

City of San Luis, Arizona
Annual Expenditure Limitation Report
Fiscal Year Ended June 30, 2022

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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, 2022, 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 AICPA. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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.

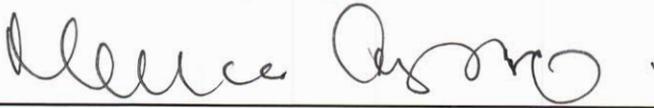
Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
March 27, 2023

City of San Luis, Arizona
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2022

1. Economic Estimates Commission expenditure limitation	<u>\$ 54,059,928</u>	
2. Voter-approved alternative expenditure limitation (Approved _____)	<u>N/A</u>	
3. Enter applicable amount from Line 1 or Line 2		<u>\$ 54,059,928</u>
4. Amount subject to the limitation (total amount from Part II, Line C)	<u>\$ 34,807,352</u>	
5. Amount under (in excess of) the expenditure limitation		<u><u>\$ 19,252,576</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: 

Name and Title: Monica Castro, Director of Finance

Telephone Number: 928-341-8520 Date: 3/27/23

If any of the provisions of the Arizona Constitution, Article IX, §20(2)(a), (b), or (c), or A.R.S. §41-1279.07(I) 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, 2022

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 30,350,802	\$ 13,751,799	\$ 3,003,504	\$ 47,106,105
B. Less exclusions claimed:				
Debt service requirements on bonded indebtedness (Note 2)	1,644,538	2,868,402		4,512,940
Debt service requirements on other long-term obligations (Note 3)	197,634	145,940		343,574
Grants and aid from the federal government (Note 4)	1,061,758			1,061,758
Quasi-external interfund transactions (Note 12)		-	2,962,413	2,962,413
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 9)	3,371,316			3,371,316
Contracts with other political subdivisions (Note 13)	46,752			46,752
Total exclusions claimed	<u>6,321,998</u>	<u>3,014,342</u>	<u>2,962,413</u>	<u>12,298,753</u>
C. Amounts subject to the expenditure limitation	<u>\$ 24,028,804</u>	<u>\$ 10,737,457</u>	<u>\$ 41,091</u>	<u>\$ 34,807,352</u>

See accompanying notes to report.

City of San Luis, Arizona
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2022

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	\$ 30,440,879	\$ 12,805,992	\$ 3,474,599	\$ 46,721,470
B. Subtractions:				
<i>Items not requiring use of current financial resources:</i>				
Depreciation		2,172,230		2,172,230
Pension expense (Note 6)		269,540		269,540
Claims incurred but not reported (IBNR) (Note 7)			658,196	658,196
Required fees paid to the Arizona Department of Revenue (Note 10)	90,077			90,077
Total subtractions	<u>90,077</u>	<u>2,441,770</u>	<u>658,196</u>	<u>3,190,043</u>
C. Additions:				
Principal payments on long-term debt (Note 8)		\$1,790,865		1,790,865
Acquisition of capital assets		1,321,418		1,321,418
Amounts paid in the current year but reported as expenses in previous years:				
Pension contributions (Note 6)		275,294		275,294
Claims previously recognized as IBNR (Note 7)			187,101	187,101
Total additions	<u>-</u>	<u>3,387,577</u>	<u>187,101</u>	<u>3,574,678</u>
D. Amounts reported on Part II, Line A	<u>\$ 30,350,802</u>	<u>\$ 13,751,799</u>	<u>\$ 3,003,504</u>	<u>\$ 47,106,105</u>

See accompanying notes to report.

CITY OF SAN LUIS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2022

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; 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.

	2022
Revenues bonds payable \$31,015,000	
Principal retirements	\$ 374,086
Interest and fiscal charges	474,095
Refunding bond payable - \$2,825,000	
Principal retirements	265,000
Interest and fiscal charges	90,750
PSPRS bond payable - \$8,230,172	
Principal retirements	263,476
Interest and fiscal charges	177,131
Total debt service	\$ 1,644,538

**CITY OF SAN LUIS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2022**

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.

	2022
Revenues bonds payable \$31,015,000	
Principal retirements	\$ 558,449
Interest and fiscal charges	646,396
Utility Revenue Bonds \$ 6,580,000	
Principal retirements	315,000
Interest and fiscal charges	184,490
Refunding bond payable - \$11,715,000	
Principal retirements	780,000
Interest and fiscal charges	360,203
Revenue bond payable - \$984,828	
Principal retirements	2,671
Interest and fiscal charges	21,193
Total debt service	\$ 2,868,402

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 Debt Service Fund and General Fund.

	2022
Wal-Mart note payable - \$376,000	
Principal retirements	\$ 32,260
Lease KS State Bank - \$12,302	
Principal retirements	2,603
Interest and fiscal charges	237
Santander Leasing - \$334,501	
Principal retirements	42,553
Enterprise Leasing Unit 23DGH5 - \$19,993	
Principal retirements	3,175
Interest and fiscal charges	500
Enterprise Leasing Unit 23DGH2 - \$22,310	
Principal retirements	3,682
Interest and fiscal charges	544
1st Bank Yuma Note Payable - \$508,980	
Principal retirements	96,122
Interest and fiscal charges	15,958
Total debt service	\$ 197,634

CITY OF SAN LUIS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2022

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.

	2022
1st Bank Yuma Note Payable - \$246,842	
Principal retirements	\$ 50,047
Interest and fiscal charges	5,256
Republic First National - \$379,290	
Principal retirements	79,465
Interest and fiscal charges	2,583
San Luis Industrial Park - \$702,519	
Principal retirements	3,356
Santander Leasing - \$334,501	
Principal retirements	5,233
Total debt service	\$ 145,940

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	2022
Grants and aid from the federal government	\$1,061,758
Amounts received from the State of Arizona	
Highway user revenues in excess of those received in fiscal year 1979-80	3,371,316
Other revenues—(nonexcludable)	12,102,741
Total intergovernmental revenues as reported in the fund financial statements	\$16,535,815

**CITY OF SAN LUIS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2022**

Note 5 The following schedules present revenues excludable that were not spent in the year of receipt may be accumulated and excludable in future years when spent. A summary of the revenue source and the changes in those balances is shown in the table below:

Governmental Funds

Description	Balance June 30, 2021	Additions	Exclusions Utilized	Balance June 30, 2022
Debt Proceeds (Note 14)	\$ 440,809	\$ -	\$ -	\$ 440,809
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 18,923	\$ 64,351	\$ -	\$ 83,274
Amounts received from the State of Arizona (Note 11)	\$ 32,442	\$ 199,801	\$ -	\$ 232,243
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 9)	\$ 371,042	\$ 3,371,316	\$ 3,371,316	\$ 248,778
	<u>\$ 863,216</u>	<u>\$ 3,635,468</u>	<u>\$ 3,371,316</u>	<u>\$ 1,127,368</u>

Enterprise Funds

Description	Balance June 30, 2021	Additions	Exclusions Utilized	Balance June 30, 2022
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 22,992	\$ 6,255	\$ -	\$ 29,247
Quasi-external interfund transactions (Note 12)	\$ 872,889	\$ 865,020	\$ -	\$ 1,737,909
	<u>\$ 895,881</u>	<u>\$ 871,275</u>	<u>\$ -</u>	<u>\$ 1,767,156</u>

Internal Service Funds

Description	Balance June 30, 2021	Additions	Exclusions Utilized	Balance June 30, 2022
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 4,197	\$ 4,206	\$ -	\$ 8,403
Quasi-external interfund transactions (Note 12)	\$ 306,170	\$ 2,952,413	\$ 2,962,413	\$ 306,170
	<u>\$ 310,367</u>	<u>\$ 2,996,619</u>	<u>\$ 2,962,413</u>	<u>\$ 314,573</u>

Note 6 The subtraction of \$269,540 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 \$275,294 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 7 The subtraction of \$658,196 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 \$187,101 represents claimed incurred but not paid for the previous year.

**CITY OF SAN LUIS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2022**

Note 8 The addition of \$1,790,865 for principal payments on long-term debt in the Enterprise Funds consists of:

	2022
Revenues bonds payable \$31,015,000	
Principal retirements	\$558,449
Utility Bond Payable \$ 6,580,000	
Principal retirements	315,000
Refunding bond payable - \$11,715,000	
Principal retirements	780,000
PSPRS bond payable - \$8,230,172	
Principal retirements	2,671
1st Bank Yuma Note Payable - \$246,842	
Principal retirements	50,047
Republic First National - \$379,290	
Principal retirements	79,465
Santander Leasing - \$334,501	
Principal retirements	5,233
Total	\$1,790,865

Note 9 Highway user revenues for the current year were \$3,376,414 which is \$3,371,316 more than the highway user revenue received by the City in fiscal year 1980. Excludable revenues expended in the current fiscal year totaled \$3,371,316.

Note 10 The \$90,077 of required fees paid to the Arizona Department of Revenue represents the fees assessed pursuant to A.R.S. 42-5041 for the State to recover a portion of the operating costs incurred in providing administrative and collection services to local governments. The expenditure is recorded in the general government function of the Governmental funds.

Note 11 The \$199,801 of amounts received from the State of Arizona represents the receipt of monies from the Smart and Safe Arizona Act. The revenue is recorded in the Police Grants, a Special Revenue Fund, as intergovernmental revenue. No excludable revenue was expended during the fiscal year.

CITY OF SAN LUIS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2022

Note 12 The quasi-external interfund transaction revenue of \$865,020 within the Enterprise Funds represents charges to other divisions of the City for water, wastewater, and solid waste services. No excludable revenue was expended during the fiscal year.

The revenue of \$2,962,413 is the exclusion utilized in the Internal Service Fund related to charges for services paid for employee health self-insurance services. The interfund charges are included in "Charges for Services" in the Internal Service Fund and as a current expenditure in various departments in the Governmental and Enterprise Funds.

Note 13 The \$46,752 of contracts with other political subdivisions in the governmental funds relates to charges to Yuma Union High School District for the services of a school resource officer. These charges are included in "Charges for Services" and current public safety expenditures in the Police Grants, a Special Revenue Fund.