,185)
Total accumulated depreciation	<u>(10,917,031)</u>	<u>(1,835,682)</u>	<u>126,000</u>	<u>(12,626,713)</u>
Total capital assets, being depreciated, net	<u>47,857,657</u>	<u>(1,756,074)</u>	<u>(6,456)</u>	<u>46,095,127</u>
Business-type activities capital assets, net	<u>\$ 48,582,750</u>	<u>\$ (1,756,074)</u>	<u>\$ (6,456)</u>	<u>\$ 46,820,220</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5- CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Units	Beginning Balance, as restated	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 661,359	\$ -	\$ -	\$ 661,359
Construction in progress	-	9,625,422	-	9,625,422
Total	661,359	9,625,422	-	10,286,781
Capital assets, being depreciated:				
Buildings and improvements	18,453,743	-	-	18,453,743
Machinery and equipment	302,379	-	-	302,379
Total	18,756,122	-	-	18,756,122
Less accumulated depreciation for:				
Buildings and improvements	(2,770,589)	(922,687)	-	(3,693,277)
Machinery and equipment	(90,797)	(30,238)	-	(121,035)
Total accumulated depreciation	(2,861,386)	(952,925)	-	(3,814,311)
Total capital assets, being depreciated, net	15,894,736	(952,925)	-	14,941,811
Business-type activities capital assets, net	\$ 16,556,095	\$ 8,675,497	\$ -	\$ 25,228,592

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 388,439
Public safety	318,482
Public works and streets	877,028
Health and welfare	31,054
Culture and recreation	304,693
Community development	15,723

Total depreciation expense \$ 1,935,419

Business-type activities:	
Water	\$ 505,827
Wastewater	727,039
Business Center	484,267
Sanitation	118,549

Total depreciation expense \$ 1,835,682

Discretely Presented Component Units:	
Detention Facility	\$ 952,925
Total depreciation expense	<u>\$ 952,925</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6- OBLIGATIONS UNDER CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of certain administrative equipment, a modular building, public safety vehicles, and playground equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligation and the net present value of capital lease payments as of June 30, 2011 were as follows:

Year Ending June 30:	Governmental Activities	Business-Type Activities
2012	\$ 187,144	\$ 125,305
2013	136,951	51,979
2014	1,504	1,766
2015	1,504	1,766
2016	376	441
Total minimum lease payments	327,479	181,257
Less: amount representing interest	(22,442)	(7,583)
Present value of minimum lease payments	\$ 305,037	\$ 173,674
Due within one year	\$ 171,801	\$ 119,428

NOTE 7- OPERATING LEASES

The City leases copiers/printers under certain non-cancelable operating leases. Operating leases do not give rise to property rights or lease obligations (long-term debt), for this, the results of the lease agreements are not reflected in the City's Statement of Net Assets. Lease payments effected during the fiscal year 2011 amounted to \$44,917.

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

Year Ending June 30,	Amount
2012	\$ 37,694
2013	37,707
2014	29,759
2015	8,188
2016	5,026
2017	1,270
Total	\$ 119,644

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8- REVENUE BONDS PAYABLE

PRIMARY GOVERNMENT

Revenue bonds payable at June 30, 2011 consisted of the outstanding revenue bonds presented below. The bonds are generally callable with interest payable semiannually.

In October 2005, the San Luis Civic Improvement Corporation (SLCIC) issued Excise Tax Revenue Bonds Series 2005 totaling \$40,000,000 to finance the construction of several projects and to payoff previously issued notes and bonds payable. The principal and interest on the bonds are not a general obligation of the Corporation and City, but a limited obligation of the Corporation and City payable solely from and are secured by a pledge of the City's unrestricted excise taxes and specific water sales.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2011</u>
Governmental activities	3.75-5.00%	7/1/09-38	\$ 15,051,108
Business-type activities	3.75-5.00%	7/1/09-38	<u>23,573,892</u>
Total			<u>\$ 38,625,000</u>

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:				
2012	\$ 282,513	\$ 703,624	\$ 442,487	\$ 1,102,056
2013	294,203	691,906	460,797	1,083,702
2014	305,893	679,338	479,107	1,064,017
2015	317,583	666,089	497,417	1,043,266
2016	331,222	652,302	518,778	1,021,672
2017-21	1,862,636	3,042,054	2,917,364	4,764,636
2022-26	2,326,346	2,561,367	3,643,654	4,011,758
2027-31	2,940,081	1,940,078	4,604,919	3,038,659
2032-36	3,699,942	1,153,383	5,795,058	1,806,492
2037-39	<u>2,690,689</u>	<u>206,186</u>	<u>4,214,311</u>	<u>322,939</u>
Total	<u>\$15,051,108</u>	<u>\$12,296,327</u>	<u>\$23,573,892</u>	<u>\$19,259,197</u>

Deferred Charges

In October 2005, the San Luis Civic Improvement Corporation issued Excise Tax Revenue Bonds Series 2005 totaling \$40,000,000 to finance the construction of several projects and to pay off previously issued notes and bonds payable including the 1987 Series Bond. As a result, the 1987 Series bonds are considered defeased, and the liability for these bonds has been removed from the enterprise funds.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8- REVENUE BONDS PAYABLE (CONTINUED)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$239,794. This difference, reported in the accompanying financial statements as deferred charges which are shown as a deduction from bonds payable, is being charged to operations through the year 2016 using the straight-line method. Amortization for the year ended June 30, 2011 was \$21,800.

DISCRETELY PRESENTED COMPONENT UNITS

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.

<u>Revenue Bonds</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2011</u>
Series 2005 Detention Facility	6.00-7.250%	5/1/08-27	\$ 24,990,000
Series 2011 Detention Facility	6.75-8.625%	5/1/08-27	<u>\$ 20,165,000</u>
 Total			 <u>\$ 45,155,000</u>

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

	<u>Principal</u>		<u>Interest</u>	
	<u>2005 issues</u>	<u>2011 issues</u>	<u>2005 issues</u>	<u>2011 issues</u>
Year ending June 30:				
2012	\$ 815,000	\$ -	\$ 1,761,125	\$ 1,663,819
2013	865,000	650,000	1,710,188	1,663,819
2014	920,000	705,000	1,656,125	1,613,444
2015	975,000	765,000	1,598,625	1,558,463
2016	1,035,000	825,000	1,537,688	1,498,456
2017 - 21	6,380,000	5,290,000	6,493,538	6,369,738
2022 - 26	9,010,000	7,910,000	3,859,538	3,776,706
Thereafter	<u>4,990,000</u>	<u>4,020,000</u>	<u>436,450</u>	<u>336,675</u>
 Total	 <u>\$24,990,000</u>	 <u>\$20,165,000</u>	 <u>\$19,053,277</u>	 <u>\$18,481,120</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 - LOANS PAYABLE

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

Governmental activities:

	CURRENT PORTION	LONG TERM PORTION	TOTAL
Notes payable to Wells Fargo Bank for \$600,000 dated March 19, 2008 for Port of Entry II construction project. Note is interest only paid once a year at 4.75% with principal to be paid at the end of 48 months.	\$ 600,000	-	\$ 600,000
Notes payable to the Wal-mart stores 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 Wal-mart store until fully paid.	-	321,214	321,214
Notes payable to the United States Department of Agriculture (USDA) for \$50,000 dated February 23, 2006 for furnishing Cultural Center. Note is due in monthly installments of \$513 including principal and interest at 4.25% for 120 months.	5,226	19,041	24,267
Note payable to the GADA organization for \$3,025,000 dated February 1, 2009 for other municipal projects. Note requires monthly interest payments with an annual variable interest rate averaging 6% per year. Principal is paid once a year starting on July 2036 until the loan expires on July 2038.	-	3,025,000	3,025,000
Total Notes Payable	\$ 605,226	\$ 3,365,255	\$ 3,970,481

Debt service requirements on all loans payable to maturity are shown below.

	Principal	Interest	Total
Year ending June 30:			
2012	\$ 605,226	\$ 194,875	\$ 800,101
2013	5,452	166,375	171,827
2014	5,688	166,375	172,063
2015	5,935	166,375	172,310
2016	1,965	166,375	168,340
Thereafter	3,346,215	3,601,963	6,498,178
Total Payments	\$ 3,970,481	\$ 4,462,338	\$8,432,819

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 - LOANS PAYABLE (CONTINUED)

Business-type activities:

	<u>CURRENT PORTION</u>	<u>LONG TERM PORTION</u>	<u>TOTAL</u>
Notes payable to the Greater Arizona Development Authority (GADA) organization for \$10,725,000 dated February 1, 2009 for refinancing of Business Center debt and for other municipal projects. Note requires monthly interest payments with an annual variable interest rate averaging 8% per year. Principal is paid once a year starting on July 2014 until the loan expires on July 2036.	\$ -	\$ 10,725,000	\$ 10,725,000
Notes payable to the USDA for \$430,500 dated July 17, 2008. Note is due in monthly installments of \$1,835 including principal and interest at 4.125% for 480 months.	4,960	410,882	415,842
Notes payable to the USDA for \$450,000 July 17, 2008. Note is due in monthly installments of \$1,917 including principal and interest at 4.125% for 480 months.	<u>4,997</u>	<u>433,819</u>	<u>438,816</u>
Total Notes Payable	<u>\$ 9,957</u>	<u>\$ 11,569,701</u>	<u>\$ 11,579,658</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2012	\$ 9,957	\$ 865,438	\$ 875,395
2013	10,341	865,021	875,362
2014	10,776	864,586	875,362
2015	216,229	857,113	1,073,342
2016	232,232	842,051	1,074,283
Thereafter	<u>11,100,123</u>	<u>10,950,859</u>	<u>22,050,982</u>
Total Payments	<u>\$11,579,658</u>	<u>\$15,245,068</u>	<u>\$26,824,726</u>

CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011 for governmental activities was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 432,824	\$ 312,118	\$ 277,744	\$ 467,198	\$ 420,478
Capital leases payable	498,461	-	193,424	305,037	171,800
Revenue bonds payable	15,323,879	-	272,771	15,051,108	282,513
Revenue bonds premium	250,494	-	8,946	241,548	-
Revenue bonds/GADA Loans	3,025,000	-	-	3,025,000	-
Notes payable	967,004	-	21,523	945,481	605,226
Governmental activities long-term liabilities	<u>\$ 20,497,662</u>	<u>\$ 312,118</u>	<u>\$ 774,408</u>	<u>\$ 20,035,372</u>	<u>\$ 1,480,017</u>

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Compensated absences	\$ 73,337	\$ 74,517	\$ 63,824	\$ 84,030	\$ 75,627
Capital leases payable	350,649	-	176,975	173,674	119,428
Revenue bonds/GADA loans	34,726,121	-	427,229	34,298,892	442,487
Revenue bonds premium	276,587	-	9,877	266,710	-
Notes payable	864,211	-	9,553	854,658	9,924
Deferred charges	(130,800)	-	(21,800)	(109,000)	-
Business-type activities long-term liabilities	<u>\$ 36,160,105</u>	<u>\$ 74,517</u>	<u>\$ 665,658</u>	<u>\$ 35,568,964</u>	<u>\$ 647,466</u>

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Discretely presented units:					
Revenue bonds payable	\$ 25,755,000	\$ 20,165,000	\$ 765,000	\$ 45,155,000	\$ 815,000
Revenue bonds discount	(501,419)	(396,905)	(37,678)	(860,646)	-
Business-type activities long-term liabilities	<u>\$ 25,253,581</u>	<u>\$ 19,768,095</u>	<u>\$ 727,322</u>	<u>\$ 44,294,354</u>	<u>\$ 815,000</u>

NOTE 11- CONTINGENT LIABILITIES

Federal and State grants and loans – The City has received a number of grants from both the Federal and State governments. Although the programs have been audited by the respective agencies, not all audits have been approved as of June 30, 2011; however, the City expects no material disallowance of expenditures.

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

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 12- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Individual Deficit Fund Balances/Net Assets – At June 30, 2011, the following individual major and non-major governmental fund reported deficits in fund balance or fund net assets.

	Deficit
Enterprise Funds:	
Business Center	\$ 3,204,053
Sanitation	773,303
Discretely Presented Units:	
Detention Facility	3,971,361

The deficits arose because of operations during the year and prior years. Additional revenues received in future fiscal years are expected to eliminate the deficits.

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; and natural disasters. 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.

The City is insured by Arizona State Workers' Compensation Insurance Fund for potential worker-related accidents.

NOTE 14- RETIREMENT PLANS

Arizona State Retirement System

Plan Descriptions

All full time employees of the City, except for Public Safety personnel are covered by the Arizona State Retirement System (ASRS), which is a cost-sharing multiple-employer defined benefit plan. Benefits are established by state statute and the plans generally provide retirement, health insurance and long-term disability benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree's average compensation. Long-term disability benefits vary by circumstances, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid at a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and their dependents.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Funding Policy

Covered employees were required by statute to contribute 9.85 percent (9.60 percent for retirement and 0.25 percent for long-term disability) of their salaries to the system during fiscal year 2010-2011 and the City was required to match it (9.01 percent, 0.59 percent for health insurance premium, and 0.25 percent for long-term disability). The Arizona Revised Statutes (ARS) provide statutory authority for determining the employees' and employers' contribution amounts as percentage of covered payroll. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona Legislature is able to impose a contribution rate other than the actuarially determined rate. There were 146 participants in the ASRS as of June 30, 2011.

The City's contribution for the current year and two preceding years, all of which were equal to the required contributions, were as follows:

<u>Fiscal Year Ended</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2009	\$ 443,936	\$ 53,339	\$ 27,817
2010	438,865	34,730	21,602
2011	427,739	28,010	11,868

Public Safety Personnel Retirement System

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

Agent plan – For the year ended June 30, 2011, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll to the Plan, and the City was required to contribute at the actuarially determined rate of 12.93 percent for police and 10.61 percent for fire. There were 60 participants in the PSPRS as of June 30, 2011.

Annual Pension Cost – The City's annual pension cost for the agent plan for the year ended June 30, 2011, and related information follows.

	<u>PSPRS</u>	
	<u>Police</u>	<u>Fire</u>
Contribution rates:		
City	12.93%	10.61%
Plan Members	7.65%	7.65%
Contributions Made	\$346,624	\$172,302

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The June 30, 2011 annual required contributions for the PSPRS were determined as part of the June 30, 2005, actuarial valuations using the entry-age actuarial cost, method. The actuarial assumptions included (a) 8.25 percent investment rate of return and (b) projected salary increases ranging from 5.0 percent to 8.0 percent per year. Both (a) and (b) included an inflation component of 5.0 percent. The assumptions did not include cost-of-living adjustments.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 7-year period. The unfunded (excess) actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011, was 25 years.

Trend Information- Annual pension cost information as of June 30, 2011 for the last three preceding years for the agent plan follows.

Police Plan:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 213,475	100.00%	\$ -
2010	224,936	0.00%	-
2011	199,877	100.00%	-

Fire Plan:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 122,794	100.00%	\$ -
2010	114,806	100.00%	-
2011	105,978	100.00%	-

Police Plan:

Valuation Date June 30	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll*	(6) UAAL as a % of Covered Payroll
2011	\$4,057,857	\$5,251,620	77.3%	\$1,193,763	\$1,616,316	73.9%

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Fire Plan:

Valuation Date June 30	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll*	(6) UAAL as a % of Covered Payroll
2011	\$2,275,495	\$2,187,634	104.0%	(\$87,861)	\$1,221,676	0.0%

The Arizona State Retirement System and the Public Safety Personnel Retirement Systems both issue publicly available financial reports that include the financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

PSPRS

3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416
(602) 255-5575

ASRS

3300 North Central Avenue
P.O. Box 33910
Phoenix, Arizona 85067-3910
(602) 240-2000 or (800) 621-3778

Volunteer Firefighters Pension and Relief Fund

Plan Description – The Volunteer Firefighters’ Pension and Relief Fund (“the Fund”) is a discretionary defined benefit plan directly administered by the City. Approximately five (5) volunteer firefighters participate in the Fund. The Fund was established to provide pension benefits for its qualified volunteer firefighters in accordance with Title 9, Chapter VIII, Article 3 of the Arizona Revised Statutes. The Board of Trustees administers the fund. No actuarial valuation of the Fund’s position has been made. Assets of the Fund are invested in an account with the State Treasurer’s Local Government Investment Pool.

A summary of activity and balances in the Firefighter’s Pension Trust for the year ended June 30, 2011 follows:

	Beginning Balance June 30, 2010	Contributions/ Earnings	Benefits Paid	Ending Balance June 30, 2011
Assets				
Cash and equivalents	\$ 31,877	\$ 64	\$ -	\$ 31,941

NOTE 15- RELATED PARTY TRANSACTIONS

The City contracted with a company owned by a City employee for bee removal services. Total payments to the employee during the fiscal year were \$7,400.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 16 – RESTRICTED NET ASSETS / FUND BALANCE

The City reported restrictions of net assets/fund balances at year end as follows:

	Primary Government	Component Units
Business Type	\$ 1,590,010	\$ -
Highway User's Revenue Fund	414,976	-
Impact Fees	1,356,924	-
Capital Projects	-	9,348,156
Component units	-	4,239,944

The City has reported the amount of unexpended impact fees as restricted for capital costs expected to be incurred for the expansion of services to new developments as restricted in accordance with applicable state statutes.

The impact fee balances reported as restricted at June 30, 2011 were as follows:

The Enterprise Funds Restricted for Expansion of Water, Wastewater and Trash collection services	\$1,356,924
---	-------------

Impact fees are also reported in the governmental fund type under Capital Outlay Reserve, a non-major fund, and are expected to be used to expand services for public safety, parks and recreation, and administrative facilities and equipment.

NOTE 17 – CONSTRUCTION COMMITMENTS

The City entered into several construction contracts for special revenue fund projects totaling almost \$12.63 million. These commitments have only been recorded in the accompanying financial statements for work completed as of June 30, 2011. The remaining balance for work not yet complete at the end of the year is estimated at \$4 million.

NOTE 18 – RESTATEMENT OF NET ASSETS

Change in reporting entities:

1. In February, 2009, the City entered into a loan agreement with GADA to assume the debt of the Industrial Development Authority, (IDA) in exchange for the right to all assets of the corporation as well as the transfer of the rental agreement with the operator of the Call Center. The City discovered that the deed had not been recorded in 2009 so the legal department had the deed recorded and notified the finance department. For June 30, 2011, the City recorded the transfer of the assets to a new Business Center Fund which it reported in the Enterprise Funds and removed the IDA reporting from the financial statements as the component unit no longer had any account balances.
2. The City obtained clarification of complex agreements related to the Detention Center Facility which had been financed by the San Luis Facility Development Corporation which resulted in changing the reporting from a blended component unit in the governmental funds to an enterprise fund type in a discretely presented component unit in accordance with GASB 14.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 18 – RESTATEMENT OF NET ASSETS (CONTINUED)

Change in reporting entities (continued):

3. The City moved the San Luis Corporation for the Arts & Humanities entity reporting from blended component unit to discretely presented component unit in accordance with GASB 14 during 2011 because on-going operations were determined to be for the benefit of the citizens rather than for the City itself.

Error Corrections:

As of July 1, 2010 the government-wide net assets and the fund balance/net assets of the General Fund and the grants funds have been adjusted for the following:

1. During 2010 an insurance credit was overstated by \$258,506
2. Two grant revenue sources identified during the last audit were adjusted
3. Disbursements for capital items were incorrectly recorded at June 30, 2010
4. Some original transactions for the Detention Facility were posted in the general fund

Summary of Restatements:

Governmental Funds

Governmental Activities	Governmental Activities
Net assets, June 30, 2010, as previously reported	\$ 37,913,498
Remove entities with change in reporting:	
Detention Facility	3,596,442
San Luis Arts & Humanities	(4,986)
IDA Call Center(renamed Business Center) Deficit	2,442,766
Total Change in Reporting Entity	6,034,222
Correction of errors:	
Correction of insurance overstatement	(258,505)
Grant revenues corrections	(11,274)
Capital disbursements timing correction	45,747
Correction of expense allocation – Detention Facility	274,925
Note receivable GYPA	600,000
Total Corrections of Errors	650,893
Net Assets, June 30, 2010, as restated	\$ 44,598,613

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 18 – RESTATEMENT OF NET ASSETS (CONTINUED)

	Water	Wastewater	Business Center	Sanitation	Total
Business-type activities:					
Net assets, June 30, 2010, as previously reported	\$ 8,836,545	\$ 13,354,559	\$ -	\$ (811,863)	\$ 21,379,241
Add Business Center – change in reporting	-	-	(2,442,766)	-	(2,442,766)
Net Assets/Fund Balance June 30, 2010 as restated	<u>\$ 8,386,545</u>	<u>\$ 13,354,559</u>	<u>\$ (2,442,766)</u>	<u>\$ (811,863)</u>	<u>\$ 18,936,475</u>

	San Luis Facility Development Corp – Detention Facility	San Luis Corporation for Arts & Humanities
Discretely Presented Component Units		
Net assets, June 30, 2010, as previously reported	\$ -	\$ -
Add Component Units – change in reporting	(3,596,442)	4,986
Correction of errors:		
Capital disbursements timing correction	99,294	-
Correction of expense allocation – General Fund	(274,925)	-
Net Assets, June 30, 2010, as restated	<u>\$ (3,772,073)</u>	<u>\$ 4,986</u>

NOTE 19- PLEDGED REVENUES

Due to an increase in services caused by a growing population, the City needed to expand its facilities to better serve its citizens. Since the funding for such expansion was not readily available, the City decided to issue the 2005 series Civic Improvement Corporation bonds in the amount of \$40 million. The bonds were issued for a term of 33 years. The proceeds were used to finance its public buildings such as: City Hall, Police and Fire stations as well as infrastructure for Water and Sewer storage capacities. These bonds were funded with pledged revenues payable solely from Excise taxes and the revenues directly or indirectly derived from the operation and use of the water system. Therefore, the City pledged all excise taxes, franchise, privilege and business taxes, State-shared sales and income taxes, fees for licenses and permits.

NOTE 20- SUBSEQUENT EVENTS

On July 28, 2011 the City Council approved an increase in the water rates for City to get the City back in compliance with the requirements of the GADA loan agreement of 2008. The rate increase was to be effective as of July 8, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SAN LUIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENT RETIREMENT PLAN FUNDING PROGRESS
JUNE 30, 2011**

Police Plan

Valuation Date June 30,	Valuation Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Percent Funded (1) (2)	Unfunded AAL (2)(1)	Annual Covered Payroll (3)	Unfunded AAL as a Percent of Covered Payroll
2008	3,077,722	4,007,035	76.8%	929,313	1,767,348	52.6%
2009	3,456,797	4,096,686	84.4%	639,889	1,512,888	42.3%
2010	3,644,443	4,435,443	82.2%	791,000	1,716,107	46.1%
2011	4,057,857	5,251,620	77.3%	1,193,763	1,616,316	73.9%

Fire Plan

Valuation Date June 30,	Valuation Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Percent Funded (1)/(2)	Unfunded AAL (2)(1)	Annual Covered Payroll (3)	Unfunded AAL as a Percent of Covered Payroll
2008	1,448,527	1,501,521	96.5%	52,994	997,455	5.3%
2009	1,761,576	1,568,346	112.3%	(193,231)	995,811	0.0%
2010	2,051,952	1,788,479	114.7%	(263,473)	1,003,196	0.0%
2011	2,275,495	2,187,634	104.0%	(87,861)	1,221,676	0.0%

Health Insurance

Valuation Date June 30,	Valuation Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Percent Funded (1)/(2)	Unfunded AAL (2)(1)	Annual Covered Payroll (3)	Unfunded AAL as a Percent of Covered Payroll
2007	0	135,247	0%	135,247	2,710,690	4.99%
2008	0	160,714	0%	160,714	2,764,803	5.81%
2009	0	176,761	0%	176,761	2,508,699	7.05%
2010	0	197,903	0%	197,903	2,719,303	7.28%
2011	0	308,776	0%	308,776	2,837,992	10.9%

**SUPPLEMENTARY INFORMATION
COMBINING FUND FINANCIAL STATEMENTS**

CITY OF SAN LUIS, ARIZONA
Non-Major Governmental Funds

Special Revenue Funds

A special revenue fund is established to account for specific revenues, which are legally restricted to expenditure for particular purposes. The special Revenue Funds used by the City are listed below:

Police Grant and Special Revenue Fund

This fund is used to account for the activities of the Police and Fire Departments. The receipts are primarily comprised of intergovernmental revenues generally based upon application to granting agencies by the City and availability of funding by grantors. Grant money may be used only for the purpose of the approved budget and is subject to grantor expenditure guidelines. Primary expenditures are for public safety overtime costs.

Judicial Collection Enhancement Fund

The Judicial collection Enhancement fund is a constitutionally designated fund. Revenues for this fund are derived from jury fees charged in jury cases in accordance with state law.

Assessment District Fund

Revenues from this fund are derived from fees imposed on a selected group of property owners, levy as a secondary property tax for the purpose of reimbursing the City for high costs of Street Light Improvement and maintenance improvements.

Capital Projects Funds

A capital project fund is established to account for the acquisition and construction of major capital facilities other than those financed by Special Revenue Fund and Enterprise Fund resources. A capital project fund enhances reporting to ensure that requirements regarding the use of the revenue were fully satisfied.

Capital Outlay Reserve Fund

This fund accounts for revenues received from outside sources, i.e. and expenditures associated with development impact fees assessed to fund infrastructure and other expenditures for growth-related projects.

Cultural Center Fund

The Cultural Center Fund is established to account for amount used for the purpose of Cultural Development in constructing and maintaining curbs, sidewalks and gutters. The primary sources are comprised of intergovernmental revenues from Federal and State.

CITY OF SAN LUIS, ARIZONA
COMBINING BALANCE SHEET- ALL NON-MAJOR GOVERNMENTAL FUNDS
BY FUND TYPE
YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Police Grants	Judicial Collection Enhancement	Assessment Districts
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable (net)	1,620	1,476	12,745
Due from governmental entities	362,006	-	-
Due from other funds	-	858,894	265,560
	<u>-</u>	<u>858,894</u>	<u>265,560</u>
Total assets	<u>\$ 363,626</u>	<u>\$ 860,370</u>	<u>\$ 278,305</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 46,853	\$ -	\$ -
Due to other funds	233,709	-	-
	<u>280,562</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>280,562</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved:			
Undesignated	83,064	860,370	278,305
	<u>83,064</u>	<u>860,370</u>	<u>278,305</u>
Total fund balances	<u>83,064</u>	<u>860,370</u>	<u>278,305</u>
Total liabilities and fund balances	<u>\$ 363,626</u>	<u>\$ 860,370</u>	<u>\$ 278,305</u>

Capital Projects

<u>Capital Outlay Reserve Fund</u>	<u>Community Development Fund</u>	<u>Totals</u>
\$ 1,053,267	\$ -	\$ 1,053,267
-	-	15,841
-	142,003	504,009
<u>1,350</u>	<u>-</u>	<u>1,125,804</u>
<u>\$ 1,054,617</u>	<u>\$ 142,003</u>	<u>\$ 2,698,921</u>
\$ -	\$ 76,665	\$ 123,518
-	65,338	299,047
<u>-</u>	<u>142,003</u>	<u>422,565</u>
<u>1,054,617</u>	<u>-</u>	<u>2,276,356</u>
<u>1,054,617</u>	<u>-</u>	<u>2,276,356</u>
<u>\$ 1,054,617</u>	<u>\$ 142,003</u>	<u>\$ 2,698,921</u>

CITY OF SAN LUIS, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
ALL NON-MAJOR GOVERNMENTAL FUNDS- BY FUND TYPE
YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Police Grants	Judical Collection Enhancement	Assessment Districts
Revenues:			
Special assessments	\$ -	\$ -	\$ 267,579
Intergovernmental	1,028,180	5,186	-
Charges for services	-	-	-
Fines and forfeitures	-	175,610	-
Investment earnings	-	-	-
Total revenues	<u>1,028,180</u>	<u>180,796</u>	<u>267,579</u>
Expenditures:			
Current -			
General government	-	17,490	-
Public safety	753,557	-	-
Public works and streets	-	-	49,368
Cultural and recreation	-	-	218,210
Community development	-	-	-
Capital outlay	261,358	98,362	-
Total expenditures	<u>1,014,915</u>	<u>115,852</u>	<u>267,578</u>
Excess revenues over expenditures	<u>13,265</u>	<u>64,944</u>	<u>1</u>
Other financing sources (uses):			
Transfers in	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	<u>13,265</u>	<u>64,944</u>	<u>1</u>
Fund balances, beginning of year	84,299	795,426	278,304
Prior Period Adjustment	<u>(14,500)</u>	<u>-</u>	<u>-</u>
Fund balances, beginning as restated	<u>69,799</u>	<u>795,426</u>	<u>278,304</u>
Fund balances, end of year	<u>\$ 83,064</u>	<u>\$ 860,370</u>	<u>\$ 278,305</u>

Capital Projects

<u>Capital Outlay Reserve Fund</u>	<u>Community Development Fund</u>	<u>Totals</u>
\$ -	\$ -	\$ 267,579
-	1,211,579	2,244,945
102,970	-	102,970
-	-	175,610
1,878	-	1,878
<u>104,848</u>	<u>1,211,579</u>	<u>\$ 2,792,982</u>
-	-	17,490
-	-	753,557
-	-	49,368
-	-	218,210
-	89,052	89,052
-	1,124,520	1,484,240
<u>-</u>	<u>1,213,572</u>	<u>2,611,917</u>
<u>104,848</u>	<u>(1,993)</u>	<u>\$ 181,065</u>
<u>-</u>	<u>1,993</u>	<u>1,993</u>
<u>-</u>	<u>1,993</u>	<u>1,993</u>
<u>104,848</u>	<u>-</u>	<u>183,058</u>
949,769	(3,226)	2,104,572
-	3,226	(11,274)
<u>949,769</u>	<u>-</u>	<u>2,093,298</u>
<u>\$ 1,054,617</u>	<u>\$ -</u>	<u>\$ 2,276,356</u>

STATISTICAL SECTION

CITY OF SAN LUIS, ARIZONA
Statistical Section

This part of the City of San Luis comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<i>Contents</i>	<i>Page</i>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	55
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source.	60
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	66
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	69
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	72

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$33,676,211	\$33,561,001	\$20,863,383	\$22,096,036	\$17,025,677	\$20,391,123	\$20,663,152	\$15,413,305	\$8,464,054	\$6,990,661
Restricted	1,671,594	1,427,157	4,592,820	4,605,445	10,865,480	4,556,181	-	-	130,402	116,328
Unrestricted	10,053,672	9,010,455	12,608,868	6,428,171	(3,115,598)	745,087	3,363,416	2,660,857	1,813,048	2,257,564
Total Primary Government Net Assets	\$45,401,477	\$43,998,613	\$38,065,071	\$33,129,652	\$24,775,559	\$25,692,391	\$24,026,568	\$18,074,162	\$10,407,504	\$9,364,553
Business-type Activities										
Invested in Capital Assets, Net of Related Debt	\$11,335,286	\$12,641,773	\$17,754,682	\$14,094,461	\$9,535,191	\$11,232,106	\$10,726,802	\$8,124,475	\$9,948,219	\$8,061,260
Restricted	3,741,669	3,785,623	2,645,628	2,183,356	1,547,955	1,547,955	226,160	1,090,777	41,728	35,680
Unrestricted	2,045,658	2,509,079	2,506,053	2,947,426	3,884,099	2,245,612	1,973,607	982,640	(1,835,671)	(1,622,470)
Total Primary Government Net Assets	\$17,122,613	\$18,936,475	\$22,906,363	\$19,225,243	\$14,967,245	\$15,025,673	\$12,926,569	\$10,197,892	\$8,154,276	\$6,474,470
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$45,011,497	\$46,202,774	\$38,618,065	\$36,190,497	\$26,560,868	\$31,623,229	\$31,389,954	\$23,537,780	\$18,412,273	\$15,051,921
Restricted	5,413,263	5,212,780	7,238,448	6,788,801	12,413,435	6,104,136	226,160	1,090,777	172,130	152,008
Unrestricted	12,099,330	11,519,534	15,114,921	9,375,597	768,501	2,990,699	5,337,023	3,643,497	(22,623)	635,094
Total Primary Government Net Assets	\$62,524,090	\$62,935,088	\$60,971,434	\$52,354,895	\$39,742,804	\$40,718,064	\$36,953,137	\$28,272,054	\$18,561,780	\$15,839,023

Source: Statement of Net Assets
City financial records and reports

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

Expenses:	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental Activities:										
General Government	\$4,096,333	\$4,250,328	\$5,631,037	\$5,640,433	\$2,535,787	\$2,520,296	\$1,388,250	\$1,608,279	\$1,395,723	\$1,539,035
Public Safety	6,086,718	6,054,459	12,326,527	9,233,750	6,394,239	5,924,750	4,451,774	3,936,286	3,549,264	3,135,505
Health and Welfare	213,814	235,594	329,290	545,081	620,257	297,916	291,955	279,799	243,366	259,445
Culture and Recreation	1,855,966	2,192,471	2,180,227	2,314,793	1,740,916	1,176,851	877,297	822,843	666,881	661,630
Community Development	698,776	751,305	2,158,457	718,941	800,806	148,806	4,951	155,004	180,747	129,582
Public Works & Streets	2,270,980	2,552,573	2,699,630	2,678,498	2,314,026	1,896,622	1,999,728	1,676,159	183,626	355,032
Interest on Long-Term Debt	970,092	989,460	3,480,809	3,234,265	3,012,814	1,957,994	14,295	27,378	-	-
Total Governmental activities expenses	\$16,192,679	\$17,026,190	\$28,805,977	\$24,365,761	\$17,418,845	\$13,923,235	\$9,028,250	\$8,505,748	\$6,219,607	\$6,080,229
Business-type activities										
Water	\$2,642,458	\$2,799,088	\$2,847,656	\$2,587,707	\$2,367,415	\$1,661,098	\$1,179,853	\$1,074,019	\$756,335	\$793,967
Wastewater	2,544,486	2,721,154	2,644,682	2,551,794	1,564,941	1,474,714	1,302,412	942,428	624,611	582,714
Business Center	1,390,561	1,450,087	-	-	-	-	-	-	-	-
Sanitation	1,008,756	1,206,998	1,177,957	1,189,520	1,237,948	909,711	745,857	693,231	705,483	607,410
Industrial Park	-	-	-	78,097	132,065	117,716	41,645	127,447	-	-
Economic Development	-	-	-	-	-	-	-	-	16,967	60,641
Total business-type activities expenses	7,586,261	8,177,327	6,670,295	6,407,118	5,302,369	4,163,239	3,269,767	2,837,125	2,103,396	2,044,732
Total Primary Government expenses	\$23,778,940	\$25,203,517	\$35,476,272	\$30,772,879	\$22,721,214	\$18,086,474	\$12,298,017	\$11,342,873	\$8,323,003	\$8,124,961
Program revenues										
Governmental activities										
Charges for services	\$1,849,704	\$1,578,963	\$1,170,728	\$7,801,410	\$1,784,277	\$1,365,287	\$1,052,587	\$1,152,707	\$835,380	\$557,955
Operating Grants and Contributions	2,715,700	2,251,704	2,471,619	2,875,139	2,625,838	1,084,459	499,777	435,270	1,989,789	1,765,948
Capital Grants and Contributions	1,314,549	547,555	6,312,084	9,693,641	421,405	2,290,980	798,070	801,981	240,840	605,565
Total Governmental activities program revenues	\$5,879,953	\$4,378,222	\$18,954,431	\$20,370,190	\$4,831,520	\$4,740,726	\$2,350,434	\$2,389,958	\$3,066,009	\$2,929,468
Business Type activities										
Charges for services	\$5,762,206	\$5,012,735	\$5,118,096	\$4,759,374	\$4,344,758	\$3,951,221	\$3,780,708	\$2,994,311	\$2,098,433	\$1,842,053
Operating Grants and Contributions	-	-	30,000	22,400	76,360	-	-	-	-	-
Capital Grants and Contributions	-	-	5,180,312	5,707,191	10,865	2,061,206	-	1,896,083	-	-
Total business-type activities program revenues	5,762,206	5,012,735	10,328,408	10,488,965	4,431,983	6,012,427	3,780,708	4,890,394	2,098,433	1,842,053
Total primary government program revenues	\$11,642,159	\$9,390,957	\$29,282,839	\$30,859,155	\$9,263,503	\$10,753,153	\$6,131,142	\$7,280,352	\$5,164,442	\$4,771,521
Net (Expense)/Revenue										
Governmental Activities:	(\$10,312,726)	(\$12,647,968)	(\$9,851,546)	(\$3,995,571)	(\$12,587,325)	(\$9,182,509)	(\$6,677,816)	(\$6,115,790)	(\$3,153,598)	(\$3,150,761)
Business Type activities	(1,824,055)	(3,164,592)	3,658,113	4,081,847	(870,386)	1,849,188	510,941	2,053,269	(4,963)	(202,679)
Total primary government net expense	(\$12,136,781)	(\$15,812,560)	(\$6,193,433)	\$86,276	(\$13,457,711)	(\$7,333,321)	(\$6,166,875)	(\$4,062,521)	(\$3,158,561)	(\$3,353,440)

Source: City financial records and reports

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Revenues and Other Changes in net Assets										
Taxes										
Sales and use taxes	\$5,659,566	\$7,498,691	\$7,125,840	\$4,621,222	\$3,901,795	\$4,245,897	\$2,914,039	\$2,345,057	\$2,314,761	\$2,304,116
Franchise taxes	381,836	351,505	346,430	337,758	269,360	-	-	-	-	-
Other taxes	32,715	76,342	12,347	34,274	186,530	-	-	-	-	-
State shared Revenues	4,840,064	5,491,122	6,126,141	6,239,750	5,680,860	5,462,886	5,060,888	4,656,026	3,351,152	3,378,598
Investment Earnings	12,032	10,072	13,748	240,139	694,606	329,383	57,865	31,536	26,847	41,320
Miscellaneous	163,888	41,593	222,292	-	568,107	271,111	120,119	80,593	13,067	551,479
Rental Income	25,489	-	-	-	-	-	-	-	-	-
Transfer in (out)	-	(169,525)	-	-	-	-	-	-	-	-
Total governmental activities	\$11,115,590	\$13,299,800	\$13,846,798	\$11,473,143	\$11,301,258	\$10,309,277	\$8,152,911	\$7,113,212	\$5,705,827	\$6,275,513
Business-type activities										
Investment Earnings	\$10,194	\$17,994	\$32,580	\$191,587	\$813,066	\$247,218	\$31,094	\$26,909	\$16,972	\$8,884
Miscellaneous/Rental	-	-	-	-	-	46,208	24,953	22,027	-	-
Transfer in (out)	-	169,525	-	-	-	-	-	-	-	-
Total Business Type activities	\$10,194	\$187,519	\$32,580	\$191,587	\$813,066	\$293,426	\$56,047	\$48,936	\$16,972	\$8,884
Total primary government	\$11,125,784	\$13,487,319	\$13,879,378	\$11,664,730	\$12,114,324	\$10,602,703	\$8,208,958	\$7,162,148	\$5,722,799	\$6,284,397
Change in net assets										
Governmental Activities	\$802,864	\$651,832	\$3,995,252	\$7,477,572	(\$1,286,067)	\$1,126,768	\$1,475,095	\$997,422	\$2,552,229	\$3,124,752
Business Type activities	(1,813,861)	(2,977,073)	3,690,693	4,273,434	(57,320)	2,142,614	566,988	2,102,205	12,009	(193,795)
Total Primary Government	(\$1,010,997)	(\$2,325,241)	\$7,685,945	\$11,751,006	(\$1,343,387)	\$3,269,382	\$2,042,083	\$3,099,627	\$2,564,238	\$2,930,957

Source: City financial records and reports

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

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund										
Nonspendable	\$1,218,352	-\$	-\$	-\$	-\$	-\$	-\$	-\$	-\$	-\$
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	5,314,536	-	-	-	-	-	-	-	-	-
Total General Fund	<u>\$6,532,888</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
All other governmental funds										
Nonspendable	\$31,625	-\$	-\$	-\$	-\$	-\$	-\$	-\$	-\$	-\$
Restricted	383,351	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	3,532,974	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$3,947,950</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund										
Reserved	-\$	-\$	-\$	-\$	-\$	-\$	-\$	-\$	-\$	-\$
Unreserved	-	6,244,397	3,554,287	823,410	748,003	1,872,500	2,143,403	1,347,280	1,369,212	1,327,830
Total General Fund	<u>\$0</u>	<u>\$6,244,397</u>	<u>\$3,554,287</u>	<u>\$823,410</u>	<u>\$748,003</u>	<u>\$1,872,500</u>	<u>\$2,143,403</u>	<u>\$1,347,280</u>	<u>\$1,369,212</u>	<u>\$1,327,830</u>
All other governmental funds										
Reserved	-\$	\$1,320,251	\$4,426,742	\$6,302,801	\$10,418,855	\$3,787,708	-\$	-\$	-\$	-\$
Unreserved, reported in:	-	43,273	4,010,435	1,078,848	(758,710)	22,707,068	438,472	669,301	-	-
Special revenue funds	-	1,163,015	1,057,942	980,483	690,345	452,796	397,758	341,486	449,143	321,166
Capital projects funds	-	946,543	1,555,997	50	(114,244)	1,187,116	639,207	446,460	125,095	44,871
Total all other governmental funds	<u>\$0</u>	<u>\$3,473,082</u>	<u>\$11,051,116</u>	<u>\$8,362,182</u>	<u>\$10,236,246</u>	<u>\$28,134,688</u>	<u>\$1,475,437</u>	<u>\$1,457,247</u>	<u>\$574,238</u>	<u>\$366,037</u>

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

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

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:										
Taxes	\$6,074,117	\$7,926,538	\$7,484,617	\$4,993,254	\$4,357,685	\$4,435,261	\$3,074,220	\$2,501,708	\$2,314,761	\$2,304,116
Special Assessments	267,579	156,102	169,935	341,947	153,609	72,399	80,703	62,371	16,618	0
Licenses and permits	355,759	393,365	458,802	555,409	673,105	1,338,032	582,685	908,744	533,320	289,643
Interest earnings	12,032	10,072	335,142	414,134	1,006,622	838,914	57,883	32,045	26,882	71,977
Fines and forfeits	491,230	553,262	549,231	592,197	445,553	362,062	346,200	276,681	277,118	261,909
Intergovernmental	8,763,843	7,846,596	9,195,793	9,134,943	8,708,833	6,667,206	5,914,749	5,509,876	5,530,254	5,675,430
Charges for user services	151,474	304,930	354,428	514,023	640,635	-	-	-	18,940	17,368
Rents	712,121	384,118	9,573,772	3,678,571	358,849	-	-	-	-	-
Others	167,388	103,039	288,515	215,134	99,902	346,337	351,615	211,744	53,943	584,538
Total revenues	\$16,995,543	\$17,678,022	\$28,410,235	\$20,439,611	\$16,444,793	\$14,060,211	\$10,408,055	\$9,503,170	\$8,771,836	\$9,204,981
Expenditures:										
General government	\$3,636,045	\$3,775,913	\$3,889,489	\$3,826,844	\$2,729,881	\$2,327,863	\$1,246,052	\$1,460,237	\$1,395,723	\$1,539,035
Public safety	5,695,080	5,701,487	11,918,290	5,567,758	6,167,387	5,604,614	4,255,975	3,767,547	3,713,992	3,500,542
Public works	1,403,846	1,679,798	1,867,333	2,100,147	1,800,433	1,927,219	1,542,353	1,330,477	1,166,460	1,187,876
Community, recreational, and cultural	2,239,756	2,648,083	3,971,419	2,798,504	2,172,106	1,224,022	806,223	928,080	864,245	791,212
Health and welfare	187,211	201,555	288,465	512,345	586,007	268,325	264,484	254,001	243,366	259,445
Capital outlay	1,649,441	1,289,406	2,070,411	7,307,405	25,157,948	14,893,703	1,694,147	791,852	971,918	1,082,202
Bond issue costs	-	-	-	-	-	3,335,748	-	-	-	-
Debt service/authorities:										
Interest	928,920	948,289	3,293,831	3,067,491	2,846,040	1,957,994	14,295	27,378	34,907	30,383
Principal	492,044	542,425	8,684,311	1,044,733	517,990	234,843	89,200	123,357	126,785	91,626
Total expenditures	\$16,232,343	\$16,786,956	\$35,983,549	\$26,225,227	\$41,977,792	\$31,774,331	\$9,912,729	\$8,682,929	\$8,517,396	\$8,482,321
Excess (Deficiency) of Revenues Over Expenditures	\$763,200	\$891,066	(\$7,573,314)	(\$5,785,616)	(\$25,532,999)	(\$17,714,120)	\$495,326	\$820,241	\$254,440	\$722,660

Source: City financial records and reports

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

	Fiscal Year							
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Charges for service								
General Government	\$531,031	\$587,365	\$578,510	\$713,179	\$604,973	\$998,456	\$662,687	\$776,411
Public Safety	686,632	9,985,437	8,960,357	216,217	61,832	329,719	349,825	276,681
Health and Welfare	-	-	-	-	4,640	-	-	-
Culture and Recreation	264,622	176,077	66,070	74,558	47,877	37,112	40,075	40,050
Community Development	318,051	407,927	395,856	584,126	911,345	-	-	59,565
Public Works & Streets	49,368	33,432	169,935	341,947	153,609	-	-	-
Operating grants and contributions	2,715,700	2,269,604	2,471,619	2,875,139	2,625,839	1,084,459	499,777	435,270
Capital grants and contributions	1,314,549	547,555	6,241,843	50,478	421,405	2,290,980	798,070	801,981
Total governmental activities program revenues	<u>\$5,879,953</u>	<u>\$14,007,397</u>	<u>\$18,884,190</u>	<u>\$4,855,644</u>	<u>\$4,831,520</u>	<u>\$4,740,726</u>	<u>\$2,350,434</u>	<u>\$2,389,958</u>
Business-type activities								
Charges for service								
Water	\$2,547,790	\$2,409,843	\$2,253,608	\$2,167,833	\$1,963,730	\$1,720,861	\$1,391,744	\$1,393,894
Wastewater	1,537,835	1,456,616	1,354,541	1,244,636	1,309,580	1,172,275	1,516,730	976,037
Business Center	629,264	-	-	-	-	-	-	-
Sanitation	1,047,317	1,146,276	1,092,549	1,059,287	983,383	978,123	792,152	558,178
Industrial Park	-	-	-	27,618	88,065	79,962	80,082	66,202
Operating grants and contributions	-	-	30,000	22,400	76,360	-	-	-
Capital grants and contributions	-	-	2,512,240	-	10,865	2,061,206	-	1,896,083
Total Business Type activities program revenues	<u>\$5,762,206</u>	<u>\$5,012,735</u>	<u>\$7,242,938</u>	<u>\$4,521,774</u>	<u>\$4,431,983</u>	<u>\$6,012,427</u>	<u>\$3,780,708</u>	<u>\$4,890,394</u>
Total primary government program revenues	<u>\$11,642,159</u>	<u>\$19,020,132</u>	<u>\$26,127,128</u>	<u>\$9,377,418</u>	<u>\$9,263,503</u>	<u>\$10,753,153</u>	<u>\$6,131,142</u>	<u>\$7,280,352</u>

Note: Data is not available prior to FY2004

Source: City financial records and reports

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

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental activities										
General Government	\$554,389	\$640,571	\$722,004	\$719,519	\$608,191	\$1,599,795	\$1,028,777	\$776,411	\$894,426	\$599,300
Public Safety	1,746,918	910,540	9,589,253	779,629	403,758	702,471	748,064	614,623	486,908	750,806
Health and Welfare	-	-	-	-	8,420	-	-	-	-	-
Culture and Recreation	320,814	198,810	273,942	108,843	178,001	643,614	40,075	458,631	36,026	-
Community Development	1,529,630	527,822	1,025,956	693,867	960,408	-	-	59,565	4,257	188,225
Public Works & Streets	1,728,202	2,100,479	7,343,275	2,553,786	2,672,742	1,794,846	533,518	480,728	1,644,392	1,360,480
Unallocated General Revenues	11,115,590	13,299,800	14,786,966	18,408,595	11,613,273	10,818,808	8,152,911	7,113,212	5,705,827	6,306,170
Total Governmental Activities	\$16,995,543	\$17,678,022	\$33,741,396	\$23,264,239	\$16,444,793	\$15,559,534	\$10,503,345	\$9,503,170	\$8,771,836	\$9,204,981
Business-type activities										
Water	\$2,547,790	\$2,409,843	\$2,472,311	\$2,167,833	\$2,027,490	\$3,190,423	\$1,391,744	\$1,442,838	\$1,011,259	\$881,355
Wastewater	1,537,835	1,456,616	1,092,549	1,244,636	1,322,180	1,763,919	1,516,730	976,037	597,734	531,097
Business Center	629,265	-	-	-	-	-	-	-	-	-
Sanitation	1,047,317	1,146,276	1,553,236	1,081,687	983,383	978,123	792,152	558,178	489,440	429,601
Industrial Park	-	169,525	-	27,618	98,930	79,962	80,082	66,202	78,255	78,871
Unallocated General Revenues	10,194	17,994	23,007	191,587	813,066	293,426	56,047	58,977	17,043	22,736
Total Business Type Activites	\$5,772,401	\$5,200,254	\$5,141,103	\$4,713,361	\$5,245,049	\$6,305,853	\$3,836,755	\$3,102,232	\$2,193,731	\$1,943,660

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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
City Sales Tax	\$5,659,566	\$7,498,691	\$7,125,840	\$4,621,222	\$3,901,795	\$3,896,284	\$2,914,039	\$2,345,057	\$2,152,034	\$2,304,116
Franchise Tax	381,836	351,505	346,429	337,757	269,360	189,364	160,181	156,651	162,728	-
Special Districts*	267,579	156,102	169,935	341,947	153,609	72,399	80,703	62,371	16,618	-
Others	32,715	76,342	12,347	34,274	170,120	349,613	-	-	-	-
Total tax revenues	\$6,341,696	\$8,082,639	\$7,654,551	\$5,335,201	\$4,494,884	\$4,507,660	\$3,154,922	\$2,564,079	\$2,331,379	\$2,304,116

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

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

Category	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
State Shared Sales Tax	\$1,771,253	\$1,682,728	\$1,824,384	\$2,107,358	\$2,179,431	\$1,678,573	\$1,419,435	\$1,289,043	\$1,198,300	\$1,180,720
Urban Revenue Sharing	2,231,840	2,960,504	3,417,109	3,226,939	2,603,373	1,604,204	1,408,514	1,383,813	1,609,983	1,734,020
Highway Users	1,678,834	1,700,626	1,804,058	2,093,904	2,098,587	1,492,855	1,627,818	1,420,376	1,332,864	1,273,507
Auto-in-lieu	836,971	847,890	884,648	905,453	898,056	687,255	605,121	562,794	542,870	463,858
Local Transportation Aid	-	64,486	108,499	108,840	109,994	105,205	101,538	97,328	93,307	86,973
Federal	2,177,538	565,787	1,152,596	679,861	819,393	1,099,113	747,876	738,482	727,861	936,352
Others	67,407	24,575	4,499	12,588	-	-	4,448	18,041	25,070	-
Total tax revenues	\$8,763,843	\$7,846,596	\$9,195,793	\$9,134,943	\$8,708,834	\$6,667,206	\$5,914,749	\$5,509,876	\$5,530,254	\$5,675,430

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**

Category	Fiscal Year					
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Retail Sales	\$2,901,155	\$2,813,146	\$3,069,240	\$1,846,807	\$1,396,322	\$1,459,863
Contracting	1,413,388	3,354,443	2,776,939	1,815,150	1,635,271	1,651,766
Rentals	244,048	274,975	301,065	197,161	150,024	147,024
Communications/Utilities	570,915	584,850	560,704	402,304	357,975	326,738
Restaurant/Bar	309,338	294,048	249,331	235,140	206,264	208,974
Use	83,071	110,978	58,856	45,286	42,343	59,446
Other	137,650	66,753	112,882	84,453	117,887	52,250
	<u>\$5,659,566</u>	<u>\$7,499,194</u>	<u>\$7,129,017</u>	<u>\$4,626,301</u>	<u>\$3,906,087</u>	<u>\$3,906,060</u>
% Growth by year						
Retail Sales	3.1%	-8.3%	66.2%	32.3%	-4.4%	49.9%
Contracting	-57.9%	20.8%	53.0%	11.0%	-1.0%	22.9%
Rentals	-11.2%	-8.7%	52.7%	31.4%	2.0%	27.0%
Utilities	-2.4%	4.3%	39.4%	12.4%	9.6%	50.2%
Restaurant/Bar	5.2%	17.9%	6.0%	14.0%	-1.3%	27.7%
Use	-25.1%	88.6%	30.0%	7.0%	-28.8%	37.9%
Other	106.2%	-40.9%	33.7%	-28.4%	125.6%	-7.1%
	<u>17.9%</u>	<u>73.7%</u>	<u>280.9%</u>	<u>79.7%</u>	<u>101.8%</u>	<u>208.5%</u>

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

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

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

Category	2011				2005			
	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	453	27.13%	\$2,813,146	37.51%	260	30.84%	\$974,168	33.43%
Contracting	595	35.63%	3,354,443	44.73%	268	31.79%	1,343,611	46.11%
Rentals	123	7.37%	274,975	3.67%	99	11.74%	115,779	3.97%
Communications/Utilities	55	3.29%	584,850	7.80%	50	5.93%	217,532	7.46%
Restaurant/Bar Use	39	2.34%	294,048	3.92%	22	2.61%	163,583	5.61%
Other	167	10.00%	110,978	1.48%	63	7.47%	43,122	1.48%
	238	14.25%	66,753	0.89%	81	9.61%	56,243	1.93%
	1,670	100.00%	\$7,499,194	100.00%	843	100.00%	\$2,914,039	100.00%

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

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 (1)	Per Capita (1)
	Municipal Bonds	Notes Payable	Capital Leases	Water	Sewer	Notes Payable	Capital Leases			
2011	\$15,051,108	\$3,970,481	\$305,037	\$11,423,302	\$12,150,590	\$11,579,658	\$173,673	\$54,653,849	6.40%	2,102
2010	15,323,879	3,992,005	582,176	11,630,326	12,370,795	11,589,211	350,649	55,839,041	6.06%	2,189
2009	15,586,908	4,013,134	945,566	11,829,957	12,583,135	11,591,495	524,699	57,074,895	6.25%	2,222
2008	15,586,908	1,009,406	1,507,405	11,829,957	12,583,135	7,500,000	432,321	50,449,133	6.05%	2,046
2007	15,586,908	43,087	1,379,787	11,829,957	12,583,135	5,500,000	518,948	47,441,822	7.47%	2,003
2006	15,586,908	8,059	1,375,100	11,829,957	12,583,135	-	705,780	42,088,939	7.15%	1,883
2005	-	194,000	665,346	-	-	7,171,453	208,524	8,239,323	1.53%	383
2004	-	283,200	377,680	-	-	7,554,915	255,780	8,471,575	1.76%	420
2003	-	367,500	430,903	-	-	6,448,752	336,010	7,583,165	1.73%	403
2002	-	447,200	511,229	-	-	3,589,606	410,723	4,958,758	1.23%	280

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
PLEGDED REVENUE COVERAGE -CIVIC IMPROVEMENT CORPORATION
GOVERNMENTAL PORTION
LAST SIX FISCAL YEARS**

	Fiscal Year					
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Pledged revenues (1)	\$10,375,293	\$12,882,852	\$13,168,416	\$10,790,053	\$9,624,486	\$7,885,545
Debt service requirements (2)						
Principal	\$272,771	\$263,029	-	-	-	-
Interest	714,730	725,117	730,049	730,049	730,049	511,034
Total Annual Requirements	<u>\$987,501</u>	<u>\$988,146</u>	<u>\$730,049</u>	<u>\$730,049</u>	<u>\$730,049</u>	<u>\$511,034</u>
Estimated Coverage	10.51	13.04	18.04	14.78	13.18	15.43

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

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

**CITY OF SAN LUIS, ARIZONA
PLEGGED REVENUE COVERAGE - CIVIC IMPROVEMENT CORPORATION
ENTERPRISE PORTION
LAST SIX FISCAL YEARS**

	Fiscal Year					
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Gross Revenues	(1) \$4,095,810	\$3,866,459	\$4,025,548	\$3,412,469	\$3,273,310	\$2,915,084
Operating Expenses	(2) 3,954,072	3,061,620	3,222,085	3,069,232	3,052,599	2,368,587
Net Revenues available	\$141,738	\$804,839	\$803,463	\$343,237	\$220,711	\$546,497
Debt Service Requirements						
Principal	(3) \$427,229	\$411,971	-\$	-\$	-\$	-\$
Interest	(4) 1,119,450	1,135,719	1,143,444	1,143,444	1,143,444	800,411
Total bond Expense	\$1,546,679	\$1,547,690	\$1,143,444	\$1,143,444	\$1,143,444	\$800,411
Ratio of Total Revenue/Bond Expense	0.092	0.520	0.703	0.300	0.193	0.683

Note: Civic Improvement Corporation (CIC) Bonds issued by the City of San Luis in 2005

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

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

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

Fiscal Year	(1) Population	(3) Personal Income	(2) Labor force	(2) Employment	(2) Unemployment	(2) Unemployment rate percentage
2011	26,000	\$32,828	8,667	4,291	4,376	50.50%
2010	25,505	36,103	8,467	4,234	4,233	50.00%
2009	25,682	35,584	7,971	4,215	3,756	47.10%
2008	24,654	33,838	7,221	4,298	2,923	40.50%
2007	23,680	26,804	6,247	4,064	2,183	34.90%
2006	22,351	26,352	6,375	4,112	2,263	35.50%
2005	21,488	25,036	6,668	4,000	2,668	40.00%
2004	20,158	23,857	6,355	3,865	2,490	39.20%
2003	18,838	23,276	6,404	3,630	2,774	43.30%
2002	17,688	22,794	6,065	3,517	2,548	42.00%

Data Sources:

(1) Census Bureau

(2) AZ. Department of Economic Security

(3) Greater Yuma Economic Development Corporation

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

Employer	2011			2005		
	# of Employees	Rank	Percentage of City Employment	# of Employees	Rank	Percentage of City Employment
ACT Call Center	700	1	16.31%			
Arizona State Prison	653	2	15.22%	700	1	17.50%
Gadsen Unified School District	448	3	10.44%	460	2	11.50%
Walmart	270	4	6.29%	-	-	-
City of San Luis	230	5	5.36%	180	3	4.50%
Basha's/Food City	100	6	2.33%	120	6	3.00%
San Luis Detention Center	80	7	1.86%	-	-	-
King Market	-	-	-	150	4	3.75%
Journey Homes	-	-	-	130	5	3.25%
Riedel Construction	-	-	-	120	7	3.00%
Factory 2-U	-	-	-	36	8	0.90%
Family Dollar	-	-	-	30	9	0.75%
Auto Zone	-	-	-	30	10	0.75%
Total Employees	2,481		57.82%	1,956		48.90%

Source: Greater Yuma Economic Development Corporation

Notes:

(1) The year 2005 is the first year 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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund										
General Government	52	51	56	56	54	58	57	40	37	37
Public Safety	86	77	72	72	70	67	67	67	61	61
Health and Welfare	2	3	3	3	3	3	3	3	3	3
Culture and Recreation	22	21	26	26	20	19	19	19	10	10
Community Development	9	11	10	10	9	8	8	7	7	7
Sub total General Fund	171	163	167	167	156	155	154	136	118	118
General Fund	171	163	167	167	156	155	154	136	118	118
Public Works & Streets	15	16	20	20	20	20	20	20	20	20
Enterprise Funds	30	31	33	33	28	28	28	28	28	28
Total Permanent Positions	558	536	554	554	516	513	510	456	402	402

Source:

City Payroll

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

Type of services	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Water										
Average bill	\$36.56	\$33.92	\$35.70	\$33.58	\$31.24	\$29.84	\$25.55	\$26.89	\$21.29	\$21.41
% Increase	7.78%	-5.00%	6.31%	7.48%	4.69%	16.83%	-5.01%	26.35%	-0.59%	3.97%
Wastewater										
Average bill	\$23.24	\$22.10	\$24.58	\$21.30	\$22.41	\$22.01	\$29.83	\$20.93	\$14.19	\$13.97
% Increase	5.19%	-10.11%	15.40%	-4.96%	1.83%	-26.20%	42.51%	47.53%	1.55%	1.02%
Residential Solid Waste										
Average bill	\$15.89	\$17.60	\$17.66	\$17.96	\$17.24	\$18.36	\$15.65	\$11.90	\$11.54	\$11.26
% Increase	-9.74%	-0.34%	-1.67%	4.16%	-6.09%	17.33%	31.52%	3.07%	2.55%	2.50%

Source: City Customer Service and Billing records

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

Type of services	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Water										
Number of Accounts	5,701	5,865	5,722	5,316	5,105	4,805	4,540	4,319	3,959	3,430
% Increase	-2.80%	2.50%	7.64%	4.13%	6.24%	5.84%	5.12%	9.09%	15.42%	7.69%
Wastewater										
Number of Accounts	5,514	5,491	5,264	4,869	4,683	4,438	4,215	3,886	3,511	3,168
% Increase	0.42%	4.31%	8.11%	3.97%	5.52%	5.29%	8.47%	10.68%	10.83%	8.68%
Residential Solid Waste										
Number of Accounts	5,172	5,330	5,082	4,857	4,679	4,439	4,218	3,909	3,533	3,180
% Increase	-2.96%	4.88%	4.63%	3.80%	5.41%	5.24%	7.90%	10.64%	11.10%	8.35%

Source: City Customer Service and Billing records

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

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

<u>Meter Size</u>	-----Service Fees-----			
	<u>Residential</u>		<u>Commercial</u>	
	<u>1st 2,000 G</u>	<u>Excess/000's</u>	<u>1st 2,000 G</u>	<u>Excess/000's</u>
5/8" - 3/4"	\$9.06	\$1.38	\$23.04	\$1.74
1"	N/A	N/A	38.48	\$1.74
1 1/2"	N/A	N/A	76.72	\$1.74
2"	N/A	N/A	122.80	\$1.74
3"	N/A	N/A	268.87	\$1.74
4"	N/A	N/A	921.58	\$1.74
6"	N/A	N/A	1,919.95	\$1.74
8"	N/A	N/A	2,764.73	\$1.74

Source: City Customer Service and Billing records

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

<u>Meter Size</u>	-----Service Fees-----			
	<u>Residential</u>		<u>Commercial</u>	
	<u>Base</u>	<u>Excess/000's</u>	<u>Base</u>	<u>Volume/000's</u>
5/8" - 3/4"	\$20.28	N/A	\$12.43	\$1.25
Senior 60+ yrs	\$10.26	N/A	N/A	N/A
1"	N/A	N/A		Varies
1 1/2"	N/A	N/A		Varies
2"	N/A	N/A		Varies
3"	N/A	N/A		Varies
4"	N/A	N/A		Varies
6"	N/A	N/A		Varies
8"	N/A	N/A		Varies

Source: City Customer Service and Billing records

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

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Miscellaneous data on water utility										
Annual Consumption (000's gal)	1,122,644	1,052,673	1,030,064	1,089,127	1,118,302	1,218,587	789,808	750,644	680,854	569,358
Avg gallons/account/month	16,410	14,957	15,002	17,073	18,255	21,134	14,497	14,483	14,331	13,833
Avg gallons/account/year	193,488	179,484	180,018	204,877	219,060	253,608	173,967	173,800	171,976	165,994
Avg. daily demand (MGD)	547	499	500	569	609	704	483	483	478	461
Peak demand (MGD)	3.43	3.33	3.23	3.23	3.23	3.23	3.23	3.23	3.23	3.23
Number of wells in system	12	12	12	12	12	10	10	10	10	10
Available storage capacity (million Gallons)	4,025	4,025	4,025	4,025	4,025	3,025	3,127	3,127	3,127	3,127
Miscellaneous data on wastewater utility										
Treatment plant capacity (000's)	2,500	2,500	2,500	2,500	2,500	2,500	1,500	1,500	1,500	1,500
Annual wastewater treated (000's)	445,704	437,715	433,508	418,973	467,808	473,542	371,182	361,998	231,609	223,299
Average daily flow (000's)	1,340	1,340	1,340	1,340	1,340	1,340	1,000	1,000	1,000	1,000

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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Commercial											
	Number of Permits	13	12	12	16	11	7	N/A	N/A	N/A	N/A
	Value	\$7,560	\$1,048	\$3,629	\$3,059	\$13,879	\$17,274	\$1,111	\$15,211	\$2,330	\$4,221
Residential											
	Number of Dwelling Units	68	182	245	193	259	315	N/A	N/A	N/A	N/A
	Value	\$11,078	\$20,338	\$24,754	\$21,041	\$25,324	\$28,125	\$14,575	\$15,973	\$28,744	\$20,554
Other											
	Number of Permits	134	127	162	216	268	183	N/A	N/A	N/A	N/A
	Value	\$1,554	\$1,165	\$2,652	\$2,736	\$2,941	\$2,101	\$273	\$55	\$3,148	\$7,158

		Single Family Housing Sales									
		Calendar Year									
		<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
New units sold		63	85	218	231	215	328	161	472	394	395

Source: City Development Services

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

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Public Safety										
Building	2	2	2	2	2	2	2	2	2	2
Vehicle	50	56	52	50	43	41	40	31	31	30
General Government										
City Hall										
Building	1	1	1	1	1	1	1	1	1	1
Vehicle	17	19	18	17	13	9	7	5	5	5
Culture & Recreation										
Building	3	3	3	3	3	2	2	2	1	1
Equipment	19	19	14	13	11	11	6	5	5	3
Health and Welfare										
Building	2	2	2	2	2	2	2	2	2	2
Vehicle	6	6	6	6	6	6	3	2	2	2
Public Works and streets										
Building	1	1	-	-	-	-	-	-	-	-
Equipment	17	20	20	20	20	17	13	9	9	8
Enterprise										
Building	3	3	3	3	3	1	1	1	1	1
Equipment	47	48	49	47	46	39	26	26	26	23

Source: City records Finance Department