



# COMPREHENSIVE ANNUAL FINANCIAL REPORT



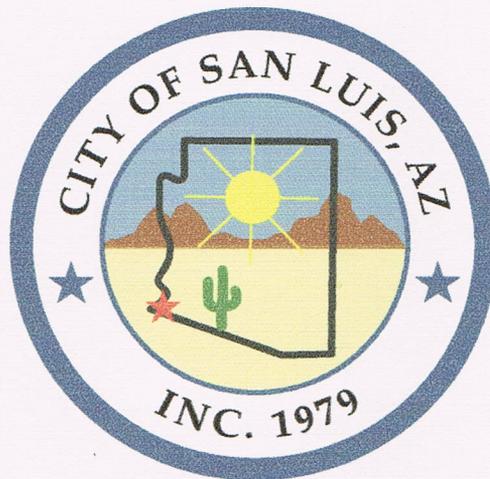
FOR THE FISCAL  
YEAR ENDED  
JUNE 30, 2013



CITY OF SAN LUIS, AZ  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*

For the Fiscal Year ended  
June 30, 2013

City of San Luis, Arizona



**Ralph Velez, City Manager**  
**Chief Executive Officer**

*Prepared By: Department of Finance*

**Ketie St. Louis, Finance Director**  
**Chief Financial Officer**

**CITY OF SAN LUIS, ARIZONA**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2013**

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## **INTRODUCTORY SECTION**



# City of San Luis

## Finance Department

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November 8, 2013

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. Laws of the State of Arizona require that all local governments publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of San Luis for the fiscal year ended June 30, 2013.

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 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, 2013, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is located at the front of the financial section of this report.

The independent audit of the financial statements of 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.

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

## **Profile of the Government**

The City of San Luis, incorporated in 1979, is located in the southwestern corner of Arizona immediately adjacent to both Mexico and California. It currently occupies 30 square miles and serves a population of approximately 32,800. The City of San Luis is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and six Council Members, all elected on a non-partisan basis. The Mayor is elected at-large for a four-year term. Council members are elected, for four-year terms, with four members elected every two years. The City Council is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of City Manager, City Attorney, and Magistrate. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

Between the 2000 census and the 2010 census the City's population increased by over 81 percent, from approximately 15,400 to approximately 27,909. The estimated current population is approximately 32,800. 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.

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.61, "*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.

### **Financial information**

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

**Budget Control:** The City of San Luis, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the City's legal budget capacity. The city's expenditure limitation for fiscal year 2013 was \$36.8 million.

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

### **Economic Condition of City of San Luis, Arizona**

#### **Factors Affecting Financial Condition**

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

#### **Local economy**

Retail trade, agriculture and manufacturing form a large portion of the local economy. Another significant segment is the light industry located on both sides of the United States/Mexico border. A new 40-acre privately owned industrial park and a 40-acre commercial area are currently under construction in north San Luis along Highway 95. The Sate also is a significant economic presence thanks to the state prison that provides employment to more than 800 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 2013 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.

Two major companies are contemplating some major developments: (1) a hotel complex designed to enhance the overall concept of the Downtown area and (2) the manufacturing of apartment buildings. The realization of the projects 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 few years, 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.

### **Long-Term Financial Planning**

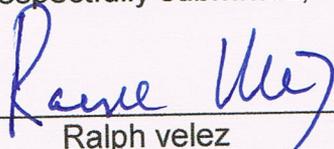
The financial planning process of the City is guided by the budget process. This process includes the annual budget that each department presents for review followed by acceptance, reductions or additions depending on revenue and expenditure forecasts. Needless to say that the budget process includes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

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

### **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 the department 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,

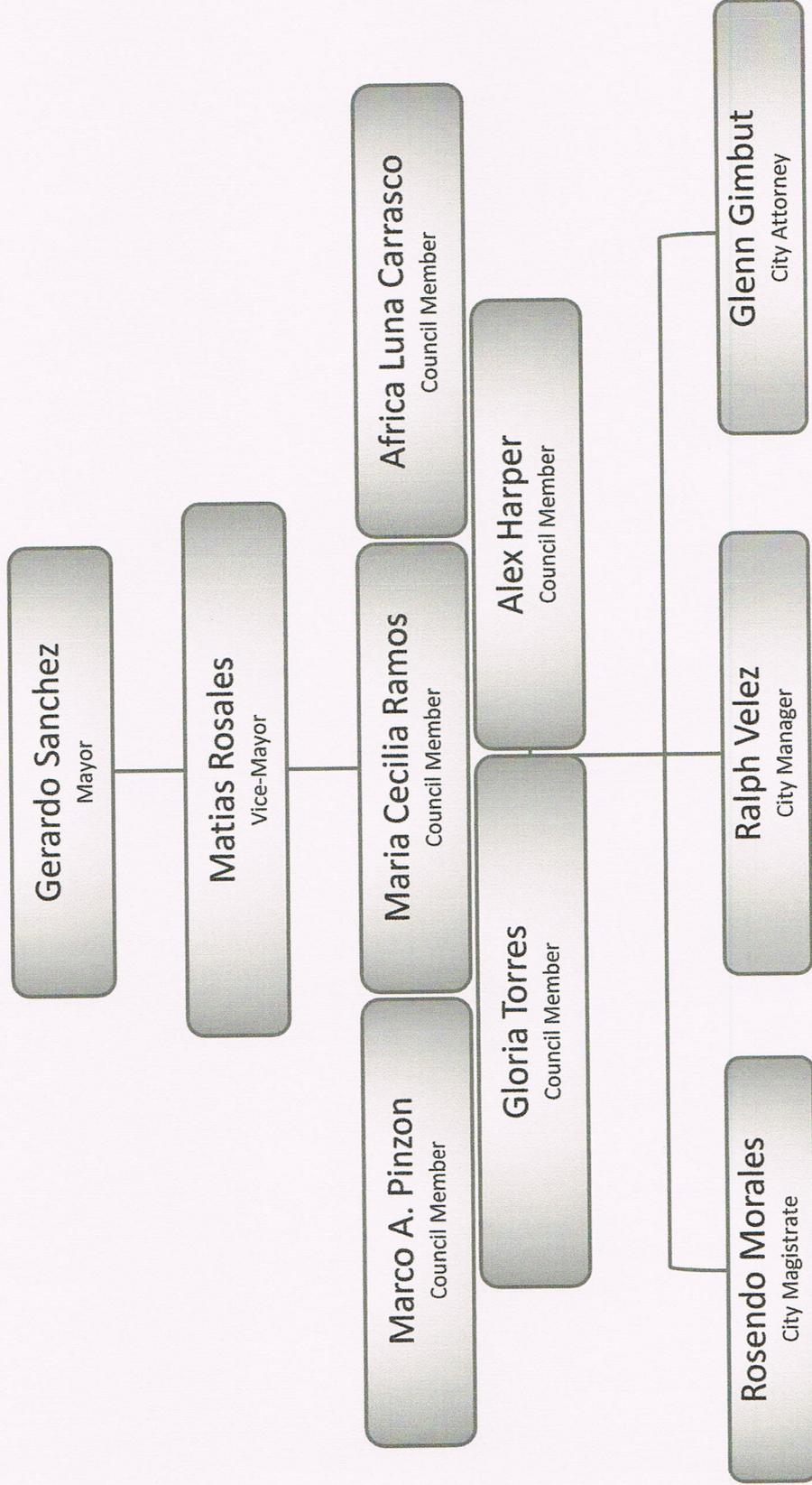


Ralph Velez  
City Manager



Ketic St. Louis, CPA  
Finance Director

# CITY COUNCIL



Elected officials

As of June 30, 2013

*Gerardo Sanchez*  
*Mayor*

*Matias Rosales*  
*Vice-Mayor*  
*Africa Luna Carrasco*  
*Councilmember*  
*Gloria Torres*  
*Councilmember*

*Joe Harper*  
*Councilmember*  
*Maria C. Ramos*  
*Councilmember*  
*Marco Pinzon*  
*Councilmember*



Appointed officials

*Ralph Velez*  
*City Manager*

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

*Glenn Gimbut*  
*Sonia Cuello*  
*Chris Kasid*  
*Vacant*  
*Sharon Williams*  
*Ketie St. Louis*  
*Hank Green*  
*Jose Heredia*  
*Ralph Velez*  
*Daniel Paz*  
*Rosendo Morales*  
*Arturo Ramos*  
*John Starkey*  
*Andrea Catania*  
*Olivia Jenkins*



## **FINANCIAL SECTION**



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

Carlos E. Valdivia, C.P.A.  
C. Cristine Swan, C.P.A.  
A. Jake Litwiller  
Jeffrey D. Cospier  
Maria G. Ward

Stephanie M. Cancz

American Institute of  
Certified Public  
Accountants  
Government Audit  
Quality Center

Government Finance  
Officers Association

Arizona Society of  
Certified Public  
Accountants

Association of  
Government  
Accountants

Arizona Hispanic  
Chamber of  
Commerce

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Luis, Arizona, (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the City of San Luis, Arizona, as of June 30, 2013, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages MDA-1 through MDA-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of San Luis, Arizona's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013, on our consideration of the City of San Luis, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of San Luis, Arizona's internal control over financial reporting and compliance.

*Stumbar & Associates, PLLC*

Phoenix, Arizona  
November 8, 2013

**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, 2013**

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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements, which follow this discussion and analysis.

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013**

- The assets of the City exceeded the liabilities at the close of the fiscal year by \$63.7million.
- The City's net position of governmental activities increased approximately \$2.386 million to \$47.64 million and business-type activities decreased \$0.26 million to \$16.07 million representing 75 percent and 25 percent respectively, of the total net position of \$63.7 million.
- As of the close of the fiscal year the City's governmental funds reported combined ending fund balances of \$11.9 million, an increase of \$2.2 million over the prior year. Approximately 12 percent of this amount, or \$1.471 million, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$7.1 million, or 54 percent of total general fund expenditures and transfers for the fiscal year.
- General revenues from Governmental activities accounted for \$13.04 million in revenues or 62 percent of all revenues from Governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8.15 million or 38 percent of total governmental activities. The City had \$7.4 million of program revenues and \$0.021 million in general revenues related to business-type activities.
- The City had \$18.8 million in expenses related to governmental activities; of which \$8.15 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$13.04 million were adequate to provide for the costs of these programs. The City had \$7.7 million in expenses related to business-type activities, of which \$7.44 million of these expenses were offset by program specific charges for services or grants and contributions.
- Among major governmental funds, the General Fund had \$14.6 million in revenues, which primarily consisted of taxes, licenses and permits, fines and forfeitures, intergovernmental, and rent revenues. The total expenditures of the General Fund were \$12.1 million. The General Fund's fund balance increased from \$5.92 to \$7.4 million. The Highway Users Fund had revenues of \$2.3 million, which consisted primarily of intergovernmental revenues, and expenditures of \$1.4 million.

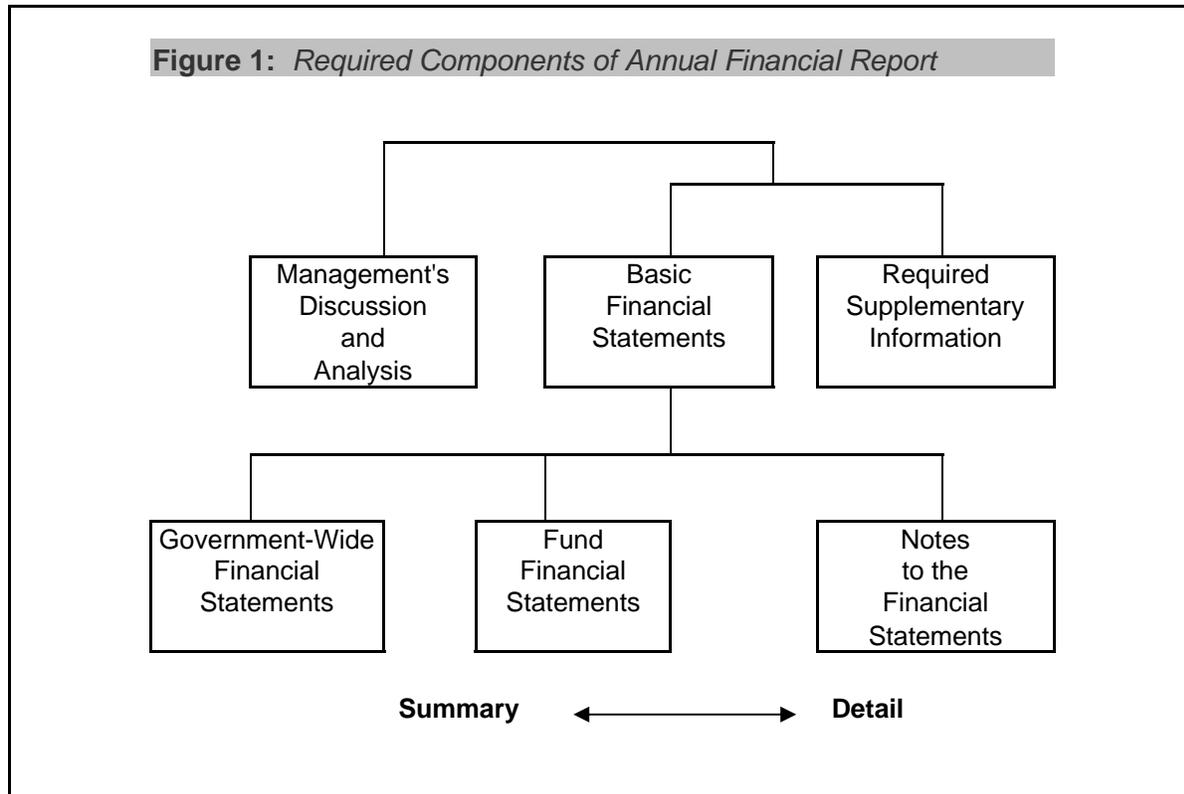
**OVERVIEW OF FINANCIAL STATEMENTS**

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

**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

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

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

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

**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

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

- **Governmental activities** – Most of the City's basic services are included here, such as general government, public safety, 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. Financial information for these component units are reported separately from the financial information for the primary government.

The government-wide financial statements are on pages 1-4 of this report.

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

- **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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.

**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

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

- **Proprietary funds.** The City has two types of proprietary 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. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City. The City uses an internal service fund to account for its insurance programs. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included with the governmental activities in the government-wide financial statements.
- **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 City has one fiduciary fund. The accounting used for fiduciary funds is much like that used for proprietary funds. Information regarding this fund may be found on pages 15-16.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 17-44 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also includes certain *required supplementary information* concerning the City's progress in funding its obligation to provide health insurance benefits to retirees and pension benefits to its Public Safety employees. Required supplementary information can be found on page 45.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, (see figure 2) assets exceeded liabilities by \$63.7 million as of June 30, 2013. By far the largest portion of the City's net position (69.25percent) 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 still outstanding that was used to acquire those assets.

**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the City's net position for the fiscal years ended June 30, 2013 and 2012.

Figure 2	<b>NET POSITION</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 18,401,446	\$ 15,906,546	\$ 7,617,689	\$ 7,107,980	\$ 26,019,135	\$ 23,014,526
Capital assets, net	52,225,936	52,152,928	44,327,721	45,474,829	96,553,657	97,627,757
<b>Total Assets</b>	<b>70,627,382</b>	<b>68,059,474</b>	<b>51,945,410</b>	<b>52,582,809</b>	<b>122,572,792</b>	<b>120,642,283</b>
Long-term liabilities	18,541,496	18,938,936	34,480,154	34,993,019	53,021,650	53,931,955
Other liabilities	4,446,091	3,866,900	1,395,395	1,258,923	5,841,486	5,125,823
<b>Total Liabilities</b>	<b>22,987,587</b>	<b>22,805,836</b>	<b>35,875,549</b>	<b>36,251,942</b>	<b>58,863,136</b>	<b>59,057,778</b>
<b>Net Position</b>						
Net Investment in Capital assets	34,204,009	33,670,959	9,916,229	10,549,845	44,120,238	44,220,804
Restricted	2,517,103	1,775,967	4,052,098	3,872,248	6,569,201	5,648,215
Unrestricted	10,918,683	9,806,712	2,101,534	1,908,774	13,020,217	11,715,486
<b>Total net position</b>	<b>\$ 47,639,795</b>	<b>\$ 45,253,638</b>	<b>\$ 16,069,861</b>	<b>\$ 16,330,867</b>	<b>\$ 63,709,656</b>	<b>\$ 61,584,505</b>

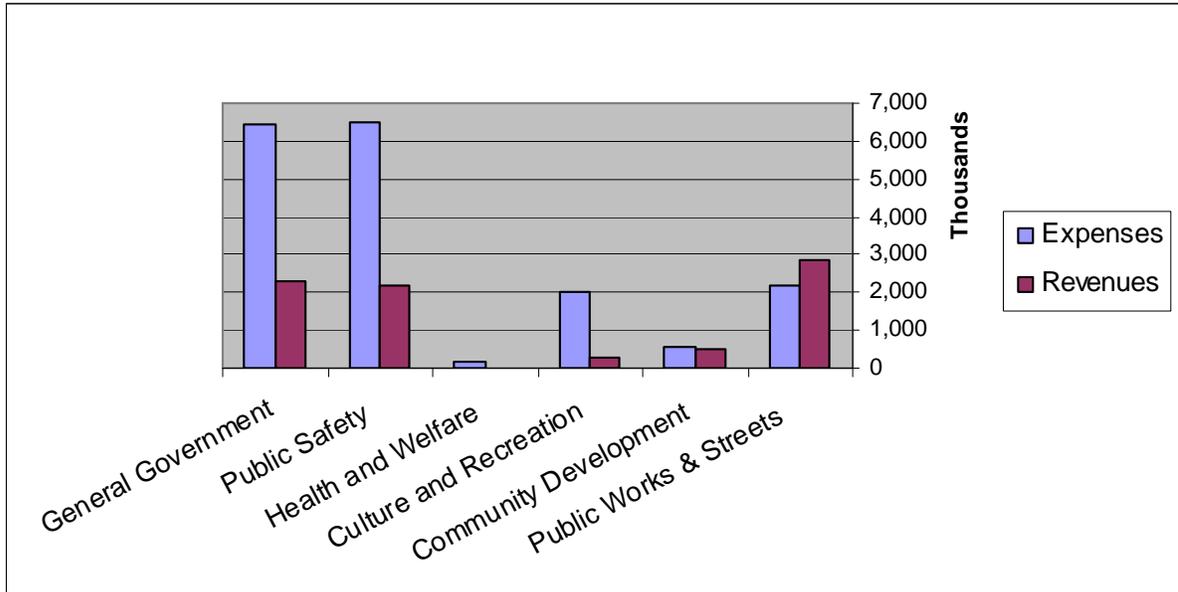
**Governmental Activities:** Net position in governmental activities saw an increase of \$2.4 million. The reasons for this change can be summarized as follows:

- Program revenues covered 43.1 percent of program expenses increasing from 30 percent from last year.
- Program revenues totaled \$8.2 million, which was an increase of \$3.1 million from the previous year. General revenues on the other hand increased from the prior year by over \$1.38 million totaling \$13.04 million. This amounts to an overall increase in total revenue of 27 percent.
- Expenses totaled \$18.8 million, an 11 percent increase compared to the previous year.

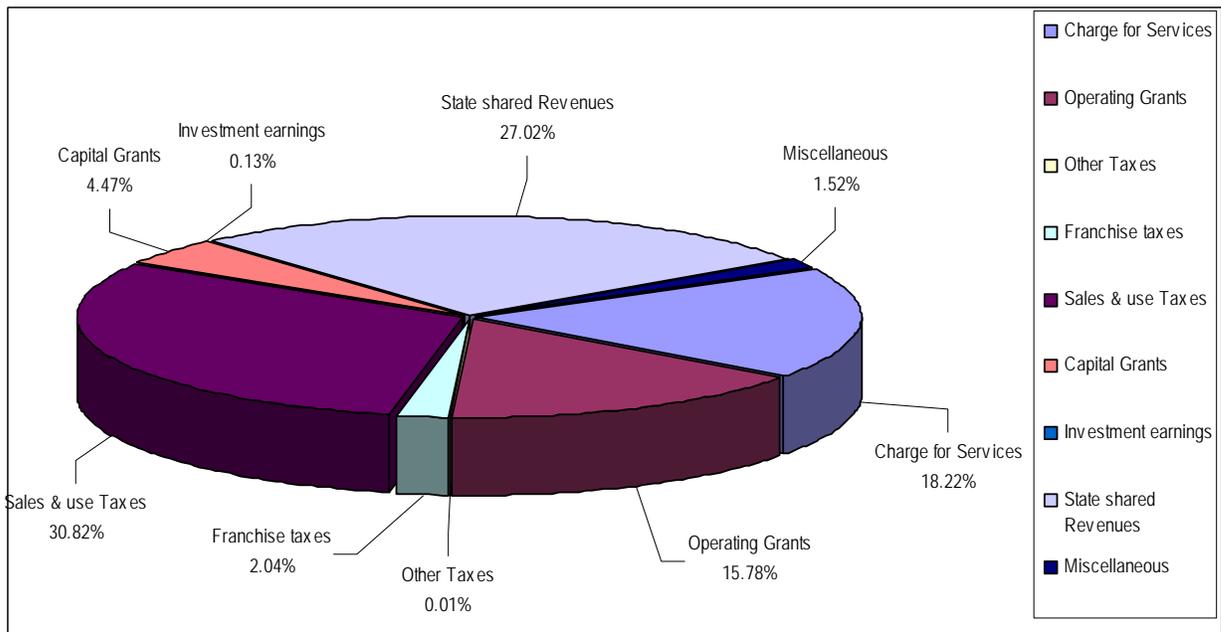
**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

*Figure 3 Expenses and Program Revenues  
Governmental Activities*



*Figure 4: Government-Wide Revenue Sources  
Governmental Activities*



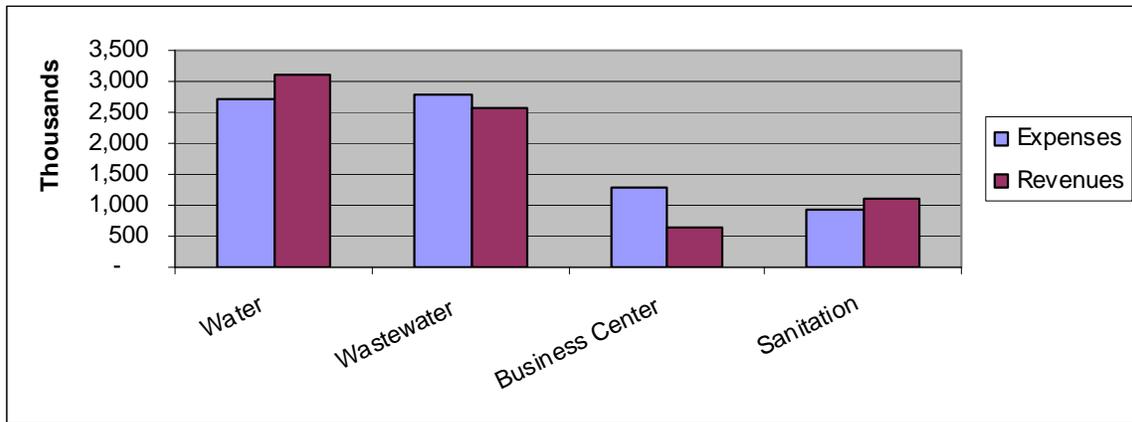
**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

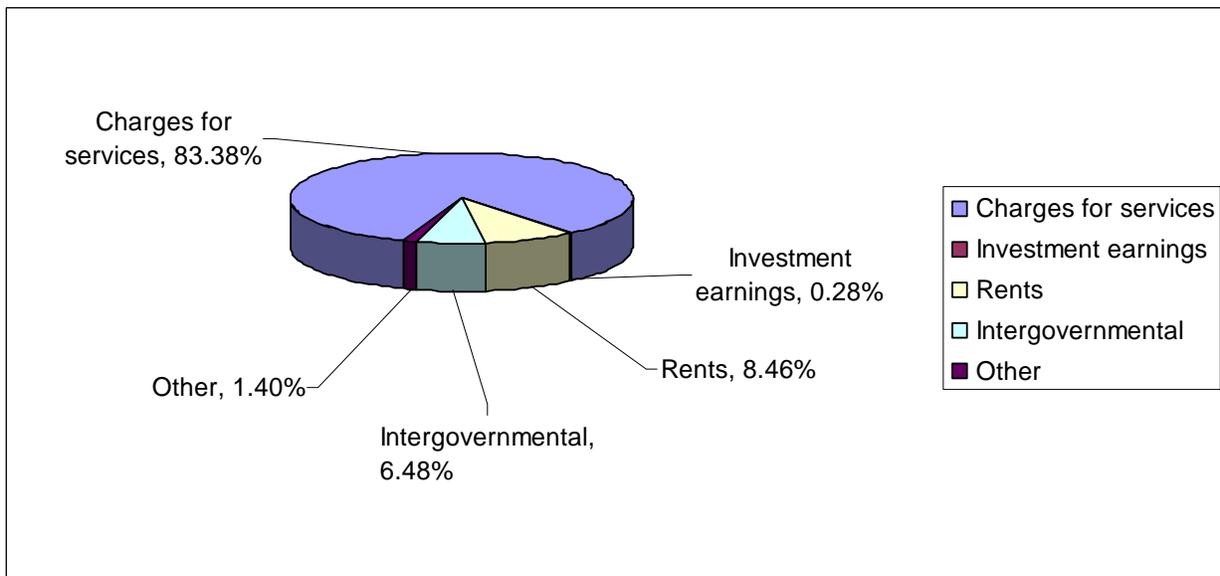
**Business-type Activities:** Overall, the City's net position for business-type activities still show a decreased by \$0.261 million. The decrease results from two of the enterprise funds, which shared a cumulative net position decrease of nearly \$.85 million. The City has just completed a new rate study for user fees and charges that will take effect next fiscal year to compensate for the usual shortfall.

The City's largest enterprise fund, the water fund had an increase of \$0.41 million in net position. This resulted from the fund meeting more than its expected revenues while holding down expenses.

**Figure 5: Expenses and Program Revenues - Business-type Activities**



**Figure 6. Revenue by Source Business-Type Activities**



**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the City's funds**

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

**Governmental Funds:** The focus of the City Governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, fund balance available for appropriations can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The City's major governmental funds include the General Fund, the Highway Users Fund and the Municipal Projects Bond Fund. The remaining governmental funds are considered non-major.

The General Fund is the chief operating fund of the City. At the end of the current year fiscal year, the City's fund balance available in the General Fund was \$7.14 million and the total fund balance was \$7.3 million. As a measure of the General Fund's liquidity, the total fund balance represents approximately 56 percent of total General Fund expenditures and transfers out. A fund balance percentage of 15 to 20 percent of expenditures is typically considered a sign of financial health.

At June 30, 2013, the City's governmental funds reported combined fund balance of \$11.9 million, an increase of \$2.18 million from the prior year.

**Changes in net position.** The City's total revenues for the fiscal year ended June 30, 2013, were \$28.6 million. The total cost of all programs and services was \$26.5 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and 2012.

**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

Figure 7.

	2013	2012	2013	2012	2013	2012
	Governmental Activities	Governmental Activities	Business- type Activities	Business- type Activities	Total	Total as Restated
<b>Revenues</b>						
Program Revenues:						
Charges for services	3,862,020	2,348,807	6,959,393	6,545,651	10,821,413	8,894,458
Operating grants and contributions	3,343,398	2,595,404	-	-	3,343,398	2,595,404
Capital grants and contributions	947,390	122,614	481,955	361,918	1,429,345	484,532
General Revenues:						
City sales taxes	6,531,779	6,073,811	-	-	6,531,779	6,073,811
State sales taxes	2,104,763	1,992,968	-	-	2,104,763	1,992,968
Franchise taxes	432,371	397,532	-	-	432,371	397,532
Other taxes	1,296	95,172	-	-	1,296	95,172
State shared revenues	3,620,684	3,004,462	-	-	3,620,684	3,004,462
Investment earnings	28,197	12,341	20,935	10,130	49,132	22,471
Miscellaneous	321,613	79,471	(19,999)	2,417	301,614	81,888
<b>Total Revenues</b>	<b>21,193,511</b>	<b>16,722,582</b>	<b>7,442,284</b>	<b>6,920,116</b>	<b>28,635,795</b>	<b>23,642,698</b>
<b>Expenses</b>						
General Government	6,458,869	4,703,849	-	-	6,458,869	4,703,849
Public Safety	6,519,936	6,399,600	-	-	6,519,936	6,399,600
Health and Welfare	168,025	197,462	-	-	168,025	197,462
Culture and Recreation	2,043,985	1,949,400	-	-	2,043,985	1,949,400
Community Development	550,348	585,843	-	-	550,348	585,843
Public Works & Streets	2,174,454	2,121,419	-	-	2,174,454	2,121,419
Interest on Long-Term Debt	891,737	912,848	-	-	891,737	912,848
Water	-	-	2,699,661	2,578,057	2,699,661	2,578,057
Wastewater	-	-	2,781,638	2,715,388	2,781,638	2,715,388
Business Center	-	-	939,596	1,060,828	939,596	1,060,828
Sanitation	-	-	1,282,395	1,357,589	1,282,395	1,357,589
<b>Total expenses</b>	<b>18,807,354</b>	<b>16,870,421</b>	<b>7,703,290</b>	<b>7,711,862</b>	<b>26,510,644</b>	<b>24,582,283</b>
<b>Increase/(decrease) in net position</b>	<b>2,386,157</b>	<b>(147,839)</b>	<b>(261,006)</b>	<b>(791,746)</b>	<b>2,125,151</b>	<b>(939,585)</b>
Net Position Beginning of Year, as restated	45,253,638	45,401,477	16,330,867	17,122,613	61,584,505	62,524,090
Net Position EOY, as restated	47,639,795	45,253,638	16,069,861	16,330,867	63,709,656	61,584,505

**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

In addition, portions of the City net position are restricted for the purposes of debt service repayment (5.7 percent), impact fees (2.6 percent), and highway users fund projects (1.98 percent).

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.

**Governmental and Business-type activities.** The following table (Figure 8) presents the cost of the major City functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

Figure 8. Activities	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>		
General government	\$ 6,458,869	\$ (4,170,404)
Public safety	6,519,936	(4,335,280)
Health and welfare	168,025	(168,025)
Culture and recreation	2,043,985	(1,741,389)
Community development	550,348	(52,427)
Public works and streets	2,174,454	704,716
Interest on long-term debt	891,737	(891,737)
<b>Total expenses</b>	<b>18,807,354</b>	<b>(10,654,546)</b>
<b>Business-Type Activities</b>		
Water	2,699,661	406,556
Wastewater	2,781,638	(192,957)
Business Center	1,282,395	(653,130)
Sanitation	939,596	177,589
<b>Total expenses</b>	<b>7,703,290</b>	<b>(261,942)</b>
<b>Total</b>	<b>\$26,510,644</b>	<b>\$(10,916,488)</b>

- The cost of all governmental activities this year was \$18.8 million. The cost of all business-type activities this year was \$7.7 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 \$15.6 million.
- The net cost of governmental activities of \$10.7 million was financed by general revenues of \$13.0 million, which are made up of primarily taxes, donated capital and state shared revenues.
- Business type activities showed an increase in changes to net position by \$0.53 million in the fiscal year ended June 30, 2013 as compared to the prior fiscal year due to an overall average rate increase of 5 percent for all the enterprise funds.

**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

The fund balance of the City's General Fund saw an increase of \$1.43 million from the previous year. This increase resulted from more State shared revenue received supplemented by more local taxes collected. The Highway Users fund also experienced an increase of \$0.74 million from the previous year. This increase was primarily due in most part from more intergovernmental revenue. Also, there was a negligible increase in fund balance of Other Governmental Funds.

As the City completed the year, its governmental funds reported a combined fund balance of \$11.9 million, an increase of \$2.18 million due primarily to an increase in receipts of governmental monies.

**Proprietary funds.** Net position of the Enterprise Funds at the end of the year amounted to \$16.1 million. The Enterprise Funds had a decrease in net position of \$0.261 million. Revenues for the Water, Sewer and Sanitation funds increased this year as a result of an extended rate-study calling for multiple years increases designed primarily to provide additional resources to meet debt service requirements.

**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 9-10 of the Basic Financial Statements.

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

There were seven amendments amounted to \$235,000 to increase the budget and two amendments in the amount of \$287,000 that reduced it as result of grants award that did not materialized. Therefore, a net change of \$52,000 decreased the City's total adopted budget of \$36 million during fiscal year 2013. Budget amendments between funds or departments into operational expense/expenditure accounts did occur.

**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**CAPITAL ASSETS**

As of June 30, 2013, the City had invested \$133.4 million in capital assets including land, buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$1.91 million for the governmental activities and \$1.7 million for the business type activities.

The following schedule (Figure 9) presents capital asset balances and accumulated depreciation for the fiscal year ended June 30, 2013.

**CAPITAL ASSETS  
(Net of Depreciation)**

Figure 9.	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	1,531,972	1,531,972	634,819	634,819	2,166,791	2,166,791
Buildings and improvements	17,657,133	17,911,678	4,727,408	4,468,210	22,384,541	22,379,888
Machinery and equipment	3,390,774	2,966,453	1,852,141	2,226,589	5,242,915	5,193,042
Construction in progress	17,921	41,089	30,912	20,231	48,833	61,320
Infrastructure	29,628,136	29,701,728	37,082,441	38,124,980	66,710,577	67,826,708
Total	<u>\$ 52,225,936</u>	<u>\$ 52,152,920</u>	<u>\$ 44,327,721</u>	<u>\$ 45,474,829</u>	<u>\$ 96,553,657</u>	<u>\$97,627,749</u>

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

**DEBT ADMINISTRATION**

At year end, the City's debts represent Revenue Bonds in the amount of \$37.2 Million for both Governmental and business-type activities that are backed solely by specified revenue sources (i.e., taxes and fees collected). The remainder which is composed of loans and notes are paid from user fees and charges and others.

The following schedule presents a summary of the City's outstanding long-term obligations for the fiscal year ended June 30, 2013.

**OUTSTANDING DEBT  
(Revenue Bonds, Notes & Loans)**

Figure 10.	Governmental Activities		Business-type Activities		Total	Total
	2013	2012	2013	2012	2013	2012
Revenue bonds payable	14,474,393	14,768,596	22,670,608	23,131,404	37,145,001	37,900,000
Loan payable	3,025,000	3,025,000	10,725,000	10,725,000	13,750,000	13,750,000
Note payable	298,879	322,536	834,330	844,703	1,167,239	1,167,239
Total	<u>17,798,272</u>	<u>18,116,132</u>	<u>34,229,938</u>	<u>34,701,107</u>	<u>52,062,240</u>	<u>52,817,239</u>

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

**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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

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

Class	BORDER CROSSING					
	FY 2013			FY 2012		
	Per Month High	Per Month Low	Daily Average	Per Month High	Per Month Low	Daily Average
Vehicles	269,651	209,175	8,122	219,346	170,677	6,547
Pedestrians	250,328	147,524	6,431	286,686	151,460	7,346
Commercial	4,326	1,696	93	4,530	1,974	97

- General fund revenues come from three main sources: local taxes, state taxes and intergovernmental. The City of San Luis, like all Arizona cities, places significant reliance on collected sales tax. Overall, sales tax revenues encompassed 69.3% of General Fund revenues in fiscal year 2013. Our composition of sales taxes is made up of retail trade, whole sale trade, construction activities and communications all showed progress in a stabilized economy during 2013.
- The City also receives significant revenue allocations from the State for income tax, sales tax, gas tax, and motor vehicle tax. These revenue sources are placed in the City's General Fund, to support the City's day-to-day activities.

There is quite a bit of opportunity and business potential still available within the City. One major developer in particular is contemplating the construction of several facilities in the City to include two hotels, one gas station and one restaurant. Those activities will certainly bring more jobs and more tax dollars in the economy.

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

**CITY OF SAN LUIS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF SAN LUIS, ARIZONA**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Detention Ctr.	SL Arts & Humanities
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,967,038	\$ 6,102,561	\$ 8,069,599	\$ -	\$ 3,786
Investments	5,621,597	-	5,621,597	-	-
Prepaid items	168,805	-	168,805	-	-
Receivables (net of allowance)	3,027,589	536,346	3,563,935	-	-
Internal Balances	694,044	(694,044)	-	-	-
Due from Component Units	1,000		1,000	-	-
Inventories	78,480	78,581	157,061	-	-
Notes receivable	-	40,489	40,489	-	-
Deferred Charges	1,029,284	1,138,587	2,167,871	2,652,457	-
Restricted assets				-	-
Cash and cash equivalents	4,314,595	-	4,314,595		-
Investments	83,189	415,169	498,358	6,199,053	-
Due from other governments	1,415,825	-	1,415,825	-	-
Capital assets not being depreciated				-	-
Land	1,531,972	634,819	2,166,791	661,359	-
Construction in progress	17,921	30,912	48,833	-	-
Capital assets net of accumulated depreciation					
Buildings and improvements	23,069,490	5,829,385	28,898,875	34,129,886	-
Machinery and equipment	8,149,357	7,144,198	15,293,555	329,194	-
Infrastructure	40,246,496	46,781,025	87,027,521	-	-
Accumulated depreciation	(20,789,300)	(16,092,618)	(36,881,918)	(7,001,930)	-
<b>Total assets</b>	<b>\$ 70,627,382</b>	<b>\$ 51,945,410</b>	<b>\$ 122,572,792</b>	<b>\$ 36,970,019</b>	<b>\$ 3,786</b>

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Detention Ctr.	SL Arts & Humanities
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 1,146,158	\$ 195,199	\$ 1,341,357	\$ -	\$ 83
Accrued payroll and taxes	531,179	60,942	592,121	-	-
Court bonds payable	10,955	-	10,955	-	-
Customer deposits	400	186,986	187,386	-	-
Due to Primary Government	-	-	-	-	1,000
Accrued interest	426,107	952,268	1,378,375	544,928	-
Unearned Revenue	2,331,292	-	2,331,292	-	-
Non current liabilities					
Due within one year	761,120	549,325	1,310,445	1,625,000	-
Due in more than one year	17,780,376	33,930,829	51,711,205	40,447,447	-
<b>Total liabilities</b>	<b>22,987,587</b>	<b>35,875,549</b>	<b>58,863,136</b>	<b>42,617,375</b>	<b>1,083</b>
<b>NET POSITION</b>					
Net Investment in capital assets	34,204,009	9,916,229	44,120,238	(13,953,938)	-
Restricted for:					
Debt service	1,256,619	2,384,273	3,640,892	4,239,944	-
Impact fees	-	1,667,825	1,667,825	-	-
HURF	1,260,484	-	1,260,484	-	-
Unrestricted	10,918,683	2,101,534	13,020,217	4,066,638	2,703
<b>Total net position</b>	<b>\$ 47,639,795</b>	<b>\$ 16,069,861</b>	<b>\$ 63,709,656</b>	<b>\$ (5,647,356)</b>	<b>\$ 2,703</b>

**CITY OF SAN LUIS, ARIZONA  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2013**

<b>Functions/Programs:</b>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 6,458,869	\$ 2,226,528	\$ 31,397	\$ 30,540
Public safety	6,519,936	867,899	1,270,644	46,113
Health and welfare	168,025	-	-	-
Culture and recreation	2,043,985	219,142	-	83,454
Community development	550,348	497,921	-	-
Public works and streets	2,174,454	50,530	2,041,357	787,283
Interest on long-term debt	891,737	-	-	-
Total governmental activities	<u>18,807,354</u>	<u>3,862,020</u>	<u>3,343,398</u>	<u>947,390</u>
Business-type activities:				
Water	2,699,661	3,056,742	-	49,475
Wastewater	2,781,638	2,156,201	-	432,480
Business Center	1,282,395	629,265	-	-
Sanitation	939,596	1,117,185	-	-
Total business-type activities	<u>7,703,290</u>	<u>6,959,393</u>	<u>-</u>	<u>481,955</u>
<b>Total primary government</b>	<u><u>\$ 26,510,644</u></u>	<u><u>\$ 10,821,413</u></u>	<u><u>\$ 3,343,398</u></u>	<u><u>\$ 1,429,345</u></u>
<b>Component Units:</b>				
SLFDC Detention Facility	\$ 12,433,046	\$ 11,526,917	\$ -	\$ -
SL Arts & Humanities	50,491	-	49,835	-
<b>Total components units</b>	<u><u>\$ 12,483,537</u></u>	<u><u>\$ 11,526,917</u></u>	<u><u>\$ 49,835</u></u>	<u><u>\$ -</u></u>

**General revenues:**

Taxes:

  City sales taxes for general purposes

  State sales taxes

  Franchise taxes

  Other taxes

State shared revenue

Investment earnings

Other

**Total general revenues and transfers**

**Changes in net position**

**Net position, beginning of year, as restated**

**Net position, end of year**

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

Net (Expense) Revenue and Changes in Net position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Totals	SLFDC Detention Facility	SL Arts & Humanities
\$ (4,170,404)	\$ -	\$ (4,170,404)	\$ -	\$ -
(4,335,280)	-	(4,335,280)	-	-
(168,025)	-	(168,025)	-	-
(1,741,389)	-	(1,741,389)	-	-
(52,427)	-	(52,427)	-	-
704,716	-	704,716	-	-
(891,737)	-	(891,737)	-	-
<u>(10,654,546)</u>	<u>-</u>	<u>(10,654,546)</u>	<u>-</u>	<u>-</u>
-	406,556	406,556	-	-
-	(192,957)	(192,957)	-	-
-	(653,130)	(653,130)	-	-
-	177,589	177,589	-	-
-	<u>(261,942)</u>	<u>(261,942)</u>	<u>-</u>	<u>-</u>
<u>(10,654,546)</u>	<u>(261,942)</u>	<u>(10,916,488)</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (906,129)	\$ -
-	-	-	-	(656)
-	-	-	\$ (906,129)	\$ (656)
6,531,779	-	6,531,779	-	-
2,104,763	-	2,104,763	-	-
432,371	-	432,371	-	-
1,296	-	1,296	-	-
3,620,684	-	3,620,684	-	-
28,197	20,935	49,132	22,012	-
321,613	(19,999)	301,614	-	-
13,040,703	936	13,041,639	22,012	-
-	-	-	-	-
<u>2,386,157</u>	<u>(261,006)</u>	<u>2,125,151</u>	<u>(884,117)</u>	<u>(656)</u>
45,253,638	16,330,867	61,584,505	(4,763,239)	3,359
<u>\$ 47,639,795</u>	<u>\$ 16,069,861</u>	<u>\$ 63,709,656</u>	<u>\$ (5,647,356)</u>	<u>\$ 2,703</u>

## **FUND FINANCIAL STATEMENTS**

## **GOVERNMENTAL FUNDS**

**CITY OF SAN LUIS, ARIZONA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<b>MAJOR FUNDS</b>				
	General Fund	Highway Users	Municipal Projects Bond Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,418,348	\$ 1,237,133	\$ -	\$ 798,815	\$ 6,454,296
Restricted cash and cash equivalents	-	-	4,397,784	-	4,397,784
Accounts receivable (net)	2,881,471	116	138	5,621	2,887,346
Due from governmental entities	997,416	182,038	-	236,371	1,415,825
Due from other funds	2,675,129	-	-	1,020,902	3,696,031
Due from Component Units	1,000	-	-	-	1,000
Prepaid items	57,865	-	-	110,940	168,805
Supplies Inventory	41,909	36,571	-	-	78,480
<b>Total assets</b>	<b>\$ 11,073,138</b>	<b>\$ 1,455,858</b>	<b>\$ 4,397,922</b>	<b>\$ 2,172,649</b>	<b>\$ 19,099,567</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 872,347	\$ 23,634	\$ -	\$ 25,982	\$ 921,963
Accrued payroll and taxes	512,772	18,407	-	-	531,179
Due to other funds	-	153,333	2,715,196	133,458	3,001,987
Court bonds payable	10,955	-	-	-	10,955
Customer deposits	400	-	-	-	400
Accrued interest	-	-	426,107	-	426,107
Deferred revenue	2,331,292	-	-	-	2,331,292
<b>Total liabilities</b>	<b>3,727,766</b>	<b>195,374</b>	<b>3,141,303</b>	<b>159,440</b>	<b>7,223,883</b>
Fund balances:					
Non-spendable fund Balance					
Non spendable in form	99,774	36,571	-	110,940	247,285
Restricted for:					
HURF	-	1,223,913	-	-	1,223,913
Committed	106,250	-	-	-	106,250
Assigned					
Debt service fund	-	-	1,256,619	-	1,256,619
Special revenue funds	-	-	-	1,092,788	1,092,788
Capital project funds	-	-	-	809,481	809,481
Unassigned	7,139,348	-	-	-	7,139,348
<b>Total fund balances</b>	<b>7,345,372</b>	<b>1,260,484</b>	<b>1,256,619</b>	<b>2,013,209</b>	<b>11,875,684</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,073,138</b>	<b>\$ 1,455,858</b>	<b>\$ 4,397,922</b>	<b>\$ 2,172,649</b>	<b>\$ 19,099,567</b>

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 POSITION  
JUNE 30, 2013**

**Total governmental fund balances** **\$ 11,875,684**

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

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

Governmental capital assets	\$ 73,015,236	
Less accumulated depreciation	<u>(20,789,300)</u>	52,225,936

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds 1,029,284

The assets and liabilities of the internal service fund, which is used by management to charge the cost of insurance to individual funds, are included in governmental activities in the statement of net position. 1,050,387

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

Compensated absences payable	\$ (519,569)	
Revenue bonds payable	(14,698,048)	
Loans payable	(3,025,000)	
Note payable	<u>(298,879)</u>	<u>(18,541,496)</u>

**Net position of governmental activities** **\$ 47,639,795**

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**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>MAJOR FUNDS</b>				<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Highway Users</b>	<b>Municipal Projects Bond Fund</b>	<b>Non-Major Governmental Funds</b>	
<b>Revenues:</b>					
Taxes	\$ 6,965,446	\$ -	\$ -	\$ -	\$ 6,965,446
Special assessments	-	-	-	218,171	218,171
Licenses and permits	389,295	-	-	-	389,295
Intergovernmental	5,725,447	2,041,357	-	1,263,932	9,030,736
Charges for services	54,073	-	-	160,107	214,180
Fines and forfeitures	495,188	-	-	297,806	792,994
Investment earnings	19,969	856	1,087	2,354	24,266
Rents	671,519	-	-	2,500	674,019
Other	309,649	268,038	-	-	577,687
<b>Total revenues</b>	<b>14,630,586</b>	<b>2,310,251</b>	<b>1,087</b>	<b>1,944,870</b>	<b>18,886,794</b>
<b>Expenditures:</b>					
Current					
General government	4,022,343	-	-	228,916	4,251,259
Public safety	5,322,260	-	-	872,670	6,194,930
Public works and streets	-	1,225,956	-	50,530	1,276,486
Health and welfare	141,225	-	-	-	141,225
Culture and recreation	1,540,417	-	-	167,642	1,708,059
Community development	541,709	-	2,398	2,625	546,732
Capital outlay	333,436	126,564	-	820,367	1,280,367
Debt service	-	-	-	-	-
Interest and fiscal charges	7,242	58	852,213	-	859,513
Principal retirement	145,935	5,091	294,203	-	445,229
<b>Total expenditures</b>	<b>12,054,567</b>	<b>1,357,669</b>	<b>1,148,814</b>	<b>2,142,750</b>	<b>16,703,800</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,576,019</b>	<b>952,582</b>	<b>(1,147,727)</b>	<b>(197,880)</b>	<b>2,182,994</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	1,147,727	211,445	1,359,172
Transfers out	(1,147,727)	(211,445)	-	-	(1,359,172)
<b>Total other financing sources (uses)</b>	<b>(1,147,727)</b>	<b>(211,445)</b>	<b>1,147,727</b>	<b>211,445</b>	<b>-</b>
<b>Changes in fund balances</b>	<b>1,428,292</b>	<b>741,137</b>	<b>-</b>	<b>13,565</b>	<b>2,182,994</b>
<b>Fund balances - beginning</b>	<b>5,917,080</b>	<b>519,348</b>	<b>1,256,619</b>	<b>2,005,865</b>	<b>9,698,912</b>
Prior Period Adjustment	-	-	-	(6,222)	(6,222)
<b>Fund balances - beginning as restated</b>	<b>5,917,080</b>	<b>519,348</b>	<b>1,256,619</b>	<b>1,999,643</b>	<b>9,692,690</b>
<b>Fund balances - ending</b>	<b>\$ 7,345,372</b>	<b>\$ 1,260,485</b>	<b>\$ 1,256,619</b>	<b>\$ 2,013,208</b>	<b>\$ 11,875,684</b>

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

**CITY OF SAN LUIS, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

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

Net change in fund balances - total governmental funds		\$ 2,182,994
<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	\$ 1,209,673	
Less current year depreciation	<u>(1,909,213)</u>	(699,540)
<p>The disposal of capital assets resulted in a loss / (gain) of the statement of activities. However the L/(G) is not an expenditure in the governmental funds.</p>		
		(20,731)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.</p>		
		799,145
<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 position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position. 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>		
		413,005
<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>		
		(62,602)
<p>Net revenues, including transfers, of internal service funds determined to be governmental type</p>		
		<u>(226,114)</u>
<b>Change in net position in governmental activities</b>		<b><u>\$ 2,386,157</u></b>

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

**CITY OF SAN LUIS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 6,659,100	\$ 6,659,100	\$ 6,965,447	\$ 306,347
Licenses and permits	367,400	367,400	389,295	21,895
Intergovernmental	5,609,920	5,609,920	5,725,447	115,527
Charges for services	31,800	31,800	54,073	22,273
Fines and forfeitures	295,500	295,500	495,188	199,688
Investment earnings	7,200	7,200	19,968	12,768
Rents	683,400	683,400	671,519	(11,881)
Other	267,900	267,900	309,649	41,749
<b>Total revenues</b>	<b>13,922,220</b>	<b>13,922,220</b>	<b>14,630,586</b>	<b>708,366</b>
<b>Expenditures:</b>				
General government:				
City Council	1,019,150	892,840	737,513	155,327
City Administration	593,300	593,300	453,033	140,267
City Clerk	250,995	250,995	172,877	78,118
City Attorney	267,050	267,050	256,771	10,279
Finance	601,980	601,980	596,345	5,635
Human Resources	236,510	236,510	225,372	11,138
Municipal Court	605,440	605,440	562,164	43,276
Information Technology	346,080	346,080	332,991	13,089
Facilities	288,950	288,950	283,664	5,286
Fleet Services	155,240	155,240	154,109	1,131
Risk & Property	121,290	121,290	100,479	20,811
Non Departmental	96,520	148,520	147,025	1,495
Public safety				
Police Department	3,563,050	3,563,050	3,425,430	137,620
Fire Department	1,955,420	1,977,420	1,896,830	80,590
Health and welfare				
Senior Services	148,470	148,470	141,225	7,245
Culture and recreation:				
Cultural Center	152,000	152,000	148,782	3,218
Parks	1,266,600	1,266,600	1,237,303	29,297
Youth Center	160,000	160,000	154,333	5,667
Community development				
Development Services	464,640	473,140	404,149	68,991
Community Development	226,000	226,000	137,560	88,440
Capital outlay	396,700	440,510	333,436	107,074
Debt service				
Interest and fiscal changes	7,500	7,500	7,242	258
Principal retirement	152,000	152,000	145,935	6,065
<b>Total expenditures</b>	<b>13,074,885</b>	<b>13,074,885</b>	<b>12,054,568</b>	<b>1,020,317</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>847,335</b>	<b>847,335</b>	<b>2,576,018</b>	<b>1,728,683</b>
<b>Other financing sources (uses):</b>				
Transfers out	(1,286,860)	(1,286,860)	(1,147,727)	139,133
<b>Total other financing sources (uses)</b>	<b>(1,286,860)</b>	<b>(1,286,860)</b>	<b>(1,147,727)</b>	<b>139,133</b>
<b>Change in fund balances</b>	<b>(439,525)</b>	<b>(439,525)</b>	<b>1,428,291</b>	<b>1,867,816</b>
<b>Fund balances - beginning</b>	<b>5,917,080</b>	<b>5,917,080</b>	<b>5,917,080</b>	<b>-</b>
<b>Fund Balances - ending</b>	<b>\$ 5,477,555</b>	<b>\$ 5,477,555</b>	<b>\$ 7,345,371</b>	<b>\$ 1,867,816</b>

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

**CITY OF SAN LUIS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**HIGHWAY USERS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,747,170	\$ 1,747,170	\$ 2,041,357	\$ 294,187
Investment Earnings	300	300	856	556
Other	3,700	3,700	268,038	264,338
<b>TOTAL REVENUES</b>	<u>1,751,170</u>	<u>1,751,170</u>	<u>2,310,251</u>	<u>559,081</u>
<b>EXPENDITURES</b>				
Current				
Public Works and Streets	1,527,470	1,527,470	1,225,956	301,514
Capital Outlay	125,000	125,000	126,564	(1,564)
Debt Service				-
Interest and fiscal changes	100	100	58	42
Principal retirement	5,100	5,100	5,091	9
<b>Total Expenditures</b>	<u>1,657,670</u>	<u>1,657,670</u>	<u>1,357,669</u>	<u>300,001</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>93,500</u>	<u>93,500</u>	<u>952,582</u>	<u>859,082</u>
<b>Other financing sources (uses):</b>				
Transfers out	(400,000)	(400,000)	(211,445)	188,555
<b>Total other financing sources (uses)</b>	<u>(400,000)</u>	<u>(400,000)</u>	<u>(211,445)</u>	<u>188,555</u>
<b>Change in fund balances</b>	<u>(306,500)</u>	<u>(306,500)</u>	<u>741,137</u>	<u>1,047,637</u>
<b>Fund balances - beginning</b>	<u>519,348</u>	<u>519,348</u>	<u>519,348</u>	<u>-</u>
<b>Fund Balances - ending</b>	<u>\$ 212,848</u>	<u>\$ 212,848</u>	<u>\$ 1,260,485</u>	<u>\$ 1,047,637</u>

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

## **PROPRIETARY FUND FINANCIAL STATEMENTS**

**CITY OF SAN LUIS, ARIZONA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	Enterprise Funds				Total	Internal Service
	Water	Wastewater	Business Center	Sanitation		Insurance Fund
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 3,804,358	\$ 1,296,584	\$ 1,001,619	\$ -	\$ 6,102,561	\$ 1,134,339
Accounts receivable (net)	379,188	68,535	52,439	36,184	536,346	140,243
Notes receivable	40,489	-	-	-	40,489	-
Due from other funds	76,132	-	-	-	76,132	-
Prepaid items and other assets	64,203	8,563	293	5,522	78,581	-
<b>Total current assets</b>	<b>4,364,370</b>	<b>1,373,682</b>	<b>1,054,351</b>	<b>41,706</b>	<b>6,834,109</b>	<b>1,274,582</b>
Non-current assets:						
Restricted cash and cash equivalents	-	-	415,169	-	415,169	-
Land	190,271	100,337	344,211	-	634,819	-
Buildings and improvements	-	860,090	4,942,699	26,596	5,829,385	-
Infrastructure	19,305,902	27,475,123	-	-	46,781,025	-
Machinery and equipment	2,076,721	976,614	2,674,708	1,416,155	7,144,198	-
Construction in progress	-	30,912	-	-	30,912	-
Accumulated depreciation	(4,901,458)	(6,985,684)	(2,873,302)	(1,332,174)	(16,092,618)	-
Deferred bond issuance cost	537,069	601,518	-	-	1,138,587	-
<b>Total non-current assets</b>	<b>17,208,505</b>	<b>23,058,910</b>	<b>5,503,485</b>	<b>110,577</b>	<b>45,881,477</b>	<b>-</b>
<b>Total assets</b>	<b>21,572,875</b>	<b>24,432,592</b>	<b>6,557,836</b>	<b>152,283</b>	<b>52,715,586</b>	<b>1,274,582</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	127,496	40,024	-	27,679	195,199	224,195
Accrued payroll and taxes	33,900	17,840	-	9,202	60,942	-
Due to other funds	-	64,835	1,260	704,081	770,176	-
Customer deposits	178,936	8,050	-	-	186,986	-
Accrued interest	260,264	276,835	415,169	-	952,268	-
Current portion of long-term debt	267,856	271,748	-	9,721	549,325	-
<b>Total current liabilities</b>	<b>868,452</b>	<b>679,332</b>	<b>416,429</b>	<b>750,683</b>	<b>2,714,896</b>	<b>224,195</b>
Non-current liabilities:						
Non-current portion of long-term debt	11,232,423	11,971,892	10,725,000	1,514	33,930,829	-
<b>Total non-current liabilities</b>	<b>11,232,423</b>	<b>11,971,892</b>	<b>10,725,000</b>	<b>1,514</b>	<b>33,930,829</b>	<b>-</b>
<b>Total liabilities</b>	<b>12,100,875</b>	<b>12,651,224</b>	<b>11,141,429</b>	<b>752,197</b>	<b>36,645,725</b>	<b>224,195</b>
<b>NET POSITION</b>						
Net investment in capital assets	5,206,140	10,236,196	(5,636,684)	110,577	9,916,229	-
Restricted for debt service	753,198	800,737	830,338	-	2,384,273	-
Restricted for impact fees	811,499	856,326	-	-	1,667,825	-
Unrestricted	2,701,163	(111,891)	222,753	(710,491)	2,101,534	1,050,387
<b>Total net position</b>	<b>\$ 9,472,000</b>	<b>\$ 11,781,368</b>	<b>\$ (4,583,593)</b>	<b>\$ (599,914)</b>	<b>\$ 16,069,861</b>	<b>\$ 1,050,387</b>

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 POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Enterprise Funds					Internal Service Fund
	Water	Wastewater	Business Center	Sanitation	Total	Insurance Fund
<b>Operating revenues:</b>						
Charges for services	\$ 2,948,781	\$ 2,154,847	\$ -	\$ 1,102,017	\$ 6,205,645	\$ 1,503,640
Rent	-	-	629,265	-	629,265	-
Other	107,961	1,354	-	15,168	124,483	-
<b>Total operating revenues</b>	<u>3,056,742</u>	<u>2,156,201</u>	<u>629,265</u>	<u>1,117,185</u>	<u>6,959,393</u>	<u>1,503,640</u>
<b>Operating expenses:</b>						
Cost of sales and services	1,630,180	1,461,876	32,796	845,822	3,970,674	-
Insurance Premiums/Claims	-	-	-	-	-	1,733,685
Depreciation	491,892	730,326	419,261	93,380	1,734,859	-
<b>Total operating expenses</b>	<u>2,122,072</u>	<u>2,192,202</u>	<u>452,057</u>	<u>939,202</u>	<u>5,705,533</u>	<u>1,733,685</u>
<b>Operating income (loss)</b>	<u>934,670</u>	<u>(36,001)</u>	<u>177,208</u>	<u>177,983</u>	<u>1,253,860</u>	<u>(230,045)</u>
<b>Nonoperating revenues (expenses):</b>						
Investment earnings	17,944	1,693	1,298	-	20,935	3,931
Interest and fiscal charges	(556,106)	(565,375)	(830,338)	(394)	(1,952,213)	-
Bond issuance costs	(21,483)	(24,061)	-	-	(45,544)	-
Gain/Loss on Disposal	(13,941)	(6,058)	-	-	(19,999)	-
<b>Total nonoperating revenues (expenses)</b>	<u>(573,586)</u>	<u>(593,801)</u>	<u>(829,040)</u>	<u>(394)</u>	<u>(1,996,821)</u>	<u>3,931</u>
Income before Contributions and Transfers	361,084	(629,802)	(651,832)	177,589	(742,961)	(226,114)
Capital contributions	49,475	432,480	-	-	481,955	-
<b>Changes in net position</b>	<u>410,559</u>	<u>(197,322)</u>	<u>(651,832)</u>	<u>177,589</u>	<u>(261,006)</u>	<u>(226,114)</u>
<b>Total net position, beginning of year</b>	<u>9,061,441</u>	<u>11,978,690</u>	<u>(3,931,761)</u>	<u>(777,503)</u>	<u>16,330,867</u>	<u>1,276,501</u>
<b>Total net position, end of year</b>	<u>\$ 9,472,000</u>	<u>\$ 11,781,368</u>	<u>\$ (4,583,593)</u>	<u>\$ (599,914)</u>	<u>\$ 16,069,861</u>	<u>\$ 1,050,387</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**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Enterprise Funds					Internal Service Fund
	Water	Wastewater	Business Center	Sanitation	Total	Insurance Fund
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>						
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 5,015,851	\$ 3,964,177	\$ 576,758	\$ 1,119,534	\$ 10,676,320	\$ 1,373,716
Cash payments to suppliers for goods and services	(608,190)	(1,750,139)	(31,546)	(844,128)	(3,234,003)	(1,559,732)
Cash payments to employees for services	(888,724)	(507,002)	-	(253,062)	(1,648,788)	-
<b>Net cash provided by (used for) operating activities</b>	<b>3,518,937</b>	<b>1,707,036</b>	<b>545,212</b>	<b>22,344</b>	<b>5,793,529</b>	<b>(186,016)</b>
<b>Cash flows from capital and related financing activities:</b>						
Capital Contribution	49,475	432,480	-	-	481,955	-
Payments for capital acquisitions	(130,424)	(464,617)	-	-	(595,041)	-
Net proceed from sale of capital assets	4,596	-	-	-	4,596	-
Principal paid on long-term debt	(224,758)	(246,794)	-	(21,950)	(493,502)	-
Interest paid on long-term debt	(560,712)	(570,273)	(830,338)	(394)	(1,961,717)	-
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(861,823)</b>	<b>(849,204)</b>	<b>(830,338)</b>	<b>(22,344)</b>	<b>(2,563,709)</b>	<b>-</b>
<b>Cash flows from investing activities:</b>						
Investment income	17,944	1,693	1,298	-	20,935	3,931
<b>Net cash provided by investing activities</b>	<b>17,944</b>	<b>1,693</b>	<b>1,298</b>	<b>-</b>	<b>20,935</b>	<b>3,931</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,675,058</b>	<b>859,525</b>	<b>(283,828)</b>	<b>-</b>	<b>3,250,755</b>	<b>(182,085)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,129,300</b>	<b>437,059</b>	<b>1,700,616</b>	<b>-</b>	<b>3,266,975</b>	<b>1,316,424</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,804,358</b>	<b>\$ 1,296,584</b>	<b>\$ 1,416,788</b>	<b>\$ -</b>	<b>\$ 6,517,730</b>	<b>\$ 1,134,339</b>
<b>Cash received from customers:</b>						
Rent	\$ -	\$ -	\$ 629,267	\$ -	\$ 629,267	\$ -
Charges for services	3,056,742	2,156,201	-	1,117,185	6,330,128	1,503,640
(Increase)/ decrease in accounts receivable	(2,462)	886,648	-	(2,406)	881,780	(129,924)
(Increase)/ decrease in prepaid items	(6,521)	3,618	(52,439)	4,755	(50,587)	-
(Increase)/ decrease in due from governmental entities	1,968,092	917,710	(70)	-	2,885,732	-
	<u>5,015,851</u>	<u>3,964,177</u>	<u>576,758</u>	<u>1,119,534</u>	<u>10,676,320</u>	<u>1,373,716</u>
<b>Cash payments to suppliers for goods and services</b>						
Cost of sales and services (non-payroll)	(741,652)	(977,742)	(32,796)	(605,955)	(2,358,145)	(1,733,685)
Increase/ (decrease) in accounts payable	133,462	(772,397)	1,250	(238,173)	(875,858)	173,953
	<u>(608,190)</u>	<u>(1,750,139)</u>	<u>(31,546)</u>	<u>(844,128)</u>	<u>(3,234,003)</u>	<u>(1,559,732)</u>
<b>Cash payments to employees for services</b>						
Cost of sales and services (payroll)	(887,990)	(506,339)	-	(239,867)	(1,634,196)	-
Increase/ (decrease) in accrued payroll and taxes	1,366	(663)	-	(292)	411	-
Increase/ (decrease) in compensated absences payable	(2,100)	-	-	(12,903)	(15,003)	-
	<u>(888,724)</u>	<u>(507,002)</u>	<u>-</u>	<u>(253,062)</u>	<u>(1,648,788)</u>	<u>-</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  
FOR THE YEAR ENDED JUNE 30, 2013**

	Enterprise Funds					Internal Service Fund
	Water	Wastewater	Business Center	Sanitation	Total	Insurance Fund
<b>Reconciliation of Operating Income to</b>						
<b>Net Cash Provided by (Used for) Operating Activities</b>						
<b>Operating income (loss)</b>	\$ 934,670	\$ (36,001)	\$ 177,208	\$ 177,983	\$ 1,253,860	\$ (230,045)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:						
Depreciation and amortization	491,892	730,326	419,261	93,380	1,734,859	-
Change in assets and liabilities:						
(Increase)/ decrease in accounts receivable	(2,381)	27,123	(52,439)	(2,648)	(30,345)	(129,924)
(Increase)/ decrease in prepaid items	(6,521)	3,618	(68)	4,755	1,784	-
Increase/ (decrease) in accounts payable	84,082	3,986	-	(10,109)	77,959	173,953
Increase/ (decrease) in accrued payroll and taxes	49,103	(4,561)	-	(13,195)	31,347	-
Increase/ (decrease) in due from other funds	-	-	-	-	-	-
Increase/ (decrease) in due to other funds	1,968,092	982,545	1,250	(227,822)	2,724,065	-
<b>Total adjustments</b>	<b>2,584,267</b>	<b>1,743,037</b>	<b>368,004</b>	<b>(155,639)</b>	<b>4,539,669</b>	<b>44,029</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 3,518,937</b>	<b>\$ 1,707,036</b>	<b>\$ 545,212</b>	<b>\$ 22,344</b>	<b>\$ 5,793,529</b>	<b>\$ (186,016)</b>

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 POSITION**  
**JUNE 30, 2013**

	<u>Pension Trust</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	<u>\$ 32,248</u>
<b>Total assets</b>	<u>32,248</u>
<b><u>NET POSITION</u></b>	
Held in trust for pension benefits	<u>\$ 32,248</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 POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Pension Trust</u>
<b>Additions:</b>	
Investment earnings	\$ 221
<b>Total additions</b>	221
 <b>Changes in net assets</b>	 221
<b>Net position, beginning of year</b>	32,027
<b>Net position, end of year</b>	\$ 32,248

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of San Luis, Arizona (the City) and its discretely presented units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

**Primary Government Disclosures:**

Description of City

The City was incorporated in 1979 under the provision of the Arizona Constitution and is located on the Arizona-Sonora Mexico border. The City is a municipal entity governed by an elected Mayor and council. 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 major accounting principles and practices followed by the City are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

**A. Reporting Entity**

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 that must be included as part of its financial reporting entity for fair presentation in conformity with Generally Accepted Accounting Principles.

***Individual Component Unit Disclosures***

Blended Component Units

Some component units, despite being legally separate from the City government, are so intertwined with the City, whether through common governing boards or through providing services solely to the City that they are, in substance, the same as the City government. The blended component units that fit either criteria are presented below.

*The San Luis Civic Improvement Corporation (SLCIC)* was established for the sole purpose of acquiring, financing, constructing, improving, and purchasing real and personal property on behalf of the City for civic, municipal, and government purposes. Although it is legally separate from the City, the SLCIC is reported as if it were part of the City government, because its sole purpose is to finance the City construction needs. The Corporation is governed by a board of Directors, who are responsible for approving the corporation's bond sales. Bond sales must also be ratified by the Mayor and City Council. For the fiscal year ended June 30, 2013, the activity of the SLCIC is reported in the Municipal Projects Bond Fund and the benefiting enterprise funds in the City's financial statements.

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

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

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

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

Discretely Presented Component Units

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

*The San Luis Municipal Property Corporation (SLMPC)* is an Arizona nonprofit corporation formed under the provision of Title 10 of the Arizona Revised Statutes. It has a five-member Board of Directors appointed by City Council. The Corporation was created to acquire, construct reconstruct or to aid in the development or improvement of buildings and other real and personal property suitable for leasing or sale to the City. For the audit period ended June 30, 2013, 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. It is governed by a Board of five Directors of which two are members of City Council. In the fiscal year ended June 30, 2006, and subsequently in February of 2011, the SLFDC was used to issue \$27,795,000 and \$20,165,000 in bonds to build and extend respectively a detention center from which the City General Fund is to derive certain revenues in form of a bed tax. The activity is reported in the City's Detention Center Fund.

**CITY OF SAN LUIS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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 then call center facility which is now reported as an enterprise fund. For the audit period ended June 30, 2013, 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. Three board members distinct from City Council manage the affairs of the corporation. The City is able to significantly influence its operations. Council has the rights to approve incurred debts, sales, lease, exchange or pledge of all assets. 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 on-going financial interest or responsibility.

The City participates under a membership provision with two 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 Facility District

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position 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 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.

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 and Proprietary Fund 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.

**Governmental 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.

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

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.

**Proprietary Fund Financial Statements** - 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.

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.

**CITY OF SAN LUIS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service fund is used to account for the accumulation and allocation of costs associated with the City's self-insured group health and dental insurance program.

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.

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.

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
- San Luis Community Facilities District

**Capital Projects Funds**

- Capital Outlay Reserve
- Community Development Fund

Fiduciary funds are reported by fund type.

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. After review of the tentative budgets, City Council holds public hearings and then adopts the annual budget for the General, Special Revenue, and the Enterprise funds. All annual appropriations lapse at the fiscal year end.

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

**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 Position/balance sheet.

**F. Investment Income (Loss)**

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

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**CITY OF SAN LUIS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets (Continued)**

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.

**L. Compensated Absences**

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

The current and long-term liabilities for accumulated vacation are reported on the government-wide financial statements and in the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, and retirements. Resources from the General Fund are generally used to liquidate the governmental funds liabilities for compensated absences.

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

**M. Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and proprietary fund type statement of Net Position.

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Equity Classifications**

Government-wide and Proprietary Fund Statements

**Net Position**

Net Position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents 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.

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

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

*Assigned Fund Balance* – Amounts are constrained by the City's intent to be used for specific purposes. Intent should be expressed by the Council or the City Manager.

- 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.

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balances (Continued)**

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

**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.

**Q. Pending Pronouncements**

GASB has issued Statement No. 65, "Items Previously Reported as Assets and Liabilities", effective for periods beginning after December 15, 2012. This statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 67, "Financial Reporting for Pension Plans," effective for financial statements for periods beginning after June 15, 2013, and has also issued Statement No. 68, "Accounting and Financial Reporting for Pensions," effective for fiscal years beginning after June 15, 2014. These statements revise existing guidance for the financial reports of most pension plans, and establish new financial reporting requirement for most governments that provide their employees with pension benefits. The effect of implementation of these statements has not yet been determined.

GASB has issued Statement No. 69, "Government Combinations and Disposals of Government Operations," effective for financial statements for periods beginning after December 15, 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The effect of implementation of this statement has not yet been determined.

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Adoption of Pronouncement**

The City has adopted GASB Statement No 61, "The Financial Reporting Entity: Omnibus." This statement establishes guidance for improving financial reporting for a governmental entity by modifying existing requirements for the assessment of potential component Units.

The City has adopted GASB Statement No 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement establishes accounting and financial reporting standards for the financial reporting statements of state and local governments by bringing together reporting literature in one place with the guidance modified as necessary.

The City has adopted GASB Statement No 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

**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, 2013, City deposits of \$3,502,958 were uninsured and collateralized with securities held by the pledging financial institution.

The investments of the City and its component units at June 30, 2013, were as follows:

Investment Type	Investment Maturities (in years)			
	Fair Value	Less than 1	1-5	6-10
U.S. agency securities	\$ 3,564,376	\$ 498,358	\$ -	\$ 3,066,018
Money market funds	7,447,629	7,447,629	-	-
State Treasurer's investment pool	9,615,468	9,615,468	-	-
<b>Total</b>	<b>\$ 20,627,473</b>	<b>\$17,561,455</b>	<b>\$ -</b>	<b>\$ 3,066,018</b>

*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, 2013, the City's investment in the State Treasurer's Government Investment Pool (LGIP) did not receive a credit quality rating from national rating agency. The City's investments in U.S. agencies were rated Aaa-mf by Moody's Investors Service and AAAM by Standard & Poor's.

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

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](http://www.aztreasury.gov) or by writing to Arizona State Treasurer's Office, 1700 West Washington Street, 1<sup>st</sup> Floor, Phoenix, AZ 85007.

The City's position in the LGIP at June 30, 2013 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, 2013, the City had \$11,012,006 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, 2013, the City's investments include 17.28% invested in U.S. agency securities, 36.11% invested in money market funds, and 46.61% invested in the State Treasurer's investment pool.

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

Cash, deposits, and investments	
Cash on hand	\$ 4,400
Amount of deposits	4,107,363
Amount of investments	20,627,473
Total	\$ 24,739,236

	Primary Government				Component Units		Total
	Governmental Activities	Business- type Activities	Internal Activities	Pension Trust Fund	SLFDC Detention Facility	San Luis Arts & Humanities	
Statement of Net Position							
Cash and cash equivalents	\$ 6,454,296	\$ 6,102,561	\$1,134,339	\$ 32,248	\$ -	\$ 3,786	\$13,727,230
Restricted cash and cash equivalents	4,397,784	415,169	-	-	6,199,053	-	11,012,006
Total	\$ 10,852,080	\$ 6,517,730	\$1,134,339	\$ 32,248	\$ 6,199,053	\$ 3,786	\$24,739,236

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3- INTERFUND BALANCES AND ACTIVITY**

At June 30, 2013, inter-fund balances and activity were as follows:

Due to/from other funds:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 2,675,129	\$ -
Highway User	-	153,333
Municipal Projects Bond Fund	-	2,715,196
Non-Major Governmental	1,020,902	133,458
Water	76,132	-
Wastewater	-	64,835
Business Center	-	1,260
Sanitation	-	704,081
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 3,772,163</u>	<u>\$ 3,772,163</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.

Interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 1,147,727
HURF	-	211,445
Municipal Project	1,147,727	-
Non-Major Governmental	211,445	-
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 1,359,172</u>	<u>\$ 1,359,172</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.

**CITY OF SAN LUIS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4- RECEIVABLES**

Receivables are reported net of allowance for uncollectible of \$19,511 for utility receivables and \$302,586 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	Non-Major Governmental Funds	Water	Wastewater	Business Center	Sanitation	Insurance Fund
Accounts Receivable	\$ 514,400	\$ 116	\$ 138	\$ 5,621	\$ 379,188	\$ 68,535	\$ 52,439	\$ 36,184	\$ 140,243
Fines Receivable	2,367,071	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	40,489	-	-	-	-
Due from governmental entities	997,416	182,038	-	236,371	-	-	-	-	-
Net total receivables	<u>\$ 3,878,887</u>	<u>\$ 182,154</u>	<u>\$ 138</u>	<u>\$ 2,419,992</u>	<u>\$ 419,677</u>	<u>\$ 68,535</u>	<u>\$ 52,439</u>	<u>\$ 36,184</u>	<u>\$ 140,243</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 \$2,331,292.

**NOTE 5- CAPITAL ASSETS**

A summary of capital asset activity for the fiscal year ended June 30, 2013 follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,531,972	\$ -	\$ -	\$ 1,531,972
Construction in progress	41,089	12,860	(36,028)	17,921
Total capital assets, not being depreciated	<u>1,573,061</u>	<u>12,860</u>	<u>(36,028)</u>	<u>1,549,893</u>
Capital assets, being depreciated:				
Infrastructure	39,515,425	731,071	-	40,246,496
Buildings and improvements	22,738,379	295,083	36,028	23,069,490
Machinery and equipment	7,496,349	969,893	(316,885)	8,149,357
Total capital assets being depreciated	<u>69,750,153</u>	<u>1,996,047</u>	<u>(280,857)</u>	<u>71,465,343</u>
Less accumulated depreciation for:				
Infrastructure	(9,813,692)	(804,668)	-	(10,618,360)
Buildings and improvements	(4,826,699)	(585,658)	-	(5,412,357)
Machinery and equipment	(4,529,895)	(518,887)	290,199	(4,758,583)
Total accumulated depreciation	<u>(19,170,286)</u>	<u>(1,909,213)</u>	<u>290,199</u>	<u>(20,789,300)</u>
Total capital assets, being depreciated, net	<u>50,579,867</u>	<u>86,834</u>	<u>9,342</u>	<u>50,676,043</u>
Governmental activities capital assets, net	<u>\$ 52,152,928</u>	<u>\$ 99,694</u>	<u>\$ (26,686)</u>	<u>\$ 52,225,936</u>

**CITY OF SAN LUIS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5- CAPITAL ASSETS (CONTINUED)**

<u>Business-Type Activities as restated</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 634,819	\$ -	\$ -	\$ 634,819
Construction in progress	19,897	23,667	(12,652)	30,912
Total	654,716	23,667	(12,652)	665,731
Capital assets, being depreciated:				
Infrastructure	46,775,547	5,478	-	46,781,025
Buildings and improvements	5,389,264	427,470	12,652	5,829,386
Machinery and equipment	7,143,664	155,734	(155,200)	7,144,198
Total	59,308,475	588,682	(142,548)	59,754,609
Less accumulated depreciation for:				
Infrastructure	(8,650,566)	(1,048,018)	-	(9,698,584)
Buildings and improvements	(921,054)	(180,924)	-	(1,101,978)
Machinery and equipment	(4,916,742)	(505,917)	130,602	(5,292,057)
Total accumulated depreciation	(14,488,362)	(1,734,859)	130,602	(16,092,619)
Total capital assets, being depreciated, net	44,820,113	(1,146,177)	(11,946)	43,661,990
Business-type activities capital assets, net	<u>\$ 45,474,829</u>	<u>\$ (1,122,510)</u>	<u>\$ (24,598)</u>	<u>\$ 44,327,721</u>
<u>Discretely Presented Component Units</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 661,359	\$ -	\$ -	\$ 661,359
Construction in progress	-	-	-	-
Total	661,359	-	-	661,359
Capital assets, being depreciated:				
Buildings and improvements	34,129,886	-	-	\$34,129,886
Machinery and equipment	329,194	-	-	\$329,194
Total	34,459,080	-	-	34,459,080
Less accumulated depreciation for:				
Buildings and improvements	(5,107,700)	(1,706,495)	-	(6,814,195)
Machinery and equipment	(153,666)	(34,069)	-	(187,735)
Total accumulated depreciation	(5,261,366)	(1,740,564)	-	(7,001,930)
Total capital assets, being depreciated, net	29,197,714	(1,740,564)	-	27,457,150
Business-type activities capital assets, net	<u>\$ 29,859,073</u>	<u>\$ (1,740,564)</u>	<u>\$ -</u>	<u>\$ 28,118,509</u>

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5- CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 369,731
Public safety	295,365
Public works and streets	896,371
Health and welfare	25,311
Culture and recreation	311,584
Community development	<u>10,851</u>
 Total depreciation expense	 <u>\$ 1,909,213</u>

Business-type activities:	
Water	\$ 491,892
Wastewater	730,326
Business Center	419,261
Sanitation	<u>93,380</u>
 Total depreciation expense	 <u>\$ 1,734,859</u>

Discretely Presented Component Units:	
SLFDC – Detention Facility	<u>\$ 1,740,564</u>
 Total depreciation expense	 <u>\$ 1,740,564</u>

**NOTE 6- OBLIGATIONS UNDER CAPITAL LEASES**

The City is currently under no lease obligations as all capital lease agreements have reached the end of the term during the fiscal year.

**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); therefore, the results of the lease agreements are not reflected in the City's Statement of Net Position. Lease payments effected during the fiscal year 2013 amounted to \$43,231.

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

Year Ending June 30,	Amount
2014	<u>33,022</u>
2015	11,382
2016	7,128
2017	2,359
2018	<u>279</u>
 Total	 <u>\$ 54,170</u>

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 8- REVENUE BONDS PAYABLE**

**PRIMARY GOVERNMENT**

Revenue bonds payable at June 30, 2013 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.

Purpose	Interest Rate	Maturity	Outstanding Principal June 30, 2013
Governmental activities	3.75-5.00%	7/1/09-38	14,474,393
Business-type activities	3.75-5.00%	7/1/09-38	<u>22,670,607</u>
Total			<u>\$37,145,000</u>

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

	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
Year ending June 30:				
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	342,912	638,405	537,088	999,906
2018	356,551	624,238	558,449	977,716
2019-23	2,026,298	2,873,096	3,173,702	4,500,005
2024-28	2,562,098	2,322,430	4,012,902	3,637,520
2029-33	3,212,851	1,656,689	5,032,149	2,594,799
2034-38	4,077,925	764,684	6,387,075	1,197,691
2039	941,060	23,526	1,473,941	36,849
Total	<u>\$ 14,474,393</u>	<u>\$ 10,900,797</u>	<u>\$ 22,670,608</u>	<u>\$ 17,073,441</u>

Deferred Charges

The San Luis Civic Improvement Corporation Excise Tax Revenue Bonds Series 2005 totaling \$40,000,000 also paid off 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, 2013**

**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, 2013 was \$21,800.

**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.

Revenue Bonds	Interest Rate	Maturity	Outstanding Principal June 30, 2013
Series 2005 Detention Facility	6.00-7.250%	5/1/08-27	\$ 23,310,000
Series 2011 Detention Facility	6.75-8.625%	5/1/08-27	<u>19,515,000</u>
Total			<u>\$ 42,825,000</u>

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

Year ending June 30:	Principal		Interest	
	<u>2005 issues</u>	<u>2011 issues</u>	<u>2005 issues</u>	<u>2011 issues</u>
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	1,537,687	1,498,456
2017	1,110,000	895,000	1,465,238	1,433,425
2018	1,185,000	970,000	1,387,537	1,360,219
2019-23	7,315,000	6,215,000	5,557,663	5,462,144
2024-27	10,770,000	9,140,000	2,379,088	2,227,331
Total	<u>\$ 23,310,000</u>	<u>\$ 19,515,000</u>	<u>\$ 15,581,963</u>	<u>\$ 15,153,482</u>

**CITY OF SAN LUIS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 9- NOTE OBLIGATIONS**

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

<b>Government-type activities:</b>	<u>CURRENT PORTION</u>	<u>LONG TERM PORTION</u>	<u>TOTAL</u>
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.	\$ -	\$ 285,289	\$ 285,289
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.	5,688	7,902	13,590
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
<b>Total Notes Payable</b>	<u>\$ 5,688</u>	<u>\$ 3,318,191</u>	<u>\$ 3,323,879</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 5,688	\$ 166,375	\$ 172,063
2015	5,935	166,375	172,310
2016	1,965	166,375	168,340
2017	-	166,375	166,375
2018	-	166,375	166,375
Thereafter	<u>3,310,291</u>	<u>3,265,213</u>	<u>6,575,504</u>
<b>Total Payments</b>	<u>\$ 3,323,879</u>	<u>\$ 4,097,088</u>	<u>\$ 7,420,967</u>

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 9- NOTE OBLIGATIONS (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.	5,385	400,331	405,716
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>5,426</u>	<u>423,188</u>	<u>428,614</u>
Total Notes Payable	<u>\$ 10,811</u>	<u>\$ 11,548,519</u>	<u>\$ 11,559,330</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:			
2014	\$ 10,811	\$ 864,551	\$ 875,362
2015	216,265	857,077	1,073,342
2016	231,739	842,051	1,073,790
2017	242,232	826,150	1,068,382
2018	262,747	809,201	1,071,948
Thereafter	<u>10,595,536</u>	<u>9,312,836</u>	<u>19,908,372</u>
Total Payments	<u>\$11,559,330</u>	<u>\$13,511,866</u>	<u>\$25,071,196</u>

**NOTE 10- CHANGE IN LONG-TERM LIABILITIES**

**Compensated Absences**

The City's policy relating to compensated absences is described in Note 1-L. As shown in the table below, the long-term portion of this debt, amounting to \$519,569 for governmental activities and \$68,662 for business-type activities at June 30, 2013 is expected to be paid in future years from future resources. Compensated absences for governmental activities have been liquidated primarily by the General Fund.

**CITY OF SAN LUIS, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

Long-term liability activity for all categories for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$456,967	\$418,015	\$355,413	\$519,569	\$449,539
Capital leases payable	133,235	-	133,235	-	-
Revenue bonds payable	14,768,596	-	294,203	14,474,393	305,893
Revenue bonds premium	232,602	-	8,947	223,655	-
Revenue Bonds / GADA Loans	3,025,000	-	-	3,025,000	-
Note payable	322,536	-	23,657	298,879	5,688
Governmental activities long-term liabilities	<u>\$18,938,936</u>	<u>\$418,015</u>	<u>\$815,455</u>	<u>\$18,541,496</u>	<u>\$761,120</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Compensated absences	\$68,035	\$79,904	\$79,277	\$68,662	\$59,408
Capital leases payable	54,246	-	54,246	-	-
Revenue bonds payable	23,131,404	-	460,796	22,670,608	479,107
Revenue bonds premium	256,831	-	9,877	246,954	-
GADA loan	10,725,000	-	-	10,725,000	-
Note payable	844,703	-	10,373	834,330	10,811
Deferred charges	(87,200)	-	(21,800)	(65,400)	-
Business-type activities long-term liabilities	<u>\$34,993,019</u>	<u>\$79,904</u>	<u>\$592,769</u>	<u>\$34,480,154</u>	<u>\$549,326</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Discretely presented units</b>					
Revenue bonds payable	\$44,340,000	\$ -	\$1,515,000	42,825,000	\$1,625,000
Revenue bonds discount	(806,600)	-	(54,047)	(752,553)	-
Business-type activities long-term liabilities	<u>\$43,533,400</u>	<u>\$ -</u>	<u>\$1,460,953</u>	<u>\$42,072,447</u>	<u>\$1,625,000</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, 2013; 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, 2013**

**NOTE 12 – CONTESTED TAXES**

As of June 30, 2013 there was an estimate of over \$1.3 million of assessment filed by the City against one or more tax payers that as of the issuance of the financial statements was in the predetermination hearing process. Collectability of this assessment is dependent upon the decision of administrative Judges. The assessment will not meet the revenue recognition criteria as tax revenue until the administrative hearing is final. Therefore, this amount is not included in the receivables reported in the financial statements.

**NOTE 13- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Individual Deficit Fund Balances/Net Position** – At June 30, 2013, the following individual major and non-major governmental fund reported deficits in fund balance or fund Net Position.

	Deficit
Enterprise Funds:	
Business Center	\$ 4,583,593
Sanitation	\$ 599,914
Discretely Presented Units:	
SLFDC - Detention Facility	\$ 5,647,356

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

**NOTE 14- 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. There were no settlements in excess of insurance coverage in any of the prior three fiscal years.

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

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 15- RETIREMENT PLANS**

**Arizona State Retirement System**

**A. 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. The System issues a comprehensive financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing to Arizona State Retirement System, P.O. Box 33910, Phoenix, AZ 85067-3910, or by calling (602) 240-2000 or (800) 621-3778.

**B. Funding Policy**

Covered employees were required by statute to contribute 11.14 percent (10.9 percent for retirement and 0.24 percent for long-term disability) of their salaries to the system during fiscal year 2012-2013 and the City was required to match it (10.25 percent for retirement, 0.65 percent for health insurance premium, and 0.24 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 145 participants in the ASRS as of June 30, 2013.

**C. Annual Pension Cost**

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>
2011	427,739	28,010	11,868
2012	498,032	29,771	12,064
2013	543,219	34,448	12,502

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 15- RETIREMENT PLANS (CONTINUED)**

**Arizona Public Safety Personnel Retirement System (Full-Time Police and Fire Employees)**

**A. Plan Description**

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers full-time sworn police officers and firefighters 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 to Public Safety Personnel Retirement System, 3010 E. Camelback Ave., Suite 200 Phoenix, AZ 85016-4416 or by calling (602) 255-5575.

**B. Funding Policy**

For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members' annual covered payroll to the Plan, and the City was required to contribute at the actuarially determined rate of 16.56 percent for police and 12.54 percent for fire. There were 63 participants in the PSPRS as of June 30, 2013.

**C. Annual Pension Cost and Net Pension Obligation**

	PSPRS	
	Police	Fire
Contribution rates:		
City	16.56%	12.54%
Plan Members	9.55%	9.55%
Contributions Made	\$387,268	\$299,797

The June 30, 2012 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) 8.00 percent investment rate of return and (b) projected salary increases ranging from 5.0 percent to 9.0 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, 2012, was 24 years.

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 15- RETIREMENT PLANS (CONTINUED)**

**Arizona Public Safety Personnel Retirement System (Full-Time Police and Fire Employees)**

Annual pension cost information as of June 30, 2012 for the last three preceding years for the agent plan follows:

**Three-Year Trend Information**

**Police Plan:**

**Pension**

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 224,936	100.00%	N/A
2011	199,877	100.00%	N/A
2012	253,657	100.00%	N/A

**Health**

Year Ended June 30,	Annual OPEB)	Percentage Contributed	Net OPEB Obligation
2010	\$ 126,610	100.00%	N/A
2011	189,551	100.00%	N/A
2012	177,670	100.00%	N/A

**Fire Plan:**

**Pension**

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 114,806	100.00%	N/A
2011	105,978	100.00%	N/A
2012	110,207	100.00%	N/A

**Health**

Year Ended June 30,	Annual OPEB)	Percentage Contributed	Net OPEB Obligation
2010	\$ 71,293	100.00%	N/A
2011	119,225	100.00%	N/A
2012	132,088	100.00%	N/A

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 15- RETIREMENT PLANS (CONTINUED)**

**Arizona Public Safety Personnel Retirement System (Full-Time Police and Fire Employees)**

**D. Funded status and funding progress**

As of June 30, 2012, the most recent actuarial calculation date, the police plan was 79.3 percent funded and the firefighters plan was 103.4 percent funded. The actuarial accrued liability for benefits was \$5.8 million and \$2.8 million and the actuarial value of assets was \$4.6 million and \$2.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.2 million and (\$0.97) million respectively. The covered payrolls (annuals of active employees covered by the plans) were \$1.5 million and \$1.4 million, and the ratio of the UAAL to the covered payroll was 80.8 percent and zero percent.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the Financial Statements, presents multi-year trend information about the fluctuations of value of plan assets over time relative to the actuarial accrued liability for benefits.

**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, 2013 follows:

	Beginning Balance June 30, 2012	Contributions/ Earnings	Benefits Paid	Ending Balance June 30, 2013
<b>Assets</b>				
Cash and equivalents	\$ 32,027	\$ 221	\$ -	\$ 32,248

**NOTE 16- 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 \$7,480.

**CITY OF SAN LUIS, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 17- PRIOR PERIOD ADJUSTMENTS**

The July 1, 2012 government-wide Net Position and the fund balance for the Police Grants Fund do not agree to the prior year financial statements due to correction of errors detected by Grantor in the claims filed for reimbursements. The adjustment is reflected accordingly in the Non-major Governmental section as a non-major fund.

Governmental Funds	
Governmental Activities	Governmental Activities
Net Position June 30, 2012, as previously reported	\$ 45,259,860
Adjust activities of the grants fund	<u>(6,222)</u>
Net Position, June 30, 2012	<u>\$ 45,253,638</u>

**NOTE 18- 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 or licenses and permits.

**NOTE 19- SUBSEQUENT EVENTS**

The City evaluated subsequent events through November 8, 2013, the date on which the auditor and the City's Chief Financial Officer agreed on the form and content of the financial statements. As of the date of the report, the City was seeking funding to expand its Water and Wastewater facilities. Total cost of the project is estimated at \$6.6 Million which the City expects to fund through a loan from a financial institution.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SAN LUIS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF AGENT RETIREMENT PLAN FUNDING PROGRESS  
JUNE 30, 2013**

**Police Plan**

Valuation Date June 30,	Valuation Value of Assets (1)	Actuarial Accrued Liability (AAL) Entry Age (2)	Percent Funded (1) - (2)	Unfunded AAL (UAAL) (2) / (1)	Covered Payroll (3)	UAAL as a Percent of Covered Payroll ((2)-(1))/(3)
2009	3,456,797	4,096,686	84.40%	639,889	1,512,888	42.30%
2010	3,644,443	4,435,443	82.20%	791,000	1,716,107	46.10%
2011	4,057,857	5,251,620	77.30%	1,193,763	1,616,316	73.90%
2012	4,632,753	5,844,961	79.30%	1,212,208	1,501,144	80.80%

**Fire Plan**

Valuation Date June 30,	Valuation Value of Assets (1)	Actuarial Accrued Liability (AAL) Entry Age (2)	Percent Funded (1) - (2)	Unfunded AAL (UAAL) (2) / (1)	Covered Payroll (3)	UAAL as a Percent of Covered Payroll ((2)-(1))/(3)
2009	1,761,576	1,568,346	112.30%	-193,231	995,811	0.00%
2010	2,051,952	1,788,479	114.70%	-263,473	1,003,196	0.00%
2011	2,275,495	2,187,634	104.00%	-87,861	1,221,676	0.00%
2012	2,916,906	2,819,994	103.40%	-96,912	1,396,801	0.00%

**Health Insurance**

Valuation Date June 30,	Valuation Value of Assets (1)	Actuarial Accrued Liability (AAL) Entry Age (2)	Percent Funded (1) - (2)	Unfunded AAL (UAAL) (2) / (1)	Covered Payroll (3)	UAAL as a Percent of Covered Payroll ((2)-(1))/(3)
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	10.75%
2012	0	309,758	0%	309,758	2,897,945	10.65%

**SUPPLEMENTARY INFORMATION  
COMBINING FUND FINANCIAL STATEMENTS**

CITY OF SAN LUIS, ARIZONA  
*Non-Major Governmental Funds*

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**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.

**San Luis Community Facilities District**

This fund was established to account for revenues received from leasing City land to WHAHEC for a walk-in clinic.

**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  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>SPECIAL REVENUES</b>			
	Police Grants and Special Revenues	Judicial Collection Enhancement	Assessment Districts	San Luis Community Facilities District
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	19	1,608	3,994	
Due from governmental entities	234,452	-		
Due from other funds	-	714,242	274,310	17,500
Prepaid items	-	-	-	-
<b>Total assets</b>	<b>\$ 234,471</b>	<b>\$ 715,850</b>	<b>\$ 278,304</b>	<b>\$ 17,500</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	19,483	2,315	-	
Due to other funds	131,539	-	-	-
<b>Total liabilities</b>	<b>151,022</b>	<b>2,315</b>	<b>-</b>	<b>-</b>
Fund balances:				
Non-spendable assigned for:				
Capital outlay	-	-	-	-
Special revenue funds	83,449	713,535	278,304	17,500
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>83,449</b>	<b>713,535</b>	<b>278,304</b>	<b>17,500</b>
<b>Total liabilities and fund balances</b>	<b>\$ 234,471</b>	<b>\$ 715,850</b>	<b>\$ 278,304</b>	<b>\$ 17,500</b>

**CAPITAL PROJECTS**

Capital Outlay Reserve Fund	Cultural Center	Totals
\$ 798,815	\$ -	\$ 798,815
-	-	5,621
-	1,919	236,371
14,850	-	1,020,902
-	110,940	110,940
<u>\$ 813,665</u>	<u>\$ 112,859</u>	<u>\$ 2,172,649</u>
4,184	-	25,982
-	1,919	133,458
<u>4,184</u>	<u>1,919</u>	<u>159,440</u>
809,481	-	809,481
-	-	1,092,788
-	110,940	110,940
<u>809,481</u>	<u>110,940</u>	<u>2,013,209</u>
<u>\$ 813,665</u>	<u>\$ 112,859</u>	<u>\$ 2,172,649</u>

**CITY OF SAN LUIS, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES- NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	<b>SPECIAL REVENUES</b>			
	Police Grants	Judicial Collection Enhancement	Assessment Districts	San Luis Community Facilities District
<b>Revenues:</b>				
Special assessments	\$ -	\$ -	\$ 218,171	\$ -
Intergovernmental	1,066,772	5,150	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	297,806	-	-
Interest Revenues	-	-	-	-
Rents	-	-	-	2,500
<b>Total revenues</b>	<b>1,066,772</b>	<b>302,956</b>	<b>218,171</b>	<b>2,500</b>
<b>Expenditures:</b>				
Current				
General government	-	208,087	-	-
Public safety	872,670	-	-	-
Public works and streets	-	-	50,530	-
Culture and recreation	-	-	167,642	-
Community development	-	-	-	-
Capital outlay	200,699	29,950	-	-
<b>Total expenditures</b>	<b>1,073,369</b>	<b>238,037</b>	<b>218,172</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(6,597)</b>	<b>64,919</b>	<b>(1)</b>	<b>2,500</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in fund balances</b>	<b>(6,597)</b>	<b>64,919</b>	<b>(1)</b>	<b>2,500</b>
<b>Fund balances - beginning</b>	<b>96,267</b>	<b>648,616</b>	<b>278,305</b>	<b>15,000</b>
Prior Period Adjustment	(6,222)	-	-	-
<b>Fund balances - beginning as restated</b>	<b>90,045</b>	<b>648,616</b>	<b>278,305</b>	<b>15,000</b>
<b>Fund balances - ending</b>	<b>\$ 83,448</b>	<b>\$ 713,535</b>	<b>\$ 278,304</b>	<b>\$ 17,500</b>

**CAPITAL PROJECTS**

Capital Outlay Reserve Fund	Cultural Center	Totals
\$ -	\$ -	\$ 218,171
-	192,010	1,263,932
160,107	-	160,107
-	-	297,806
2,354	-	2,354
-	-	2,500
<u>162,461</u>	<u>192,010</u>	<u>1,944,870</u>
20,829	-	228,916
-	-	872,670
-	-	50,530
-	-	167,642
-	2,625	2,625
<u>264,537</u>	<u>325,181</u>	<u>820,367</u>
<u>285,366</u>	<u>327,806</u>	<u>2,142,750</u>
<u>(122,905)</u>	<u>(135,796)</u>	<u>(197,880)</u>
-	211,445	211,445
-	211,445	211,445
<u>(122,905)</u>	<u>75,649</u>	<u>13,565</u>
932,386	35,291	2,005,865
-	-	(6,222)
<u>932,386</u>	<u>35,291</u>	<u>1,999,643</u>
<u>\$ 809,481</u>	<u>\$ 110,940</u>	<u>\$ 2,013,208</u>

**CITY OF SAN LUIS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**MUNICIPAL PROJECT BOND FUND**  
**YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Investment earnings	\$ 700	\$ 700	\$ 1,087	\$ 387
<b>Total revenues</b>	<u>700</u>	<u>700</u>	<u>1,087</u>	<u>387</u>
<b>Expenditures:</b>				
Current				
Community development	-	-	2,398	(2,398)
Debt service				
Interest and fiscal changes	859,000	859,000	852,213	6,787
Principal retirement	295,000	295,000	294,203	797
<b>Total expenditures</b>	<u>1,154,000</u>	<u>1,154,000</u>	<u>1,148,814</u>	<u>5,186</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,153,300)</u>	<u>(1,153,300)</u>	<u>(1,147,727)</u>	<u>5,573</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,159,800	1,159,800	1,147,727	(12,073)
<b>Total other financing sources (uses)</b>	<u>1,159,800</u>	<u>1,159,800</u>	<u>1,147,727</u>	<u>(12,073)</u>
<b>Change in fund balances</b>	6,500	6,500	-	(6,500)
<b>Fund balances - beginning</b>	<u>1,256,619</u>	<u>1,256,619</u>	<u>1,256,619</u>	<u>-</u>
<b>Fund Balances - ending</b>	<u>\$ 1,263,119</u>	<u>\$ 1,263,119</u>	<u>\$ 1,256,619</u>	<u>\$ (6,500)</u>

**CITY OF SAN LUIS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**POLICE GRANTS**  
**YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 2,419,345	\$ 2,132,345	\$ 1,066,772	\$ (1,065,573)
<b>Total revenues</b>	<u>2,419,345</u>	<u>2,132,345</u>	<u>1,066,772</u>	<u>(1,065,573)</u>
<b>Expenditures:</b>				
Current				
Public safety	1,592,850	1,328,138	872,670	455,468
Capital outlay	826,495	846,995	200,699	646,296
<b>Total expenditures</b>	<u>2,419,345</u>	<u>2,175,133</u>	<u>1,073,369</u>	<u>1,101,764</u>
<b>Excess (deficiency) of revenues over expenditures</b>	-	(42,788)	(6,597)	36,191
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in fund balances</b>	-	(42,788)	(6,597)	36,191
<b>Fund balances - beginning</b>	96,267	96,267	96,267	-
<b>Prior period adjustment</b>			(6,222)	(6,222)
<b>Fund balances - beginning restated</b>	<u>96,267</u>	<u>96,267</u>	<u>90,045</u>	<u>(6,222)</u>
<b>Fund Balances - ending</b>	<u>\$ 96,267</u>	<u>\$ 53,479</u>	<u>\$ 83,448</u>	<u>\$ 29,969</u>

**CITY OF SAN LUIS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**JUDICIAL COLLECTION ENHANCEMENT**  
**YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ 5,150	\$ 5,150
Fines and Forfeitures	141,300	141,300	297,806	156,506
<b>TOTAL REVENUES</b>	<u>141,300</u>	<u>141,300</u>	<u>302,956</u>	<u>161,656</u>
<b>Expenditures:</b>				
Current				
General Government	219,730	265,550	208,087	57,463
Capital Outlay	43,000	33,900	29,950	3,950
<b>Total Expenditures</b>	<u>262,730</u>	<u>299,450</u>	<u>238,037</u>	<u>61,413</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(121,430)</u>	<u>(158,150)</u>	<u>64,919</u>	<u>223,069</u>
<b>Other financing sources (uses):</b>				
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in fund balances</b>	(121,430)	(158,150)	64,919	223,069
<b>Fund balances - beginning</b>	<u>648,616</u>	<u>648,616</u>	<u>648,616</u>	<u>-</u>
<b>Fund Balances - ending</b>	<u>\$ 527,186</u>	<u>\$ 490,466</u>	<u>\$ 713,535</u>	<u>\$ 223,069</u>

**CITY OF SAN LUIS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**ASSESSMENT DISTRICTS**  
**YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Special assessments	\$ 231,000	\$ 231,000	\$ 218,171	\$ (12,829)
<b>Total revenues</b>	<u>231,000</u>	<u>231,000</u>	<u>218,171</u>	<u>(12,829)</u>
<b>Expenditures:</b>				
Current				
Public works and streets	53,780	53,780	50,530	3,250
Culture and recreation	<u>177,220</u>	<u>177,220</u>	<u>167,642</u>	<u>9,578</u>
<b>Total expenditures</b>	<u>231,000</u>	<u>231,000</u>	<u>218,172</u>	<u>12,828</u>
<b>Change in fund balances</b>	-	-	(1)	(1)
<b>Fund balances - beginning</b>	<u>278,305</u>	<u>278,305</u>	<u>278,305</u>	-
<b>Fund Balances - ending</b>	<u><u>\$ 278,305</u></u>	<u><u>\$ 278,305</u></u>	<u><u>\$ 278,304</u></u>	<u><u>\$ (1)</u></u>

**CITY OF SAN LUIS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**  
**CAPITAL OUTLAY RESERVE FUND**  
**YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 92,200	\$ 92,200	\$ 160,107	\$ 67,907
Interest revenue	1,800	1,800	2,354	554
<b>Total revenues</b>	94,000	94,000	162,461	68,461
<b>Expenditures:</b>				
Current				
General government	-	45,626	20,829	24,797
Capital Outlay	289,000	268,830	264,537	4,293
<b>Total expenditures</b>	289,000	314,456	285,366	29,090
<b>Change in fund balances</b>	(195,000)	(220,456)	(122,905)	97,551
<b>Fund balances - beginning</b>	932,386	932,386	932,386	-
<b>Fund Balances - ending</b>	\$ 737,386	\$ 711,930	\$ 809,481	\$ 97,551

**CITY OF SAN LUIS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**CULTURAL CENTER**  
**YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 2,419,345	\$ 2,132,345	\$ 192,010	\$ (1,940,335)
<b>Total Revenue</b>	<u>2,419,345</u>	<u>2,132,345</u>	<u>192,010</u>	<u>(1,940,335)</u>
<b>Expenditures:</b>				
Current				
Community Development	1,592,850	1,328,138	2,625	1,325,513
Capital Outlay	826,495	846,995	325,181	521,814
<b>Total Expenditures</b>	<u>2,419,345</u>	<u>2,175,133</u>	<u>327,806</u>	<u>1,847,327</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>(42,788)</u>	<u>(135,796)</u>	<u>(93,008)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	211,445	211,445
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>211,445</u>	<u>211,445</u>
<b>Change in fund balances</b>	-	(42,788)	75,649	118,437
<b>Fund balances - beginning</b>	<u>35,291</u>	<u>35,291</u>	<u>35,291</u>	<u>-</u>
<b>Fund Balances - ending</b>	<u>\$ 35,291</u>	<u>\$ (7,497)</u>	<u>\$ 110,940</u>	<u>\$ 118,437</u>

## **COMPONENT UNITS**

**CITY OF SAN LUIS, ARIZONA  
SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u><b>SLFDC Detention Center</b></u>
<b><u>Increase/(Decrease) In Cash and Cash Equivalents</u></b>	
Cash flows from operating activities:	
Cash received from customers	\$ 11,526,917
Cash payments to suppliers for goods and services	<u>(7,091,250)</u>
<b>Net cash provided by (used for) operating activities</b>	<u>4,435,667</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(1,460,954)
Interest paid on long-term debt	<u>(3,428,052)</u>
<b>Net cash provided by (used for) capital and related financing</b>	<u>(4,889,006)</u>
Cash flows from investing activities:	
Investment income	<u>22,011</u>
<b>Net cash provided by investing activities</b>	<u>22,011</u>
<b>Net decrease in cash and cash equivalents</b>	(431,328)
<b>Cash and cash equivalents, beginning of year</b>	6,630,381
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 6,199,053</u></u>
<b>Cash received from customers:</b>	
Charges for services	\$ 11,526,917
	<u>\$ 11,526,917</u>
<b>Cash payments to suppliers for goods and services</b>	
Cost of sales and services (non-payroll)	\$ (7,091,250)
	<u>\$ (7,091,250)</u>
<b><u>Reconciliation of Operating Income to</u></b>	
<b><u>Net Cash Provided by (Used for) Operating Activities</u></b>	
<b>Operating income (loss)</b>	<u>\$ 2,695,103</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation and amortization	<u>1,740,564</u>
<b>Total adjustments</b>	<u>1,740,564</u>
<b>Net cash provided by (used for) operating activities</b>	<u><u>\$ 4,435,667</u></u>

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

## **STATISTICAL SECTION**

CITY OF SAN LUIS, ARIZONA  
*Statistical Section*

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*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.*

<b><i>Contents</i></b>	<b><i>Page</i></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	55
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the government's most significant local revenue source.	60
<b>Debt Capacity</b> 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
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	70
<b>Operating Information</b> 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.	73

*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 POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)

	Fiscal Year									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Governmental Activities</b>										
Net investment in capital assets	34,204,009	\$33,670,959	\$33,676,211	\$33,561,001	\$20,863,383	\$22,096,036	\$17,025,677	\$20,391,123	\$20,663,152	\$15,413,305
Restricted	2,517,103	1,775,967	1,671,594	1,427,157	4,592,820	4,605,445	10,865,480	4,556,181		
Unrestricted	10,918,683	9,812,934	10,053,672	9,610,455	12,608,868	6,428,171	(3,115,598)	745,087	3,363,416	2,660,857
<b>Total Primary Government Net Position</b>	<b>\$47,639,795</b>	<b>\$45,259,860</b>	<b>\$45,401,477</b>	<b>\$44,598,613</b>	<b>\$38,065,071</b>	<b>\$33,129,652</b>	<b>\$24,775,559</b>	<b>\$25,692,391</b>	<b>\$24,026,568</b>	<b>\$18,074,162</b>
<b>Business-type Activities</b>										
Net investment in capital assets	9,916,229	\$10,549,845	\$11,335,286	\$12,641,773	\$17,754,682	\$14,094,461	\$9,535,191	\$11,232,106	\$10,726,802	\$8,124,475
Restricted	4,052,098	3,872,154	3,741,669	3,785,623	2,645,628	2,183,356	1,547,955	1,547,955	226,160	1,090,777
Unrestricted	2,101,534	1,908,868	2,045,658	2,509,079	2,506,053	2,947,426	3,884,099	2,245,612	1,973,607	982,640
<b>Total Primary Government Net Position</b>	<b>\$16,069,861</b>	<b>\$16,330,867</b>	<b>\$17,122,613</b>	<b>\$18,936,475</b>	<b>\$22,906,363</b>	<b>\$19,225,243</b>	<b>\$14,967,245</b>	<b>\$15,025,673</b>	<b>\$12,926,569</b>	<b>\$10,197,892</b>
<b>Primary Government</b>										
Net investment in capital assets	\$44,120,238	\$44,220,804	\$45,011,497	\$46,202,774	\$38,618,065	\$36,190,497	\$26,560,868	\$31,623,229	\$31,389,954	\$23,537,780
Restricted	6,569,201	5,648,121	5,413,263	5,212,780	7,238,448	6,788,801	12,413,435	6,104,136	226,160	1,090,777
Unrestricted	13,020,217	11,721,802	12,099,330	12,119,534	15,114,921	9,375,597	768,501	2,990,699	5,337,023	3,643,497
<b>Total Primary Government Net Position</b>	<b>\$63,709,656</b>	<b>\$61,590,727</b>	<b>\$62,524,090</b>	<b>\$63,535,088</b>	<b>\$60,971,434</b>	<b>\$52,354,895</b>	<b>\$39,742,804</b>	<b>\$40,718,064</b>	<b>\$36,953,137</b>	<b>\$28,272,054</b>

Source: Statement of Net Position  
City financial records and reports

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

Table II

	Fiscal Year									
Expenses:	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Governmental Activities:</b>										
General Government	6,458,869	\$4,703,849	\$4,096,333	\$4,250,328	\$5,631,037	\$5,640,433	\$2,535,787	\$2,520,296	\$1,388,250	\$1,608,279
Public Safety	6,519,936	6,399,600	6,086,718	6,054,459	12,326,527	9,233,750	6,394,239	5,924,750	4,451,774	3,936,286
Health and Welfare	168,025	197,462	213,814	235,594	329,290	545,081	620,257	297,916	291,955	279,799
Culture and Recreation	2,043,985	1,949,400	1,855,966	2,192,471	2,180,227	2,314,793	1,740,916	1,176,851	877,297	822,843
Community Development	550,348	585,843	698,776	751,305	976,797	718,941	800,806	148,806	4,951	155,004
Public Works & Streets	2,174,454	2,121,419	2,270,980	2,552,573	2,699,630	2,678,498	2,314,026	1,896,622	1,999,728	1,676,159
Interest on Long-Term Debt	891,737	912,848	970,092	989,460	3,480,809	3,234,265	3,012,814	1,957,994	14,295	27,378
<i>Total Governmental activities expenses</i>	<u>\$18,807,354</u>	<u>\$16,870,421</u>	<u>\$16,192,679</u>	<u>\$17,026,190</u>	<u>\$27,624,317</u>	<u>\$24,365,761</u>	<u>\$17,418,845</u>	<u>\$13,923,235</u>	<u>\$9,028,250</u>	<u>\$8,505,748</u>
<b>Business activities</b>										
Water	2,699,661	\$2,578,057	\$2,642,458	\$2,799,088	\$2,847,656	\$2,587,707	\$2,367,415	\$1,661,098	\$1,179,853	\$1,074,019
Wastewater	2,781,638	2,715,388	2,544,486	2,721,154	2,644,682	2,551,794	1,564,941	1,474,714	1,302,412	942,428
Business Center	1,282,395	1,357,589	1,390,561	1,450,087	1,181,660					
Sanitation	939,596	1,060,828	1,008,757	1,206,998	1,177,957	1,189,520	1,237,948	909,711	745,857	693,231
Industrial Park						78,097	132,065	117,716	41,645	127,447
<i>Total business activities expenses</i>	<u>\$7,703,290</u>	<u>\$7,711,862</u>	<u>\$7,586,262</u>	<u>\$8,177,327</u>	<u>\$7,851,955</u>	<u>\$6,407,118</u>	<u>\$5,302,369</u>	<u>\$4,163,239</u>	<u>\$3,269,767</u>	<u>\$2,837,125</u>
Total Primary Government expenses	<u>\$26,510,644</u>	<u>\$24,582,283</u>	<u>\$23,778,941</u>	<u>\$25,203,517</u>	<u>\$35,476,272</u>	<u>\$30,772,879</u>	<u>\$22,721,214</u>	<u>\$18,086,474</u>	<u>\$12,298,017</u>	<u>\$11,342,873</u>
<b>Program revenues</b>										
<b>Governmental activities</b>										
<b>Charges for services</b>										
General Government	2,226,528	\$1,002,249	\$531,031	\$587,365	\$578,509	\$713,179	\$604,973	\$998,456	\$662,687	\$776,411
Public Safety	867,899	677,226	686,632	374,162	363,882	216,217	61,832	329,719	349,825	276,681
Health and Welfare	0	-					4,640			
Culture and Recreation	219,142	284,797	264,622	176,077	66,070	74,558	47,877	37,112	40,075	40,050
Community Development	497,921	334,557	318,051	407,927	395,856	584,126	911,345			59,565
Public Works & Streets	50,530	49,978	49,368	33,432	169,935	341,947	153,609			
Operating Grants and Contributions	3,343,398	2,601,626	2,715,700	2,251,704	2,471,619	2,875,139	2,625,838	1,084,459	499,777	435,270
Capital Grants and Contributions	947,390	122,614	1,314,549	547,555	6,312,084	9,693,641	421,405	2,290,980	798,070	801,981
<i>Total Governmental activities program revenues</i>	<u>8,152,808</u>	<u>5,073,047</u>	<u>5,879,953</u>	<u>4,378,222</u>	<u>10,357,955</u>	<u>14,498,807</u>	<u>4,831,519</u>	<u>4,740,726</u>	<u>2,350,434</u>	<u>2,389,958</u>
<b>Business activities</b>										
<b>Charges for services</b>										
Water	3,056,742	\$2,884,311	\$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	2,156,201	1,975,447	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	629,265	629,265	629,265	629,268	618,777	629,265	115,365			
Sanitation	1,117,185	1,056,628	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	481,955	361,918			2,512,240	5,707,191	10,865	2,061,206		1,896,083
<i>Total business activities program revenues</i>	<u>7,441,348</u>	<u>6,907,569</u>	<u>5,762,207</u>	<u>5,642,003</u>	<u>7,861,715</u>	<u>10,858,230</u>	<u>4,547,348</u>	<u>6,012,427</u>	<u>3,780,708</u>	<u>4,890,394</u>
Total primary government program revenues	<u>15,594,156</u>	<u>11,980,616</u>	<u>11,642,160</u>	<u>10,020,225</u>	<u>18,219,670</u>	<u>25,357,037</u>	<u>9,378,867</u>	<u>10,753,153</u>	<u>6,131,142</u>	<u>7,280,352</u>

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Net (Expense)/Revenue</b>										
Governmental Activities:	(10,654,546)	(11,797,374)	(10,312,726)	(12,647,968)	(17,266,362)	(9,866,954)	(12,587,326)	(9,182,509)	(6,677,816)	(6,115,790)
Business activities	(261,942)	(804,293)	(1,824,055)	(2,535,324)	9,760	4,451,112	(755,021)	1,849,188	510,941	2,053,269
Total primary government net (expense) revenue	(10,916,488)	(12,601,667)	(12,136,781)	(15,183,292)	(17,256,602)	(5,415,842)	(13,342,347)	(7,333,321)	(6,166,875)	(4,062,521)
<b>General Revenues and Other Changes in net Position</b>										
Governmental Activities										
Taxes										
Sales and use taxes	\$6,531,779	\$6,073,811	\$5,659,566	\$7,498,691	\$7,125,840	\$4,621,222	\$3,901,795	\$3,896,708	\$2,914,039	\$2,345,057
State Sales taxes	\$2,104,763	\$1,992,968	\$1,771,253	\$1,682,728	\$1,824,384	\$2,107,358	\$2,179,431	\$1,678,573	\$1,419,435	\$1,289,043
Franchise taxes	432,371	397,532	381,836	351,505	346,429	337,757	269,360	189,364	160,181	156,651
Other taxes	1,296	95,172	32,715	76,342	12,347	34,274	186,530	349,613		
State shared Revenues	3,620,684	3,004,462	3,068,811	3,808,394	4,301,757	4,132,392	3,501,429	3,245,336	3,481,272	3,210,332
Investment Earnings	28,197	12,341	12,032	10,072	13,748	240,139	694,606	329,383	57,865	31,536
Miscellaneous	321,613	79,471	189,377	41,593	222,292	-	568,107	271,111	120,119	80,593
Transfer in (out)				(169,525)	-					
Total governmental activities	\$13,040,703	\$11,655,757	\$11,115,590	\$13,299,800	\$13,846,797	\$11,473,142	\$11,301,258	\$9,960,088	\$8,152,911	\$7,113,212
Business activities										
Investment Earnings	\$20,935	\$10,130	\$10,194	\$17,994	\$32,580	\$191,587	\$813,066	\$247,218	\$31,094	\$26,909
Miscellaneous	(\$19,999)	\$2,417						46,208	24,953	22,027
Transfer in (out)				169,525						
Total Business activities	\$936	\$12,547	\$10,194	\$187,519	\$32,580	\$191,587	\$813,066	\$293,426	\$56,047	\$48,936
Total primary government	\$13,041,639	\$11,668,304	\$11,125,784	\$13,487,319	\$13,879,377	\$11,664,729	\$12,114,324	\$10,253,514	\$8,208,958	\$7,162,148
<b>Change in net Position</b>										
Governmental Activities	\$2,386,157	(\$141,617)	\$802,864	\$651,832	(\$3,419,565)	\$1,606,188	(\$1,286,068)	\$777,579	\$1,475,095	\$997,422
Business activities	(261,006)	(791,746)	(1,813,861)	(2,347,805)	42,340	4,642,699	58,045	2,142,614	566,988	2,102,205
Total Primary Government	\$2,125,151	(\$933,363)	(\$1,010,997)	(\$1,695,973)	(\$3,377,225)	\$6,248,887	(\$1,228,023)	\$2,920,193	\$2,042,083	\$3,099,627

Source: City financial records and reports

(concluded)

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

	Fiscal Year									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund										
Nonspendable	\$99,774	\$211,131	\$1,218,352	-	-	-	-	-	-	-
Committed	106,250	106,250	-	-	-	-	-	-	-	-
Unassigned	7,139,348	5,599,699	5,314,536	-	-	-	-	-	-	-
<b>Total General Fund</b>	<b>\$7,345,372</b>	<b>\$5,917,080</b>	<b>\$6,532,888</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
All other governmental funds										
Nonspendable	\$147,511	\$65,677	\$31,625	-	-	-	-	-	-	-
Restricted	1,223,913	488,962	383,351	-	-	-	-	-	-	-
Assigned	3,158,888	3,227,193	3,532,974	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$4,530,312</b>	<b>\$3,781,832</b>	<b>\$3,947,950</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
General Fund										
Unreserved	-	-	-	6,244,397	3,554,287	823,410	748,003	1,872,500	2,143,403	1,347,280
<b>Total General Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,244,397</b>	<b>\$3,554,287</b>	<b>\$823,410</b>	<b>\$748,003</b>	<b>\$1,872,500</b>	<b>\$2,143,403</b>	<b>\$1,347,280</b>
All other governmental funds										
Reserved	-	-	-	\$1,320,251	\$4,426,742	\$3,441,745	\$7,779,313	\$1,010,649	-	-
Unreserved, reported in:										
Undesignated	-	-	-	43,273	1,581,519	667,614	744,443	12,428,076	438,472	669,301
Special revenue funds	-	-	-	1,163,015	1,057,942	980,483	690,345	452,796	397,758	341,486
Capital projects funds	-	-	-	946,543	1,555,997	50	(114,244)	1,187,116	639,207	446,460
<b>Total all other governmental funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,473,082</b>	<b>\$8,622,200</b>	<b>\$5,089,892</b>	<b>\$9,099,857</b>	<b>\$15,078,637</b>	<b>\$1,475,437</b>	<b>\$1,457,247</b>
<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>\$11,875,684</b>	<b>\$9,698,912</b>	<b>\$10,480,838</b>	<b>\$9,717,479</b>	<b>\$12,176,487</b>	<b>\$5,913,302</b>	<b>\$9,847,860</b>	<b>\$16,951,137</b>	<b>\$3,618,840</b>	<b>\$2,804,527</b>

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

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

	Fiscal Year									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>										
Taxes	\$6,965,446	\$6,566,515	\$6,074,117	\$7,926,538	\$7,484,617	\$4,993,254	\$4,357,685	\$4,435,261	\$3,074,220	\$2,501,708
Special Assessments	218,171	290,987	267,579	156,102	169,935	341,947	153,609	72,399	80,703	62,371
Licenses and permits	389,295	349,777	355,759	393,365	458,802	555,409	673,105	1,338,032	582,685	908,744
Interest earnings	24,266	11,437	12,032	10,072	13749	166,878	694,607	329,383	57,883	32,045
Fines and forfeits	792,994	523,053	491,230	553,262	549,231	592,197	445,553	362,062	346,200	276,681
Intergovernmental	9,030,736	7,605,264	8,763,843	7,846,596	9,191,793	9,134,943	8,708,833	6,667,206	5,914,749	5,509,876
Charges for user services	214,180	160,919	151,474	304,930	358,428	514,023	640,635	-	-	-
Rents	674,019	659,222	712,121	384,118	358,520	240,935	22,498	-	-	-
Others	577,687	140,909	167,388	103,039	230,842	210,196	99,902	346,337	351,615	211,744
<b>Total revenues</b>	<b>\$18,886,794</b>	<b>\$16,308,083</b>	<b>\$16,995,543</b>	<b>\$17,678,022</b>	<b>\$18,815,917</b>	<b>\$16,749,781</b>	<b>\$15,796,427</b>	<b>\$13,550,680</b>	<b>\$10,408,055</b>	<b>\$9,503,170</b>
<b>Expenditures:</b>										
General government	4,251,259.00	\$4,032,759	\$3,636,045	\$3,775,913	\$3,889,489	\$3,826,844	\$2,729,881	\$2,327,863	\$1,246,052	\$1,460,237
Public safety	6,194,930	6,089,036	5,695,080	5,701,487	5,562,706	5,561,179	5,463,125	5,604,614	4,255,975	3,767,547
Public works	1,276,486	1,238,738	1,403,846	1,679,798	1,867,333	2,100,147	1,800,433	1,927,219	1,542,353	1,330,477
Community, recreational, and cultural	2,254,791	2,198,001	2,239,756	2,648,083	3,339,382	2,624,039	2,044,387	1,224,022	806,223	928,080
Health and welfare	141,225	165,387	187,211	201,555	288,465	512,345	586,007	268,325	264,484	254,001
Capital outlay	1,280,367	921,671	1,649,441	1,289,406	2,058,853	6,854,982	9,617,830	3,631,564	1,694,147	791,852
Debt service/authorities:										
Interest	859,513	880,623	928,920	948,289	839,906	791,882	786,950	606,964	14,295	27,378
Principal	445,229	477,261	492,044	542,425	408,910	319,375	481,962	234,843	89,200	123,357
Bond issue costs	-	-	-	-	-	-	-	1,319,899	-	-
<b>Total expenditures</b>	<b>\$16,703,800</b>	<b>\$16,003,476</b>	<b>\$16,232,343</b>	<b>\$16,786,956</b>	<b>\$18,255,044</b>	<b>\$22,590,793</b>	<b>\$23,510,575</b>	<b>\$17,145,313</b>	<b>\$9,912,729</b>	<b>\$8,682,929</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$2,182,994</b>	<b>\$304,607</b>	<b>\$763,200</b>	<b>\$891,066</b>	<b>\$560,873</b>	<b>(\$5,841,012)</b>	<b>(\$7,714,148)</b>	<b>(\$3,594,633)</b>	<b>\$495,326</b>	<b>\$820,241</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Premium on debt issued	-	-	-	-	-	-	-	286,279	-	-
Debt issued	-	-	-	-	-	-	-	15,586,908	-	-
Notes Issued	-	-	-	-	3,025,000	375,628	40,000	10,000	-	-
capital leases	-	-	-	-	-	1,115,798	9,871	1,043,680	436,386	50,876
Transfer from Other Funds	1,359,172	1,198,137	1,153,242	18,537	43,605	612,201	161,193	-	-	349,873
Transfer to Other Funds	(1,359,172)	(2,284,670)	(1,153,242)	(188,062)	(43,605)	(612,201)	(161,193)	-	-	(359,914)
<b>Total other financing sources (Uses)</b>	<b>0</b>	<b>(1,086,533)</b>	<b>0</b>	<b>(169,525)</b>	<b>3,025,000</b>	<b>1,491,426</b>	<b>49,871</b>	<b>16,926,867</b>	<b>436,386</b>	<b>40,835</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,182,994</b>	<b>(781,926)</b>	<b>763,200</b>	<b>721,541</b>	<b>3,585,873</b>	<b>(4,349,586)</b>	<b>(7,664,277)</b>	<b>13,332,234</b>	<b>931,712</b>	<b>861,076</b>
Debt Services as a percentage of noncapital expenditures	8.42%	8.95%	9.68%	9.62%	7.61%	7.23%	9.00%	6.21%	1.25%	1.74%

Source: City financial records and reports

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

	Fiscal Year									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental Activities:										
Charges for service										
General Government	2,226,528	\$1,002,249	\$531,031	\$587,365	\$648,751	\$713,179	\$604,973	\$998,456	\$662,687	\$776,411
Public Safety	867,899	677,226	686,632	356,262	363,882	216,217	61,832	329,719	349,825	276,681
Health and Welfare	-	-	-	-	-	-	4,640	-	-	-
Culture and Recreation	219,142	284,797	264,622	176,077	66,070	74,558	47,877	37,112	40,075	40,050
Community Development	497,921	334,557	318,051	407,927	395,856	584,126	911,345	-	-	59,565
Public Works & Streets	50,530	49,978	49,368	33,432	169,935	341,947	153,609	-	-	-
Operating grants and contributions	3,343,398	2,601,626	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	947,390	122,614	1,314,549	547,555	6,241,842	9,693,641	421,404	2,290,980	798,070	801,981
<i>Total governmental activities program revenues</i>	<u>\$8,152,808</u>	<u>\$5,073,047</u>	<u>\$5,879,953</u>	<u>\$4,378,222</u>	<u>\$10,357,955</u>	<u>\$14,498,807</u>	<u>\$4,831,519</u>	<u>\$4,740,726</u>	<u>\$2,350,434</u>	<u>\$2,389,958</u>
Business activities										
Charges for service										
Water	3,056,742	\$2,884,311	\$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	2,156,201	1,975,447	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	629,265	629,265	629,265	629,268	618,777	629,265	115,365	-	-	-
Sanitation	1,117,185	1,056,628	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	481,955	361,918	-	-	2,512,240	5,707,191	10,865	2,061,206	-	1,896,083
<i>Total business activities program revenues</i>	<u>\$7,441,348</u>	<u>\$6,907,569</u>	<u>\$5,762,207</u>	<u>\$5,642,003</u>	<u>\$7,861,715</u>	<u>\$10,858,230</u>	<u>\$4,547,348</u>	<u>\$6,012,427</u>	<u>\$3,780,708</u>	<u>\$4,890,394</u>
<b>Total primary government program revenues</b>	<u><u>\$15,594,156</u></u>	<u><u>\$11,980,616</u></u>	<u><u>\$11,642,160</u></u>	<u><u>\$10,020,225</u></u>	<u><u>\$18,219,670</u></u>	<u><u>\$25,357,037</u></u>	<u><u>\$9,378,867</u></u>	<u><u>\$10,753,153</u></u>	<u><u>\$6,131,142</u></u>	<u><u>\$7,280,352</u></u>

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Governmental Activities</b>										
General Government	2,288,465	\$1,029,723	\$554,389	\$640,571	\$722,004	\$719,519	\$608,191	\$1,599,795	\$1,028,777	\$776,411
Public Safety	2,184,656	1,746,600	1,746,918	910,540	9,589,253	779,629	403,758	702,471	748,064	614,623
Health and Welfare	-	-	-	-	-	-	8,420	-	-	-
Culture and Recreation	302,596	343,483	320,814	198,810	273,942	108,843	178,001	643,614	40,075	458,631
Community Development	497,921	334,557	1,529,630	527,822	1,025,956	693,867	960,408	-	-	59,565
Public Works & Streets	2,879,170	1,618,684	1,728,202	2,100,479	7,343,275	2,553,786	2,672,742	1,794,846	533,518	480,728
Unallocated General Revenues	13,040,703	11,655,757	11,115,590	13,299,800	13,846,797	11,473,142	11,301,258	9,960,088	8,152,911	7,113,212
<b>Total Governmental Activities</b>	<b>\$21,193,511</b>	<b>\$16,728,804</b>	<b>\$16,995,543</b>	<b>\$17,678,022</b>	<b>\$32,801,227</b>	<b>\$16,328,786</b>	<b>\$16,132,778</b>	<b>\$14,700,814</b>	<b>\$10,503,345</b>	<b>\$9,503,170</b>
<b>Business activities</b>										
Water	3,106,217	2,894,971	\$2,547,790	\$2,409,843	\$2,472,311	\$2,167,833	\$2,027,490	\$3,190,423	\$1,391,744	\$1,442,838
Wastewater	2,588,681	2,326,705	1,537,835	1,456,616	1,092,549	1,244,636	1,322,180	1,763,919	1,516,730	976,037
Business Center	629,265	629,265	629,265	-	-	-	-	-	-	-
Sanitation	1,117,185	1,056,628	1,047,317	1,146,276	1,553,236	1,081,687	983,383	978,123	792,152	558,178
Industrial Park	-	-	-	169,525	-	27,618	98,930	79,962	80,082	66,202
Unallocated General Revenues	936	12,547	10,194	187,519	32,580	191,587	813,066	293,426	56,047	48,936
<b>Total Business Activities</b>	<b>\$7,442,284</b>	<b>\$6,558,198</b>	<b>\$5,772,401</b>	<b>\$5,369,779</b>	<b>\$5,150,676</b>	<b>\$4,713,361</b>	<b>\$5,245,049</b>	<b>\$6,305,853</b>	<b>\$3,836,755</b>	<b>\$3,092,191</b>

## Notes:

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
City Sales Tax	\$6,531,779	\$6,073,811	\$5,659,566	\$7,498,691	\$7,125,840	\$4,621,222	\$3,901,795	\$3,896,708	\$2,914,039	\$2,345,057
State Sales taxes	2,104,763	1,992,968	1,771,253	1,682,728	1,824,384	2,107,358	2,179,431	1,678,573	1,419,435	1,289,043
Franchise Tax	432,371	397,532	381,836	351,505	346,429	337,757	269,360	189,364	160,181	156,651
Special Districts*	218,171	290,987	267,579	156,102	169,935	341,947	153,609	72,399	80,703	62,371
Others	1,296	95,172	32,715	76,342	12,347	34,274	170,120	349,613	-	-
<b>Total tax revenues</b>	<b>\$9,288,380</b>	<b>\$6,857,502</b>	<b>\$8,112,949</b>	<b>\$9,765,367</b>	<b>\$9,478,935</b>	<b>\$7,442,559</b>	<b>\$6,674,315</b>	<b>\$6,186,657</b>	<b>\$4,574,357</b>	<b>\$3,853,122</b>

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

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

	Fiscal Year									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
State Shared Sales Tax	\$2,104,763	\$1,992,968	\$1,771,253	\$1,682,728	\$1,824,384	\$2,107,358	\$2,179,431	\$1,678,573	\$1,419,435	\$1,289,043
Urban Revenue Sharing	2,605,281	2,152,641	2,231,840	2,960,504	3,417,109	3,226,939	2,603,373	1,604,204	1,408,514	1,383,813
Highway Users	2,041,357	1,562,498	1,678,834	1,700,626	1,804,058	2,093,904	2,098,587	1,492,855	1,627,818	1,420,376
Auto-in-lieu	1,015,403	851,821	836,971	847,890	884,648	905,453	898,056	687,255	605,121	562,794
Local Transportation Aid	-	-	-	35,312	104,499	108,840	109,993	105,205	101,538	97,328
Federal	1,130,716	1,004,693	2,177,538	565,787	1,152,596	679,861	819,393	1,099,113	747,876	738,482
Others	133,216	40,643	67,407	53,749	4,499	12,588	-	-	4,448	18,041
<b>Total tax revenues</b>	<b>\$9,030,736</b>	<b>\$7,605,264</b>	<b>\$8,763,843</b>	<b>\$7,846,596</b>	<b>\$9,191,793</b>	<b>\$9,134,943</b>	<b>\$8,708,833</b>	<b>\$6,667,206</b>	<b>\$5,914,749</b>	<b>\$5,509,876</b>

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 EIGHT FISCAL YEARS**

	Fiscal Year							
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Retail Sales	\$3,288,946	\$3,046,645	\$2,901,155	\$2,813,146	\$3,069,240	\$1,846,807	\$1,396,322	\$1,459,863
Contracting	\$1,468,887	\$1,574,491	1,413,388	3,354,443	2,776,939	1,815,150	1,635,271	1,651,766
Rentals	\$297,456	\$280,163	244,048	274,975	301,065	197,161	150,024	147,024
Communications/Utilities	\$959,929	\$624,166	570,915	584,850	560,704	402,304	357,975	326,738
Restaurant/Bar	\$371,107	\$342,810	309,338	294,048	249,331	235,140	206,264	208,974
Use	\$84,108	\$131,100	83,071	110,978	58,856	45,286	42,343	59,446
Other	\$61,346	\$74,436	137,650	66,250	109,705	79,374	113,595	42,897
	<u>\$6,531,779</u>	<u>\$6,073,811</u>	<u>\$5,659,566</u>	<u>\$7,498,691</u>	<u>\$7,125,840</u>	<u>\$4,621,222</u>	<u>\$3,901,795</u>	<u>\$3,896,708</u>
% Growth by year								
Retail Sales	8.0%	5.0%	3.1%	-8.3%	66.2%	32.3%	-4.4%	49.9%
Contracting	-6.7%	11.4%	-57.9%	20.8%	53.0%	11.0%	-1.0%	22.9%
Rentals	6.2%	14.8%	-11.2%	-8.7%	52.7%	31.4%	2.0%	27.0%
Utilities	53.8%	9.3%	-2.4%	4.3%	39.4%	12.4%	9.6%	50.2%
Restaurant/Bar	8.3%	10.8%	5.2%	17.9%	6.0%	14.0%	-1.3%	27.7%
Use	-35.8%	57.8%	-25.1%	88.6%	30.0%	7.0%	-28.8%	37.9%
Other	-17.6%	-45.9%	107.8%	-39.6%	38.2%	-30.1%	164.8%	-23.7%
	<u>16.0%</u>	<u>63.3%</u>	<u>19.5%</u>	<u>75.0%</u>	<u>285.5%</u>	<u>77.9%</u>	<u>141.0%</u>	<u>191.9%</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 NINE YEARS AGO**

	2013				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	485	28.46%	\$3,288,946	50.35%	260	30.84%	\$974,168	33.43%
Contracting	646	37.91%	1,468,887	22.49%	268	31.79%	1,343,611	46.11%
Rentals	116	6.81%	297,456	4.55%	99	11.74%	115,779	3.97%
Communications/Utilities	60	3.52%	959,929	14.70%	50	5.93%	217,532	7.46%
Restaurant/Bar	38	2.23%	371,107	5.68%	22	2.61%	163,583	5.61%
Use	195	11.44%	84,108	1.29%	63	7.47%	43,122	1.48%
Other	164	9.62%	61,346	0.94%	81	9.61%	56,243	1.93%
	<b>1,704</b>	<b>100%</b>	<b>\$6,531,779</b>	<b>100%</b>	<b>843</b>	<b>100%</b>	<b>\$2,914,039</b>	<b>100%</b>

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	Per Capita
	Municipal Bonds	Notes Payable	Capital Leases	Municipal Bonds/Loans	Notes Payable	Capital Leases			
2013	\$14,698,048	\$3,323,879	\$0	\$33,642,562	\$834,330	\$0	\$52,498,819	5.61%	1,602
2012	15,001,198	3,347,536	133,235	34,113,235	844,703	54,246	53,494,153	7.65%	2,057
2011	15,292,656	3,970,481	305,037	34,565,602	866,495	173,673	54,653,849	6.40%	2,102
2010	15,574,373	3,992,005	582,176	24,277,708	864,211	350,649	55,839,041	6.06%	2,148
2009	15,846,348	4,013,134	945,566	24,699,558	866,495	524,699	57,074,895	6.25%	2,238
2008	15,855,295	1,009,406	1,507,405	24,709,436	-	432,321	50,449,133	6.05%	1,964
2007	15,864,241	43,087	1,379,787	24,719,314	-	518,948	47,441,822	7.47%	1,924
2006	15,873,187	8,059	1,375,100	24,729,192	-	705,780	42,088,939	7.15%	1,777
2005	-	194,000	665,346	-	-	208,524	8,239,323	1.53%	369
2004	-	283,200	377,680	-	-	255,780	8,471,575	1.76%	394

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  
PLEGGED REVENUE COVERAGE -CIVIC IMPROVEMENT CORPORATION  
GOVERNMENTAL PORTION  
LAST EIGHT FISCAL YEARS**

	Fiscal Year							
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Pledged revenues (1)	13,283,180	11,781,918	11,341,493	\$12,882,852	\$13,168,416	\$10,790,053	\$9,624,486	\$7,885,545
Debt service requirements (2)								
Principal	\$294,203	\$282,513	\$272,771	\$263,029	-	-	-	-
Interest	691,906	703,624	714,730	725,117	730,049	730,049	730,049	511,034
Total Annual Requirements	<u>\$986,109</u>	<u>\$986,137</u>	<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	13.47	11.95	11.49	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

(1) Pledged revenues on the Civic Improvement Corporation (CIC ) bonds are the "Excise Taxes", "State Shared Revenues", Licenses and Permit Fees, and Franchise fees. Excise Taxes are defined to include the transaction privilege and business taxes, which the City imposes.

State Shared Revenues are defined as any excise tax, transaction privilege and use taxes and income taxes imposed by the State of Arizona and allocated or apportioned to the City, except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes.

(2) Debt service requirements reflect the governmental portion of outstanding CIC issues.

Water and Wastewater allocations of CIC issues are excluded. Those portions are serviced by the Water Utility, Wasterwater Utility funds.

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

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

	Fiscal Year							
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Gross Revenues	(1) \$5,232,580	\$4,869,271	\$4,095,810	\$3,866,459	\$4,025,548	\$3,412,469	\$3,273,310	\$2,915,084
Operating Expenses	(2) 4,259,081	4,042,114	3,954,072	3,061,620	3,222,085	3,069,232	3,052,599	2,368,587
Net Revenues available	\$973,499	\$827,157	\$141,738	\$804,839	\$803,463	\$343,237	\$220,711	\$546,497
Debt Service Requirements								
Principal	(3) \$460,797	\$442,487	\$427,229	\$411,971	- \$	- \$	- \$	- \$
Interest	(4) 1,083,702	1,102,056	1,119,450	1,135,719	1,143,444	1,143,444	1,143,444	800,411
Total bond Expense	\$1,544,499	\$1,544,543	\$1,546,679	\$1,547,690	\$1,143,444	\$1,143,444	\$1,143,444	\$800,411
Ratio of Total Revenue/Bond Expense	0.630	0.536	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**  
**Computation of Direct and Overlapping Debt\***  
**June 30, 2013**

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Arizona Western College	62,590,000	5.34% (1)	3,340,501
Gadsen Elementary School District	225,000	83.33% (2)	187,500
Yuma County Library	45,540,000	5.34% (1)	2,430,523
Yuma Union High School District No 70	22,135,000	5.34% (1)	<u>1,181,371</u>
Subtotal Overlapping Debt			7,139,895
City of San Luis	17,798,272	100.00% (3)	<u>17,798,272</u>
Total Direct and Overlapping Debt			24,938,167

Sources: YUMA County Finance Department

Note: (1) Based on State and County abstract of the assessment Roll, Arizona Department of Revenue  
(2) School District valuation applicable percentage based on attendees  
(3) City Records

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

<b>Fiscal Year</b>	<b>(1) Population</b>	<b>(3) Personal Income</b>	<b>(2) Labor force</b>	<b>(2) Employment</b>	<b>(2) Unemployment</b>	<b>(2) Unemployment rate percentage</b>
2013	32,763	\$28,548	17,965	6,000	11,965	66.6%
2012	26,000	\$26,889	17,249	5,614	11,635	67.5%
2011	26,000	\$32,828	15,896	5,489	10,407	65.5%
2010	25,505	36,103	8,466	4,109	4,357	51.5%
2009	25,682	35,584	7,986	4,175	3,811	47.7%
2008	24,654	33,838	7,176	4,267	2,909	40.5%
2007	23,680	26,804	6,150	5,057	2,093	34.0%
2006	22,351	26,352	6,375	4,112	2,263	35.5%
2005	21,488	25,036	6,668	4,000	2,668	40.0%
2004	20,158	23,857	6,355	3,865	2,490	39.2%

Data Sources:

(1) Census Bureau

(2) AZ. Department of Economic Security

(3) Greater Yuma Economic Development Corporation

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

Employer	2013			2005		
	# of Employees	Rank	Percentage of City Employment	# of Employees	Rank	Percentage of City Employment
Gadsen Unified School District	845	3	14.08%	460	2	11.50%
ACT Call Center	812	1	13.53%	-	-	-
Arizona State Prison	800	2	13.33%	700	1	17.50%
Factor Sales	403	4	6.72%	150	4	3.75%
Walmart	290	5	4.83%	-	-	-
City of San Luis	237	6	3.95%	180	3	4.50%
San Luis Detention Center	130	7	2.17%	-	-	-
Journey Homes	-	-	-	130	5	3.25%
Riedel Construction	-	-	-	120	7	3.00%
Basha's/Food City	-	-	-	120	6	3.00%
<b>Total Employees</b>	<b>3,517</b>		<b>58.62%</b>	<b>1,860</b>		<b>46.50%</b>

Source: Individual Organizations

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund										
General Government	57	54	52	51	56	56	54	58	57	40
Public Safety	90	87	86	77	72	72	70	67	67	67
Health and Welfare	2	2	2	3	3	3	3	3	3	3
Culture and Recreation	36	28	22	21	26	26	20	19	19	19
Community Development	9	9	9	11	10	10	9	8	8	7
Sub total General Fund	194	180	171	163	167	167	156	155	154	136
General Fund	194	180	171	163	167	167	156	155	154	136
Public Works & Streets	11	13	15	16	20	20	20	20	20	20
Enterprise Funds	32	26	30	31	33	33	28	28	28	28
Total Permanent Positions	237	219	216	210	220	220	204	203	202	184

Source:

City Payroll

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

	<b>Utility Rate Increases &amp; Average Bill</b>									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Water</b>										
Average bill	\$41.72	\$38.31	\$36.56	\$33.92	\$35.70	\$33.58	\$31.24	\$29.84	\$25.55	\$26.89
% Increase	8.89%	4.80%	7.78%	-5.00%	6.31%	7.48%	4.69%	16.83%	-5.01%	26.35%
<b>Wastewater</b>										
Average bill	\$31.57	\$29.41	\$23.24	\$22.10	\$24.58	\$21.30	\$22.41	\$22.01	\$29.83	\$20.93
% Increase	7.34%	26.53%	5.19%	-10.11%	15.40%	-4.96%	1.83%	-26.20%	42.51%	47.53%
<b>Residential Solid Waste</b>										
Average bill	\$17.11	\$16.45	\$15.89	\$17.60	\$17.66	\$17.96	\$17.24	\$18.36	\$15.65	\$11.90
% Increase	4.07%	3.51%	-9.74%	-0.34%	-1.67%	4.16%	-6.09%	17.33%	31.52%	3.07%

Source: City Customer Service and Billing records

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

	<b>Utility Accounts</b>									
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>Water</b>										
Number of Accounts	5,890	6,036	5,701	5,865	5,722	5,316	5,105	4,805	4,540	4,319
% Increase	-2.42%	5.88%	-2.80%	2.50%	7.64%	4.13%	6.24%	5.84%	5.12%	9.09%
<b>Wastewater</b>										
Number of Accounts	5,688	5,597	5,514	5,491	5,264	4,869	4,683	4,438	4,215	3,886
% Increase	1.63%	1.51%	0.42%	4.31%	8.11%	3.97%	5.52%	5.29%	8.47%	10.68%
<b>Residential Solid Waste</b>										
Number of Accounts	5,366	5,249	5,172	5,330	5,082	4,857	4,679	4,439	4,218	3,909
% Increase	2.23%	1.49%	-2.96%	4.88%	4.63%	3.80%	5.41%	5.24%	7.90%	10.64%

Source: City Customer Service and Billing records

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

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

<u>Meter Size</u>	-----Service Fees-----				
	<u>Residential</u>		<u>Commercial/Government/School</u>		
	<u>1st 2,000 G</u>	<u>Excess/000's</u>	<u>1st 2,000 G</u>	<u>Commercial / Gov't Excess/000's</u>	<u>School</u>
5/8" - 3/4"	\$10.94	\$1.67	\$27.82	\$2.11	\$2.34
1"	N/A	N/A	46.46	2.11	2.34
1 1/2"	N/A	N/A	92.64	2.11	2.34
2"	N/A	N/A	148.28	2.11	2.34
3"	N/A	N/A	324.66	2.11	2.34
4"	N/A	N/A	1,112.80	2.11	2.34
6"	N/A	N/A	2,318.34	2.11	2.34
8"	N/A	N/A	3,338.41	2.01	2.34

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

<u>Meter Size</u>	-----Service Fees-----			
	<u>Residential</u>		<u>Commercial / Gadsden school</u>	
	<u>Base</u>	<u>Excess/000's</u>	<u>Base</u>	<u>Volume/000's</u>
Senior 60+ yrs	\$12.39	N/A	N/A	N/A
5/8" - 3/4"	\$24.49	N/A	\$15.00	\$1.51
1" - 8"	N/A	N/A		Varies
2" School			126.02	N/A
2" Gadsden	33.84	N/A		

Source: City Customer Service and Billing records

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Miscellaneous data on water utility</b>										
Annual Consumption (000's gal)	962,719	1,025,510	1,122,644	1,052,673	1,030,064	1,089,127	1,118,302	1,218,587	789,808	750,644
Avg gallons/account/month	13,621	14,158	16,410	15,387	14,636	15,862	17,530	19,892	13,698	13,778
Avg gallons/account/year	163,452	169,899	196,920	184,647	175,629	190,340	210,365	238,705	164,372	165,340
Avg. daily demand (MGD)	454	472	547	513	488	529	584	663	457	459
Peak demand (MGD)	3.43	3.43	3.43	3.33	3.23	3.23	3.23	3.23	3.23	3.23
Number of wells in system	12	12	12	12	12	12	12	10	10	10
Available storage capacity (million Gallons)	4,025	4,025	4,025	4,025	4,025	4,025	4,025	3,025	3,127	3,127
<b>Miscellaneous data on wastewater utility</b>										
Treatment plant capacity (000's)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	1,500	1,500
Annual wastewater treated (000's)	457,864	437,574	445,704	437,715	433,508	418,973	467,808	473,542	371,182	361,998
Average daily flow (000's)	1,340	1,340	1,340	1,340	1,340	1,340	1,340	1,340	1,000	1,000

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

		<b>Building Permits</b>									
		<b>Fiscal Year</b>									
		<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Commercial											
	Number of Permits	16	16	13	12	12	16	11	7	N/A	N/A
	Value	\$5,943	\$5,943	\$7,560	\$1,048	\$3,629	\$3,059	\$13,879	\$17,274	\$1,111	\$15,211
Residential											
	Number of Dwelling Units	81	81	68	182	245	193	259	315	N/A	N/A
	Value	\$12,627	\$12,627	\$11,078	\$20,338	\$24,754	\$21,041	\$25,324	\$28,125	\$14,575	\$15,973
Other											
	Number of Permits	149	149	134	127	162	216	268	183	N/A	N/A
	Value	\$2,452	\$2,452	\$1,554	\$1,165	\$2,652	\$2,736	\$2,941	\$2,101	\$273	\$55
		<b>Single Family Housing Sales</b>									
		<b>Calendar Year</b>									
		<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
New units sold		N/A	N/A	63	85	218	231	215	328	161	472

Source: City Development Services

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

	Fiscal Year									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>General Government</b>										
City Hall										
Building	1	1	1	1	1	1	1	1	1	1
Vehicle	18	18	17	19	18	17	13	9	7	5
<b>Public Safety</b>										
Building	2	2	2	2	2	2	2	2	2	2
Vehicle	57	53	50	56	52	50	43	41	40	31
<b>Culture &amp; Recreation</b>										
Building	3	3	3	3	3	3	3	2	2	2
Equipment	23	22	19	19	14	13	11	11	6	5
<b>Health and Welfare</b>										
Building	2	2	2	2	2	2	2	2	2	2
Vehicle	5	6	6	6	6	6	6	6	3	2
<b>Public Works and streets</b>										
Building	1	1	1	1	-	-	-	-	-	-
Equipment	18	17	17	20	20	20	20	17	13	9
<b>Enterprise</b>										
Building	3	3	3	3	3	3	3	1	1	1
Equipment	44	49	47	48	49	47	46	39	26	26

Source: City records Finance Department