



City of San Luis, Arizona
Annual Expenditure Limitation Report
Year Ended June 30, 2019

**CITY OF SAN LUIS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2019**

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INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona

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

We have examined the accompanying Annual Expenditure Limitation Report of the City of San Luis, Arizona for the year ended June 30, 2019 and the related notes to the report. The City's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system, in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report referred to above is presented, in all material respects, in accordance with the uniform expenditure reporting system as described in Note 1.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
February 20, 2020

City of San Luis, Arizona
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2019

1. Economic Estimates Commission expenditure limitation	<u>\$ 45,564,877</u>	
2. Voter-approved alternative expenditure limitation (Approved _____)	<u>N/A</u>	
3. Enter applicable amount from Line 1 or Line 2		<u>\$ 45,564,877</u>
4. Amount subject to the limitation (total amount from Part II, Line C)	<u>\$ 28,987,124</u>	
5. Amount under (in excess of) the expenditure limitation		<u><u>\$ 16,577,753</u></u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Financial Officer: Monica Castro

Name and Title: Monica Castro, Director of Finance

Telephone Number: 928-341-8520 Date: 2/20/20

If any of the provisions of the Arizona Constitution, Article IX, §20(2)(a), (b), or (c), or A.R.S. apply to the City/Town, use the long form Part I on page VI-17 of the UERS Manual.

See accompanying notes to report.

City of San Luis, Arizona
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2019

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 23,104,293	\$ 12,367,496	\$ 1,840,212	\$ 37,312,001
B. Less exclusions claimed:				
Debt service requirements on bonded indebtedness (Note 2)	1,208,330	2,947,827		4,156,157
Debt service requirements on other long-term obligations (Note 3)	144,120	152,634		296,754
Grants and aid from the federal government (Note 4)	1,072,909			1,072,909
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 4)	2,799,057			2,799,057
Total exclusions claimed	<u>5,224,416</u>	<u>3,100,461</u>	<u>-</u>	<u>8,324,877</u>
C. Amounts subject to the expenditure limitation	<u>\$ 17,879,877</u>	<u>\$ 9,267,035</u>	<u>\$ 1,840,212</u>	<u>\$ 28,987,124</u>

See accompanying notes to report.

City of San Luis, Arizona
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2019

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 23,104,293	\$ 10,459,664	\$ 1,966,234	\$ 35,530,191
B. Subtractions:				
<i>Items not requiring use of current financial resources:</i>				
Depreciation		1,992,742		1,992,742
Pension expense (Note 5)		153,650		153,650
Claims incurred but not reported (IBNR) (Note 6)			284,423	284,423
Total subtractions	-	2,146,392	284,423	2,430,815
C. Additions:				
Principal payments on long-term debt (Note 7)		1,745,762		1,745,762
Acquisition of capital assets		2,047,276		2,047,276
Amounts paid in the current year but reported as expenses in previous years:				
Pension contributions (Note 5)		261,186		261,186
Claims previously recognized as IBNR (Note 6)			158,401	158,401
Total additions	-	4,054,224	158,401	4,212,625
D. Amounts reported on Part II, Line A	\$ 23,104,293	\$ 12,367,496	\$ 1,840,212	\$ 37,312,001

See accompanying notes to report.

CITY OF SAN LUIS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the *Uniform Expenditure Reporting System (UERS)*, as required by Arizona Revised Statutes §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on Part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds; Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary Funds; and the Statement of Cash Flows for the Proprietary Funds.

Note 2- The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental Funds consists of principal retirement and interest expenditures reported in the Debt Service Fund.

	2019
Revenues bonds payable \$31,015,000	
Principal retirements	\$ 327,325
Interest	520,505
Refunding bond payable - \$2,825,000	
Principal retirements	240,000
Interest	120,500
Total debt service	\$ 1,208,330

CITY OF SAN LUIS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2019

The exclusion claimed for debt service requirements on bonded indebtedness in the Enterprise Funds consists of principal retirement, interest expenses, and deferred bond items reported in the Water, Wastewater and Business Center funds. The Water and Wastewater Funds are presented in applicable ratios of their proportionate shares of the Municipal Project debt issuance.

	2019
Revenues bonds payable \$31,015,000	
Principal retirements	\$ 497,417
Interest and fiscal charges	719,086
Utility Revenue Bonds \$ 6,580,000	
Principal retirements	280,000
Interest	219,260
Refunding bond payable - \$11,715,000	
Principal retirements	830,000
Interest and fiscal charges	402,064
Total debt service	\$ 2,947,827

Note 3 - The exclusion claimed for debt service requirements on other long-term obligations in the Governmental funds consists of principal retirement and interest expenditures reported in the General Fund.

	2019
Wal-Mart note payable - \$376,000	
Principal retirements	\$ 24,045
1st Bank Yuma Note Payable - \$554,453	
Principal retirements	72,255
Interest and fiscal charges	2,190
Lease KS State Bank - \$12,302	
Principal retirements	2,412
Interest and fiscal charges	664
Santander Leasing - \$334,501	
Principal retirements	42,554
Total debt service	\$ 144,120

CITY OF SAN LUIS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2019

The exclusion claimed for debt service requirements on other long-term obligations in the Enterprise funds consists of principal retirement and interest expenses reported within the Sanitation and Ambulance Services Funds.

	2019
1st Bank Yuma Note Payable - \$554,453	
Principal retirements	\$ 46,050
Interest and fiscal charges	1,396
1st Bank Yuma Note Payable - \$246,842	
Principal retirements	14,867
Interest and fiscal charges	3,040
Republic First National - \$379,290	
Principal retirements	72,195
Interest and fiscal charges	9,853
Santander Leasing - \$334,501	
Principal retirements	5,233
Total debt service	\$ 152,634

Note 4 - The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, and highway user revenues in the Governmental Funds:

Description	2019
Grants and aid from the federal government	\$ 1,072,909
Highway user revenues in excess of those received in fiscal year 1979-80	2,799,057
Other revenues—(nonexcludable)	8,764,731
Total intergovernmental revenues as reported in the fund financial statements	\$ 12,636,697

CITY OF SAN LUIS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2019

Note 5 - The subtraction of \$153,650 for pension expense consists of the change in the net pension liability, changes in deferred outflows of resources related to pensions and changes in deferred inflows of resources related to pensions recognized in the current year in the Enterprise Funds. The addition of \$261,186 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System and Public Safety Personnel Retirement System from the Enterprise Funds.

Note 6 - The subtraction of \$284,423 for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Internal Service Fund while the addition of \$158,401 represents claimed incurred but not paid for the previous year.

Note 7 - The addition of \$1,745,762 for principal payments on long-term debt in the Enterprise Funds consists of:

	2019
Revenues bonds payable \$31,015,000	
Principal retirements	\$497,417
Refunding bond payable - \$11,715,000	
Principal retirements	830,000
Utility Bond Payable \$ 6,580,000	
Principal retirements	280,000
1st Bank Yuma Note Payable - \$554,453	
Principal retirements	46,050
1st Bank Yuma Note Payable - \$246,842	
Principal retirements	14,867
Republic First National - \$379,290	
Principal retirements	72,195
Santander Leasing - \$334,501	
Principal retirements	5,233
Total	\$1,745,762

Note 8 - Highway user revenues for the current year were \$2,804,155 which is \$2,799,057 more than the highway user revenue received by the City in fiscal year 1980. Excludable revenues expended in the current fiscal year totaled \$2,799,057, which includes no utilization of \$191,827 of the prior year carryforward balance.