

CITY OF SOMERTON, ARIZONA



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

WITH REPORT OF

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SOMERTON, ARIZONA

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FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
City Council
Somerton, 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 unit, each major fund, and the aggregate remaining fund information of the City of Somerton, Arizona, as of and for the year ended June 30, 2020, 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 unit, each major fund, and the aggregate remaining fund information of the City of Somerton, Arizona, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof 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, pension and OPEB schedules, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Somerton, Arizona's basic financial statements. The budgetary comparison information for the major funds, the combining and individual nonmajor fund financial statements, the schedule of capital assets, statistical section and other supplementary schedules listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison for the major funds, combining and individual nonmajor fund financial statements, schedules of capital assets, and other supplementary schedules listed in the table of contents 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 budgetary comparison for the major funds, combining and individual nonmajor fund financial statements, schedules of capital assets and other supplementary schedules listed in the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021 on our consideration of the City of Somerton, 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 Somerton, Arizona's internal control over financial reporting and compliance.

HintonBurdick, PLLC

HintonBurdick, PLLC

Gilbert, Arizona

March 22, 2021



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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Somerton, 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, 2020. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets plus deferred outflows exceed total liabilities plus deferred inflows (net position) by \$30,505,461 at the close of the fiscal year.
- Total net position increased by \$3,264,515 in fiscal year 2020.
- Governmental taxes and other revenues exceeded governmental expenses by \$3,061,996.
- Business-type revenues exceeded total business-type expenses by \$202,519.
- Total revenues from all sources were \$19,747,280.
- The total cost of all City programs were \$16,482,765.
- The General Fund reported excess revenues over expenses and transfers of \$1,745,337.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,582,116 42.57% of total General Fund expenditures, excluding transfers.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's roads to accurately assess the overall health of the City.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the City’s basic services are considered to be governmental activities, including general government, public safety, judicial, public works, recreation, community support and interest on long-term debt. Sales tax, federal grants, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers that is intended to cover all or most of the cost of the services provided.
- The government-wide financial statements include not only the City’s itself (known as the primary government), but also a legally separate Industrial Development Authority for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Reporting the City’s Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City’s two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City’s basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets plus deferred outflows exceed liabilities plus deferred inflows by \$30,505,461 as of June 30, 2020 as shown in the following condensed statement of net position. The City has chosen to account for its water, sewer and sanitation operations in separate enterprise funds which are combined as Business Activities in this condensed statement.

City of Somerton Statements of Net Position

	Governmental activities		Business-type activities		Combined Total	
	06/30/20	06/30/19	06/30/20	06/30/19	06/30/20	06/30/19
Current and other assets	\$ 8,423,413	\$ 5,811,605	\$ 3,566,896	\$ 3,614,111	\$ 11,990,309	\$ 9,425,716
Capital assets	24,647,658	25,815,585	25,370,237	25,828,477	50,017,895	51,644,062
Total assets	33,071,071	31,627,190	28,937,133	29,442,588	62,008,204	61,069,778
Deferred outflows of resources	2,304,206	2,025,383	176,832	249,889	2,481,038	2,275,272
Long-term liabilities outstanding	20,786,889	22,010,777	9,988,595	10,788,360	30,775,484	32,799,137
Other liabilities	800,524	1,272,704	729,026	642,035	1,529,550	1,914,739
Total liabilities	21,587,413	23,283,481	10,717,621	11,430,395	32,305,034	34,713,876
Deferred inflows of resources	1,563,118	1,206,342	115,629	183,886	1,678,747	1,390,228
Net position:						
Net investment in capital assets	11,421,374	11,407,008	16,864,889	16,593,530	28,286,263	28,000,538
Restricted	1,397,951	1,100,802	1,766,973	1,667,883	3,164,924	2,768,685
Unrestricted	(594,579)	(3,345,060)	(351,147)	(183,217)	(945,726)	(3,528,277)
Total net position	\$ 12,224,746	\$ 9,162,750	\$ 18,280,715	\$ 18,078,196	\$ 30,505,461	\$ 27,240,946

Governmental Activities

The cost of all Governmental activities this year was \$11,633,550, a decrease of \$1,364,085 over last fiscal year. This is primarily due to a decrease in public safety and public works. As shown on the Statement of Changes in Net Position on the following page, \$3,223,995 of this cost was paid for by those who directly benefited from the programs; \$3,544,034 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid, donations, and fees for services were \$6,768,029. General taxes and investment earnings totaled \$7,927,517.

The City's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, Economic Development, Health and Welfare, and Water, Sewer and Sanitation Services. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's general taxes support each of the City's programs.

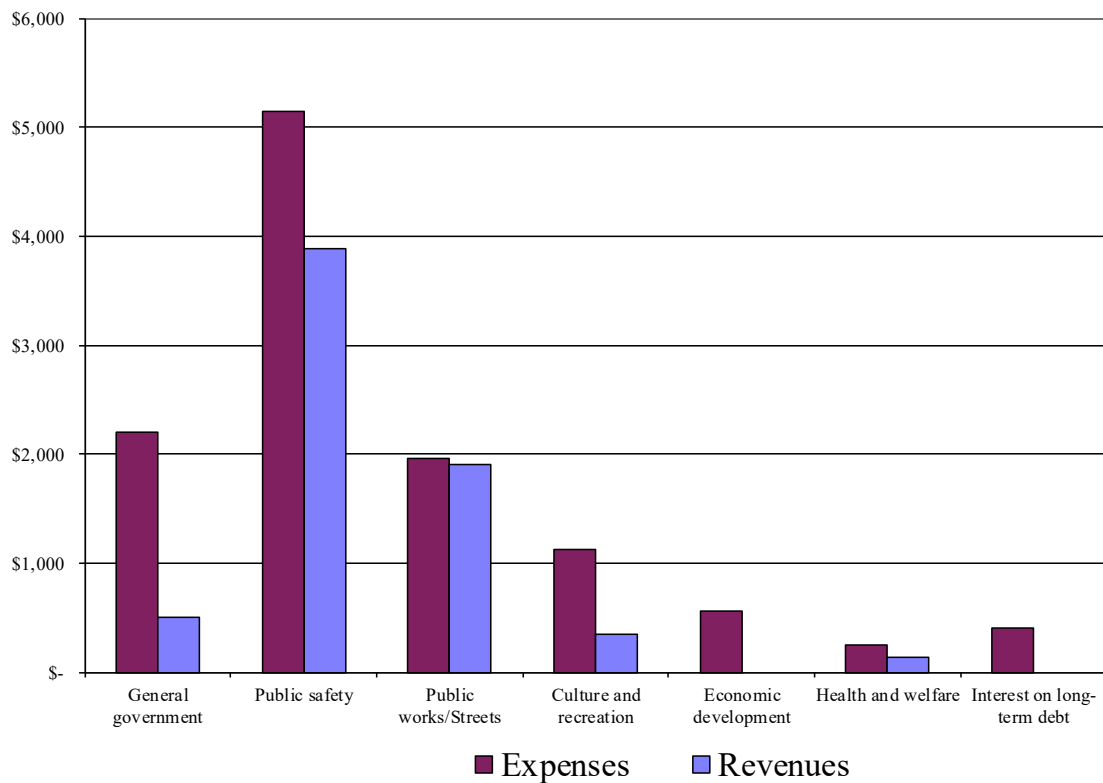
**City of Somerton
Changes in Net Position**

	Governmental activities		Business-type activities		Combined Total	
	06/30/20	06/30/19	06/30/20	06/30/19	06/30/20	06/30/19
Revenues:						
Program revenues:						
Charges for services	\$ 3,223,995	\$ 2,102,159	\$ 4,560,272	\$ 3,941,591	\$ 7,784,267	\$ 6,043,750
Operating grants and contributions	3,247,613	1,931,705	-	-	3,247,613	1,931,705
Capital grants and contributions	296,421	20,000	476,775	759,235	773,196	779,235
General revenues:						
Taxes	5,758,084	5,499,707	-	-	5,758,084	5,499,707
State revenue sharing	2,132,525	1,952,130	-	-	2,132,525	1,952,130
Other revenue/(expense)	36,908	108,201	14,687	29,982	51,595	138,183
Total revenues	<u>14,695,546</u>	<u>11,613,902</u>	<u>5,051,734</u>	<u>4,730,808</u>	<u>19,747,280</u>	<u>16,344,710</u>
Expenses:						
General government	2,195,411	2,064,512	-	-	2,195,411	2,064,512
Public safety	5,144,161	5,988,349	-	-	5,144,161	5,988,349
Public works/Streets	1,963,653	2,264,452	-	-	1,963,653	2,264,452
Culture and recreation	1,124,510	1,272,882	-	-	1,124,510	1,272,882
Economic development	559,747	761,679	-	-	559,747	761,679
Health and welfare	246,102	237,950	-	-	246,102	237,950
Interest on long-term debt	399,966	407,811	-	-	399,966	407,811
Water	-	-	1,675,458	1,643,047	1,675,458	1,643,047
Sewer	-	-	2,248,061	2,189,309	2,248,061	2,189,309
Sanitation	-	-	925,696	842,813	925,696	842,813
Total expenses	<u>11,633,550</u>	<u>12,997,635</u>	<u>4,849,215</u>	<u>4,675,169</u>	<u>16,482,765</u>	<u>17,672,804</u>
(Decrease) / Increase in net position before transfers	3,061,996	(1,383,733)	202,519	55,639	3,264,515	(1,328,094)
Transfers	-	(3,741)	-	3,741	-	-
(Decrease) / Increase in net position	3,061,996	(1,387,474)	202,519	59,380	3,264,515	(1,328,094)
Net position, beginning	9,162,750	10,747,087	18,078,196	18,018,816	27,240,946	28,765,903
Prior period / restatement adjustment	-	(196,863)	-	-	-	(196,863)
Net position, ending	<u>\$ 12,224,746</u>	<u>\$ 9,162,750</u>	<u>\$ 18,280,715</u>	<u>\$ 18,078,196</u>	<u>\$ 30,505,461</u>	<u>\$ 27,240,946</u>

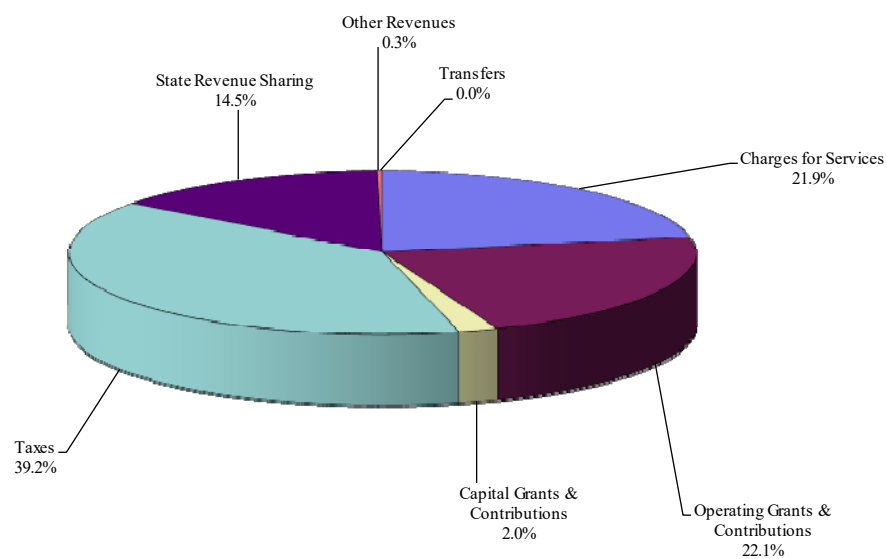
Total resources available during the year to finance governmental operations were \$23,858,296 consisting of net position at July 1, 2019 of \$9,162,750 program revenues of \$6,768,029 and general revenues of \$7,927,517. Total governmental activities expended during the year were \$11,633,550, thus governmental net position increased by \$3,061,996 to \$12,224,746.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

Expenses and Program Revenues - Governmental Activities
(in Thousands)



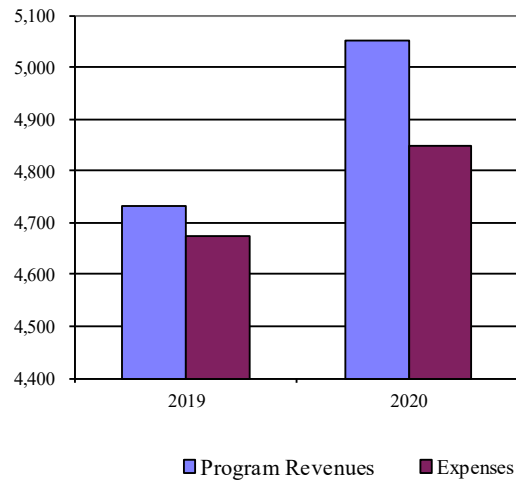
Revenue By Source - Governmental Activities



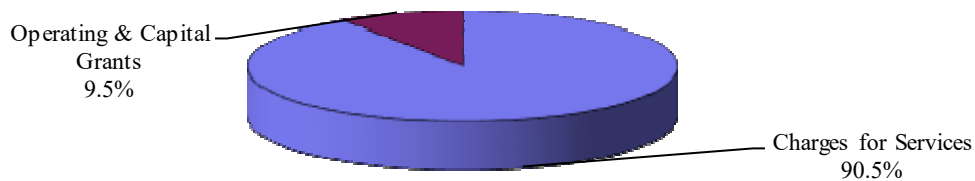
Business Type Activities

Net position of the business type activities at June 30, 2020, as reflected in the Statement of Net Position were \$18,280,715. The cost of providing all Proprietary (Business Type) activities this year was \$4,849,215. As shown in the Statement of Changes in Net Position, the amounts paid by users of the system were \$4,560,272 and there was \$476,775 subsidized by capital grants and contributions. Interest earnings were \$14,687. The net position increased by \$202,519.

**Expenses and Program Revenues - Business-type Activities
(in Thousands)**



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Somerton's governmental funds reported combined ending fund balances of \$6,548,477, an increase of \$2,177,368 in comparison with the prior year. Approximately, 54.7% of this total amount or \$3,582,116 constitutes unassigned, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted or assigned to be used 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Somerton. At the end of the current fiscal year, unassigned fund balance in the general fund was \$3,582,116, while total fund balance is \$3,925,619. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 42.57% of total general fund expenditures, while total fund balance represents 46.65% of the same amount.

During the year, the City of Somerton's general fund balance increased by \$1,745,337.

During the year the City of Somerton's highway user revenue fund balance increased by \$270,625.

During the year the City of Somerton's debt service fund balance increased by \$159,882.

General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$2,264,220 greater than actual expenditures. The budget to actual variance in appropriations was principally due to estimates of anticipated expenditures for general government, public safety, and culture and recreation more than what was actually expended.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2020, net capital assets of the government activities totaled \$24,647,658 and the net capital assets of the business-type activities totaled \$25,370,237. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 7 to the financial statements.)

Long Term Obligations

At year-end, the City had \$20,786,889 in governmental type obligations, and \$9,988,595 in proprietary obligations. The obligation is a liability of the government and amounts to \$2,154 per capita (2010 census: 14,287). During the current fiscal year, the City's total obligations decreased by \$2,023,653. (See note 8 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2020/2021, the City Council and management remained cautious as to the growth of revenues and expenditures primarily due to the economic down turn being forecasted. Overall General fund operating expenditures were budgeted conservatively.

This will be the eleventh fiscal year that the City of Somerton will receive a "voter" approved property tax and keeping with the voter's desires these additional funds will be utilized in support of the debt service for city infrastructure, street improvements.

In November 2016, the City of Somerton electorate passed Proposition 404 extending the alternative expenditure limitation for an additional 4 years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Somerton, PO Box 638, 110 N. State Avenue, Somerton, AZ 85350-0638.

BASIC FINANCIAL STATEMENTS

CITY OF SOMERTON, ARIZONA
Statement of Net Position
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
Assets				
Cash and cash equivalents	\$ 3,531,491	\$ 826,811	\$ 4,358,302	\$ 26,212
Receivables (net of allowance)	3,330,113	599,666	3,929,779	-
Due from component unit	83,419	-	83,419	-
Notes receivable	22,000	-	22,000	-
Prepaid items/inventory/refundable deposits	225,031	-	225,031	-
Internal balances	(58,593)	58,593	-	-
Temporarily restricted assets:				
Cash and cash equivalents	1,088,279	2,079,084	3,167,363	-
Net OPEB asset	201,673	2,742	204,415	-
Capital assets (net of accumulated depreciation):				
Land	3,259,900	415,399	3,675,299	80,048
Buildings	6,927,805	13	6,927,818	926,700
Improvements	1,383,792	1,515,679	2,899,471	55,035
System improvements	-	22,929,603	22,929,603	-
Machinery and equipment	123,556	94,094	217,650	-
Vehicles	391,161	69,283	460,444	-
Infrastructure/Roads	11,844,201	-	11,844,201	-
Construction in progress	717,243	346,166	1,063,409	-
Total assets	<u>33,071,071</u>	<u>28,937,133</u>	<u>62,008,204</u>	<u>1,087,995</u>
Deferred Outflows of Resources				
Deferred charge on refunding	190,436	-	190,436	-
Deferred outflows related to pensions	2,066,827	162,789	2,229,616	-
Deferred outflows related to OPEB	46,943	14,043	60,986	-
Total deferred outflows	<u>2,304,206</u>	<u>176,832</u>	<u>2,481,038</u>	<u>-</u>
Liabilities				
Accounts payable and other current liabilities	585,718	643,722	1,229,440	1,051
Due to primary government	-	-	-	83,419
Retainage payable	33,433	16,467	49,900	-
Interest payable	181,373	68,837	250,210	783
Noncurrent liabilities:				
Due within one year	1,278,198	733,113	2,011,311	69,860
Due in more than one year	12,309,359	7,840,424	20,149,783	347,524
Net pension liability	7,175,601	1,408,655	8,584,256	-
Net OPEB liability	23,731	6,403	30,134	-
Total liabilities	<u>21,587,413</u>	<u>10,717,621</u>	<u>32,305,034</u>	<u>502,637</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	1,394,149	108,608	1,502,757	-
Deferred inflows related to OPEB	168,969	7,021	175,990	-
Total deferred inflows of resources	<u>1,563,118</u>	<u>115,629</u>	<u>1,678,747</u>	<u>-</u>
Net Position				
Net investment in capital assets	11,421,374	16,864,889	28,286,263	589,364
Restricted for:				
Highways and streets	1,178,163	-	1,178,163	-
Debt service	-	1,245,704	1,245,704	-
Capital projects and other	219,788	521,269	741,057	-
Unrestricted	(594,579)	(351,147)	(945,726)	(4,006)
Total net position	<u>\$ 12,224,746</u>	<u>\$ 18,280,715</u>	<u>\$ 30,505,461</u>	<u>\$ 585,358</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SOMERTON, ARIZONA
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net position			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Industrial Development Authority
Primary government:								
Governmental activities:								
General government	\$ 2,195,411	\$ 495,367	\$ 3,930	\$ -	\$ (1,696,114)	\$ -	\$ (1,696,114)	\$ -
Public safety	5,144,161	2,354,152	1,528,371	-	(1,261,638)	-	(1,261,638)	-
Public works/Streets	1,963,653	58,787	1,576,206	271,421	(57,239)	-	(57,239)	-
Culture and recreation	1,124,510	315,689	9,053	25,000	(774,768)	-	(774,768)	-
Economic development	559,747	-	-	-	(559,747)	-	(559,747)	-
Health and welfare	246,102	-	130,053	-	(116,049)	-	(116,049)	-
Interest on long-term debt	399,966	-	-	-	(399,966)	-	(399,966)	-
Total governmental activities	11,633,550	3,223,995	3,247,613	296,421	(4,865,521)	-	(4,865,521)	-
Business-type activities:								
Water	1,675,458	1,491,708	-	190,190	-	6,440	6,440	-
Sewer	2,248,061	2,180,152	-	286,585	-	218,676	218,676	-
Sanitation	925,696	888,412	-	-	-	(37,284)	(37,284)	-
Total business-type activities	4,849,215	4,560,272	-	476,775	-	187,832	187,832	-
Total primary government	\$ 16,482,765	\$ 7,784,267	\$ 3,247,613	\$ 773,196	(4,865,521)	187,832	(4,677,689)	-
Component unit:								
Industrial Development Authority	\$ 131,173	\$ 171,709	\$ -	\$ -	-	-	-	40,536
Total component unit	\$ 131,173	\$ 171,709	\$ -	\$ -	-	-	-	40,536
General Revenues:								
Taxes:								
City sales tax					2,435,574	-	2,435,574	-
State sales tax					1,703,894	-	1,703,894	-
Property tax					690,644	-	690,644	-
Auto lieu tax					722,062	-	722,062	-
Franchise tax					205,910	-	205,910	-
State income taxes - revenue sharing (unrestricted)					2,132,525	-	2,132,525	-
Unrestricted investment earnings					36,908	14,687	51,595	-
Total general revenues & transfers					7,927,517	14,687	7,942,204	-
Change in net position					3,061,996	202,519	3,264,515	40,536
Net position - beginning					9,162,750	18,078,196	27,240,946	544,822
Net position - ending					\$ 12,224,746	\$ 18,280,715	\$ 30,505,461	\$ 585,358

The accompanying notes are an integral part of the financial statements.

CITY OF SOMERTON, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2020

Assets	General	Highway User Revenue Fund	Debt Service	Non-major Funds	Total Governmental Funds
Cash and cash equivalents	\$ 869,369	\$ 1,143,914	\$ 1,347,712	\$ 170,496	\$ 3,531,491
Receivables:					
Other	15,020	-	-	165	15,185
Ambulance	1,032,112	-	-	-	1,032,112
Intergovernmental	1,955,010	106,266	-	221,540	2,282,816
Due from other funds	330,002	-	-	14,333	344,335
Due from component unit	-	-	-	83,419	83,419
Inventories	-	4,333	-	-	4,333
Refundable deposits	149,408	-	-	-	149,408
Prepaid items	71,290	-	-	-	71,290
Restricted cash and investments	849,945	-	-	238,334	1,088,279
Total assets	\$ 5,272,156	\$ 1,254,513	\$ 1,347,712	\$ 728,287	\$ 8,602,668
Liabilities, Deferred Inflows, and Fund Balances					
Liabilities:					
Accounts payable	\$ 126,583	\$ 29,972	\$ -	\$ 224,068	\$ 380,623
Accrued wages and benefits	103,881	12,945	-	4,308	121,134
Accrued liabilities	82,961	-	-	-	82,961
Retainage payable	-	33,433	-	-	33,433
Customer deposits	1,000	-	-	-	1,000
Due to other funds	-	-	-	402,928	402,928
Total liabilities	314,425	76,350	-	631,304	1,022,079
Deferred Inflows of Resources:					
Unavailable revenue - ambulance	1,032,112	-	-	-	1,032,112
Total deferred inflows	1,032,112	-	-	-	1,032,112
Fund Balances:					
Nonspendable:					
Refundable deposits	149,408	-	-	-	149,408
Prepays	71,290	-	-	-	71,290
Restricted for:					
General government	-	-	-	34,040	34,040
Public works/streets	-	1,178,163	-	-	1,178,163
Public safety	-	-	-	62,943	62,943
Parks & recreation	122,805	-	-	-	122,805
Assigned to:					
Debt service	-	-	1,347,712	-	1,347,712
Unassigned:	3,582,116	-	-	-	3,582,116
Total fund balances	3,925,619	1,178,163	1,347,712	96,983	6,548,477
Total Liabilities, deferred inflows, and fund balances	\$ 5,272,156	\$ 1,254,513	\$ 1,347,712	\$ 728,287	\$ 8,602,668

The accompanying notes are an integral part of the financial statements.

CITY OF SOMERTON, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2020

Total fund balances - governmental funds		\$	6,548,477
Amounts reported for governmental activities in the statement of net assets are different because:			
Some notes receivable are not available in the current period and therefore are not reported in the funds.			22,000
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Governmental capital assets	\$	45,285,637	
Accumulated depreciation		(20,637,979)	24,647,658
Net OPEB asset is not an available resource and, therefore is not reported in the funds			201,673
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.			1,032,112
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Loans payable	\$	(3,940,000)	
Bonds payable		(8,870,000)	
Add: Issuance premium		(77,405)	
Less: Deferred charge on refunding		190,436	
Leases payable		(338,879)	
Interest Payable		(181,373)	
Net pension liability		(7,175,601)	
Net OPEB Liability		(23,731)	
Compensated absences		(361,273)	(20,777,826)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.			
Deferred outflows		2,066,827	
Deferred inflows		(1,394,149)	672,678
Deferred outflows and inflows of resources related to OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.			
Deferred outflows		46,943	
Deferred inflows		(168,969)	(122,026)
Total net position - governmental activities		\$	12,224,746

The accompanying notes are an integral part of the financial statements.

CITY OF SOMERTON, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2020

REVENUES	General	Highway User Revenue Fund	Debt Service	Non-major Funds	Total Governmental Funds
Taxes	\$ 3,463,518	\$ -	\$ -	\$ -	\$ 3,463,518
Licenses, permits and fees	388,422	-	-	-	388,422
Intergovernmental revenue	6,059,015	1,576,206	-	421,210	8,056,431
Charges for services	1,804,635	-	-	-	1,804,635
Fines and forfeitures	65,575	-	-	2,805	68,380
Interest	25,883	-	10,743	282	36,908
Other revenues	33,887	15,212	-	22,255	71,354
Total revenues	<u>11,840,935</u>	<u>1,591,418</u>	<u>10,743</u>	<u>446,552</u>	<u>13,889,648</u>
EXPENDITURES					
Current:					
General government	1,776,334	-	-	3,687	1,780,021
Public safety	4,894,783	-	-	45,928	4,940,711
Public works/streets	140,193	1,151,793	-	-	1,291,986
Culture and recreation	1,048,347	-	-	-	1,048,347
Economic development	555,341	-	-	-	555,341
Health and welfare	-	-	-	210,599	210,599
Capital outlay	-	-	-	326,824	326,824
Debt service	-	-	1,558,451	-	1,558,451
Total expenditures	<u>8,414,998</u>	<u>1,151,793</u>	<u>1,558,451</u>	<u>587,038</u>	<u>11,712,280</u>
Excess of revenues over (under) expenditures	<u>3,425,937</u>	<u>439,625</u>	<u>(1,547,708)</u>	<u>(140,486)</u>	<u>2,177,368</u>
Other Financing Sources (Uses):					
Transfers out	(1,680,600)	(169,000)	-	-	(1,849,600)
Transfers in	-	-	1,707,590	142,010	1,849,600
Total other financing sources (uses)	<u>(1,680,600)</u>	<u>(169,000)</u>	<u>1,707,590</u>	<u>142,010</u>	<u>-</u>
Net change in fund balances	1,745,337	270,625	159,882	1,524	2,177,368
Fund balance, beginning of year	<u>2,180,282</u>	<u>907,538</u>	<u>1,187,830</u>	<u>95,459</u>	<u>4,371,109</u>
Fund balance, end of year	<u>\$ 3,925,619</u>	<u>\$ 1,178,163</u>	<u>\$ 1,347,712</u>	<u>\$ 96,983</u>	<u>\$ 6,548,477</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SOMERTON, 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, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	2,177,368	
Notes receivable do not provide current financial resources in the funds, but are reported as receivables in the statement of net position.			(11,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			816,898
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.			
Capital outlay	\$	573,242	
Depreciation expense		<u>(1,741,167)</u>	(1,167,925)
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. Also, governmental funds report the effect of 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.			1,155,087
Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.			
Pension contributions		887,254	
Pension expense		<u>(860,406)</u>	26,848
OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net OPEB liability is measured a year before the City's report date. OPEB expense, which is the change in the net OPEB liability adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the Statement of Activities.			
OPEB contributions		18,110	
OPEB expense		<u>16,533</u>	34,643
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 governmental funds.			15,916
Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.			14,161
Change in net position of governmental activities	\$	<u><u>3,061,996</u></u>	

The accompanying notes are an integral part of the financial statements.

CITY OF SOMERTON, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2020

Assets	Water	Sewer	Sanitation	Total
Current assets:				
Cash	\$ 16,835	\$ 625,800	\$ 184,176	\$ 826,811
Receivables (net of allowance)	327,836	193,482	78,348	599,666
Due from other funds	758,593	-	201,523	960,116
Total current assets	1,103,264	819,282	464,047	2,386,593
Noncurrent assets:				
Restricted cash and investments	389,564	1,640,144	49,376	2,079,084
Net OPEB asset	1,016	1,108	618	2,742
Land	-	415,399	-	415,399
Buildings	33,710	-	-	33,710
Improvements other than buildings	1,373,587	823,799	126,616	2,324,002
Treatment facilities	2,276,139	18,046,169	-	20,322,308
Water distribution system	13,297,773	-	-	13,297,773
Sewer collection system	-	10,685,103	-	10,685,103
Machinery and equipment	77,825	323,119	95,437	496,381
Vehicles	29,120	376,421	1,173,680	1,579,221
Construction in progress	310,907	35,259	-	346,166
Accumulated depreciation	(10,192,632)	(12,644,504)	(1,292,690)	(24,129,826)
Total noncurrent assets	7,597,009	19,702,017	153,037	27,452,063
Total Assets	8,700,273	20,521,299	617,084	29,838,656
Deferred Outflows of Resources				
Deferred outflows related to pensions	64,161	60,995	37,633	162,789
Deferred outflows related to OPEB	5,204	5,674	3,165	14,043
Total deferred outflows of resources	69,365	66,669	40,798	176,832
Liabilities				
Current liabilities:				
Accounts payable	210,719	39,157	33,516	283,392
Accrued wages and benefits	11,067	9,943	5,792	26,802
Accrued liabilities	12,760	2,742	5,915	21,417
Retainage payable	16,467	-	-	16,467
Interest payable	24,278	44,559	-	68,837
Customer deposits	140,762	121,973	49,376	312,111
Due to other funds	-	901,523	-	901,523
Compensated absences - current portion	14,225	7,517	11,323	33,065
Notes payable - current portion	123,419	510,862	-	634,281
Bonds payable - current portion	-	65,767	-	65,767
Total current liabilities	553,697	1,704,043	105,922	2,363,662
Noncurrent liabilities:				
Compensated absences	15,111	7,986	12,027	35,124
Net pension liability	522,019	569,178	317,458	1,408,655
Net OPEB Liability	2,373	2,587	1,443	6,403
Notes payable, net of current portion	1,702,237	5,759,612	-	7,461,849
Bonds payable, net of current portion	-	343,451	-	343,451
Total noncurrent liabilities	2,241,740	6,682,814	330,928	9,255,482
Total liabilities	2,795,437	8,386,857	436,850	11,619,144
Deferred Inflows of Resources				
Deferred inflows related to pensions	40,248	43,884	24,476	108,608
Deferred inflows related to OPEB	2,602	2,837	1,582	7,021
Total deferred inflows of resources	42,850	46,721	26,058	115,629
Net Position				
Net investment in capital assets	5,380,773	11,381,073	103,043	16,864,889
Restricted for debt service	248,802	996,902	-	1,245,704
Restricted for capital outlay	-	521,269	-	521,269
Unrestricted	301,776	(744,854)	91,931	(351,147)
Total net position	\$ 5,931,351	\$ 12,154,390	\$ 194,974	\$ 18,280,715

The accompanying notes are an integral part of the financial statements.

CITY OF SOMERTON, ARIZONA
Statement Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

Operating Revenues	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Charges for services:	\$ 1,418,071	\$ 2,180,152	\$ 857,047	\$ 4,455,270
Other revenues	73,637	-	31,365	105,002
Total operating revenues	<u>1,491,708</u>	<u>2,180,152</u>	<u>888,412</u>	<u>4,560,272</u>
Operating Expenses				
Salaries	403,949	353,935	259,843	1,017,727
Employee benefits	204,001	135,666	101,580	441,247
Service, supplies and other	528,255	694,075	499,724	1,722,054
Depreciation	490,696	900,476	68,467	1,459,639
Total operating expenses	<u>1,626,901</u>	<u>2,084,152</u>	<u>929,614</u>	<u>4,640,667</u>
Operating income (loss)	<u>(135,193)</u>	<u>96,000</u>	<u>(41,202)</u>	<u>(80,395)</u>
Non-operating Revenues (Expenses)				
Investment earnings	4,268	10,419	-	14,687
Interest expense and fiscal charges	(48,557)	(163,909)	3,918	(208,548)
Grant revenues	148,390	48,466	-	196,856
Development fees and connection fees	41,800	238,119	-	279,919
Total non-operating revenue (expense)	<u>145,901</u>	<u>133,095</u>	<u>3,918</u>	<u>282,914</u>
Income (Loss) before contributions and transfers	10,708	229,095	(37,284)	202,519
Other Financing Sources				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	10,708	229,095	(37,284)	202,519
Total net position, beginning of year	<u>5,920,643</u>	<u>11,925,295</u>	<u>232,258</u>	<u>18,078,196</u>
Total net position, end of year	<u>\$ 5,931,351</u>	<u>\$ 12,154,390</u>	<u>\$ 194,974</u>	<u>\$ 18,280,715</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SOMERTON, ARIZONA
Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2020

	Water	Sewer	Sanitation	Total
Cash Flows From Operating Activities:				
Cash received from customers, service fees	\$ 1,266,207	\$ 2,195,951	\$ 856,678	\$ 4,318,836
Cash received from customers, other	73,637	-	31,365	105,002
Cash paid to suppliers	(342,775)	(769,798)	(496,712)	(1,609,285)
Cash paid to employees	(618,011)	(532,801)	(387,024)	(1,537,836)
Cash flows from operating activities	<u>379,058</u>	<u>893,352</u>	<u>4,307</u>	<u>1,276,717</u>
Cash Flows From Noncapital Financing Activities:				
Interfund receivables (payables)	(58,593)	-	-	(58,593)
Cash flows from noncapital and related financing activities	<u>(58,593)</u>	<u>-</u>	<u>-</u>	<u>(58,593)</u>
Cash Flows From Capital and Related Financing Activities:				
Purchase of capital assets	(572,909)	(422,068)	(6,423)	(1,001,400)
Principal paid on long term debt	(122,606)	(563,077)	(43,149)	(728,832)
Interest paid	(50,163)	(174,163)	3,818	(220,508)
Grant revenues	148,390	48,466	-	196,856
Connection & impact fees	41,800	238,119	-	279,919
Cash flows from capital and related financing activities	<u>(555,488)</u>	<u>(872,723)</u>	<u>(45,754)</u>	<u>(1,473,965)</u>
Cash Flows From Investing Activities:				
Investment earnings	4,268	10,419	-	14,687
Cash flows from investing activities	<u>4,268</u>	<u>10,419</u>	<u>-</u>	<u>14,687</u>
Net change in cash and cash equivalents	(230,755)	31,048	(41,447)	(241,154)
Cash and cash equivalents, including restricted cash, beginning of year	637,154	2,234,896	274,999	3,147,049
Cash and Cash Equivalents, including restricted cash, end of year	<u><u>\$ 406,399</u></u>	<u><u>\$ 2,265,944</u></u>	<u><u>\$ 233,552</u></u>	<u><u>\$ 2,905,895</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:				
Net operating income/(loss)	\$ (135,193)	\$ 96,000	\$ (41,202)	\$ (80,395)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:				
Depreciation/amortization	490,696	900,476	68,467	1,459,639
Pension expense	61,134	12,987	3,762	77,883
OPEB expense	1,958	3,331	1,234	6,523
Employer contributions	(49,806)	(45,343)	(28,903)	(124,052)
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	(151,864)	15,799	(369)	(136,434)
Increase/(Decrease) in payables	185,480	(75,723)	3,012	112,769
Increase/(Decrease) in accrued liabilities & deposits	(23,347)	(14,175)	(1,694)	(39,216)
Net cash flows from operating activities	<u><u>\$ 379,058</u></u>	<u><u>\$ 893,352</u></u>	<u><u>\$ 4,307</u></u>	<u><u>\$ 1,276,717</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

The City of Somerton, Arizona (government) is a municipal corporation governed by an elected mayor and five-member council (council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended component unit. The City of Somerton Municipal Property Corporation's (SMPC) board of directors consists of six members which are appointed by the Somerton City Council. The SMPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the government in obtaining financing for various projects of the City. The City has a "moral obligation" for the repayment of the Somerton Municipal Property Corporation's bonds. All related receivables and payables between the government and the SMPC have been eliminated. The SMPC has a June 30 year end and is reported within the governmental fund types.

Discretely presented component unit. The component unit column in the basic financial statements includes the financial data of the Somerton Industrial Development Authority (Authority). The Authority is responsible for the issuance of tax-exempt bonds for qualified projects approved by the Authority. The Authority has no more than a nine-member board of directors appointed by the City Council. The City is able to impose its will on the Authority inasmuch as the City Council elects the Authority's Board of Directors and may remove a board member without cause at any time. The accounting records of the Authority are maintained by the City and are available from the City of Somerton, 110 North State Ave., Somerton, Arizona 85258.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. 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.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

As discussed earlier, the government has one discretely presented component unit. The Industrial Development Authority is considered to be a major component unit, and is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The **highway user revenue special revenue fund** is used to account for revenue sources that are legally restricted for road construction and maintenance.

The **debt service fund** is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

The government reports the following major enterprise funds:

The **water fund** accounts for the activities related to the government's water operations.

The **sewer fund** accounts for the activities related to the government's sewer operations.

The **sanitation fund** accounts for the activities related to the government's sanitation operations.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 government 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 expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, state shared revenues, licenses, and interest 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the accrual basis of accounting.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The government's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, obligations of the U. S. Government and other investments as allowed by Arizona State Statutes. Investments for the government are reported at fair value (generally based on quoted market prices). The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Inventories for the proprietary funds consist principally of materials used in the repair of the distribution, collection and treatment systems.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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. 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 SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

Depreciation is computed using the straight-line method over the following estimated useful lives:

Building and improvements	10 to 40 years
Treatment facilities and improvements	15 to 45 years
Machinery and equipment	3 to 10 years
Vehicles	5 to 7 years
Streets, sidewalks & other infrastructure	15-40 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has three types of item that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is pension related items reported on the government-wide and proprietary fund financial statements. See footnote 11 for more information. The third item is OPEB related items reported on the government wide and proprietary fund financial statements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. The first is pension related items reported on the government-wide and proprietary fund financial statements. See footnote 11 for more information. The second item, is OPEB related items reported on the government-wide and proprietary fund financial statements. The third item, which arises only under a modified accrual basis of accounting, *unavailable revenue - ambulance*, is reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Postemployment benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plan's fiduciary net position of the Arizona State Retirement System (ASRS) and the Arizona Public Safety Personnel Retirement System (PSPRS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

Revenues and expenditures/expenses

Program revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Yuma County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments on October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date. The County also levies various personal property taxes during the year. A lien against property assessed attaches on the first day of January preceding the assessment and levy.

Compensated absences

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements unless they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 water fund, sewer fund, and sanitation fund are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue impact fees which are assessed to recover the impact that construction has on the government's established distribution system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

Tax abatements

The City has not entered into any tax abatement agreements and the City is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the City's tax revenues.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation as listed in the table of contents.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation as listed in the table of contents.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the government. The use of budgets and monitoring of equity status facilitate the government's compliance with legal requirements.

Budgets and budgetary accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental. All annual appropriations lapse at year end. The council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the government is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total government expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. State law requires that, prior to April 1, the Economic Estimates Commission provides the government with a final expenditure limit for the coming fiscal year.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the government adopts a budget by department for the General Fund and in total by fund for other funds. The City Manager, subject to council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without council approval.
6. The government has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Debt Service and Capital Projects Funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The government is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the government to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The government complied with this law during the year.

The budget was amended during the year.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 3. Stewardship, Compliance, and Accountability, Continued

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the government.

Expenditures over appropriations

Expenditures may not legally exceed budgeted appropriations at the department level for the general fund and the fund level for all other funds. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports found in the required supplementary and supplementary information present all of the departments or funds which incurred expenditures/expenses over appropriations for the year ended June 30, 2020, if any.

Highway User Revenue Funds

Highway user revenue fund monies received by the government pursuant to title 28, chapter 18, article 2 and other dedicated state transportation revenues received during the current fiscal year have been used solely for authorized transportation purposes.

Note 4. Deposits and Investments

Deposits and investments of the government at June 30, 2020 consist of the following:

	<u>Primary Government</u>	<u>Component Unit</u>
Deposits:		
Cash on hand	\$ 2,736	\$ -
Cash in bank	3,934,628	26,212
Investments:		
State Treasurer's Investment Pool	<u>3,588,301</u>	<u>-</u>
Total Deposits and Investments	<u><u>\$ 7,525,665</u></u>	<u><u>\$ 26,212</u></u>

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 4. Deposits and Investments, Continued

A reconciliation of cash and investments as shown on the statement of net position is as follows:

	Primary Government	Component Unit
Cash and cash equivalents	\$ 4,358,302	\$ 26,212
Restricted cash	3,167,363	-
	<u>\$ 7,525,665</u>	<u>\$ 26,212</u>

Deposits

Custodial credit risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The government does not have a formal policy for custodial credit risk. As of June 30, 2020, \$0 of the primary government and component unit's combined bank balance of \$4,289,720 was exposed to custodial credit risk because it was either fully insured or collateralized.

Investments

Investment Fund

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 4. Deposits and Investments, Continued

As of June 30, 2020 the government had the following investments, ratings, and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Arizona State Treasurer's Local Government Investment Pool 7	\$ 3,588,301	AAA	.12 years
Total Fair Value	<u><u>\$ 3,588,301</u></u>		

- (1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.
(2) Interest Rate Risk is estimated using the weighted average days to maturity.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The government's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323). A.R.S. 35-323 requires that the government's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The government's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). A.R.S. 35-323 limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

Fair value measurements

As noted above, the City holds investments that are measured at fair value on a recurring basis. The City categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The state treasurer's pool, as listed above, is valued using quoted prices in active markets (Level 1 inputs).

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 5. Restricted Assets

Restricted assets consisted of the following at June 30, 2020:

Water fund customer deposit cash reserve	\$ 140,762
Sewer fund customer deposit cash reserve	121,973
Sanitation fund customer deposit cash reserve	49,376
General Fund customer deposit cash reserves	999
Series 2015 Advance Refunding of GADA 2006 Bond unspent proceeds	173,838
WIFA Wastewater Treatment Plant loan debt service reserve	327,471
WIFA Wastewater Treatment Plant loan repair and replacement fund	195,138
WIFA Wastewater Treatment Plant Expansion loan debt service reserve	145,056
WIFA Wastewater Treatment Plant Expansion loan repair and replacement	145,057
USDA Wastewater Treatment Plant Expansion loan reserve fund	92,055
WIFA Solar Project Water loan debt service reserve	57,578
WIFA Solar Project Water loan repair and replacement	34,547
WIFA Solar Project Water loan debt service reserve	139,872
WIFA Water Meter loan debt service reserve	73,614
WIFA Mesa/Orange Grove Water Company loan debt service reserve	35,316
Sewer development fees restricted for capital outlay	521,269
Public Safety development fees	37,057
Streets development fees	382,028
Parks & Rec development fees	356,615
General Fund - YEPCO project	73,246
Grants	64,496
Total	<u><u>\$ 3,167,363</u></u>

Note 6. Receivables

Intergovernmental receivables consist principally of amounts due from the State of Arizona for various taxes, shared revenues, highway user revenues and amounts due from the Cocopah Indian Tribe. Other Accounts Receivable in the General Fund consists principally of ambulance billings receivable. All receivables and amounts due from other governments are considered by management to be fully collectible and therefore, no allowance for doubtful accounts is necessary.

Receivables in the proprietary fund are service billings receivable and are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on professional judgment and historical information. The allowances for doubtful accounts at June 30, 2020 were as follows:

Water Fund	\$ 75,497
Sewer Fund	65,419
Sanitation Fund	26,482
	<u><u>\$ 167,398</u></u>

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 7. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year:

Governmental Activities:	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 3,208,742	\$ 51,158	\$ -	\$ 3,259,900
Construction in progress	256,476	460,767	-	717,243
Total capital assets, not being depreciated	3,465,218	511,925	-	3,977,143
Capital assets, being depreciated:				
Buildings	9,986,979	7,145	-	9,994,124
Improvements other than buildings	2,854,533	-	-	2,854,533
Furniture and equipment	2,596,621	16,452	-	2,613,073
Vehicles	3,772,657	6,952	-	3,779,609
Infrastructure	22,036,387	30,768	-	22,067,155
Total capital assets, being depreciated	41,247,177	61,317	-	41,308,494
Less accumulated depreciation for:				
Buildings	(2,775,225)	(291,094)	-	(3,066,319)
Improvements other than buildings	(1,341,051)	(129,690)	-	(1,470,741)
Furniture and equipment	(2,431,467)	(58,050)	-	(2,489,517)
Vehicles	(3,227,528)	(160,920)	-	(3,388,448)
Infrastructure	(9,121,541)	(1,101,413)	-	(10,222,954)
Total accumulated depreciation	(18,896,812)	(1,741,167)	-	(20,637,979)
Total capital assets, being depreciated, net	22,350,365	(1,679,850)	-	20,670,515
Governmental activities capital assets, net	\$ 25,815,583	\$ (1,167,925)	\$ -	\$ 24,647,658

Depreciation expense was charged to the functions/programs of the government as follows:

Governmental Activities:	
General government	\$ 442,757
Public safety	312,974
Public works/streets	881,072
Culture & recreation	69,879
Health and welfare	34,485
Total depreciation expense - governmental activities	\$ 1,741,167

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 7. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year.

Business Type Activities:	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Capital assets not being depreciated:				
Land	\$ 415,399	\$ -	\$ -	\$ 415,399
Construction in progress	37,673	347,479	(38,985)	346,167
Total capital assets, not being depreciated	453,072	347,479	(38,985)	761,566
Capital assets being depreciated:				
Buildings	33,710	-	-	33,710
Improvements other than buildings	2,317,579	6,422	-	2,324,001
Treatment facilities	20,322,309	-	-	20,322,309
Water distribution system	13,035,771	262,002	-	13,297,773
Sewer collection system	10,293,618	400,769	(9,284)	10,685,103
Machinery and equipment	472,668	23,712	-	496,380
Vehicles	1,579,221	-	-	1,579,221
Total capital assets, being depreciated	48,054,876	692,905	(9,284)	48,738,497
Less accumulated depreciation for:				
Buildings	(33,697)	-	-	(33,697)
Improvements other than buildings	(730,516)	(77,807)	-	(808,323)
Treatment facilities	(6,853,273)	(77,872)	-	(6,931,145)
Water distribution system	(7,157,384)	(846,516)	-	(8,003,900)
Sewer collection system	(6,102,287)	(347,533)	9,284	(6,440,536)
Machinery and equipment	(359,022)	(43,265)	-	(402,287)
Vehicles	(1,443,292)	(66,646)	-	(1,509,938)
Total accumulated depreciation	(22,679,471)	(1,459,639)	9,284	(24,129,826)
Total capital assets, being depreciated, net	25,375,405	(766,734)	-	24,608,671
Business-type activities capital assets, net	<u>\$ 25,828,477</u>	<u>\$ (419,255)</u>	<u>\$ (38,985)</u>	<u>\$ 25,370,237</u>

Depreciation expense was charged to the functions/programs of the government as follows:

Business-Type Activities:	
Water	\$ 490,696
Sewer	900,476
Sanitation	68,467
Total depreciation expense - governmental activities	<u>\$ 1,459,639</u>

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 7. Capital Assets, Continued

The following table summarizes the changes to capital assets for the component unit during the year.

Component Unit:	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Capital assets not being depreciated:				
Land	\$ 80,048	\$ -	\$ -	\$ 80,048
Total capital assets, not being depreciated	80,048	-	-	80,048
Capital assets being depreciated:				
Buildings	1,177,086	-	-	1,177,086
Improvements	-	55,035	-	55,035
Total capital assets, being depreciated	1,177,086	55,035	-	1,232,121
Less accumulated depreciation for:				
Buildings	(201,866)	(48,520)	-	(250,386)
Total accumulated depreciation	(201,866)	(48,520)	-	(250,386)
Total capital assets, being depreciated, net	975,220	6,515	-	981,735
Component units capital assets, net	\$ 1,055,268	\$ 6,515	\$ -	\$ 1,061,783

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CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

	Primary Government				
	Balance 06/30/19	Additions	Retirements	Balance 06/30/20	Current Portion
Governmental Activities:					
Bonds payable - direct placements	\$ 9,565,000	\$ -	\$ (695,000)	\$ 8,870,000	\$ 705,000
Bond premiums	87,777	-	(10,372)	77,405	10,372
Total bonds payable	9,652,777	-	(705,372)	8,947,405	715,372
Notes payable - direct borrowings	4,235,000	-	(295,000)	3,940,000	305,000
Capital leases	520,800	-	(181,921)	338,879	155,107
Net pension and OPEB liabilities	7,225,011	913,848	(939,527)	7,199,332	-
Accrued compensated absences	377,189	86,803	(102,719)	361,273	102,719
Total Governmental Activities	\$ 22,010,777	\$ 1,000,651	\$ (2,224,539)	\$ 20,786,889	\$ 1,278,198
Business-Type Activities:					
Bonds payable - direct placements	\$ 470,000	\$ -	\$ (65,000)	\$ 405,000	\$ 65,000
Less deferred amounts:					
Bond premiums	4,985	-	(767)	4,218	767
Total bonds payable	474,985	-	(65,767)	409,218	65,767
Notes payable - direct borrowings	8,716,812	-	(620,681)	8,096,131	634,281
Capital leases	43,149	-	(43,149)	-	-
Net pension and OPEB liabilities	1,461,710	77,305	(123,957)	1,415,058	-
Accrued compensated absences	91,703	9,551	(33,065)	68,189	33,065
Total Business-Type Activities	\$ 10,788,359	\$ 86,856	\$ (886,619)	\$ 9,988,596	\$ 733,113
Total Long-Term Liabilities	\$ 32,799,136	\$ 1,087,507	\$ (3,111,158)	\$ 30,775,485	\$ 2,011,311
	Component Unit				
	Balance 6/30/2019	Additions	Retirements	Balance 6/30/2020	Current Portion
Notes payable - direct borrowings	\$ 484,339	\$ -	\$ (66,955)	\$ 417,384	\$ 69,860
Total Long-Term Liabilities	\$ 484,339	\$ -	\$ (66,955)	\$ 417,384	\$ 69,860

In 2006, 2011, and 2015 the City issued direct placement bonds related to governmental activities with a total outstanding balance of \$8,947,405 at year end. These bonds contain provisions upon nonpayment in whole or in part, violation of covenants, insolvency or bankruptcy to take whatever legal action is required to collect the payments and any other amounts payable by the City.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Long-Term Obligations, Continued

The City's outstanding note payable from direct borrowings related to governmental activities of \$3,940,000 was to purchase land and refinance existing debt in 2017. This note contains default provisions allowing the issuer the option to declare all or any part of indebtedness due and payable.

The City's outstanding bonds from direct placements related to business-type activities of \$409,218 contain provisions upon nonpayment in whole or in part, violation of covenants, insolvency or bankruptcy to take whatever legal action is required to collect the payments and any other amounts payable by the City.

The City's outstanding notes payable from direct borrowings related to business-type activities of \$8,096,131 contain provisions to transfer amounts in default from the Replacement Reserve to cover the deficiency including late charges for the Water Infrastructure Finance Authority notes payable totaling \$4,668,822. The remaining notes payable of \$3,427,309 with Rural Development Authority contains default provisions allowing the issuer the option to declare all or any part of indebtedness due and payable. These notes are secured with a real estate deed of trust having a lien on all real property related to the waste water system facility.

The component unit's outstanding notes payable from direct borrowings of \$417,384 contains a provision that in an event of default (i.e. late payments or failure to perform any condition contained in the agreement), a charge of 5% of each schedule payment will be assessed for each payment that is late by 10 days or more. Also upon default, the interest rate will be increased to 18% per annum based on a year of 360 day not to exceed the maximum interest rate limitations under applicable law. This note is collateralized with real property located in Yuma County, assignment of all rents on the real property, and inventory, equipment, and fixtures.

The City has no unused lines of credit at June 30, 2020.

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CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Long-Term Obligations, Continued

Long term debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities		Component Unit	
	Direct Borrowings and Direct Placements		Direct Borrowings and Direct Placements		Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,010,000	\$ 338,423	\$ 699,281	\$ 191,382	\$ 69,860	\$ 14,408
2022	1,025,000	316,563	717,316	173,603	72,523	11,745
2023	1,050,000	294,179	740,888	155,268	275,001	4,841
2024	1,080,000	270,252	759,346	136,229	-	-
2025	1,105,000	244,771	441,883	122,099	-	-
2026-2030	4,385,000	801,942	2,072,447	484,591	-	-
2031-2035	2,205,000	323,487	960,961	301,826	-	-
2036-2040	950,000	85,577	553,308	215,242	-	-
2041-2045	-	-	622,310	146,242	-	-
2046-2050	-	-	699,920	68,632	-	-
2051-2055	-	-	152,497	17,231	-	-
2056-2058	-	-	80,974	2,533	-	-
Totals	\$ 12,810,000	\$ 2,675,194	\$ 8,501,131	\$ 2,014,878	\$ 417,384	\$ 30,994

The following is a listing of long-term debt outstanding as of June 30, 2020:

Notes Payable:

Governmental Activities:

Pledged Revenue and Pledged Refunding Obligations, Series 2017,
due in annual principal and semi-annual interest installments
ranging from \$199,991 to \$404,410, bearing interest at 2.39% to
2.63%, maturing July 1, 2032

\$ 3,940,000

Total Governmental Activities

3,940,000

Business-Type Activities:

Water Infrastructure Finance Authority of Arizona loan,
due in semi-annual variable principal and interest installments,
bearing interest at 3.278%, maturing July 1, 2023.

1,251,747

Water Infrastructure Finance Authority of Arizona loan,
due in semi-annual variable principal and interest installments,
bearing interest at 2%, maturing July 1, 2029.

1,302,986

Water Infrastructure Finance Authority of Arizona loan,
due in semi-annual variable principal and interest installments,
bearing interest at 2.625%, maturing July 1, 2031.

798,410

Water Infrastructure Finance Authority of Arizona loan,
due in semi-annual variable principal and interest installments,
bearing interest at 2.625%, maturing July 1, 2031.

288,432

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Long-Term Obligations, Continued

Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 3.016%, maturing July 1, 2033.	683,810
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.112%, maturing July 1, 2030	343,437
Rural Development Authority loan due in monthly principal and interest installments of \$10,204, bearing interest at 2.375%, maturing July 15, 2050.	2,633,693
Rural Development Authority loan due in monthly principal and interest installments, bearing interest at 2.25%, maturing July 25, 2032.	793,616
Total Business-Type Activities	<u>8,096,131</u>
Total Notes Payable	<u>\$ 12,036,131</u>

Bonds Payable:

Governmental Activities:

Pledged Revenue Obligation, Qualified Energy Conservation Revenue Bonds, Series 2011, due in annual principal and semi-annual interest installments ranging from \$12,006 to \$75,080, bearing interest at 2.0% to 6.415%, maturing July 1, 2030	\$ 680,000
Refunding of Series 2006 Greater Arizona Development Authority Infrastructure Revenue Bonds, due in annual principal and semi-annual interest installments ranging from \$9,400 to \$511,012, bearing interest at 2.0% to 4.0%, maturing July 1, 2026	3,185,000
Pledged Revenue Obligations, Series 2015, due in annual principal and semi-annual interest installments ranging from \$3,587 to \$212,175, bearing interest at 3.125% to 4.0%, maturing July 1, 2039	3,020,000
Pledged Revenue Obligations, Series 2015, due in annual principal and semi-annual interest installments ranging from \$2,800 to \$170,675, bearing interest at 2.0% to 4.0%, maturing July 1, 2034	1,985,000
Total Governmental Activities	<u>8,870,000</u>

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Long-Term Obligations, Continued

Business-Type Activities:

Refunding of Series 2004 Municipal Property Corporation Revenue Bonds, due in annual principal and semi-annual interest installments ranging from \$831 to \$76,100, bearing interest at 2.0% to 4.0%, maturing July 1, 2025	405,000
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Total Bonds Payable	<u>\$ 9,275,000</u>
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Leases Payable:

Governmental Activities:

Lease payable in yearly installments through November 2020, bearing interest at 3.95%	\$ 24,309
Lease payable in yearly installments through November 2020, bearing interest at 3.20%	43,351
Lease payable in semi-yearly installments through January 2021, bearing interest at 5.45%	17,156
Lease payable in monthly installments through February 2022, bearing interest at 6.45%	17,682
Lease payable in annual installments through December 2024, bearing interest at 3.55%	145,432
Lease payable in monthly installments through August 2022, bearing interest at 6.7%	33,767
Lease payable in monthly installments through August 2022, bearing interest at 6.7%	<u>57,182</u>

Total Leases Payable	<u>338,879</u>
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Total Loans, Bonds and Leases Payable	21,650,010
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Net Pension Liabilities	8,614,390
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Accrued Vacation and Comp Time Payable	429,462
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Bond Premiums and Discounts, net	<u>81,623</u>
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Total Long-Term Debt	30,775,485
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Less Current Portion:

Business-type Activities	(733,113)
Governmental-type Activities	<u>(1,278,198)</u>

Net Long-Term Debt	<u><u>\$ 28,764,174</u></u>
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For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 9. Capital Leases Payable

The government has entered into lease agreements, which are considered capital leases in accordance with Financial Accounting Standard Board ASC 840-30-25. The total amount of equipment capitalized under the leases is \$593,491. Amortization on the capital leases is included in depreciation expense.

One of the capital leases was for Motorola radios. These radios are below the capitalization threshold and have not been capitalized.

The following is an annual schedule of future minimum lease payments with interest rates between 3.29% and 6.70%, together with the present value of the net minimum lease payments:

Year Ending June 30	Governmental Activities
2021	\$ 170,824
2022	80,446
2023	52,314
2024	32,256
2025	32,256
Total remaining minimum lease payments	368,096
Less amount representing interest	(29,217)
Present value of net remaining minimum lease payments	<u>\$ 338,879</u>

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CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 10. Interfund Receivables, Payables and Transfers

As of June 30, 2020, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 330,002	\$ -
Nonmajor funds:		
Capital Improvement Fund	14,332	(268,641)
Senior Center Fund	-	(47,415)
Court Fund	-	(86,872)
Water Fund	758,592	-
Sewer Fund	-	(901,523)
Sanitation Fund	201,523	-
Total	<u>\$ 1,304,450</u>	<u>\$ (1,304,450)</u>

	Due from Component Unit	Due to Primary Government
Capital Improvement Fund	\$ 83,419	\$ -
Component Unit	-	(83,419)
Total	<u>\$ 83,419</u>	<u>\$ (83,419)</u>

Interfund balances resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

In July 2019, the sewer fund's rates were increased to generate more cash flow to help repay the interfund loans with the water and sanitation funds.

Interfund transfers for the fiscal year ended June 30, 2020 are as follows:

Transfer in:	Transfers out:		
	General	Highway User	Total
Nonmajor Governmental Funds			
Capital Improvement	\$ 55,121	\$ -	\$ 55,121
Miscellaneous Grants	6,343	-	6,343
Debt Service	1,538,590	169,000	1,707,590
Senior Nutrition Center	80,546	-	80,546
Total transfers out	<u>\$ 1,680,600</u>	<u>\$ 169,000</u>	<u>\$ 1,849,600</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits

The City contributes to the Arizona State Retirement System and Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2020, the City reported the following aggregate amounts related to pensions and other post employment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities	Business-Type Activities
Net pension/OPEB asset	\$ 7,945	\$ 196,470	\$ 204,415	\$ 201,673	\$ 2,742
Net pension/OPEB liabilities	(4,101,618)	(4,512,772)	(8,614,390)	(7,199,332)	(1,415,058)
Deferred outflows of resources	517,858	1,772,744	2,290,602	2,113,770	176,832
Deferred inflows of resources	(335,154)	(1,343,593)	(1,678,747)	(1,563,118)	(115,629)
Pension/OPEB expense	112,913	683,890	796,803	756,018	40,785

The City reported \$939,527 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The City participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before July 1, 2011	Initial Membership Date On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 percent for long-term disability) of the active members' annual covered payroll.

In addition, the City was required by statute to contribute at the actuarially determined rate of 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to ASRS would typically fill.

The City's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2018	\$ 310,599	\$ 12,538	\$ 4,561
2019	319,976	13,165	4,579
2020	344,985	14,764	5,122

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

Liability – At June 30, 2020, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net pension/OPEB (asset) liability
Pension	\$ 4,083,056
Health insurance premium benefit	(7,945)
Long-term disability	18,560

The net asset and net liabilities were measured as of June 30, 2019. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019.

The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The City's proportion measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018 were:

	Proportion June 30, 2018	Proportion June 30, 2019	Increase (decrease) from June 30, 2018
Pension	0.02867%	0.02806%	-0.000610%
Health insurance premium benefit	0.02921%	0.02875%	-0.000460%
Long-term disability	0.02875%	0.02849%	-0.000260%

Expense – For the year ended June 30, 2020, the City recognized the following pension and OPEB expense:

	Pension/OPEB Expense
Pension	\$ 461,799
Health insurance premium benefit	9,966
Long-term disability	6,019

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

Deferred outflows/inflows of resources - At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 73,761	\$ 768	\$ -	\$ 9,498	\$ 2,193	\$ -
Changes of assumptions or other inputs	17,259	162,595	15,625	-	2,776	-
Net difference between projected and actual earnings on pension plan investments	-	91,773	-	10,332	-	396
Changes in proportion and differences between contributions and proportionate share of contributions	41,150	59,670	26	18	195	104
Contributions subsequent to the measurement date	344,985	-	14,764	-	5,122	-
Total	<u>\$ 477,155</u>	<u>\$ 314,806</u>	<u>\$ 30,415</u>	<u>\$ 19,848</u>	<u>\$ 10,286</u>	<u>\$ 500</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30,	Pension	Health Insurance Premium Benefit	Long-term disability
2021	\$ (52,558)	\$ (3,438)	\$ 466
2022	(137,033)	(3,437)	467
2023	(17,624)	974	853
2024	24,579	1,928	924
2025	-	(224)	777
Thereafter	-	-	1,177

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

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

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pension and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

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

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
Totals	100%	

Discount Rate – At June 30, 2019, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

Sensitivity of the City's proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of			
Net pension liability	\$ 5,811,135	\$ 4,083,056	\$ 2,638,827
Net insurance premium benefit liability (asset)	40,246	(7,945)	(49,006)
Net long-term disability liability	20,540	18,560	16,639

Plan fiduciary net position – Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS) and Corrections Officer Retirement Plan (CORP)

Plan descriptions – City police employees, city attorney investigators and fire employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City's financial statements.

City dispatchers participate in the Corrections Officer Retirement Plan (CORP) or the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan for City dispatchers (agent plans), which were closed to new members as of July 1, 2018. Employees who were CORP members before July 1, 2018, participate in CORP. City dispatchers who became members on or after July 1, 2018, participate in PSPDCRP which are not further disclosed because of their relative insignificance to the City's financial statements. The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

Benefits provided – The PSPRS and CORP provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012 And before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years of service or 15 years of credited of service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 4.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

CORP	On or After January 1, 2012	
	Before January 1, 2012	And before July 1, 2018
Retirement and Disability		
Years of service and age required to receive benefit	Sum of years and age equals 80 25 years, any age (dispatchers) 20 years, any age (all others) 10 years, age 62	25 years, age 52.5 10 years, age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and Permanent Disability Retirement	50% or normal retirement if more than 25 years of credited service	
Ordinary Disability Retirement	2.5% per year of credited service	
Survivor Benefit		
Retired Members	80% of retired member's pension benefit	
Active Members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions	

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

Employees covered by benefit terms – At June 30, 2020, the following employees were covered by the agent pension plans' benefit terms:

PSPRS - Police	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	7	7
Inactive employees entitled to but not yet receiving benefits	3	0
Active employees	12	12
Total	22	19

PSPRS - Fire	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	3	3
Inactive employees entitled to but not yet receiving benefits	2	0
Active employees	15	15
Total	20	18

CORP - Dispatch	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	1	1
Inactive employees entitled to but not yet receiving benefits	1	0
Active employees	4	4
Total	6	5

Contributions – State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Active member - Pension</u>	<u>City - Pension</u>	<u>City-Health insurance premium</u>
PSPRS Police	7.65-11.65%	31.65%	0.00%
PSPRS Tier 3 risk pool	9.94%	28.44%	0.21%

	<u>Active member - Pension</u>	<u>City - Pension</u>	<u>City-Health insurance premium</u>
PSPRS Fire	7.65%	28.38%	0.51%
PSPRS Tier 3 risk pool	9.94%	22.95%	0.21%

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

	Active member - Pension	City - Pension	City-Health insurance premium
CORP Dispatch	7.96%	42.03%	0.30%
PSPRS Tier 3 risk pool	0.00%	0.00%	0.00%

In addition, statute required the City to contribute at the actuarially determined rate of 18.71% for police, 13.22% for fire, and 34.17% for dispatch of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS or CORPS would typically fill and employees participating in the PSPRS Tier 3 Risk Pool members in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool.

The City's contributions to the plans for the year ended June 30, 2020 were:

PSPRS - Police		Health insurance premium benefit
	Pension	
PSPRS	\$ 226,740	\$ -
PSPRS Tier 3 risk pool	46,801	-
PSPRS - Fire		Health insurance premium benefit
	Pension	
PSPRS	\$ 226,474	\$ 3,315
PSPRS Tier 3 risk pool	87,610	1,257
CORP - Dispatch		Health insurance premium benefit
	Pension	
CORP	\$ 71,834	\$ 513
CORP Tier 3 risk pool	-	-

During fiscal year 2020, the City paid for the PSPRS and CORP pension and OPEB contributions 100% from the general fund.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

Liability – At June 30, 2020, the City reported a net pension liability of \$2,110,331 for PSPRS Police, \$1,537,975 for PSPRS Fire, and \$852,893 for CORP Dispatchers. The City also reported a net OPEB liability (asset) of \$(151,625) for PSPRS Police, \$(44,845) for PSRPS Fire, and \$11,573 for CORP Dispatchers. The net assets and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

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

PSPRS and CORP

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

PSPRS and CORP		Long-Term Expected Geometric Real Rate of Return
Asset Class	Target Allocation	
U.S. Equity	16.00%	4.75%
Non-U.S. Equity	14.00%	5.00%
Private Credit	16.00%	5.36%
Fixed Income	5.00%	3.00%
Private Equity	12.00%	8.40%
GTS	12.00%	4.01%
Real Assets	9.00%	6.75%
Real Estate	10.00%	4.50%
Risk Parity	4.00%	4.01%
Short Term Inv.	2.00%	0.25%
Total	100.00%	

Discount Rate – At June 30, 2019, the discount rate used to measure the PSPRS and CORP total pension/OPEB liabilities was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

Changes in the Net Pension/OPEB Liability

PSPRS-Police

	Pension Increase (decrease)			Health insurance premium benefit Increase (decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 6,646,250	\$ 4,360,620	\$ 2,285,630	\$ 125,075	\$ 233,499	\$ (108,424)
Adjustment to Beginning of Year	-	(2,277)	2,277	-	2,277	(2,277)
Changes for the year:						
Service cost	163,095	-	163,095	3,378	-	3,378
Interest on total pension/OPEB liability	489,973	-	489,973	9,390	-	9,390
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience in the measurement of the pension/OPEB liability	(340,087)	-	(340,087)	(41,933)	-	(41,933)
Changes of assumptions	103,633	-	103,633	899	-	899
Contributions - employer	-	299,902	(299,902)	-	315	(315)
Contributions - employee	-	72,035	(72,035)	-	-	-
Net investment income	-	227,192	(227,192)	-	12,560	(12,560)
Benefit payments, including refunds of employee contributions	(376,176)	(376,176)	-	(3,120)	(3,120)	-
Plan administrative expenses	-	(4,939)	4,939	-	(217)	217
Other changes	-	-	-	-	-	-
Net changes	40,438	218,014	(177,576)	(31,386)	9,538	(40,924)
Balances at June 30, 2020	\$ 6,686,688	\$ 4,576,357	\$ 2,110,331	\$ 93,689	\$ 245,314	\$ (151,625)

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

PSPRS-Fire

	Pension Increase (decrease)			Health insurance premium benefit Increase (decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 5,593,222	\$ 3,925,412	\$ 1,667,810	\$ 167,233	\$ 158,884	\$ 8,349
Adjustment to Beginning of Year	-	(1,833)	1,833	-	1,832	(1,832)
Changes for the year:						
Service cost	211,100	-	211,100	4,190	-	4,190
Interest on total pension/OPEB liability	412,721	-	412,721	12,641	-	12,641
Difference between expected and actual experience in the measurement of the pension/OPEB liability	(350,801)	-	(350,801)	(58,602)	-	(58,602)
Changes of assumptions	134,543	-	134,543	3,109	-	3,109
Contributions - employer	-	272,225	(272,225)	-	4,189	(4,189)
Contributions - employee	-	75,610	(75,610)	-	-	-
Net investment income	-	195,796	(195,796)	-	8,660	(8,660)
Benefit payments, including refunds of employee contributions	(454,024)	(454,024)	-	(1,200)	(1,200)	-
Plan administrative expenses	-	(4,400)	4,400	-	(149)	149
Net changes	(46,461)	85,207	(131,668)	(39,862)	11,500	(51,362)
Balances at June 30, 2020	<u>\$ 5,546,761</u>	<u>\$ 4,008,786</u>	<u>\$ 1,537,975</u>	<u>\$ 127,371</u>	<u>\$ 172,216</u>	<u>\$ (44,845)</u>

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

CORP-Dispatch

	Pension Increase (decrease)			Health insurance premium benefit Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 1,306,342	\$ 597,525	\$ 708,817	\$ 26,211	\$ 23,576	\$ 2,635
Changes for the year:						
Service cost	25,125	-	25,125	313	-	313
Interest on total pension/OPEB liability	97,281	-	97,281	1,963	-	1,963
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience in the measurement of the pension/OPEB liability	104,697	-	104,697	8,024	-	8,024
Changes of assumptions	33,529	-	33,529	439	-	439
Contributions - employer	-	71,821	(71,821)	-	526	(526)
Contributions - employee	-	12,673	(12,673)	-	-	-
Net investment income	-	33,357	(33,357)	-	1,298	(1,298)
Benefit payments, including refunds of employee contributions	(33,721)	(33,721)	-	-	-	-
Plan administrative expenses	-	(1,295)	1,295	-	(23)	23
Other changes	-	-	-	-	-	-
Net changes	226,911	82,835	144,076	10,739	1,801	8,938
Balances at June 30, 2020	\$ 1,533,253	\$ 680,360	\$ 852,893	\$ 36,950	\$ 25,377	\$ 11,573

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

Sensitivity of the proportionate share of the net pension/OPEB liability to changes in the discount rate – The following table presents the City's net pension/OPEB (assets) liability calculated using the discount rate of 7.3 percent, as well as what the City's net pension (assets) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	<u>1% Decrease (6.30%)</u>	<u>Discount Rate (7.30%)</u>	<u>1% Increase (8.30%)</u>
PSPRS-Police			
Net pension (asset) / liability	\$ 3,058,129	\$ 2,110,331	\$ 1,344,647
Net OPEB (asset)/ liability	(139,963)	(151,625)	(161,365)
	<u>1% Decrease (6.30%)</u>	<u>Discount Rate (7.30%)</u>	<u>1% Increase (8.30%)</u>
PSPRS-Fire			
Net pension (asset) / liability	\$ 2,410,058	\$ 1,537,975	\$ 837,062
Net OPEB (asset)/ liability	(28,249)	(44,845)	(58,724)
	<u>1% Decrease (6.30%)</u>	<u>Discount Rate (7.30%)</u>	<u>1% Increase (8.30%)</u>
CORP-Dispatch			
Net pension (asset) / liability	\$ 1,081,057	\$ 852,893	\$ 668,300
Net OPEB (asset)/ liability	16,691	11,573	7,330

Plan fiduciary net position – Detailed information about the plan's fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

Expense – For the year ended June 30, 2020, the City recognized the following pension and OPEB expense:

	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS Police	\$ 310,854	\$ (23,335)
	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS Fire	\$ 308,315	\$ (970)
	<u>Pension expense</u>	<u>OPEB expense</u>
CORP Dispatch	\$ 88,294	\$ 732

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

Deferred outflows/inflows of resources – At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,955	\$ 482,119	\$ -	\$ 84,616
Changes in assumptions	290,246	-	768	8,621
Net difference between projected and actual earnings on pension/OPEB plan investments	75,126	-	868	-
Contributions subsequent to the measurement date	273,542	-	-	-
Total	<u>\$ 679,869</u>	<u>\$ 482,119</u>	<u>\$ 1,636</u>	<u>\$ 93,237</u>

PSPRS - Fire

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,867	\$ 636,043	\$ 2,237	\$ 52,740
Changes in assumptions	433,804	-	2,799	3,594
Net difference between projected and actual earnings on pension/OPEB plan investments	71,323	-	711	-
Contributions subsequent to the measurement date	314,084	-	4572	-
Total	<u>\$ 833,078</u>	<u>\$ 636,043</u>	<u>\$ 10,319</u>	<u>\$ 56,334</u>

CORP - Dispatch

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 94,060	\$ 69,789	\$ 7,362	\$ 484
Changes in assumptions	64,395	-	365	5,587
Net difference between projected and actual earnings on pension/OPEB plan investments	9,224	-	89	-
Contributions subsequent to the measurement date	71,834	-	513	-
Total	<u>\$ 239,513</u>	<u>\$ 69,789</u>	<u>\$ 8,329</u>	<u>\$ 6,071</u>

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 11. Retirement and Other Postemployment Benefits, Continued

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

PSPRS Police		
Year Ended June 30,	Pension	Health Insurance Premium Benefit
2021	\$ 17,275	\$ (19,155)
2022	(36,974)	(19,153)
2023	(26,663)	(17,470)
2024	(29,430)	(17,654)
2025	-	(12,128)
Thereafter	-	(6,041)

PSPRS Fire		
Year Ended June 30,	Pension	Health Insurance Premium Benefit
2021	\$ 20,233	\$ (6,087)
2022	(20,887)	(6,087)
2023	4,739	(4,969)
2024	(19,111)	(5,098)
2025	(28,450)	(5,738)
Thereafter	(73,573)	(22,608)

CORP Dispatch		
Year Ended June 30,	Pension	Health Insurance Premium Benefit
2021	\$ 19,662	\$ 193
2022	11,439	193
2023	9,936	351
2024	17,359	340
2025	19,747	712
Thereafter	19,747	(44)

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 12. Risk Management

The government 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 government's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the government is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. The Agreement provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000 for general liability claims and \$100,000 for property claims for each insured event.

The Arizona Municipal Risk Retention Pool is structured such that member's 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 member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The government purchases commercial insurance for employee benefits and for risks of loss for potential worker related accidents. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 13. Contingent Liabilities and Commitments

The government is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of government management, based on the advice of the government Attorney with respect to such litigation, such matters will not have a material adverse effect on the government's financial position at June 30, 2020.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 14. Segment Information

Segment information for the Industrial Development Authority is disclosed below. Segment information for the other proprietary funds is disclosed in the basic financial statements.

	IDA 6/30/2020
Operating Revenues	\$ 171,709
Depreciation	(48,521)
Operating Expenses	(82,652)
Operating Income/(Loss)	40,536
Change in Net Position	40,536
Beginning Net Position	544,822
Ending Net Position	585,358
Net Working Capital	(59,041)
Total Assets	1,087,995
Current Liabilities	1,834
Due to Primary Government	83,419
Total Long-Term Liabilities	417,384
Net Position	
Net Investment in Capital Assets	589,364
Unrestricted	(4,006)
Total Net Position	585,358

Condensed Statement of Cash Flows

Net Cash Flows from:

Operating Activities	119,173
Noncapital Financing Activities	7,982
Capital and Related Financing Activities	(139,303)
Net Increase (Decrease)	(12,148)
Beginning Cash and Cash Equivalents	38,360
Ending Cash and Cash Equivalents	\$ 26,212

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2020

ASRS - Pension

**Reporting Fiscal Year
(Measurement Date)**

	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.028060%	0.028670%	0.027980%	0.027470%	0.025760%	0.000259%
Proportionate share of the net pension liability (asset)	\$ 4,083,056	\$ 3,998,456	\$ 4,358,739	\$ 4,433,934	\$ 4,012,837	\$ 3,834,505
Covered payroll	\$ 2,811,370	\$ 2,778,168	\$ 2,689,776	\$ 2,456,023	\$ 2,388,365	\$ 2,380,882
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	145.23%	143.92%	162.05%	180.53%	168.02%	161.05%
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability
June 30, 2020

ASRS - Health insurance premium benefit

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.028750%	0.029210%	0.028390%	0.028390%
Proportionate share of the net OPEB (asset)	\$ (7,945)	\$ (10,518)	\$ (15,456)	\$ 8,209
Covered payroll	\$ 2,811,370	\$ 2,778,168	\$ 2,689,776	\$ 2,456,023
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.28%	-0.38%	-0.57%	0.33%
Plan fiduciary net position as a percentage of the total OPEB liability	101.62%	102.20%	103.57%	98.02%

ASRS - Long-term disability

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.028490%	0.028750%	0.028100%	0.028750%
Proportionate share of the net OPEB (asset)	\$ 18,560	\$ 15,022	\$ 10,186	\$ 10,098
Covered payroll	\$ 2,811,370	\$ 2,778,168	\$ 2,689,776	\$ 2,456,023
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.66%	0.54%	0.38%	0.41%
Plan fiduciary net position as a percentage of the total OPEB liability	72.85%	77.83%	84.44%	85.17%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedules above. The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2020

PSPRS Police - Pension

	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability						
Service cost	\$ 163,095	\$ 143,768	\$ 208,381	\$ 203,857	\$ 170,091	\$ 170,215
Interest on total pension liability	489,973	477,983	441,778	375,584	366,673	325,990
Changes of benefit terms	-	-	62,027	406,547	-	46,240
Difference between expected and actual experience of the total net pension liability	(340,087)	(210,185)	(6,078)	111,859	(196,861)	(227,043)
Changes of assumptions	103,633	-	143,338	228,950	-	365,659
Benefit payments, including refunds of employee contributions	(376,176)	(305,324)	(191,251)	(255,135)	(231,391)	(94,104)
Net change in total pension liability	40,438	106,242	658,195	1,071,662	108,512	586,957
Total pension liability - beginning	6,646,250	6,540,008	5,881,813	4,810,151	4,701,639	4,114,682
Total pension liability - ending (a)	<u>\$ 6,686,688</u>	<u>\$ 6,646,250</u>	<u>\$ 6,540,008</u>	<u>\$ 5,881,813</u>	<u>\$ 4,810,151</u>	<u>\$ 4,701,639</u>
Plan fiduciary net position						
Contributions - employer	\$ 299,902	\$ 375,703	\$ 211,628	\$ 233,387	\$ 166,006	\$ 156,039
Contributions - employee	72,035	83,823	113,355	122,642	102,364	91,866
Net investment income	227,192	284,460	420,910	19,691	121,631	384,311
Benefit payments, including refunds of employee contributions	(376,176)	(305,324)	(191,251)	(255,135)	(231,391)	(94,104)
Hall/Parker settlement	-	(134,573)	-	-	-	-
Other (net transfer)	(4,939)	(4,980)	(4,079)	(4,000)	(5,886)	(3,095)
Net change in plan fiduciary net position	218,014	299,109	550,563	116,585	152,724	535,017
Plan fiduciary net position - beginning	4,360,620	4,061,511	3,510,948	3,394,363	3,241,639	2,706,622
Adjustment to Beginning of Year	(2,277)	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ 4,576,357</u>	<u>\$ 4,360,620</u>	<u>\$ 4,061,511</u>	<u>\$ 3,510,948</u>	<u>\$ 3,394,363</u>	<u>\$ 3,241,639</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,110,331</u>	<u>\$ 2,285,630</u>	<u>\$ 2,478,497</u>	<u>\$ 2,370,865</u>	<u>\$ 1,415,788</u>	<u>\$ 1,460,000</u>
Plan fiduciary net position as a percentage of the total pension liability	68.44%	65.61%	62.10%	59.69%	70.57%	68.95%
Covered payroll	\$ 681,821	\$ 785,035	\$ 923,264	\$ 1,056,801	\$ 957,413	\$ 904,992
Net pension liability as a percentage of covered payroll	309.51%	291.15%	268.45%	224.34%	147.88%	161.33%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2020

PSPRS Fire - Pension

	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability						
Service cost	\$ 211,100	\$ 203,770	\$ 201,467	\$ 175,209	\$ 187,423	\$ 196,663
Interest on total pension liability	412,721	381,372	350,190	308,366	291,160	244,311
Changes of benefit terms	-	-	43,870	366,876	-	25,311
Difference between expected and actual experience of the total net pension liability	(350,801)	4,898	(220,624)	(206,224)	(136,597)	29,159
Changes of assumptions	134,543	-	204,174	185,089	-	212,674
Benefit payments, including refunds of employee contributions	(454,024)	(97,208)	(94,304)	(108,658)	(124,729)	(88,662)
Net change in total pension liability	(46,461)	492,832	484,773	720,658	217,257	619,456
Total pension liability - beginning	5,593,222	5,100,390	4,615,617	3,894,959	3,677,702	3,058,246
Total pension liability - ending (a)	\$ 5,546,761	\$ 5,593,222	\$ 5,100,390	\$ 4,615,617	\$ 3,894,959	\$ 3,677,702
Plan fiduciary net position						
Contributions - employer	\$ 272,225	\$ 377,216	\$ 194,912	\$ 188,368	\$ 155,837	\$ 173,752
Contributions - employee	75,610	76,584	99,559	101,848	97,766	99,020
Net investment income	195,796	248,931	353,428	16,375	95,426	294,519
Benefit payments, including refunds of employee contributions	(454,024)	(97,208)	(94,304)	(108,658)	(124,729)	(88,662)
Hall/Parker settlement	-	(131,506)	-	-	-	-
Other (net transfer)	(4,400)	(4,449)	(3,491)	(57,786)	(4,709)	(91,941)
Net change in plan fiduciary net position	85,207	469,568	550,104	140,147	219,591	386,688
Plan fiduciary net position - beginning	3,925,412	3,455,844	2,905,740	2,765,593	2,546,002	2,159,314
Adjustment to Beginning of Year	(1,833)	-	-	-	-	-
Plan fiduciary net position - ending (b)	\$ 4,008,786	\$ 3,925,412	\$ 3,455,844	\$ 2,905,740	\$ 2,765,593	\$ 2,546,002
Net pension liability - ending (a) - (b)	\$ 1,537,975	\$ 1,667,810	\$ 1,644,546	\$ 1,709,877	\$ 1,129,366	\$ 1,131,700
Plan fiduciary net position as a percentage of the total pension liability	72.27%	70.18%	67.76%	62.95%	71.00%	69.23%
Covered payroll	\$ 828,591	\$ 891,384	\$ 852,591	\$ 882,220	\$ 883,152	\$ 925,129
Net pension liability as a percentage of covered payroll	185.61%	187.10%	192.89%	193.82%	127.88%	122.33%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2020

CORP Dispatch - Pension

	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability						
Service cost	\$ 25,125	\$ 26,156	\$ 23,677	\$ 22,192	\$ 25,339	\$ 25,952
Interest on total pension liability	97,281	101,672	82,593	81,062	77,670	66,412
Changes of benefit terms	-	(88,306)	178,966	2,699	-	7,639
Difference between expected and actual experience of the total net pension liability	104,697	(75,956)	9,706	(32,880)	(25,832)	(24,442)
Changes of assumptions	33,529	-	10,825	27,171	-	100,296
Benefit payments, including refunds of employee contributions	(33,721)	(36,193)	(32,389)	(32,389)	(32,389)	(31,882)
Net change in total pension liability	<u>226,911</u>	<u>(72,627)</u>	<u>273,378</u>	<u>67,855</u>	<u>44,788</u>	<u>143,975</u>
Total pension liability - beginning	<u>1,306,342</u>	<u>1,378,969</u>	<u>1,105,591</u>	<u>1,037,736</u>	<u>992,948</u>	<u>848,973</u>
Total pension liability - ending (a)	<u><u>\$ 1,533,253</u></u>	<u><u>\$ 1,306,342</u></u>	<u><u>\$ 1,378,969</u></u>	<u><u>\$ 1,105,591</u></u>	<u><u>\$ 1,037,736</u></u>	<u><u>\$ 992,948</u></u>
Plan fiduciary net position						
Contributions - employer	\$ 71,821	\$ 52,562	\$ 49,621	\$ 39,841	\$ 37,216	\$ 31,926
Contributions - employee	12,673	12,452	12,246	11,478	13,596	13,532
Net investment income	33,357	40,207	59,286	2,886	16,191	50,359
Benefit payments, including refunds of employee contributions	(33,721)	(36,193)	(32,389)	(32,389)	(32,389)	(31,882)
Other (net transfer)	(1,295)	(44,231)	(920)	(811)	(1,132)	(10,050)
Net change in plan fiduciary net position	<u>82,835</u>	<u>24,797</u>	<u>87,844</u>	<u>21,005</u>	<u>33,482</u>	<u>53,885</u>
Plan fiduciary net position - beginning	<u>597,525</u>	<u>572,728</u>	<u>484,884</u>	<u>463,879</u>	<u>430,397</u>	<u>376,512</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 680,360</u></u>	<u><u>\$ 597,525</u></u>	<u><u>\$ 572,728</u></u>	<u><u>\$ 484,884</u></u>	<u><u>\$ 463,879</u></u>	<u><u>\$ 430,397</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 852,893</u></u>	<u><u>\$ 708,817</u></u>	<u><u>\$ 806,241</u></u>	<u><u>\$ 620,707</u></u>	<u><u>\$ 573,857</u></u>	<u><u>\$ 562,551</u></u>
Plan fiduciary net position as a percentage of the total pension liability	44.37%	45.74%	41.53%	43.86%	44.70%	43.35%
Covered payroll	\$ 159,213	\$ 156,434	\$ 153,847	\$ 144,197	\$ 143,534	\$ 170,002
Net pension liability as a percentage of covered payroll	535.69%	453.11%	524.05%	430.46%	399.81%	330.91%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2020

PSPRS Police Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability			
Service cost	\$ 3,378	\$ 3,307	\$ 4,616
Interest on total OPEB liability	9,390	12,822	13,709
Changes of benefit terms	-	-	274
Difference between expected and actual experience of the total net OPEB liability	(41,933)	(61,110)	(10,942)
Changes of assumptions or other inputs	899	-	(13,733)
Benefit payments	(3,120)	(3,120)	(2,460)
Net change in total OPEB liability	(31,386)	(48,101)	(8,536)
Total OPEB liability - beginning	125,075	173,176	181,712
Total OPEB liability - ending (a)	\$ 93,689	\$ 125,075	\$ 173,176
Plan fiduciary net position			
Contributions - employer	\$ 315	\$ 2,114	\$ 3,018
Net investment income	12,560	15,267	23,144
Benefit payments	(3,120)	(3,120)	(2,460)
Administrative expense	(217)	(232)	(205)
Other changes	-	-	-
Net change in plan fiduciary net position	9,538	14,029	23,497
Plan fiduciary net position - beginning	233,499	219,470	195,973
Adjustment to Beginning of Year	2,277		
Plan fiduciary net position - ending (b)	\$ 245,314	\$ 233,499	\$ 219,470
Net OPEB liability - ending (a) - (b)	\$ (151,625)	\$ (108,424)	\$ (46,294)
Plan fiduciary net position as a percentage of the total OPEB liability	261.84%	186.69%	126.73%
Covered payroll	\$ 681,821	\$ 785,035	\$ 923,264
Net OPEB (asset) liability as a percentage of covered payroll	-22.24%	-13.81%	-5.01%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2020

PSPRS Fire Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability			
Service cost	\$ 4,190	\$ 4,368	\$ 4,092
Interest on total OPEB liability	12,641	11,359	10,693
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total net OPEB liability	(58,602)	784	2,303
Changes of assumptions or other inputs	3,109	-	(5,097)
Benefit payments	(1,200)	(1,200)	(1,200)
Net change in total OPEB liability	(39,862)	15,311	10,791
Total OPEB liability - beginning	167,233	151,922	141,131
Total OPEB liability - ending (a)	\$ 127,371	\$ 167,233	\$ 151,922
Plan fiduciary net position			
Contributions - employer	\$ 4,189	\$ 2,535	\$ 3,984
Net investment income	8,660	10,310	15,386
Benefit payments	(1,200)	(1,200)	(1,200)
Administrative expense	(149)	(157)	(137)
Other changes	-	1	-
Net change in plan fiduciary net position	11,500	11,489	18,033
Plan fiduciary net position - beginning	158,884	147,395	129,362
Adjustment to Beginning of Year	1,832	-	-
Plan fiduciary net position - ending (b)	\$ 172,216	\$ 158,884	\$ 147,395
Net OPEB liability - ending (a) - (b)	\$ (44,845)	\$ 8,349	\$ 4,527
Plan fiduciary net position as a percentage of the total OPEB liability	135.21%	95.01%	97.02%
Covered payroll	\$ 828,591	\$ 891,384	\$ 852,591
Net OPEB (asset) liability as a percentage of covered payroll	-5.41%	0.94%	0.53%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2020

CORP Dispatch Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability			
Service cost	\$ 313	\$ 329	\$ 446
Interest on total OPEB liability	1,963	1,840	2,275
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total net OPEB liability	8,024	(660)	1,121
Changes of assumptions or other inputs	439	-	(9,256)
Benefit payments	-	-	-
Net change in total OPEB liability	10,739	1,509	(5,414)
Total OPEB liability - beginning	26,211	24,702	30,116
Total OPEB liability - ending (a)	\$ 36,950	\$ 26,211	\$ 24,702
Plan fiduciary net position			
Contributions - employer	\$ 526	\$ 1,236	\$ 1,148
Net investment income	1,298	1,531	2,149
Benefit payments	-	-	-
Administrative expense	(23)	(23)	(18)
Other changes	-	-	-
Net change in plan fiduciary net position	1,801	2,744	3,279
Plan fiduciary net position - beginning	23,576	20,832	17,553
Plan fiduciary net position - ending (b)	\$ 25,377	\$ 23,576	\$ 20,832
Net OPEB liability - ending (a) - (b)	\$ 11,573	\$ 2,635	\$ 3,870
Plan fiduciary net position as a percentage of the total OPEB liability	68.68%	89.95%	84.33%
Covered payroll	\$ 159,213	\$ 156,434	\$ 153,847
Net OPEB (asset) liability as a percentage of covered payroll	7.27%	1.68%	2.52%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2020

ASRS - Pension	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 344,985	\$ 330,840	\$ 310,599	\$ 294,169	\$ 279,095	\$ 258,403	\$ 249,956
Contributions in relation to the contractually required contribution	\$ (344,985)	\$ (330,840)	\$ (310,599)	\$ (294,169)	\$ (279,095)	\$ (258,403)	\$ (249,956)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,918,223	\$ 2,811,370	\$ 2,778,168	\$ 2,689,776	\$ 2,456,023	\$ 2,388,365	\$ 2,380,882
Contributions as a percentage of covered payroll	11.82%	11.77%	11.18%	10.94%	11.36%	10.82%	10.50%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

ASRS - Health insurance premium benefit	Reporting Fiscal Year			
	2020	2019	2018	2017
Contractually required contribution	\$ 14,764	\$ 13,612	\$ 12,538	\$ 15,282
Contributions in relation to the contractually required contribution	(14,764)	(13,612)	(12,538)	(15,282)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,918,223	\$ 2,811,370	\$ 2,778,168	\$ 2,689,776
Contributions as a percentage of covered payroll	0.51%	0.48%	0.45%	0.57%

ASRS - Long-term disability	Reporting Fiscal Year			
	2020	2019	2018	2017
Contractually required contribution	\$ 5,122	\$ 4,735	\$ 4,561	\$ 3,821
Contributions in relation to the contractually required contribution	(5,122)	(4,735)	(4,561)	(3,821)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,918,223	\$ 2,811,370	\$ 2,778,168	\$ 2,689,776
Contributions as a percentage of covered payroll	0.18%	0.17%	0.16%	0.14%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2020

PSPRS Police-Pensions	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 273,542	\$ 299,902	\$ 375,703	\$ 211,628	\$ 233,387	\$ 166,006	\$ 156,039
Contributions in relation to the actuarially determined contribution	\$ (273,542)	\$ (299,902)	\$ (375,703)	\$ (211,628)	\$ (233,387)	\$ (166,006)	\$ (156,039)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 727,768	\$ 681,821	\$ 785,035	\$ 923,264	\$ 1,056,801	\$ 957,413	\$ 904,992
Contributions as a percentage of covered-employee payroll	37.59%	43.99%	47.86%	22.92%	22.08%	17.34%	17.24%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

PSPRS Police
Health Insurance Premium Benefit

	Reporting Fiscal Year			
	2020	2019	2018	2017
Actuarially determined contribution	\$ -	\$ 315	\$ 2,114	\$ 3,018
Contributions in relation to the actuarially determined contribution	\$ -	\$ (315)	\$ (2,114)	\$ (3,018)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 727,768	\$ 681,821	\$ 785,035	\$ 923,264
Contributions as a percentage of covered payroll	0.00%	0.05%	0.27%	0.33%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2020

PSPRS Fire-Pensions

	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 314,084	\$ 272,225	\$ 377,216	\$ 194,912	\$ 188,368	\$ 155,837	\$ 173,752
Contributions in relation to the actuarially determined contribution	(314,084)	(272,225)	(377,216)	(194,912)	(188,368)	(155,837)	(173,752)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 804,171	\$ 828,591	\$ 891,384	\$ 852,591	\$ 882,220	\$ 883,152	\$ 925,129
Contributions as a percentage of covered-employee payroll	39.06%	32.85%	42.32%	22.86%	21.35%	17.65%	18.78%

Note: In accordance with GASB68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

PSPRS Fire
Health Insurance Premium Benefit

	Reporting Fiscal Year			
	2020	2019	2018	2017
Actuarially determined contribution	\$ 4,572	\$ 4,189	\$ 2,535	\$ 3,984
Contributions in relation to the actuarially determined contribution	\$ (4,572)	\$ (4,189)	\$ (2,535)	\$ (3,984)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 804,171	\$ 828,591	\$ 891,384	\$ 852,591
Contributions as a percentage of covered payroll	0.57%	0.51%	0.28%	0.47%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2020

CORP Dispatch-Pensions

	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 71,834	\$ 71,821	\$ 52,562	\$ 49,621	\$ 39,841	\$ 37,216	\$ 31,926
Contributions in relation to the actuarially determined contribution	\$ (71,834)	\$ (71,821)	\$ (52,562)	\$ (49,621)	\$ (39,841)	\$ (37,216)	\$ (31,926)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 135,390	\$ 159,213	\$ 156,434	\$ 153,847	\$ 144,197	\$ 143,534	\$ 170,002
Contributions as a percentage of covered-employee payroll	53.06%	45.11%	33.60%	32.25%	27.63%	25.93%	18.78%

Note: In accordance with GASB68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

CORP Dispatch
Health Insurance Premium Benefit

	Reporting Fiscal Year			
	2020	2019	2018	2017
Actuarially determined contribution	\$ 513	\$ 526	\$ 1,236	\$ 1,148
Contributions in relation to the actuarially determined contribution	\$ (513)	\$ (526)	\$ (1,236)	\$ (1,148)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 135,390	\$ 159,213	\$ 156,434	\$ 153,847
Contributions as a percentage of covered payroll	0.38%	0.33%	0.79%	0.75%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2020

NOTE 1. Actuarially Determined Contribution Rates

Actuarially determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry Age Normal
Amortization Method	Level percent-of-pay, closed
Remaining Amortization Period of the 2018 actuarial valuation	18 years for underfunded / 20 years for overfunded for Tier 1 & 2 10 years for Tier 3
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return decreased from 8.0% to 7.85%
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5% for PSPRS and from 4.0%-7.25% to 3.5%-6.5% for CORP. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% -8.5% to 4.0%-8.0% for PSPRS and from 4.5%-7.75% to 4.0%-7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4.0% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2020

NOTE 2. Factors That Affect Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS and CORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS and CORP required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS and CORP required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

The fiscal year 2019 (measurement date 2018) pension liabilities for CORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS:

General Fund

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

The **Highway User Revenue Special Revenue Fund** is used to account for revenue sources that are legally restricted for road construction and maintenance.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds included in required supplementary information.

CITY OF SOMERTON, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
City sales tax	\$ 2,256,323	\$ 2,256,323	\$ 2,435,574	\$ 179,251
Franchise fees	200,000	200,000	205,910	5,910
Property taxes	678,677	678,677	652,924	(25,753)
Special assessments	171,000	171,000	169,110	(1,890)
Total taxes	<u>3,306,000</u>	<u>3,306,000</u>	<u>3,463,518</u>	<u>157,518</u>
Licenses, Permits and Fees:				
Parks development fees	180,000	180,000	148,807	(31,193)
Building permits	120,000	120,000	197,975	77,975
Business licenses	30,000	30,000	41,640	11,640
Total licenses, fees and permits	<u>330,000</u>	<u>330,000</u>	<u>388,422</u>	<u>58,422</u>
Intergovernmental:				
State sales taxes	1,690,000	1,690,000	1,703,894	13,894
State revenue sharing	2,130,000	2,130,000	2,132,525	2,525
Auto lieu tax	740,000	740,000	722,062	(17,938)
Grants	820,000	820,000	1,500,534	680,534
Total intergovernmental	<u>5,380,000</u>	<u>5,380,000</u>	<u>6,059,015</u>	<u>679,015</u>
Charges for Services:				
Rent revenues	109,000	109,000	109,700	700
Ambulance fees	860,000	860,000	1,128,566	268,566
Reimbursements	178,300	178,300	103,586	(74,714)
Cocopah obligation	850,000	850,000	340,353	(509,647)
Miscellaneous fees and charges	151,500	151,500	122,430	(29,070)
Total charges for services	<u>2,148,800</u>	<u>2,148,800</u>	<u>1,804,635</u>	<u>(344,165)</u>
Fines and Forfeitures:				
Fines and forfeitures	107,200	107,200	65,575	(41,625)
Total fines and forfeitures	<u>107,200</u>	<u>107,200</u>	<u>65,575</u>	<u>(41,625)</u>
Interest				
Investment earnings	30,000	30,000	25,883	(4,117)
Total interest	<u>30,000</u>	<u>30,000</u>	<u>25,883</u>	<u>(4,117)</u>
Other Revenues:				
Donations	50,000	50,000	26,125	(23,875)
Miscellaneous	10,000	10,000	7,762	(2,238)
Total other revenues	<u>60,000</u>	<u>60,000</u>	<u>33,887</u>	<u>(26,113)</u>
TOTAL REVENUES	<u>\$ 11,362,000</u>	<u>\$ 11,362,000</u>	<u>\$ 11,840,935</u>	<u>\$ 478,935</u>

(continued)

CITY OF SOMERTON, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General Government:				
Mayor and council	\$ 157,400	\$ 157,400	\$ 187,513	\$ (30,113)
Administration	340,236	340,236	355,872	(15,636)
Facilities maintenance	174,678	174,678	174,264	414
Information technology	205,163	205,163	102,888	102,275
Human resources	94,825	94,825	81,534	13,291
Attorney	125,050	125,050	96,204	28,846
Finance	320,971	320,971	273,341	47,630
City clerk	57,208	57,208	57,797	(589)
Court	528,800	528,800	446,921	81,879
Total general government	<u>2,004,331</u>	<u>2,004,331</u>	<u>1,776,334</u>	<u>227,997</u>
Public Safety:				
Police	3,166,164	3,166,164	2,577,351	588,813
Fire and ambulance	2,072,503	2,072,503	2,148,197	(75,694)
Animal control	170,770	170,770	169,235	1,535
Total public safety	<u>5,409,437</u>	<u>5,409,437</u>	<u>4,894,783</u>	<u>514,654</u>
Public Works/Streets:				
Assessment districts	171,000	171,000	140,193	30,807
Total public works/streets	<u>171,000</u>	<u>171,000</u>	<u>140,193</u>	<u>30,807</u>
Culture and Recreation:				
Parks and recreation	1,863,243	1,863,243	1,048,347	814,896
Community Support	591,965	591,965	-	591,965
Total culture and recreation	<u>2,455,208</u>	<u>2,455,208</u>	<u>1,048,347</u>	<u>1,406,861</u>
Economic Development:				
Community development	404,829	404,829	368,409	36,420
Economic development	234,413	234,413	186,932	47,481
Total economic development	<u>639,242</u>	<u>639,242</u>	<u>555,341</u>	<u>83,901</u>
TOTAL EXPENDITURES	<u>10,679,218</u>	<u>10,679,218</u>	<u>8,414,998</u>	<u>2,264,220</u>
Excess of revenues over expenditures	<u>682,782</u>	<u>682,782</u>	<u>3,425,937</u>	<u>2,743,155</u>
Other Financing Sources (Uses):				
Sale of assets	115,000	115,000	-	(115,000)
Contingency	(509,797)	(509,797)	-	509,797
Transfers out	(1,463,500)	(1,463,500)	(1,680,600)	(217,100)
Total other financing sources (uses)	<u>(1,858,297)</u>	<u>(1,858,297)</u>	<u>(1,680,600)</u>	<u>177,697</u>
Net change in fund balance	(1,175,515)	(1,175,515)	1,745,337	2,920,852
Fund balance, beginning of year	<u>2,180,282</u>	<u>2,180,282</u>	<u>2,180,282</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,004,767</u>	<u>\$ 1,004,767</u>	<u>\$ 3,925,619</u>	<u>\$ 2,920,852</u>

CITY OF SOMERTON, ARIZONA
HIGHWAY USER REVENUE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental revenue	\$ 1,598,000	\$ 1,598,000	\$ 1,576,206	\$ (21,794)
Other revenue	<u>2,000</u>	<u>2,000</u>	<u>15,212</u>	<u>13,212</u>
Total revenue	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,591,418</u>	<u>(8,582)</u>
EXPENDITURES:				
Salaries	372,490	372,490	363,212	9,278
Employee benefits	221,758	221,758	181,406	40,352
Services, supplies, and other	542,052	542,052	370,466	171,586
Capital outlay	<u>542,400</u>	<u>542,400</u>	<u>236,709</u>	<u>305,691</u>
Total expenditures	<u>1,678,700</u>	<u>1,678,700</u>	<u>1,151,793</u>	<u>526,907</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(78,700)</u>	<u>(78,700)</u>	<u>439,625</u>	<u>518,325</u>
Other Financing Sources (Uses):				
Transfers out	<u>(169,000)</u>	<u>(169,000)</u>	<u>(169,000)</u>	<u>-</u>
Total other financing sources (uses):	<u>(169,000)</u>	<u>(169,000)</u>	<u>(169,000)</u>	<u>-</u>
Net change in fund balance	(247,700)	(247,700)	270,625	518,325
Fund balance, beginning of year	<u>907,538</u>	<u>907,538</u>	<u>907,538</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 659,838</u></u>	<u><u>\$ 659,838</u></u>	<u><u>\$ 1,178,163</u></u>	<u><u>\$ 518,325</u></u>

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS:

Debt Service Funds

- **Debt Service Fund** – This fund is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

COMBINING STATEMENTS
AND BUDGETARY COMPARISON SCHEDULES

Non-major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- **Miscellaneous Grants Fund** – This fund is used to account for miscellaneous federal and state grants and other contributions that are restricted for specific use.
- **Court Fund** – This fund is used to account for the court related revenues that are restricted by State Statute.
- **Senior Nutrition Center** – This fund is to account for revenues and expenditures at the Somerton and San Luis Senior Centers.

Capital Project Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds and trust funds.

- **Capital Improvement Capital Projects Fund** – This fund is used to account for various grants and other contributions and transfers that are restricted or designated for various capital improvements and projects of the government that are not accounted for in other funds.

CITY OF SOMERTON, ARIZONA
DEBT SERVICE
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Interest revenue	\$ -	\$ -	\$ 10,743	\$ 10,743
Total revenue	-	-	10,743	10,743
EXPENDITURES:				
Debt service - principal	1,251,500	1,251,500	1,162,673	88,827
Debt service - interest	381,000	381,000	395,778	(14,778)
Total expenditures	1,632,500	1,632,500	1,558,451	74,049
Excess of revenue and other sources over (under) expenditures and other uses	(1,632,500)	(1,632,500)	(1,547,708)	84,792
Other Financing Sources (Uses):				
Transfers in	1,632,500	1,632,500	1,707,590	75,090
Total other financing sources (uses)	1,632,500	1,632,500	1,707,590	75,090
Net change in fund balance	-	-	159,882	159,882
Fund balance, beginning of year	1,187,830	1,187,830	1,187,830	-
Fund balance, end of year	<u>\$ 4,452,830</u>	<u>\$ 4,452,830</u>	<u>\$ 1,347,712</u>	<u>\$ 159,882</u>

CITY OF SOMERTON, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue			Capital Project	
	Miscellaneous	Court	Senior	Capital	
	Grants	Fund	Nutrition	Improvements	Total
			Center		
ASSETS					
Cash	\$ -	\$ 136,175	\$ 34,321	\$ -	\$ 170,496
Accounts receivable	-	165	-	-	165
Due from other governments	-	-	18,511	203,029	221,540
Due from other funds	-	-	-	14,333	14,333
Due from component unit	-	-	-	83,419	83,419
Restricted cash and investments	64,496	-	-	173,838	238,334
Total assets	<u>\$ 64,496</u>	<u>\$ 136,340</u>	<u>\$ 52,832</u>	<u>\$ 474,619</u>	<u>\$ 728,287</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 125	\$ 15,428	\$ 2,537	\$ 205,978	\$ 224,068
Accrued wages and benefits	1,428	-	2,880	-	4,308
Due to other funds	-	86,872	47,415	268,641	402,928
Total liabilities	<u>1,553</u>	<u>102,300</u>	<u>52,832</u>	<u>474,619</u>	<u>631,304</u>
Fund Balance:					
Restricted for:					
General government	-	34,040	-	-	34,040
Public safety	62,943	-	-	-	62,943
Total fund balance (deficit)	<u>62,943</u>	<u>34,040</u>	<u>-</u>	<u>-</u>	<u>96,983</u>
Total liabilities and fund balance	<u>\$ 64,496</u>	<u>\$ 136,340</u>	<u>\$ 52,832</u>	<u>\$ 474,619</u>	<u>\$ 728,287</u>

CITY OF SOMERTON, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Funds
For the Year Ended June 30, 2020

	Special Revenue			Capital Project	
	Miscellaneous Grants	Court Fund	Senior Nutrition Center	Capital Improvements	Total
REVENUES:					
Intergovernmental	\$ 36,639	\$ -	\$ 113,150	\$ 271,421	\$ 421,210
Fines and forfeitures	-	2,805	-	-	2,805
Interest	-	-	-	282	282
Other revenues	2,900	2,452	16,903	-	22,255
Total revenues	39,539	5,257	130,053	271,703	446,552
EXPENDITURES:					
General government	-	3,687	-	-	3,687
Public safety	45,928	-	-	-	45,928
Health and welfare	-	-	210,599	-	210,599
Capital outlay	-	-	-	326,824	326,824
Debt Service	-	-	-	-	-
Total expenditures	45,928	3,687	210,599	326,824	587,038
Excess of revenues over (under) expenditures	(6,389)	1,570	(80,546)	(55,121)	(140,486)
Other Financing Sources (Uses):					
Transfers in	6,343	-	80,546	55,121	142,010
Total other financing sources (uses):	6,343	-	80,546	55,121	142,010
Net change in fund balances	(46)	1,570	-	-	1,524
Fund balance, beginning of year	62,989	32,470	-	-	95,459
Fund balance (deficit), end of year	\$ 62,943	\$ 34,040	\$ -	\$ -	\$ 96,983

CITY OF SOMERTON, ARIZONA
MISCELLANEOUS GRANTS
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Intergovernmental revenue	\$ 112,800	\$ 36,639	\$ (76,161)
Other revenue	<u>12,000</u>	<u>2,900</u>	<u>(9,100)</u>
Total revenue	<u>124,800</u>	<u>39,539</u>	<u>(85,261)</u>
EXPENDITURES:			
Salaries	39,904	27,650	12,254
Employee benefits	24,318	15,153	9,165
Services, supplies, and other	21,000	3,125	17,875
Capital outlay	<u>49,278</u>	<u>-</u>	<u>49,278</u>
Total expenditures	<u>134,500</u>	<u>45,928</u>	<u>88,572</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(9,700)</u>	<u>(6,389)</u>	<u>3,311</u>
Other Financing Sources (Uses):			
Transfers in	<u>-</u>	<u>6,343</u>	<u>6,343</u>
Net change in fund balance	(9,700)	(46)	9,654
Fund balance, beginning of year	<u>62,989</u>	<u>62,989</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 53,289</u></u>	<u><u>\$ 62,943</u></u>	<u><u>\$ 9,654</u></u>

CITY OF SOMERTON, ARIZONA
COURT FUND
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Fines and forfeitures	\$ 10,000	\$ 2,805	\$ (7,195)
Other revenue	<u>-</u>	<u>2,452</u>	<u>2,452</u>
Total revenue	<u>10,000</u>	<u>5,257</u>	<u>(4,743)</u>
EXPENDITURES:			
Services, supplies, and other	<u>25,000</u>	<u>3,687</u>	<u>21,313</u>
Total expenditures	<u>25,000</u>	<u>3,687</u>	<u>21,313</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(15,000)</u>	<u>1,570</u>	<u>16,570</u>
Other Financing Sources (Uses):			
Net change in fund balance	(15,000)	1,570	16,570
Fund balance, beginning of year	<u>32,470</u>	<u>32,470</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 17,470</u></u>	<u><u>\$ 34,040</u></u>	<u><u>\$ 16,570</u></u>

CITY OF SOMERTON, ARIZONA
SENIOR NUTRITION CENTER
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Intergovernmental revenue	\$ 190,000	\$ 113,150	\$ (76,850)
Donations and other revenue	<u>22,200</u>	<u>16,903</u>	<u>(5,297)</u>
Total revenue	<u>212,200</u>	<u>130,053</u>	<u>(82,147)</u>
EXPENDITURES:			
Salaries	107,967	98,022	9,945
Employee benefits	53,624	39,957	13,667
Services, supplies, and other	<u>62,659</u>	<u>72,620</u>	<u>(9,961)</u>
Total expenditures	<u>224,250</u>	<u>210,599</u>	<u>13,651</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(12,050)</u>	<u>(80,546)</u>	<u>(68,496)</u>
Other Financing Sources (Uses):			
Transfers in	<u>-</u>	<u>80,546</u>	<u>80,546</u>
Net change in fund balance	(12,050)	-	12,050
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (12,050)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,050</u></u>

CITY OF SOMERTON, ARIZONA
CAPITAL IMPROVEMENT
Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Intergovernmental revenue	\$ 1,895,000	\$ 271,421	\$ (1,623,579)
Interest revenue	-	282	282
	<u>1,895,000</u>	<u>271,703</u>	<u>(1,623,297)</u>
Total revenue			
EXPENDITURES:			
Capital outlay	1,895,000	326,824	1,568,176
	<u>1,895,000</u>	<u>326,824</u>	<u>1,568,176</u>
Total expenditures			
Excess of revenue and other sources over (under) expenditures and other uses	-	(55,121)	(55,121)
Other Financing Sources (Uses):			
Transfers in	-	55,121	55,121
	<u>-</u>	<u>55,121</u>	<u>55,121</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF SOMERTON, ARIZONA
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2020 and 2019

	2020	2019
Capital assets:		
Land	\$ 3,259,900	\$ 3,208,742
Buildings and Improvements	9,994,124	9,986,979
Improvements	2,854,533	2,854,533
Furniture and Equipment	2,613,073	2,596,621
Vehicles	3,779,609	3,772,657
Infrastructure/Streets	22,067,155	22,036,387
Construction in Progress	717,243	256,476
	<u>\$ 45,285,637</u>	<u>\$ 44,712,395</u>
 Investment in capital assets by source:		
Investment in property acquired by all sources excluding donations	\$ 40,940,066	\$ 40,366,824
Donations	4,345,571	4,345,571
	<u>\$ 45,285,637</u>	<u>\$ 44,712,395</u>

CITY OF SOMERTON, ARIZONA
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2020

	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Furniture and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure/ Streets</u>	<u>Construction in Progress</u>	<u>Total</u>
<u>Function and Activity</u>								
General Government	\$ 613,073	\$ 4,236,269	\$ 43,940	\$ 200,052	\$ 181,802	\$ -	\$ -	\$ 5,275,136
Highways and Streets	330,585	-	19,050	317,071	524,570	21,815,830	717,243	23,724,349
Public Safety	-	3,845,216	784,387	1,800,047	3,010,979	-	-	9,440,629
Culture and Recreation	2,316,242	1,167,668	1,814,096	285,888	62,258	251,325	-	5,897,477
Health and Welfare	-	744,971	193,060	10,015	-	-	-	948,046
Totals	<u>\$ 3,259,900</u>	<u>\$ 9,994,124</u>	<u>\$ 2,854,533</u>	<u>\$ 2,613,073</u>	<u>\$ 3,779,609</u>	<u>\$ 22,067,155</u>	<u>\$ 717,243</u>	<u>\$ 45,285,637</u>

CITY OF SOMERTON, ARIZONA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended June 30, 2020

	Capital Assets July 1, 2019	Additions	Deletions	Adjustments	Capital Assets June 30, 2020
<u>Function and Activity</u>					
General Government	\$ 5,200,381	\$ 74,755	\$ -	\$ -	\$ 5,275,136
Highways and Streets	23,232,814	491,535	-	-	23,724,349
Public Safety	9,433,677	6,952	-	-	9,440,629
Culture and Recreation	5,897,477	-	-	-	5,897,477
Health and Welfare	948,046	-	-	-	948,046
Totals	<u>\$ 44,712,395</u>	<u>\$ 573,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,285,637</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends	98
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	103
<i>These schedules contain information to help the reader assess the government's most significant local revenues source, the sales tax.</i>	
Debt Capacity	104
<i>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.</i>	
Demographic and Economic Information.....	105
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	106
<i>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.</i>	

City of Somerton, Arizona
Net Position by Component,
Last Ten Fiscal Years

	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental activities										
Net investment in capital assets	\$10,918,698	\$10,247,414	\$9,577,465	\$9,277,492	\$5,156,050	\$4,762,234	\$9,688,793	\$11,838,066	\$11,407,008	\$11,421,374
Restricted	2,918,051	2,209,887	1,246,064	777,792	5,812,405	5,264,741	1,583,311	1,078,033	1,100,802	1,397,951
Unrestricted	(2,090,502)	(671,385)	1,108,754	1,836,853	(1,706,519)	(196,866)	(794,628)	(2,169,012)	(3,345,060)	(594,579)
Total governmental activities net position	<u>\$11,746,247</u>	<u>\$11,785,916</u>	<u>\$11,932,283</u>	<u>\$11,892,137</u>	<u>\$9,261,936</u>	<u>\$9,830,109</u>	<u>\$10,477,476</u>	<u>\$10,747,087</u>	<u>\$9,162,750</u>	<u>\$12,224,746</u>
Business-type activities										
Net investment in capital assets	\$17,250,584	\$17,616,602	\$16,937,710	\$16,293,897	\$16,681,165	\$17,458,221	\$17,262,550	\$16,583,758	\$16,593,530	\$16,864,889
Restricted	1,987,219	2,323,027	1,403,849	1,485,242	1,440,519	1,558,256	2,048,451	1,448,941	1,667,883	1,766,973
Unrestricted	1,130,746	1,164,853	2,271,166	2,053,834	(63,474)	(498,839)	(345,944)	(13,883)	(183,217)	(351,147)
Total business-type activities net position	<u>\$20,368,549</u>	<u>\$21,104,482</u>	<u>\$20,612,725</u>	<u>\$19,832,973</u>	<u>\$18,058,210</u>	<u>\$18,517,638</u>	<u>\$18,965,057</u>	<u>\$18,018,816</u>	<u>\$18,078,196</u>	<u>\$18,280,715</u>
Primary government										
Net investment in capital assets	\$28,169,282	\$27,864,016	\$26,515,175	\$25,571,389	\$21,837,215	\$22,220,455	\$26,951,343	\$28,421,824	\$28,000,538	\$28,286,263
Restricted	4,905,270	4,532,914	2,649,913	2,263,034	7,252,924	6,822,997	3,631,762	2,526,974	2,768,685	3,164,924
Unrestricted	(959,756)	493,468	3,379,920	3,890,687	(1,769,993)	(695,705)	(1,140,572)	(2,182,895)	(3,528,277)	(945,726)
Total primary government net position	<u>\$32,114,796</u>	<u>\$32,890,398</u>	<u>\$32,545,008</u>	<u>\$31,725,110</u>	<u>\$27,320,146</u>	<u>\$28,347,747</u>	<u>\$29,442,533</u>	<u>\$28,765,903</u>	<u>\$27,240,946</u>	<u>\$30,505,461</u>

City of Somerton, Arizona
Changes in Net Position, Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 869,252	\$ 1,037,183	\$ 1,029,378	\$ 1,258,932	\$ 1,263,799	\$ 1,606,583	\$ 2,123,661	\$ 2,411,040	\$ 2,064,512	\$ 2,195,411
Public safety	3,881,916	4,177,834	4,726,696	5,225,347	5,408,793	5,232,207	5,836,223	5,242,307	5,988,349	5,144,161
Public works/Streets	1,483,084	1,487,541	1,776,755	1,587,665	1,627,433	1,783,546	1,549,027	1,952,029	2,264,452	1,963,653
Culture and recreation	633,493	681,096	842,621	795,215	1,142,023	1,196,707	1,278,119	1,252,685	1,272,882	1,124,510
Economic development	164,123	196,998	279,406	246,595	252,849	438,116	351,746	662,203	761,679	559,747
Health and welfare	207,466	197,037	176,147	193,620	211,041	211,667	238,384	245,441	237,950	246,102
Interest on long-term debt	403,368	398,679	421,377	268,312	432,600	419,808	411,546	644,694	407,811	399,966
Total governmental activities expenses	<u>7,642,702</u>	<u>8,176,368</u>	<u>9,252,380</u>	<u>9,575,686</u>	<u>10,338,538</u>	<u>10,888,634</u>	<u>11,788,706</u>	<u>12,410,399</u>	<u>12,997,635</u>	<u>11,633,550</u>
Business-type activities:										
Water/Sewer/Sanitation	4,383,876	4,234,628	4,384,783	4,737,436	4,899,185	4,798,850	4,854,538	5,080,462	4,675,169	4,849,215
Total business-type activities expenses	<u>4,383,876</u>	<u>4,234,628</u>	<u>4,384,783</u>	<u>4,737,436</u>	<u>4,899,185</u>	<u>4,798,850</u>	<u>4,854,538</u>	<u>5,080,462</u>	<u>4,675,169</u>	<u>4,849,215</u>
Total primary government expenses	<u>\$ 12,026,578</u>	<u>\$ 12,410,996</u>	<u>\$ 13,637,163</u>	<u>\$ 14,313,122</u>	<u>\$ 15,237,723</u>	<u>\$ 15,687,484</u>	<u>\$ 16,643,244</u>	<u>\$ 17,490,861</u>	<u>\$ 17,672,804</u>	<u>\$ 16,482,765</u>
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
General government	\$ 765,279	\$ 189,960	\$ 227,730	\$ 288,205	\$ 256,772	\$ 399,280	\$ 830,806	\$ 616,717	\$ 478,943	\$ 495,367
Public safety	75,935	891,207	1,472,856	1,474,487	3,101,258	2,376,712	1,463,718	958,903	1,468,628	2,354,152
Public works/Streets	13,137	16,954	23,296	77,197	73,531	119,934	160,041	49,912	81,129	58,787
Culture and recreation	125,844	155,664	256,900	318,298	435,736	430,543	433,174	264,872	349,667	315,689
Operating grants & contributions	1,664,109	1,857,861	1,751,945	1,747,867	1,896,810	2,029,451	2,162,628	2,345,092	1,655,497	3,247,613
Capital grants & contributions	301,340	100,844	824,428	155,084	498,512	429,521	822,728	1,443,480	20,000	296,421
Total governmental activities program revenues	<u>2,945,644</u>	<u>3,212,490</u>	<u>4,557,155</u>	<u>4,061,138</u>	<u>6,262,619</u>	<u>5,785,441</u>	<u>5,873,095</u>	<u>5,678,976</u>	<u>4,053,864</u>	<u>6,768,029</u>
Business-type activities:										
Charges for services:										
Water/Sewer/Sanitation	3,151,823	3,302,075	3,352,616	3,432,789	3,676,151	3,665,456	3,795,405	3,875,986	3,941,591	4,560,272
Capital grants & contributions	2,075,134	1,727,748	645,416	539,360	452,595	1,578,662	1,502,499	245,668	759,235	476,775
Total business-type activities program revenues	<u>5,226,957</u>	<u>5,029,823</u>	<u>3,998,032</u>	<u>3,972,149</u>	<u>4,128,746</u>	<u>5,244,118</u>	<u>5,297,904</u>	<u>4,121,654</u>	<u>4,700,826</u>	<u>5,037,047</u>
Total primary government program revenues	<u>\$ 8,172,601</u>	<u>\$ 8,242,313</u>	<u>\$ 8,555,187</u>	<u>\$ 8,033,287</u>	<u>\$ 10,391,365</u>	<u>\$ 11,029,559</u>	<u>\$ 11,170,999</u>	<u>\$ 9,800,630</u>	<u>\$ 8,754,690</u>	<u>\$ 11,805,076</u>
Net (Expense)/Revenue										
Governmental activities	\$ (4,697,058)	\$ (4,963,878)	\$ (4,695,225)	\$ (5,514,548)	\$ (4,075,919)	\$ (5,103,193)	\$ (5,915,611)	\$ (6,731,423)	\$ (8,943,771)	\$ (4,865,521)
Business-type activities	843,081	795,195	(386,751)	(765,287)	(770,439)	445,268	443,366	(958,808)	25,657	187,832
Total primary governmental net (expense) revenue	<u>\$ (3,853,977)</u>	<u>\$ (4,168,683)</u>	<u>\$ (5,081,976)</u>	<u>\$ (6,279,835)</u>	<u>\$ (4,846,358)</u>	<u>\$ (4,657,925)</u>	<u>\$ (5,472,245)</u>	<u>\$ (7,690,231)</u>	<u>\$ (8,918,114)</u>	<u>\$ (4,677,689)</u>
General Revenues & Other Changes in Net Position										
Government activities:										
Taxes										
City sales tax	\$ 1,353,720	\$ 1,350,657	\$ 1,378,727	\$ 1,511,036	\$ 1,709,868	\$ 1,863,046	\$ 2,218,051	\$ 2,241,962	\$ 2,295,337	\$ 2,435,574
State sales tax	775,953	1,116,391	1,169,429	1,243,580	1,305,671	1,353,100	1,376,723	1,447,460	1,624,588	1,703,894
Property Tax	461,169	445,863	482,755	498,480	562,771	565,422	601,656	717,230	659,905	690,644
Auto lieu tax	360,782	496,042	458,780	490,479	515,583	561,557	600,650	625,548	698,692	722,062
Franchise tax	153,146	175,842	187,552	100,212	60,190	68,921	64,708	85,815	221,185	205,910
State income taxes - revenue sharing	970,402	1,226,959	1,470,598	1,603,767	1,729,530	1,729,910	1,841,014	1,854,177	1,952,130	2,132,525
Investment earnings	4,171	(21,853)	14,922	10,848	7,214	7,525	13,692	30,277	57,623	36,908
Miscellaneous	1,050	166,479	3,628	-	-	-	-	-	50,578	-
Transfers	50,200	22,400	21,947	16,000	16,000	16,000	-	-	(3,741)	-
Total governmental activities	<u>4,130,593</u>	<u>4,978,780</u>	<u>5,188,338</u>	<u>5,474,402</u>	<u>5,906,827</u>	<u>6,165,481</u>	<u>6,716,494</u>	<u>7,002,469</u>	<u>7,556,297</u>	<u>7,927,517</u>
Business-type activities										
Investment earnings	1,001	(36,862)	1,130	1,535	1,384	2,454	4,053	12,257	29,982	14,687
Transfers	(50,200)	(22,400)	(21,947)	(16,000)	(16,000)	(16,000)	-	-	3,741	-
Total business-type activities	<u>(49,199)</u>	<u>(59,262)</u>	<u>(20,817)</u>	<u>(14,465)</u>	<u>(14,616)</u>	<u>(13,546)</u>	<u>4,053</u>	<u>12,257</u>	<u>33,723</u>	<u>14,687</u>
Total primary government	<u>\$ 4,081,394</u>	<u>\$ 4,919,518</u>	<u>\$ 5,167,521</u>	<u>\$ 5,459,937</u>	<u>\$ 5,892,211</u>	<u>\$ 6,151,935</u>	<u>\$ 6,720,547</u>	<u>\$ 7,014,726</u>	<u>\$ 7,590,020</u>	<u>\$ 7,942,204</u>
Change in Net Position										
Governmental activities	\$ (566,465)	\$ 14,902	\$ 493,113	\$ (40,146)	\$ 1,830,908	\$ 1,062,288	\$ 800,883	\$ 271,046	\$ (1,387,474)	\$ 3,061,996
Business-type activities	793,882	735,933	(407,568)	(779,752)	(785,055)	431,722	447,419	(946,551)	59,380	202,519
Total primary government	<u>\$ 227,417</u>	<u>\$ 750,835</u>	<u>\$ 85,545</u>	<u>\$ (819,898)</u>	<u>\$ 1,045,853</u>	<u>\$ 1,494,010</u>	<u>\$ 1,248,302</u>	<u>\$ (675,505)</u>	<u>\$ (1,328,094)</u>	<u>\$ 3,264,515</u>

City of Somerton, Arizona
Fund Balances, Governmental Funds,
Last Ten Fiscal Years

	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 1,167	\$ 52,724	\$ 86,414	\$ 262,071	\$ 176,587	\$ 189,253	\$ 220,698
Reserved/restricted	50,839	23,782	9,446	23,170	36,033	46,033	57,805	77,805	97,805	122,805
Unreserved/unassigned	872,052	1,440,298	1,674,948	1,250,628	3,142,748	4,590,058	4,722,038	3,535,181	1,893,224	3,582,116
Total General Fund	<u>\$ 922,891</u>	<u>\$ 1,464,080</u>	<u>\$ 1,684,394</u>	<u>\$ 1,274,965</u>	<u>\$ 3,231,505</u>	<u>\$ 4,722,505</u>	<u>\$ 5,041,914</u>	<u>\$ 3,789,573</u>	<u>\$ 2,180,282</u>	<u>\$ 3,925,619</u>
All Other Governmental Funds										
Reserved/restricted	\$ 2,849,746	\$ 2,186,105	\$ 1,229,232	\$ 704,453	\$ 5,776,372	\$ 5,218,708	\$ 1,525,506	\$ 1,000,228	\$ 1,002,997	\$ 1,275,146
Committed/assigned/unassigned, reported in:										
Court trust fund	-	-	-	-	-	-	-	-	-	-
Special Revenue Funds	3,400	530	23,141	18,718	22,385	5,929	-	-	-	-
HURF Funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Debt service funds	14,066	16,105	7,386	50,169	(385,670)	(18,395)	124,789	-	1,187,830	1,347,712
Total all other governmental funds	<u>\$ 2,867,212</u>	<u>\$ 2,202,740</u>	<u>\$ 1,259,759</u>	<u>\$ 773,340</u>	<u>\$ 5,413,087</u>	<u>\$ 5,206,242</u>	<u>\$ 1,650,295</u>	<u>\$ 1,000,228</u>	<u>\$ 2,190,827</u>	<u>\$ 2,622,858</u>

City of Somerton, Arizona
Changes in Fund Balances, Governmental Funds,
Last Ten Years

	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues										
Taxes	\$ 2,047,664	\$ 2,049,387	\$ 2,138,195	\$ 2,233,944	\$ 2,403,139	\$ 2,637,818	\$ 3,036,253	\$ 3,105,843	\$ 3,338,053	\$ 3,463,518
Licenses, fees and permits	99,655	123,082	179,501	157,670	291,182	506,722	727,884	311,802	249,457	388,422
Fines & penalties	174,358	149,624	122,557	143,259	123,412	149,430	125,225	95,844	90,726	68,380
Charges for services	576,898	871,727	1,541,070	1,392,879	3,203,791	2,705,785	1,547,961	1,321,414	1,744,284	1,804,635
Intergovernmental	4,032,548	4,753,429	5,640,583	5,207,087	5,900,810	6,055,732	5,935,899	6,643,216	5,895,516	8,056,431
Investment earnings	4,171	(21,853)	14,922	10,848	7,213	7,525	13,692	30,277	57,623	36,908
Other revenues	90,743	93,200	86,718	77,154	71,305	111,169	393,498	161,856	141,932	71,354
Total Revenues	<u>7,026,037</u>	<u>8,018,596</u>	<u>9,723,546</u>	<u>9,222,841</u>	<u>12,000,852</u>	<u>12,174,181</u>	<u>11,780,412</u>	<u>11,670,252</u>	<u>11,517,591</u>	<u>13,889,648</u>
Expenditures										
General government	907,507	1,076,490	1,247,348	1,439,016	1,232,425	1,629,629	2,177,116	2,300,958	1,826,157	1,780,021
Public safety	3,342,806	3,728,370	4,783,411	4,848,408	5,024,771	4,926,601	4,528,478	5,235,901	5,018,296	4,940,711
Public works/Streets	705,140	746,065	948,925	830,701	858,540	1,076,995	801,601	1,167,001	1,339,454	1,291,986
Culture and recreation	503,956	585,288	710,980	835,346	1,009,004	1,246,378	1,281,057	1,136,717	1,324,537	1,048,347
Economic development	162,180	196,502	277,304	250,282	253,649	439,189	463,916	661,821	755,266	555,341
Health and welfare	180,476	180,651	140,779	160,162	175,711	176,105	201,730	209,374	201,276	210,599
Capital Outlay	716,962	2,075,097	1,597,878	1,079,932	1,323,026	1,114,669	4,385,604	3,923,194	210,790	326,824
Debt Service										
Interest	414,173	402,816	419,000	336,876	674,902	98,738	620,593	400,581	413,180	395,778
Principal	433,622	403,041	342,535	385,341	386,893	310,222	403,339	3,306,412	1,062,876	1,162,673
Total expenditures	<u>7,366,822</u>	<u>9,394,320</u>	<u>10,468,160</u>	<u>10,166,064</u>	<u>10,938,921</u>	<u>11,018,526</u>	<u>14,863,434</u>	<u>18,341,959</u>	<u>12,151,832</u>	<u>11,712,280</u>
Excess of revenues over (under) expenditures	<u>(340,785)</u>	<u>(1,375,724)</u>	<u>(744,614)</u>	<u>(943,223)</u>	<u>1,061,931</u>	<u>1,155,655</u>	<u>(3,083,022)</u>	<u>(6,671,707)</u>	<u>(634,241)</u>	<u>2,177,368</u>
Other Financing Sources (Uses)										
Sale of assets	-	150,274	-	-	-	-	-	-	75,897	-
Bonds/Loans/LPA/Refundings	-	1,055,000	-	31,375	5,518,356	112,500	-	4,769,299	143,393	-
Transfers in	967,118	934,328	1,027,066	1,105,148	789,474	815,343	1,459,867	2,702,952	2,876,030	1,849,600
Transfers out	(916,918)	(911,928)	(1,005,119)	(1,089,148)	(773,474)	(799,343)	(1,459,867)	(2,702,952)	(2,879,771)	(1,849,600)
Total other financing sources (uses)	<u>50,200</u>	<u>1,227,674</u>	<u>21,947</u>	<u>47,375</u>	<u>5,534,356</u>	<u>128,500</u>	<u>-</u>	<u>4,769,299</u>	<u>215,549</u>	<u>-</u>
Net change in fund balances	<u>\$ (290,585)</u>	<u>\$ (148,050)</u>	<u>\$ (722,667)</u>	<u>\$ (895,848)</u>	<u>\$ 6,596,287</u>	<u>\$ 1,284,155</u>	<u>\$ (3,083,022)</u>	<u>\$ (1,902,408)</u>	<u>\$ (418,692)</u>	<u>\$ 2,177,368</u>
Debt service as a percentage of noncapital expenditures	14.6%	12.4%	9.4%	8.6%	12.4%	4.3%	10.8%	34.6%	14.1%	15.9%

City of Somerton, Arizona
Excise Tax Revenue and State Shared Revenues
Last Ten Fiscal Years

	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Tax										
City Sales Tax	\$ 1,353,720	\$ 1,350,657	\$ 1,378,727	\$ 1,511,036	\$ 1,709,868	\$ 1,863,046	\$ 2,218,049	\$ 2,241,962	\$ 2,295,337	\$ 2,435,574
State-Shared Sales Taxes	775,953	1,116,391	1,169,429	1,243,580	1,305,671	1,353,100	1,376,723	1,447,460	1,624,588	1,703,894
State-Shared Income Taxes	970,402	1,226,959	1,470,598	1,603,767	1,729,530	1,729,910	1,841,014	1,854,177	1,952,130	2,132,525
Fines and Forfeitures	128,491	143,503	117,713	138,218	117,960	144,167	120,826	92,417	86,838	65,575
Licenses and Permits	99,655	123,082	179,501	157,670	291,182	506,722	727,884	311,802	249,457	388,422
Total	<u>\$ 3,328,221</u>	<u>\$ 3,960,592</u>	<u>\$ 4,315,968</u>	<u>\$ 4,654,271</u>	<u>\$ 5,154,211</u>	<u>\$ 5,596,945</u>	<u>\$ 6,284,496</u>	<u>\$ 5,947,818</u>	<u>\$ 6,208,350</u>	<u>\$ 6,725,990</u>

Source: City records

City of Somerton, Arizona
Taxable Sales by Category,
Last Ten Fiscal Years

	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Mining	\$ 1,051	\$ 1,307	\$ 84	\$ -	\$ 92	\$ 287	\$ 209	\$ 888	\$ -	\$ -
Construction	210,325	213,043	142,716	153,907	176,782	199,321	356,116	398,933	175,737	198,748
Manufacturing	15,135	13,052	1,789	-	8,658	30,510	21,017	-	-	-
Transportation/Warehousing	4	72	-	-	-	53	31	945	2,019	2,588
Communications/Utilities	152,783	207,877	206,169	264,346	319,435	329,719	356,920	348,015	355,613	429,479
Wholesale Trade	203,058	149,935	-	-	125,949	286,626	321,535	440,893	495,295	506,329
Retail Trade	329,971	549,476	858,639	860,963	808,931	628,468	587,794	639,531	685,555	912,610
Restaurants & Bars	75,681	95,214	114,680	112,303	129,078	130,352	103,333	197,547	243,839	232,354
Insurance/Real Estate/Finance	66,289	71,534	48,151	48,604	804	93,898	79,772	103,596	116,315	59,493
Hotels/Lodging/Accommodation	486	407	-	-	56,038	425	-	36	188	655
Arts/Entertainment	7,953	7,521	-	1	20,479	23,743	20,408	13,068	10,152	9,556
Services	15,231	35,517	-	4,464	28,113	76,898	16,484	4,084	4,286	4,699
Government	-	-	-	-	838	878	2,381	-	-	-
All Others Not Specified	<u>6,048</u>	<u>8,764</u>	<u>6,498</u>	<u>14,487</u>	<u>10,964</u>	<u>16,201</u>	<u>175,933</u>	<u>93,059</u>	<u>87,967</u>	<u>79,063</u>
Total	<u>\$ 1,084,015</u>	<u>\$ 1,353,720</u>	<u>\$ 1,378,726</u>	<u>\$ 1,459,075</u>	<u>\$ 1,686,161</u>	<u>\$ 1,817,379</u>	<u>\$ 2,041,933</u>	<u>\$ 2,240,595</u>	<u>\$ 2,176,966</u>	<u>\$ 2,435,574</u>
City direct sales tax rate	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%

Source: Arizona Department of Revenue

City of Somerton, Arizona
Legal Debt Margin Information,
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed Value	\$ 42,045,523
Debt Limit (20% of assessed value)	8,409,105
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u><u>\$ 8,409,105</u></u>

	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt limit	\$ 7,052,090	\$ 7,105,022	\$ 7,594,628	\$ 6,084,757	\$ 6,247,317	\$ 6,471,545	\$ 6,917,091	\$ 7,680,588	\$ 8,178,798	\$ 8,409,105
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u><u>\$ 7,052,090</u></u>	<u><u>\$ 7,105,022</u></u>	<u><u>\$ 7,594,628</u></u>	<u><u>\$ 6,084,757</u></u>	<u><u>\$ 6,247,317</u></u>	<u><u>\$ 6,471,545</u></u>	<u><u>\$ 6,917,091</u></u>	<u><u>\$ 7,680,588</u></u>	<u><u>\$ 8,178,798</u></u>	<u><u>\$ 8,409,105</u></u>
Total net debt applicable to limit as a percentage of debt limit.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

City of Somerton, Arizona

**Full-time-Equivalent City Government Employees by Function/Program,
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Full-time-Equivalent Employees as of June 30</u>									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General government										
Management services	2	2	3	2	2	2	2	2	6	8
Finance	5	5	5	5	6	7	7	8	8	6
Planning	3	2	1	4	4	5	5	4	4	4
Building	2	2	1	1	1	2	2	2	1	1
Court	5	4	5	5	5	5	5	6	6	6
Public safety										
Police	29	27	30	30	30	28	29	28	30	30
Fire	19	19	19	19	19	19	19	26	28	28
Animal Control	-	1	2	2	2	2	2	2	2	2
Public works/Streets										
Other	11	11	13	14	14	12	12	13	14	15
Culture and recreation	16	16	16	10	10	14	14	13	14	14
Water/Sewer/Sanitation	16	19	19	17	17	14	14	17	18	18
Total	<u>108</u>	<u>108</u>	<u>114</u>	<u>109</u>	<u>110</u>	<u>110</u>	<u>111</u>	<u>121</u>	<u>131</u>	<u>132</u>

Source: City of Somerton Payroll Reports

Notes: A full-time employee is scheduled to work 2,088 hours per year (including vacation and sick leave). Full-time-equivalent employment is calculated by dividing total labor hours by 2,088.

City of Somerton, Arizona
Operating Indicators by Function/Program,
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General government										
Building permits issued	44	43	43	69	97	112	479	342	342	352
Police										
Physical arrests	407	286	230	272	304	380	364	416	370	327
Traffic violations	2,448	1,400	1,440	1,525	2,468	1,495	651	1,111	839	401
Fire										
Emergency responses	1,664	1,658	3,965	4,618	4,681	4,189	2,547	2,401	2,573	2,561
Fires extinguished	34	43	65	49	39	32	32	37	36	35
Inspections	276	198	243	280	300	326	103	263	294	116
Water										
New connections	2,933	3,092	3,148	3,079	3,581	4,154	3,903	264	298	297
Water main breaks	-	2	2	2	2	4	-	-	-	2
Average daily consumption	1,100,000	1,400,000	1,400,000	1,400,000	1,500,000	1,500,000	1,500,000	1,600,000	1,800,000	1,800,000
Wastewater										
Average daily sewage treatment (thousands of gallons)	800,000	598,000	727,000	1,021,000	1,021,000	1,021,000	1,021,000	850,000	850,000	850,000

Source: City records

City of Somerton, Arizona
Capital Asset Statistics by Function/Program,
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	16	19	22	20	20	20	23	26	26
Fire Stations	1	1	1	1	1	1	1	1	1	1
Refuse collection										
Collection trucks	6	6	6	5	5	5	5	5	5	5
Other public works										
Streets (miles)	44	44	44	44	44	44	44	44	55	55
Streetlights	601	601	706	732	732	732	732	732	757	757
Traffic signals	4	4	4	4	4	4	4	4	4	4
Parks and recreation										
Acreage	38	38	38	38	38	38	38	38	38	38
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	42	42	46	46	46	46	46	46	52	52
Fire hydrants	410	410	397	410	410	410	410	410	464	464
Storage capacity (thousands of gallons)	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
Wastewater										
Sanitary sewers (miles)	46	46	46	46	46	46	46	46	43	43
Storm sewers (miles)	5	5	5	5	5	5	5	5	6	6
Treatment capacity (thousands of gallons)	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Transit-minibuses	1	1	1	1	1	1	1	1	1	1

Source: City Records

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COMPLIANCE SECTION

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**Independent Auditor's Report on Internal Control
Over Financial Reporting and on and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Mayor and
City Council
Somerton, Arizona

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Somerton, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Somerton, Arizona's basic financial statements and have issued our report thereon dated March 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Somerton, Arizona's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Somerton, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Somerton, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Somerton, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC
Gilbert, Arizona
March 22, 2021





**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
City Council
Somerton, Arizona

We have audited the basic financial statements of the City of Somerton; Arizona for the year ended June 30, 2020, and have issued our report thereon dated March 22, 2021. Our audit also included test work on the City of Somerton's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of Somerton is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of Somerton has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of Somerton pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The City of Somerton complied, in all material respects, with the requirements identified above for the year ended June 30, 2020.

The results of our auditing procedures disclosed instances of noncompliance, which are described in a separate schedule of findings and recommendations letter dated March 22, 2021 as items 2017-001 and 2018-003. Our opinion on compliance is not modified with respect to these matters.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the requirements. Accordingly, this report is not suitable for any other purpose.

HintonBurdick, PLLC

HintonBurdick, PLLC

Gilbert, Arizona

March 22, 2021

