

QUARTERLY FINANCIAL BRIEFING

3RD QUARTER FY 2022

FY 2021 Audit Update
FY 2022 Financial Status and Forecast
FY 2023 Intro to Proposed Budget



All figures as of
April 16, 2022;
unaudited

April 18, 2022

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FY 2022 FINANCIAL STATUS AND FORECAST

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FY 2023 PROPOSED BUDGET (Introduction) 29

The format of this presentation is intended to serve as both a work session presentation and Quarterly Report Document.

All data may not be addressed during the presentation. Inquiries are welcomed during and after the work session.

FY 2021 AUDIT UPDATE



3

The Annual Audit Packet includes:

- Annual Comprehensive Financial Report (ACFR)
- Federal Single Audit (OMB A-133)
- Annual Expenditure Limitation Report (AELR)
- Highway User Revenue Fund (HURF) compliance letter
- Communication to those Charged with Governance



Success of Audit

- Not just Finance Department
- Organization-wide Responsibility
- Proper function of systems:
 - Financial Suite (technology)
 - Procedures (staff)
- Proper and adequate training and execution of duties of all staff involved

Audit Completed (3/29)

- Annual Comprehensive Financial Report (ACFR) – formerly CAFR
 - Unqualified (“Clean”) Opinion
- Annual Expenditure Limitation Report (AELR)
- Highway User Revenue Fund (HURF) and Communication for those Charges with Governance
- Due dates March 31, 2022

Audit to Complete (4/29)

- Federal Single Audit (Grants)
- Audit Findings and Corrective Action Plan (CAP)
- Both have an automatic 6 month extension due date of 9/30/2022

Upcoming Events

Auditor Presents Results

- NEW for FY2022, the independent auditor must present results of the audit in a regular City Council meeting (non-consent) within 90 days of audit completion.
- Rescheduled for May 18, 2022
- Expect to hear about the:
 - City's good financial position
 - Improvements of the team
 - Status of ARS § 41-1491
 - Findings (2 findings in multi-parts)

Common Themes 2020-21

- Communication
- Cash
- Continuity

A.R.S. § 41-1491

- NEW: In the same paragraph that requires the City's independent financial auditor presents the audit results, State law requires governing bodies demonstrate compliance with section 41-1494
- Statute states the City may not require an employee to engage in training, orientation or therapy that presents any form of blame judgment on the basis of race, ethnicity or sex
- This section does not preclude any training on sexual harassment

Upcoming Events

Corrective Action Plan (CAP)

- Minimum actions to ensure each finding will not recur, including:
 - Criteria surrounding the finding
 - Actions taken (or to take) to avoid recurrence, whom resp.

GAAP (Books); GL-NW (Labor);
ACFR+Reports (DB)

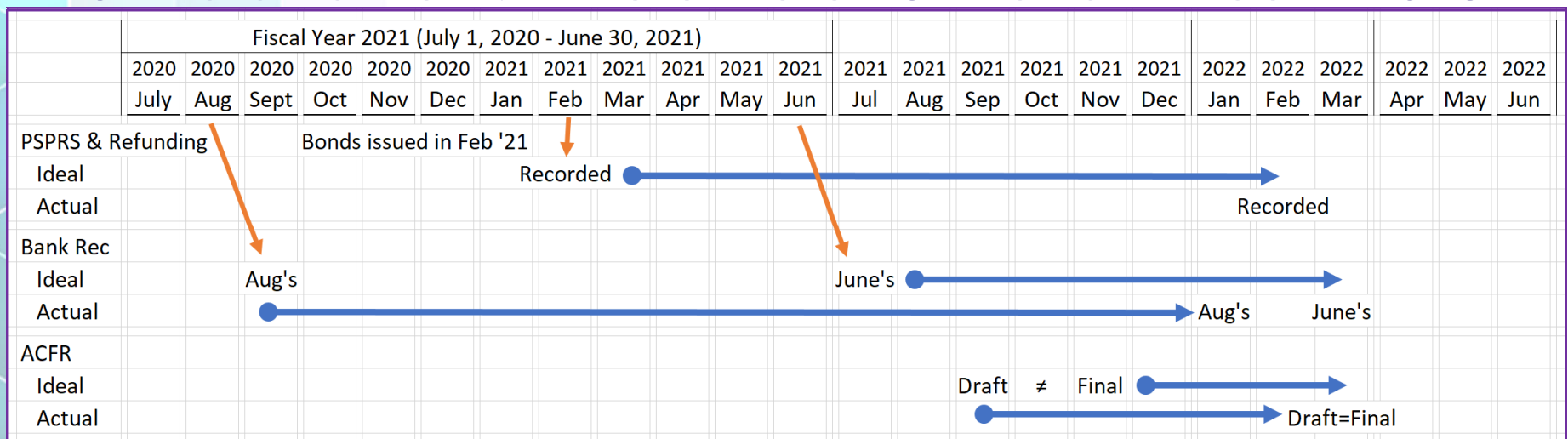
Further Information

- Graphics for better understanding
- Updates on the CAP with the Quarterly Financial Update

Gravity & Importance of

- Clarity and Transparency
- Gaining and Maintaining Trust
- Timely and accurate reporting

Shine a Lantern: where were 2021 and will be in 2023



Appendix: From Q2 February 15, 2022

When a Finding is Known

- Fix before the audit is complete
- Contact department's directors
- Develop a Correction Action Plan (CAP)
- Train all applicable staff
- Define expectations and importance of CAP
- Communicate CAP:
 - After audit is complete and
 - Progress until CAP is completed
- Monitor CAP to make sure finding does not recur
- Discipline per HR Policy if warranted

This approach applies to any discovery of a weak control or process, not just during an audit

Understand Importance of

- Clarity and Transparency
- Gaining and Maintaining Trust
- Timely and accurate reporting

Financial Reporting

- Quarterly Reports from Finance
 - At Public Council meetings
 - Revenue and spending
 - Other Financial Topics
- PAFR (pending audit completion)
 - Popular Financial Report
 - Pulls form the ACFR, but in and easier to read format
- Annual Budget
 - Including long-range forecasts
 - Aligns with Council's strategic plan
- Foundation: Audited ACFR
 - Annual Comprehensive Financial Report

Appendix: From Q2 February 15, 2022

Controls

- Cash is a highly liquid assets
- Design controls to minimize opportunity for losing cash (by accident or deliberate)

Various Cash Points

- Customer Service counter
- Police Department, Courts
- Community development
- Park & recreation sites, such as:
 - Golf, PAAC, YCC, Art Center
- iCloud, new Kiosk, Permits
- Purposes include:
 - Cash drawers, change funds and petty cash funds

ACH = Automated Clearing House

Actions November 2021

- Met with all department directors
- Met with all managers with cash in their operations
- Reinforced procedure (AR16)
- Tightened and strengthen internal controls
- Provided training for all cash handling staff

Improvements Q3 2021

- Eliminating all petty cash
- Reducing the number of cash drawers and change funds
- Moving to ACH (direct deposit)
 - Now: Vendors & service providers can opt in for direct deposit
 - Soon: Employees expense reimbursements, like payroll

Appendix: From Q2 February 15, 2022

Challenges

- Turnover in finance positions including those that performed complex accounting duties
- Many monthly tasks were completed at year end, not monthly (undone with turnover)
- Limited training or resource materials for remaining staff

August 2021

- New Director started
- Major reconciliations were 13 months behind (since July 2020)
- Reconciliations were extremely labor intensive with no guide
- Many other transactions were not recorded and dysfunctional ERP
- Timely & accurate completion of the June 30, 2021 audit was at-risk

Audit Ready

- Entire Acct. Division called upon:
 - Catch up reconciliations, close the year, and **now stay** current each month (not after the year ends)
 - Learn new processes and accounting techniques, conduct research and add automation
- This new confidence and knowledge transfer is ensuring future continuity and building a sustainable system
- Thank you to all staff who exhibited dedication, effort and excellence in ways that aren't reflected in audit reports; this team is making completion of the June 30, 2021 possible

FY 2022 SPENDING LEVELS



10

Reporting for Q3 spending levels is the same as in Q2. Enhancements to the Spending Level reporting are planned after the Revenue and Forecast models are completed or by ad hoc suggestions.

Governmental funds include:

- General Fund
- Highway User Revenue Fund
- City Road Tax Fund
- Public Safety Tax Fund
- Two Percent Tax Fund

Enterprise funds include:

- Water
- Wastewater
- Solid Waste

Governmental Funds

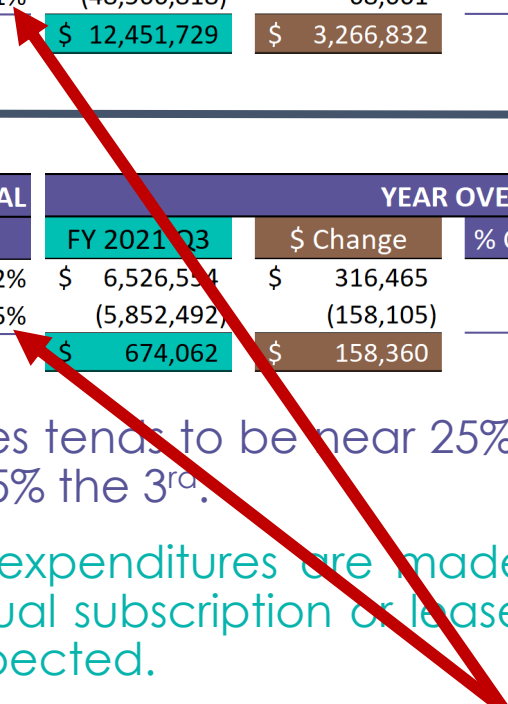
01 GENERAL FUND	BUDGET AND ACTUAL				YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Revenue	\$ 64,216,718	\$ 78,389,789	\$ 14,173,071	82%	\$ 61,018,547	\$ 3,198,171	5%
Total Expenditures (Operating)	(48,498,157)	(79,117,374)	(30,619,217)	61%	(48,566,818)	68,661	0%
Revenue Over (Under) Expenditures	\$ 15,718,561	\$ (727,585)			\$ 12,451,729	\$ 3,266,832	

02 HURF (HIGHWAY USER REVENUE FUND)	BUDGET AND ACTUAL				YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Revenue	\$ 6,843,019	\$ 8,330,200	\$ 1,487,181	82%	\$ 6,526,554	\$ 316,465	5%
Total Expenditures and Projects	(6,010,597)	(9,304,560)	(3,293,963)	65%	(5,852,492)	(158,105)	3%
Revenue Over (Under) Expenditures	\$ 832,422	\$ (974,360)			\$ 674,062	\$ 158,360	

Monitoring operating expenditures tends to be near 25% for the 1st quarter, 50% the 2nd and 75% the 3rd.

However, if a large quantity of expenditures are made in single payments such as an annual subscription or lease, a quarter could run higher than expected.

All presented governmental operating funds are showing second quarter revenues exceeding 75% of the revenue goal and second quarter spending is less than 75% of budgeted spending authority.



Governmental Funds

03 CITY ROAD TAX (.05%) FUND			BUDGET AND ACTUAL			YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change	
Total Revenue	\$ 11,512,461	\$ 13,910,956	\$ 2,398,495	83%	\$ 10,276,782	\$ 1,235,679	12%	
Total Expenditures and Projects	(5,741,999)	(15,118,777)	(9,376,778)	38%	(3,591,654)	(2,150,345)	60%	
Revenue Over (Under) Expenditures	\$ 5,770,462	\$ (1,207,821)			\$ 6,685,128	\$ (914,666)		

04 PUBLIC SAFETY TAX (0.2%) FUND			BUDGET AND ACTUAL			YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change	
Total Revenue	\$ 4,587,326	\$ 5,518,000	\$ 930,674	83%	\$ 4,084,667	\$ 502,659	12%	
Total Expenditures (Operating)	(3,211,709)	(5,241,902)	(2,030,193)	61%	(2,314,877)	(896,832)	39%	
Revenue Over (Under) Expenditures	\$ 1,375,617	\$ 276,098			\$ 1,769,790	\$ (394,173)		

05 TWO PERCENT TAX FUND			BUDGET AND ACTUAL			YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change	
Total Revenue	\$ 6,754,788	\$ 6,944,300	\$ 189,512	97%	\$ 4,946,713	\$ 1,808,075	37%	
Total Expenditures (Operating)	(4,068,980)	(7,611,407)	(3,542,427)	53%	(3,966,740)	(102,240)	3%	
Revenue Over (Under) Expenditures	\$ 2,685,808	\$ (667,107)	{includes fees and retals}		\$ 979,973	\$ 1,705,835		

Similar to many Arizona cities, Yuma's year-over-year spending is appearing higher in FY2022 than last fiscal year due to reduced and deferred spending in FY2021 related to COVID-19 caution.

Enterprise Funds

06 WATER ENTERPRISE	BUDGET AND ACTUAL				YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Income	\$ 19,489,194	\$ 26,636,650	\$ 7,147,456	73%	\$ 18,558,010	\$ 931,184	5%
Total Expenses (Operating)	(9,857,943)	(21,360,401)	(11,502,458)	46%	(10,188,088)	330,145	-3%
Income Over (Under) Expenses	\$ 9,631,251	\$ 5,276,249			\$ 8,369,922	\$ 1,261,329	

07 WASTEWATER ENTERPRISE	BUDGET AND ACTUAL				YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Income	\$ 13,397,556	\$ 19,172,500	\$ 5,774,944	70%	\$ 13,069,774	\$ 327,782	3%
Total Expenses (Operating)	(8,185,471)	(14,299,584)	(6,114,113)	57%	(8,125,992)	(59,479)	1%
Income Over (Under) Expenses	\$ 5,212,085	\$ 4,872,916			\$ 4,943,782	\$ 268,303	

08 SOLID WASTE ENTERPRISE	BUDGET AND ACTUAL				YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Income	\$ 3,750,111	\$ 5,209,500	\$ 1,459,389	72%	\$ 3,593,320	\$ 156,791	4%
Total Expenses (Operating)	(3,054,990)	(5,169,268)	(2,114,278)	59%	(3,028,377)	(126,611)	4%
Income Over (Under) Expenses	\$ 695,121	\$ 40,232			\$ 664,943	\$ 30,178	

Like the City's governmental funds, the enterprise funds spending levels are under 75%; while they are slightly under 75% of the revenue goals, the enterprise funds continue consistent revenue growth compared to last year.

FY 2022 REVENUE MODEL



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The revenue model for Q3 FY2022 is the same as last quarter, but with updated data

1. The “look back” feature is activated in the presentation to flow into the “forecast” section

The periodical look feature checks on prior estimates to see if they came to fruition.

- A. The look back is a tool to help identify a *tremor in the expected*; help determine if evasive actions are warranted; or bring improvements to the model
- B. This revenue model projections generally are set at a 2% expected deviation.

Key:

Q1 = July-September

Q2 = October-
December

Q3 = January – March

Q4 = April – June

FY = Fiscal Year

At the end of Q2, the revenue model projected major governmental revenues for Q3. Actual revenues came in stronger than projected by 0.9%.

Major General Fund Revenues include:

- Local General Sales Tax
- City Property Tax
- State Shared Sales Tax
- State Shared Income Tax
- Vehicle License Tax

Revenue Analysis – Major Revenues

MAJOR OPERATING REVENUE			BENCHMARK (BM) TO BUDGET (BUD)			YEAR OVER YEAR			
(A) Source	(B) Fund	(C) FY 2022 July-Mar	(D) FY 2022 Total Budget	(E) % of Budget	(F) Bench Mark	(G) BM Variance	(G) FY 2021 July-Mar	(H) Amount Change	(I) % Change
(1) City Sales Tax (1.0%)	General	\$ 22,896,027	\$ 26,500,000	86%	71%	21.1%	\$ 20,394,008	\$ 2,502,019	12.3%
(2) Property Tax	"	9,514,358	15,008,556	63%	64%	-0.1%	9,127,717	386,641	4.2%
(3) State Sales Tax	"	9,844,010	10,918,000	90%	74%	16.5%	8,330,100	1,513,910	18.2%
(4) State Income Tax	"	9,488,006	8,623,831	110%	75%	35.0%	10,534,725	(1,046,719)	-9.9%
(5) Vehicle License Tax	"	3,539,335	4,300,000	82%	74%	8.4%	3,841,066	(301,731)	-7.9%
(6) Gasoline Tax (0.5%)	HURF	6,138,564	8,300,000	74%	74%	0.4%	6,485,394	(346,830)	-5.3%
(7) Road Tax (0.5%)	Road Tax	11,446,067	13,811,000	83%	74%	8.9%	10,195,272	1,250,795	12.3%
(8) Public Safety Tax (0.2%)	Public Safety	4,576,869	5,500,000	83%	74%	9.3%	4,076,722	500,147	12.3%
(9) Two Percent Tax	Two Percent	6,163,424	6,741,800	91%	72%	26.4%	4,776,668	1,386,756	29.0%
(10) Water Sales	Water	17,911,924	24,670,000	73%	72%	0.6%	17,927,732	(15,808)	-0.1%
(11) Wastewater Sales	Wastewater	12,953,944	18,360,000	71%	72%	-1.3%	12,868,365	85,579	0.7%
(12) Solid Waste Fees	Solid Waste	3,687,952	5,087,000	72%	72%	0.3%	3,483,756	204,196	5.9%
(13) TOTAL QUARTER 3 (JULY-MAR)		\$ 118,160,480	\$ 147,320,187	80%	72%	8.9%	\$ 112,041,525	\$ 6,118,955	5.5%

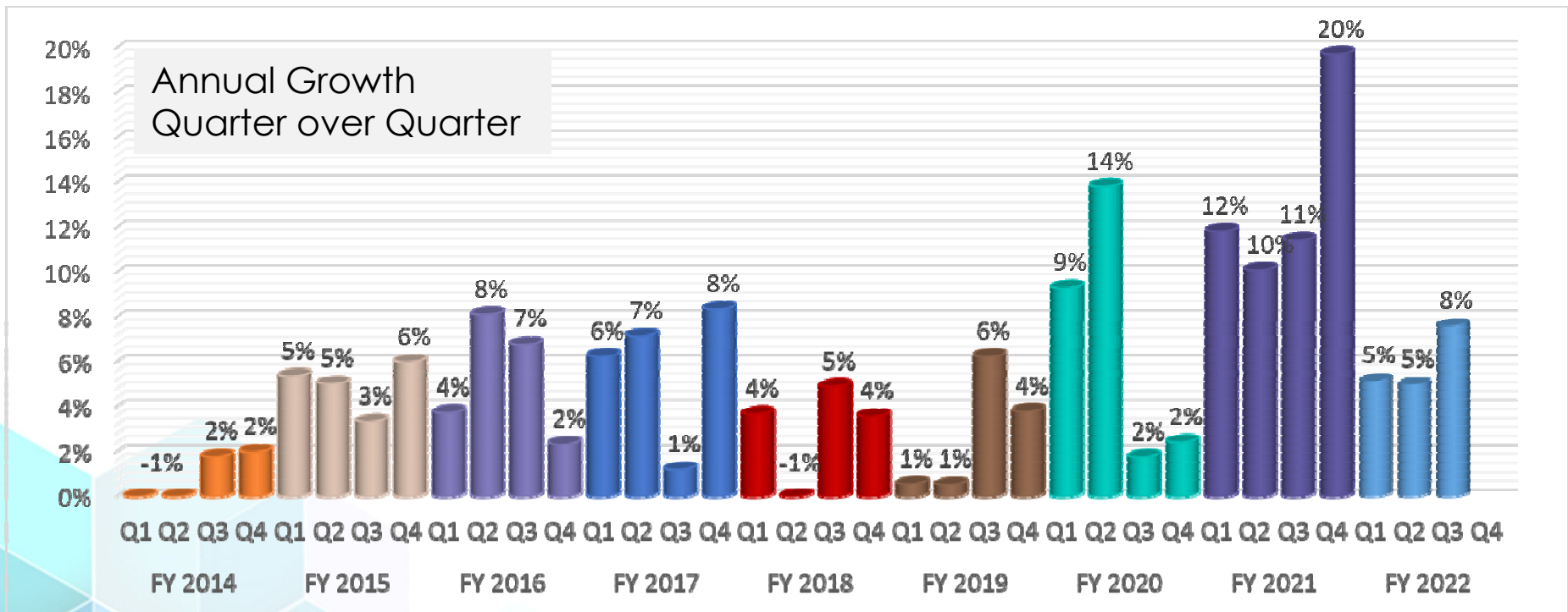
Sound revenue monitoring includes comparing historical trends with current collections and future expectations; and monitoring factors that drive each revenue including identifying risk indicators.

Column "F" is the percentage of total revenue typically collected in the first Quarter of the fiscal year. All factors consistent, this helps measure the likelihood of a revenue meeting the budget goal at year-end.

Column "G" compares the benchmark "F" with the current percentage of collections in column "E". The higher the % in "G", the greater the chance of making the budget goal.

This chart complements graphical revenue analysis for the General fund and includes other major revenue sources.

Revenue Analysis – General Fund



Key:

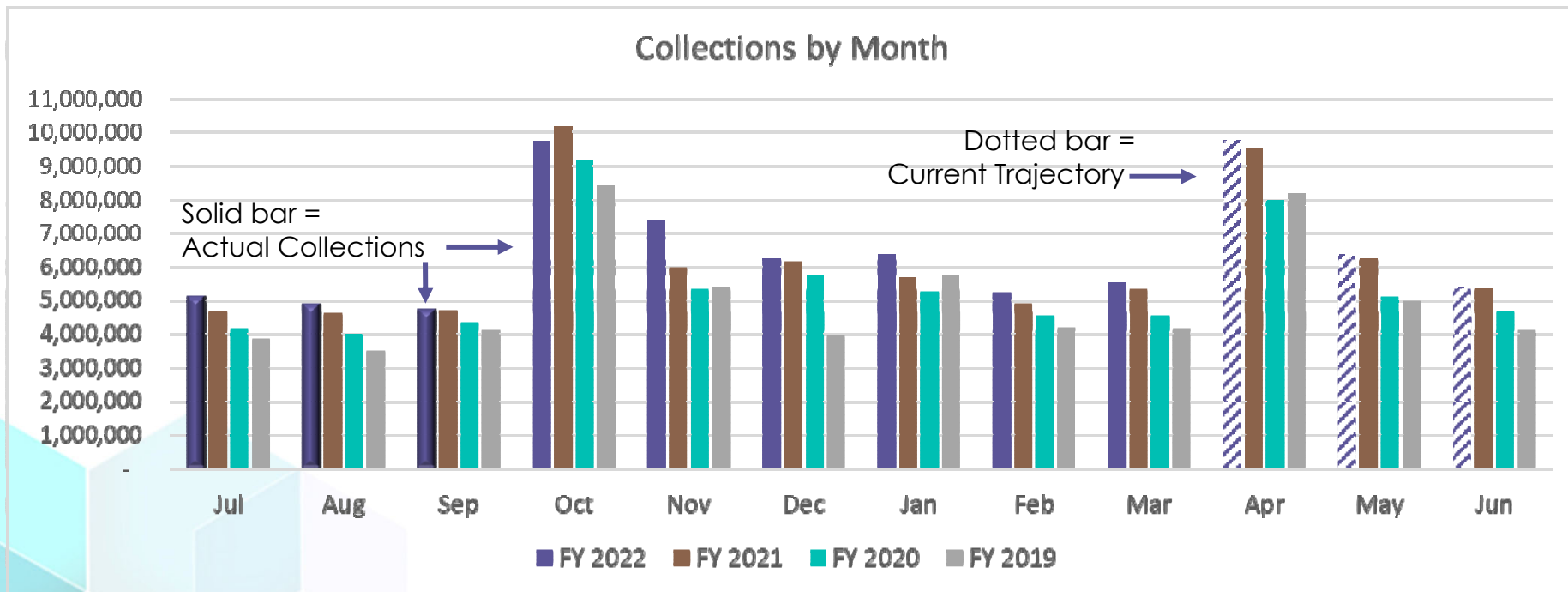
- Q1 = July-September
- Q2 = October-December
- Q3 = January – March
- Q4 = April – June
- FY = Fiscal Year

This graph shows the % change for Q1 over Q1, Q2 over Q2, and so forth.

This information is useful in detecting a potential tremor of an potential economic factor that could be a signal for future adverse to the City's financial conditions.

Revenue Analysis – General Fund

Look Back



Primary Factors in general revenues:

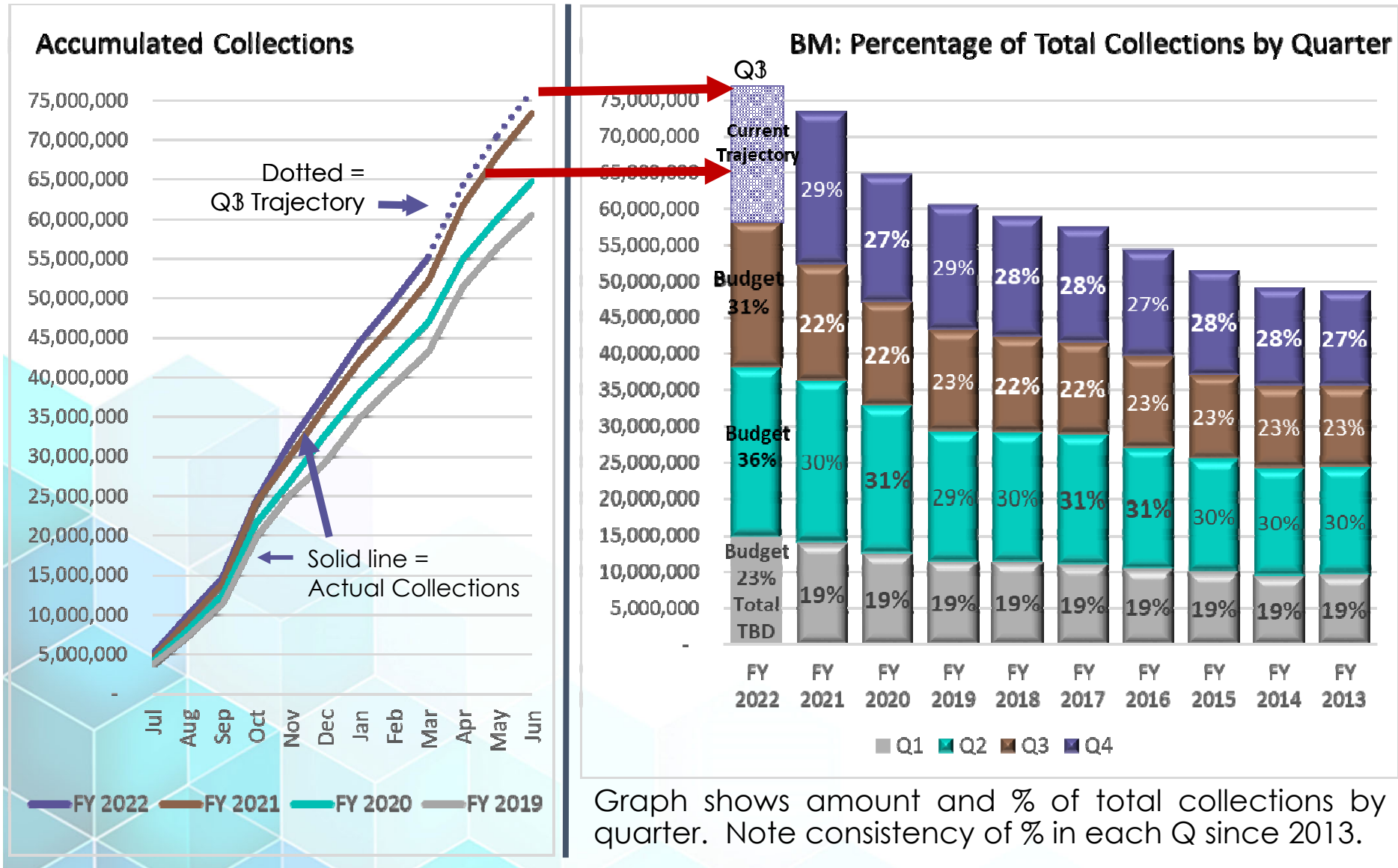
- Consumer confidence and demand
- Population: Yuma compared to AZ
- Tourism: local and AZ state-wide
- Local and State ballot measures
- State and Federal Legislative actions
- Changes in CPI (inflation/deflation)

Though December 6 months into FY2022:

- Month-to-month annual growth;
- Traditional 3rd quarter benchmark is 72% of total year-end revenues, FY2022 has collected 80% of the budget goal
- October was the only month lower than the Q1 Revenue Model projected; but made up in Nov+

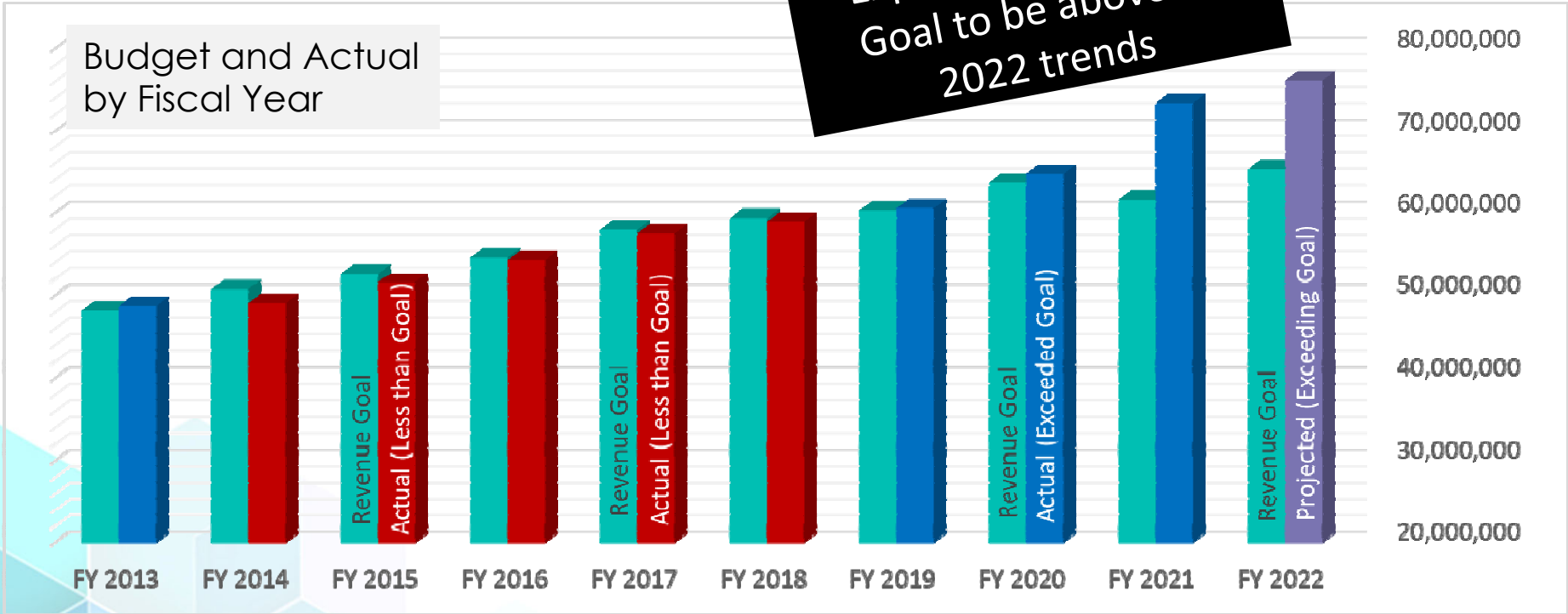
Revenue Analysis – General Fund

Look Back



Revenue Analysis – General Fund

Expect 2023 Budget Goal to be above to 2022 trends



Revenue goals are set lower, expected to be exceeded, within reason:

- If goal is exceeded, the revenue can be used the next FY;
- However, if goal is too low, it can cause delays in projects or leave important City Initiatives unfunded or held back

When revenue goals are set too high or not met, risk of overextended (stress test):

- Determine the extent of the amount and duration until revenues rebound
- If reduced expenditures are warranted
- Possible re-prioritization of programs

FORECAST 2026



20

The forecast 2026 is *in development* to be part of the financial plan for Budget 2023. This tool assists in the ability to gauge future operational plans, capital needs, measure the adequacy of reserves carrying into future years, set sufficient revenue goals, and stress test the financial plan.

Variables, include not limited to:

- Labor Market, Inflation
- State Shared Revenues
- Local, State Economy
- New Construction, Avail. Housing
- Legislative Actions, Voter Initiatives
- Local, State Population

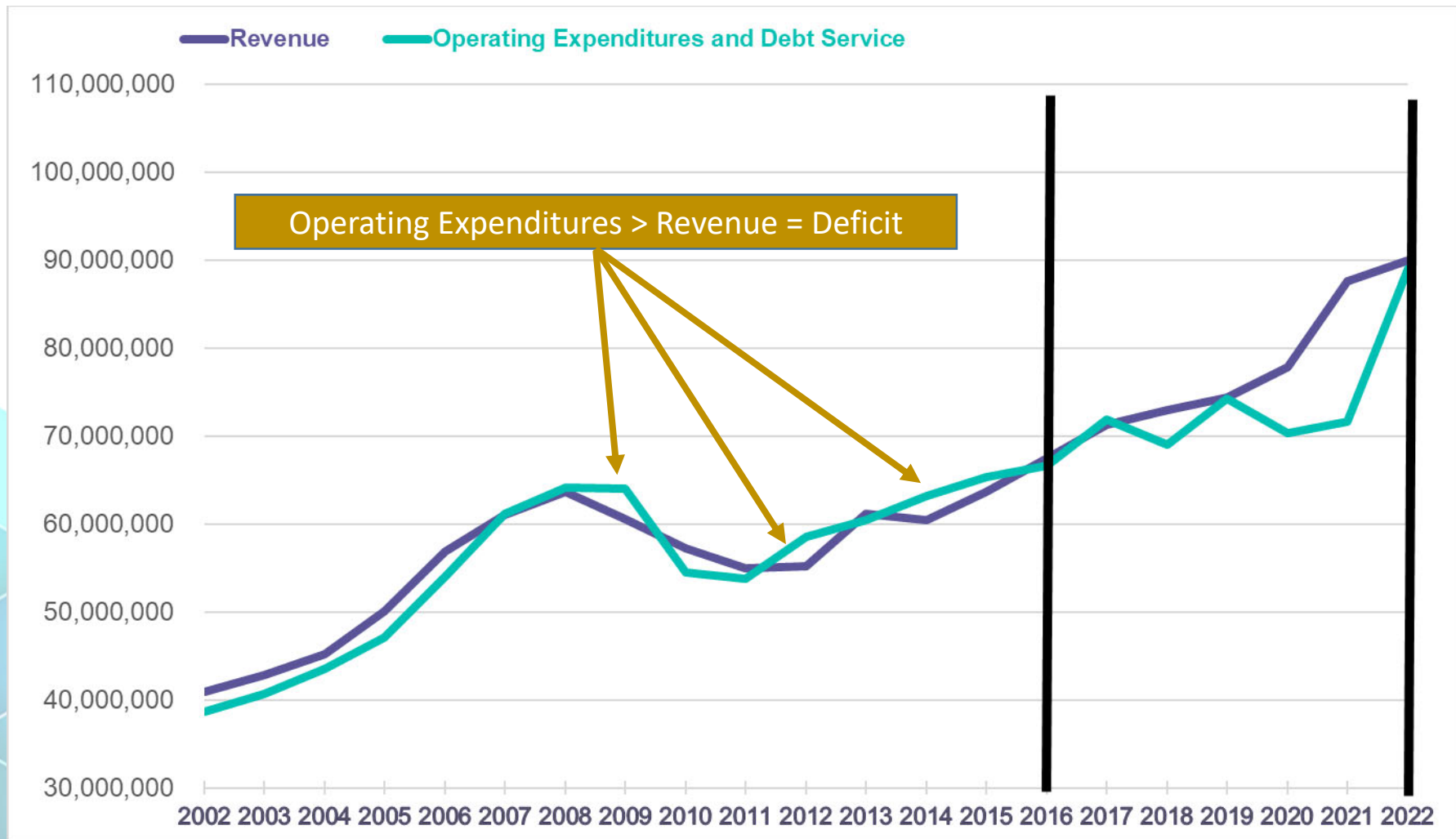
To Incorporate Multi-year plans:

- Fleet Repair, Replace, Expand
- IT Life Cycle, Cloud, Subscriptions
- Debt Service, Facilities, CIP
- Public Safety Equipment
- Employee Costs and Levels
- **Designation of Fund Balances**

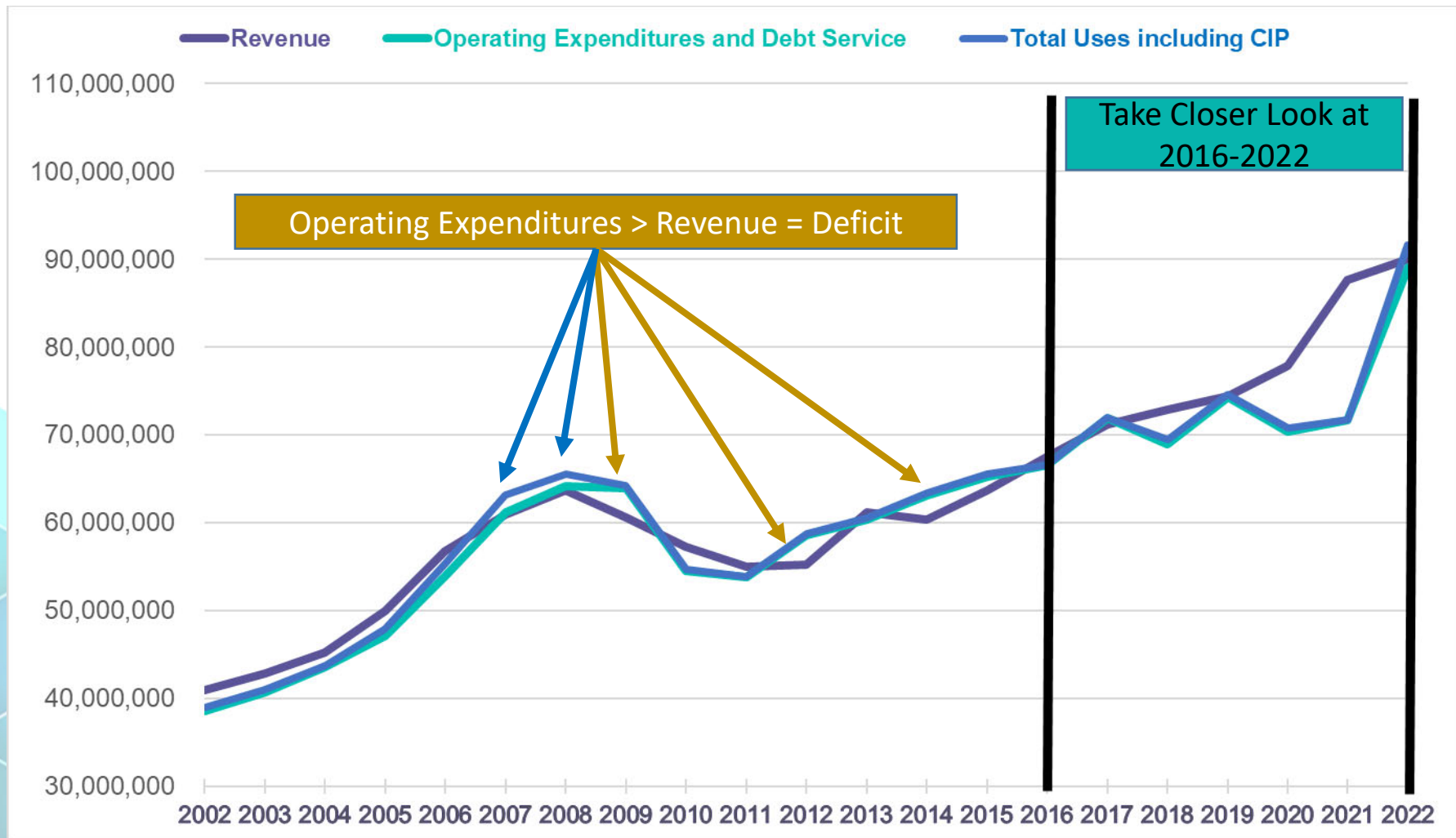
FY 2021 and prior are actual and “audited”. FY 2020-2022 experience many “deferred” costs with FY 2022 caused by supply chain delays.

FY 2023 – FY 2026 are illustrative only. However, this forecast will be update for upcoming City Council budget meetings with the most current data at that time.

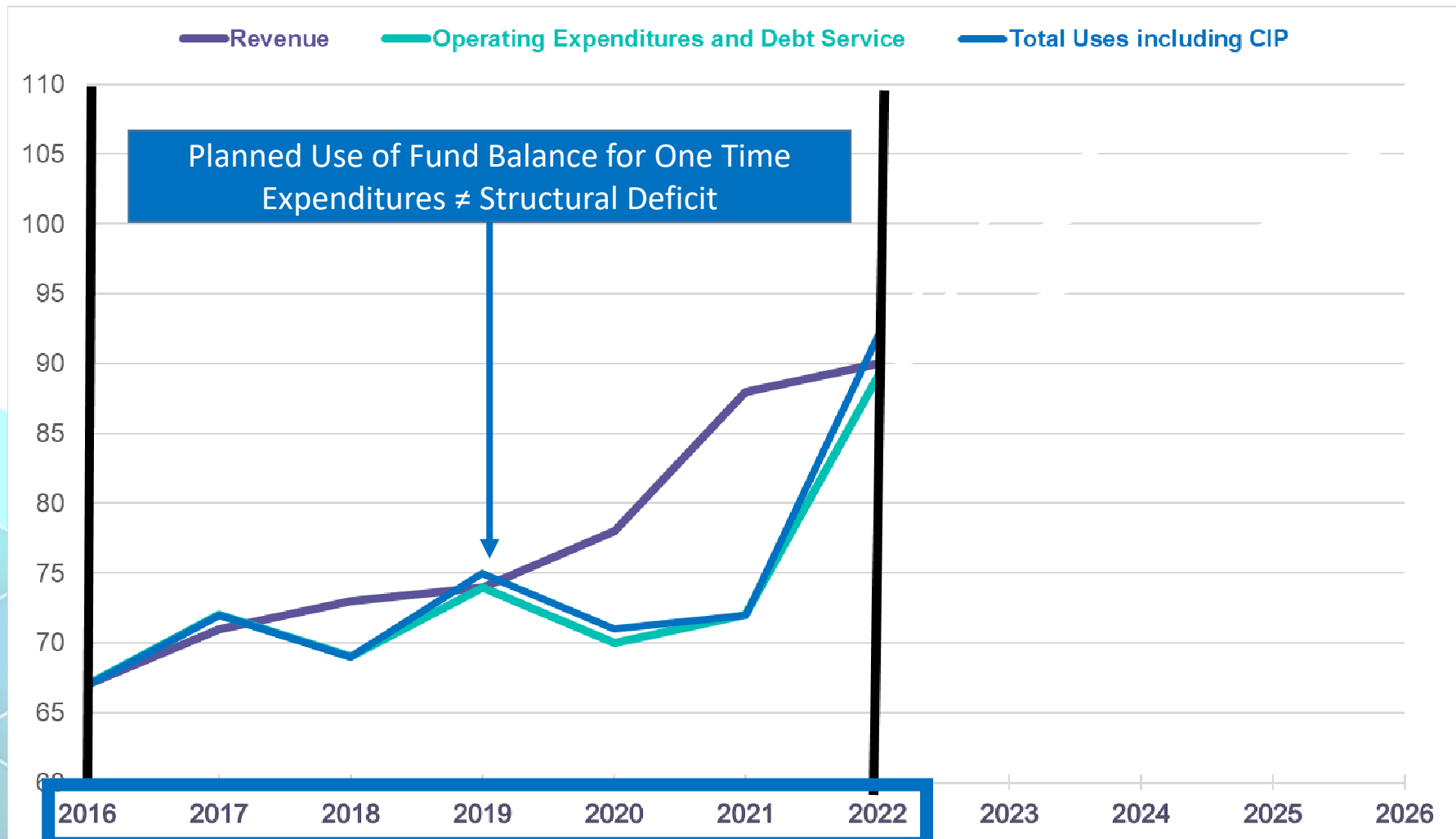
Forecast – General Fund



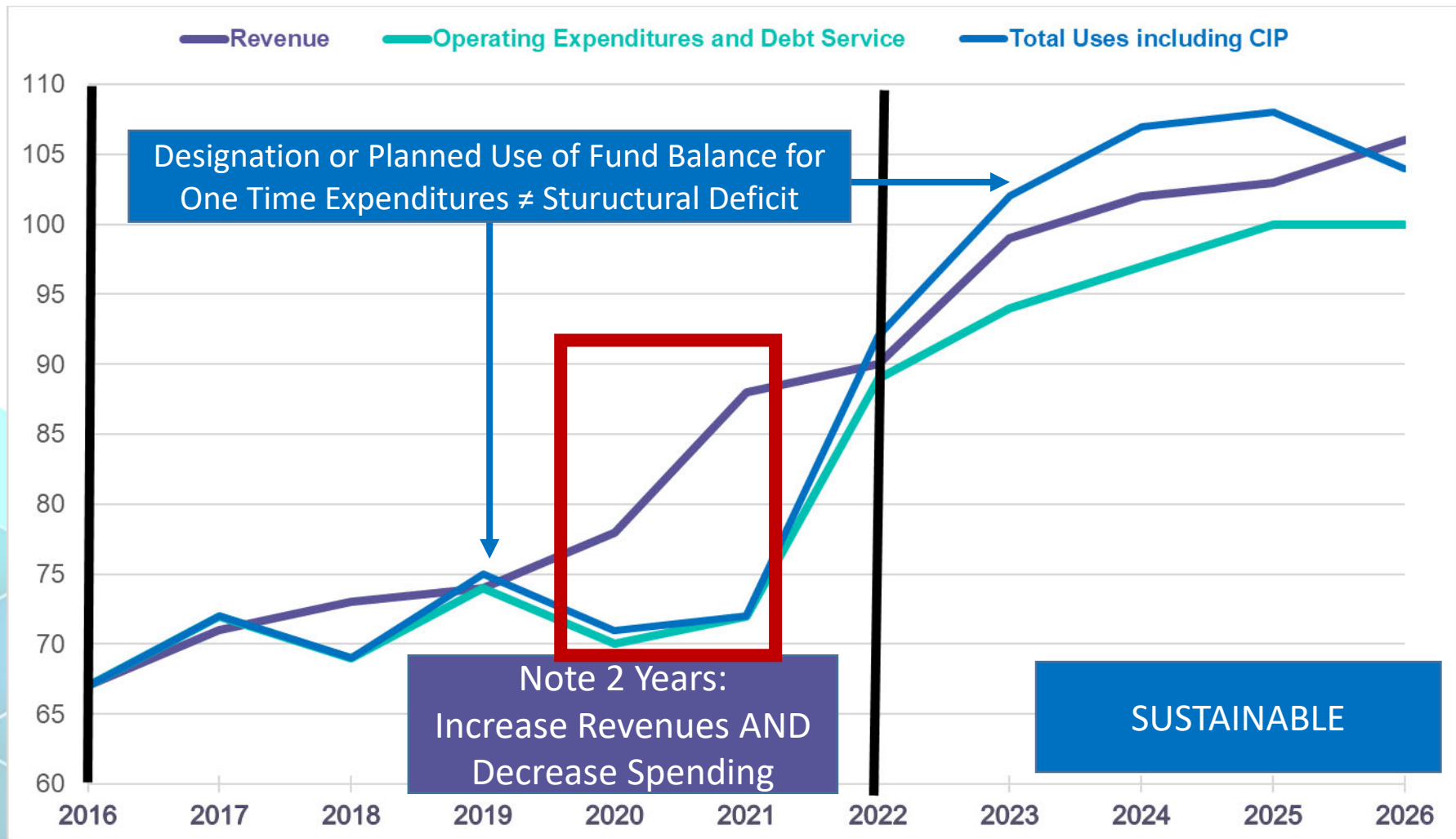
Forecast – General Fund



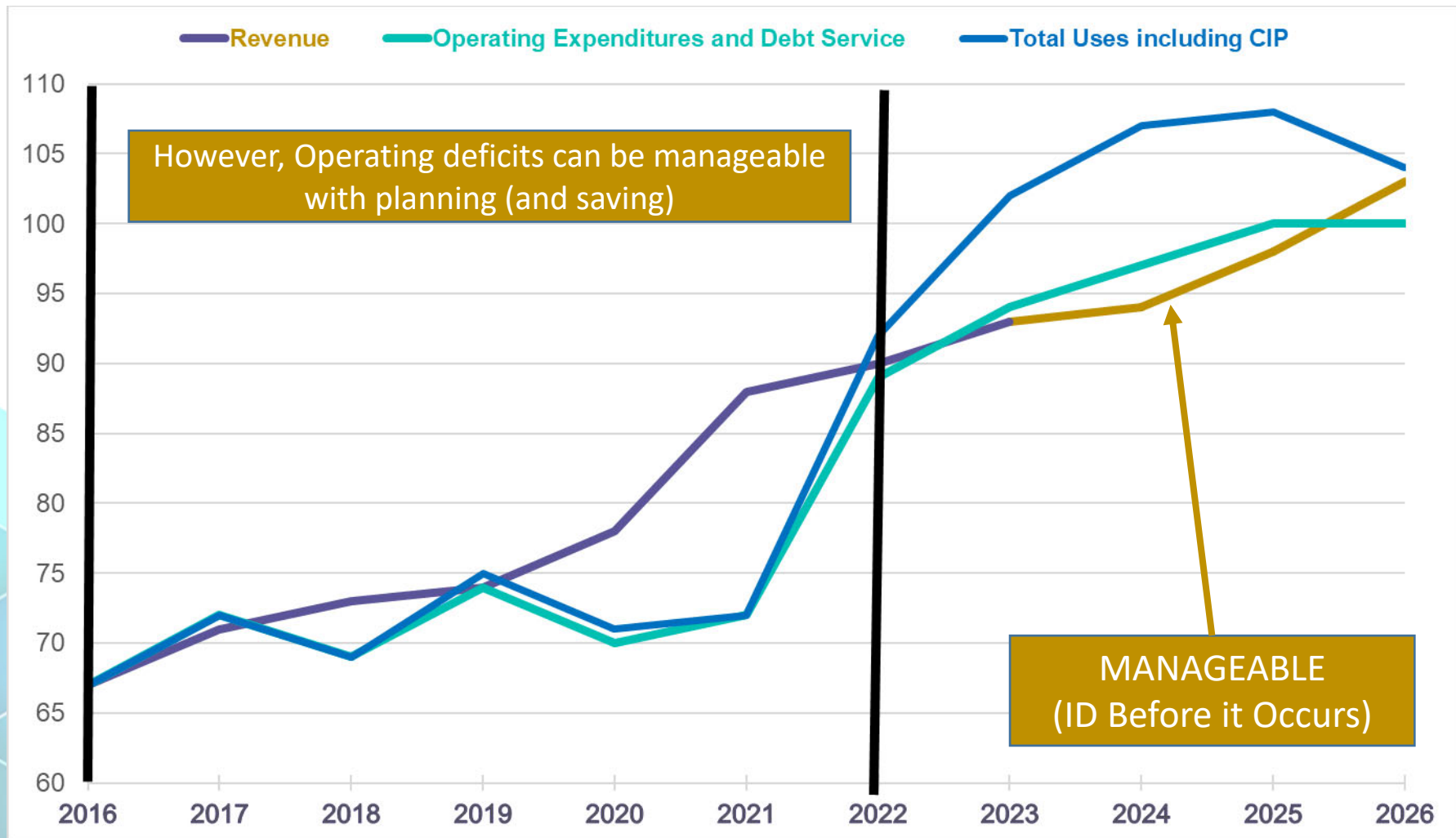
Forecast – General Fund



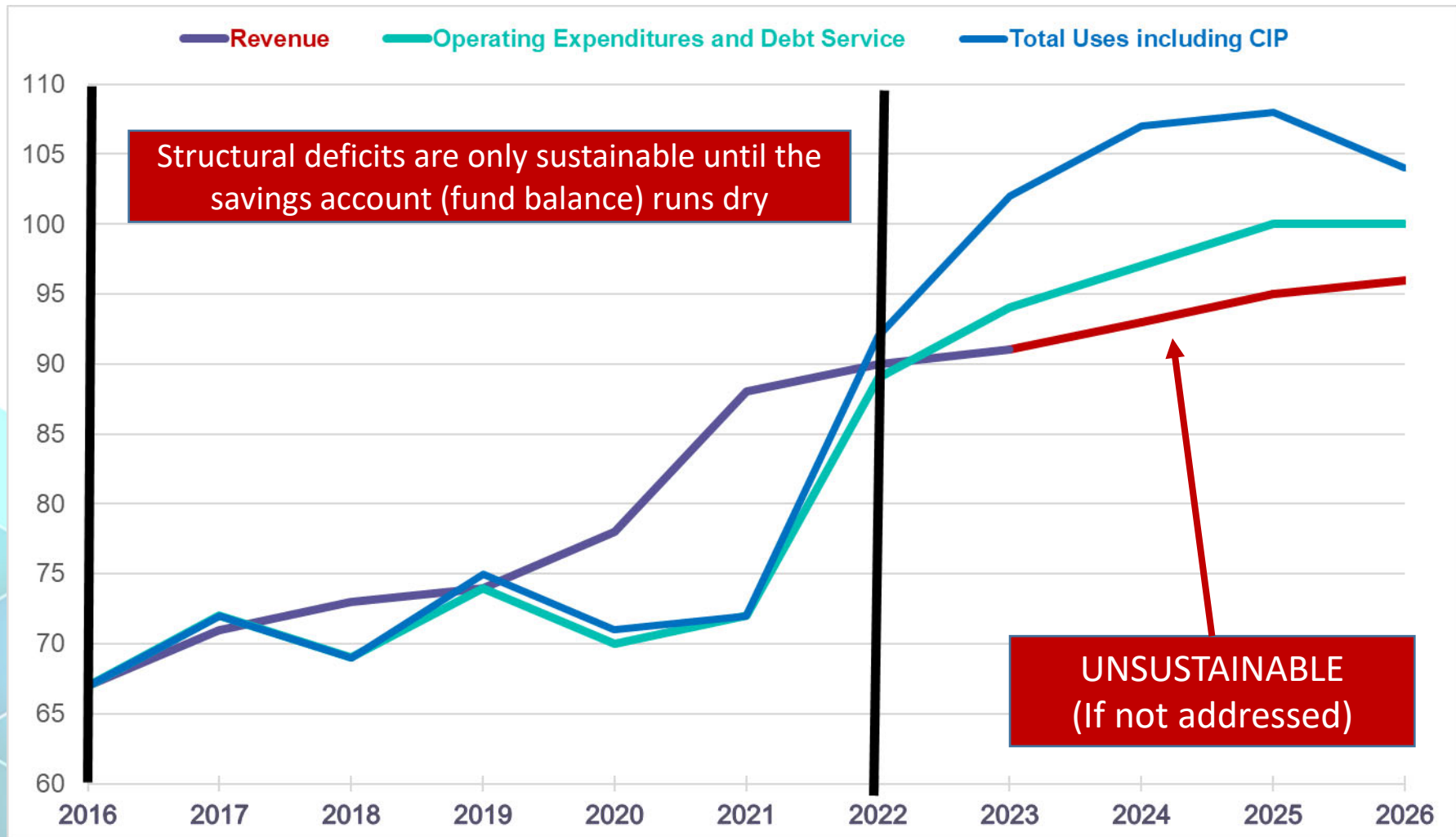
Forecast – General Fund



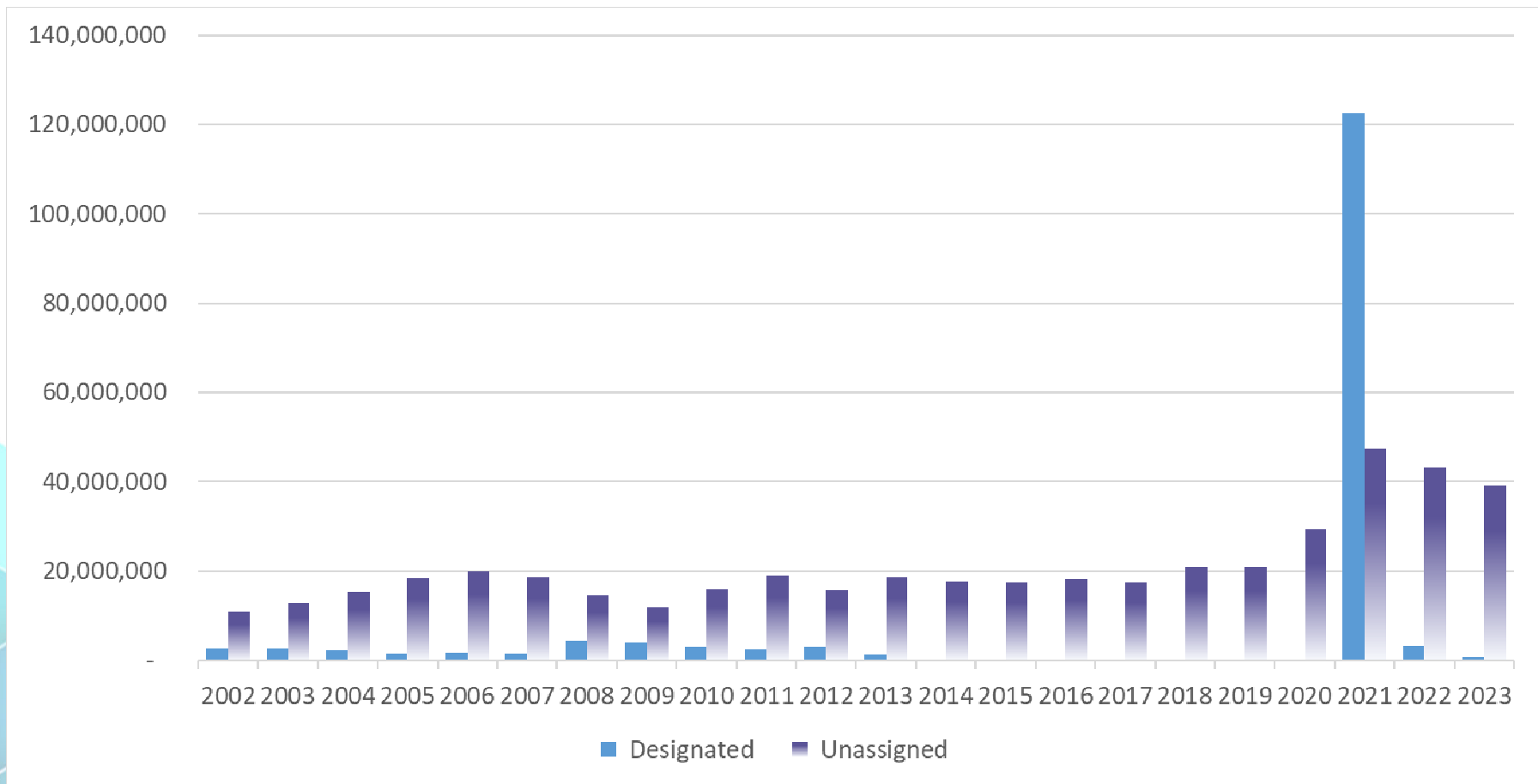
Forecast – General Fund



Forecast – General Fund

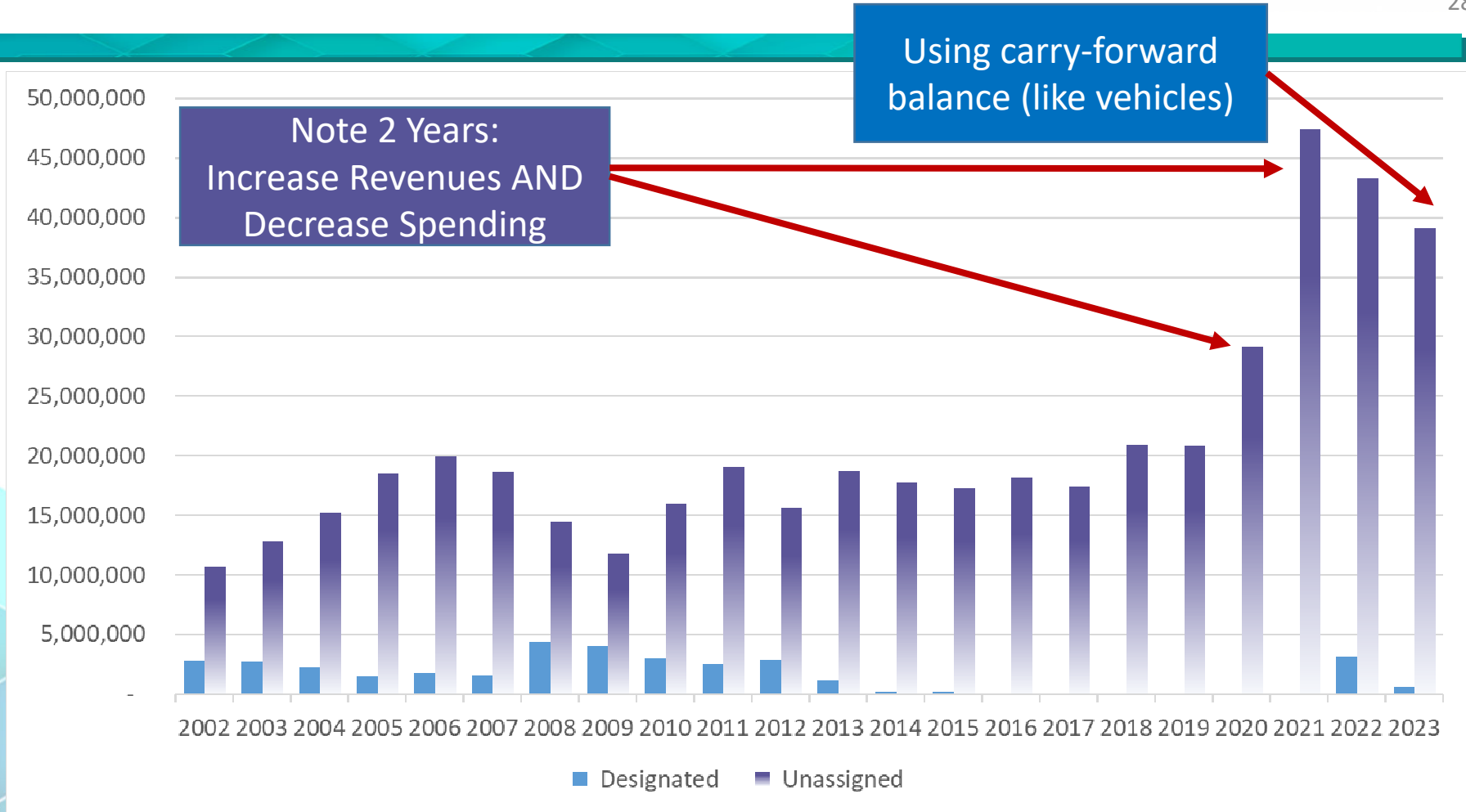


Forecast – General Fund Balance



Includes PSPRS Bond Proceeds Received in FY 2021; Used in FY2022

Forecast – General Fund Balance



Examples of Designations:

- Fleet Repair, Replace, Expand
- IT Equipment Life Cycle
- Debt Service, CIP
- Public Safety Equipment

Does NOT Include PSPRS Bond Proceeds
 Recommend Designating Balances for Future
 with Financial Forecasts and Planning

BUDGET 2023



29

Goal is for the Document to be Available April 22nd:

- Work session May 3rd;
- Work session May 17th;
- Tentative Adoption May 18th;
- Final Adoption June 15th;
- Levy Adoption July 6th.

Role of a Budget Document:

- Policy Document;
- Operations Guide;
- Financial Plan; and
- Communication Medium.

Plus, FY 2023 proposed budget is designed with flexibility to adapt with anticipated & unforeseen changes during the Fiscal Year.

QUARTERLY FINANCIAL BRIEFING

3RD QUARTER FY 2022

FY 2021 Audit Update
FY 2022 Financial Status and Forecast
FY 2023 Intro to Proposed Budget



All figures as of
April 16, 2022;
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April 18, 2022