



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

***425 10<sup>TH</sup> STREET, DOUGLAS, ARIZONA 85607  
Telephone (520) 805-4484 Fax (520) 805-5511***

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**CITY OF DOUGLAS, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2012**

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Danny Ortega Jr.  
*Mayor*

*Councilmembers*

Margaret Morales

Mitchell Lindemann

Ben LaForge

Ray Shelton

Luis Greer

Rudy Quiñones

Carlos A. De La Torre  
*City Manager*

Prepared by:  
Finance Department

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## **INTRODUCTORY SECTION**



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# THE CITY OF DOUGLAS

425 10<sup>TH</sup> STREET, DOUGLAS, ARIZONA 85607  
Telephone (520) 805-4484 Fax (520) 805-5511

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## FINANCE DEPARTMENT

November 29, 2012

Mayor and City Council  
Citizens of the City of Douglas, Arizona

The Arizona Auditor General Office requires all local government entities to file a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with the generally accepted auditing standards by a licensed certified public accounting firm with their office by October 31<sup>st</sup> or by February 28<sup>th</sup> of each year if an automatic extension is requested. Pursuant of that requirement, we hereby issue the comprehensive annual financial report of the City of Douglas, Arizona for the fiscal year ended June 30, 2012.

The report consists of management's representations concerning the finances of the City of Douglas, Arizona. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Douglas, Arizona has established a comprehensive internal control framework that is designed both to protect the government assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of City of Douglas's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Douglas's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements contained herein have been audited by CliftonLarsonAllen LLP a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Douglas, Arizona for the Fiscal-Year-Ended June 30, 2012 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion of City of Douglas's financial statements for the Fiscal-Year-Ended June 30, 2012, and that they are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Douglas's MD&A can be found immediately following the reports of the independent auditors.

Mayor and City Council  
Citizens of the City of Douglas, Arizona

The City of Douglas, Arizona is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of federal awards, findings and recommendations and auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in the single audit report which is available for review at the City of Douglas, Arizona offices.

This report includes all funds of the City of Douglas, Arizona. The City of Douglas, Arizona provides a full range of services that includes police and fire protection; emergency medical services; water, sewer and sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities including an aquatic center, library, visitor center and cultural events. In addition to general government activities, the City of Douglas, Arizona reports three governmental components units: Douglas Housing Authority, Casa de Esperanza, and Pioneer Village and one business-type component unit Rancho La Perilla Apartments and, therefore, these activities are included as discretely presented component units.

*Profile of the City*

The City of Douglas is located in Southeastern Arizona 117 miles southeast of Tucson on the U.S./Mexico border. Although it has a population of 19,772 people, it serves a commercial market of approximately 160,000. Agua Prieta, Sonora, Mexico (just across the international border from Douglas) is a part of our market and has a population of approximately 125,000. Our two cities share an interdependent economy and culture.

*Government Structure*

The Douglas City government is comprised of a Mayor and six Council members, elected by City residents for four year terms. The Mayor is elected at-large, which means that registered voters from all City wards cast their ballots for the mayoral candidates. Council members are elected by registered voters from their respective wards. The Mayor and Council members have equal voting power to create, pass, or disapprove local laws, ordinances, and resolutions that govern the City. The Mayor Pro Tem is appointed by the Mayor.

The City Manager, who is appointed by the City Council, is responsible for the overall operation and supervision of the government functions within the policy directives of the City Council. As the administrative head of the City government, he is responsible for the appointment and dismissal of all employees, except for the City Magistrate, City Clerk, City Treasurer, and City Attorney who are appointed by the Mayor and Council.

*Economic Condition and Outlook*

The City's economy is based on the commercial exchange with Mexico. The Douglas/Agua Prieta connection continues to strengthen with the coordinated efforts of both local governments for the expansion of the existing and development of a new commercial port of entry.

### *Major Initiatives*

The Government Center project is complete and fully functional. The Government Center was constructed through a partnership with Cochise County established by Mayor and Council that consolidated all County offices in the City and also allocates space for City areas that will be assigned to the Library and culture and recreation areas. The City invested \$2.4 million from a GADA bond and the County invested \$4.7 million. The project is a success and the City is excited to have revived the historic building and to promote downtown area traffic.

The City also initiated several street and curbing projects. The City began work to widen 10<sup>th</sup> Street from Rose Avenue to Cochise Avenue. This will help ease traffic that is coming in and out of the Call Center. The City also began work on CDBG grant funded paving and curbing of 20<sup>th</sup> Street, east of A Avenue. Work was finalized for curbing and drainage on 20<sup>th</sup>, 21<sup>st</sup> and 23<sup>rd</sup> streets, which was also funded by CDBG. The 3<sup>rd</sup> Street paving project was completed, which extended Chiricahua Avenue to Chino Road. The extension alleviates traffic congestion in the 5<sup>th</sup> Street business district and provides a better route for travelers going southbound to Mexico.

A \$1.1 million lease purchase of a new Fire Aerial Ladder Apparatus was approved by Mayor and Council. The equipment will help our Fire department combat fires from a better vantage point and also from a safer distance. With several businesses in the City that are more than one story, the presence of this equipment will provide a better chance in saving buildings and most importantly protecting lives.

The construction of Phase II of the waste water treatment plant continues as well as the construction of a new well. Mayor and Council also approved the lease purchase of a new Vacuum truck from the sewer fund. Rehab for our 300,000 gallon water reservoirs is underway. Through CDBG funding and match coming from the Water fund, the City has completed rehab one of the two tanks located in Joe Causey Park. This project ensures that water supply is stable as well as meeting the standards for clean water production.

### *Upcoming Year*

The Mayor and Council are determined to bring the expansion of our current port of entry. The Council sees this as a major economic opportunity and is working with both federal government agencies and the Mexican government to accomplish this. In the September and October 2012 regular meetings, Mayor and Council have signed and approved resolutions in support of the expansion which includes a memorandum of understanding with the Douglas Regional Economic Development Corporation to formulate the first phase of the port of entry development project.

The City was awarded several federal grants administered through ADOT for the administration of the transit system known as Douglas Rides. The transit system was previously operated by Catholic Community Services and will be in the City's hands starting October 1, 2012. The transit system is a major source of transportation for many citizens as well as Mexican nationals that use it to visit and shop at our business districts. The transit system is also a necessity to our elderly citizens and to students using it to travel to Cochise College, which is 10 miles outside of Douglas.

### *Long-Term Financial Planning*

The City is cautious entering the new Fiscal Year and is aware of many economic factors on the national, state and local level that may affect our City. The City experienced an increase in state shared revenue in FY 2013, but there is a possibility it could change in FY 2014 due to the sunset and/or the extension of the 1 cent sales tax at the state level coming this Spring.

With this in mind, the City is prepared to undertake these challenges and impact the essential services to our citizens a little as possible as well as determined to preserve our valuable workforce.

The General Fund reserve has increased every year since FY 2010, but not to desired levels. Our goal is to increase the reserve every year and set aside funds for capital improvement projects as well as pay-as-you-go programs. With such a volatile economic environment it has become both hard but necessary to save in order to continue keeping the City in a financially stable position.

Our enterprise funds continue to be stable due to the rate increases passed by Mayor and Council. The City is seeking new ways to make these funds more efficient through the use of new technology in the hopes of keeping rates stable.

*Awards*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial Reporting to the City of Douglas for its comprehensive annual financial report for the fiscal year ended June 30<sup>th</sup>, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

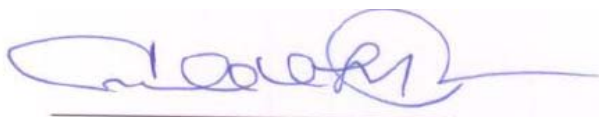
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

*Acknowledgement*

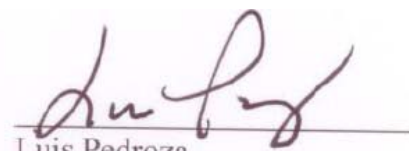
We would like to express our appreciation to each member of the Finance Department who has assisted in the preparation of this report. We are thankful for having the finance committee of the City of Douglas providing their support and having them evaluate this report. And also, thanks to our independent auditors CliftonLarsonAllen LLP for their assistance in this process.

Finally to the Douglas Mayor and City Council we extend heartfelt thanks for their support. It is their commitment to financial reporting excellence that allows the citizens of Douglas to be fully informed about their municipal government finances.

Respectfully Submitted,



Carlos De La Torre  
City Manager



Luis Pedroza  
Finance Director/City Treasurer

**CITY OF DOUGLAS, ARIZONA  
LIST OF PRINCIPAL OFFICIALS  
YEAR ENDED JUNE 30, 2012**

**ELECTED OFFICIALS**

Mayor	Danny Ortega Jr.
Councilmember	Margaret Morales
Councilmember	Mitchell Lindemann
Councilmember	Ben LaForge
Councilmember	Ray Shelton
Councilmember	Luis Greer
Councilmember	Rudy Quiñones

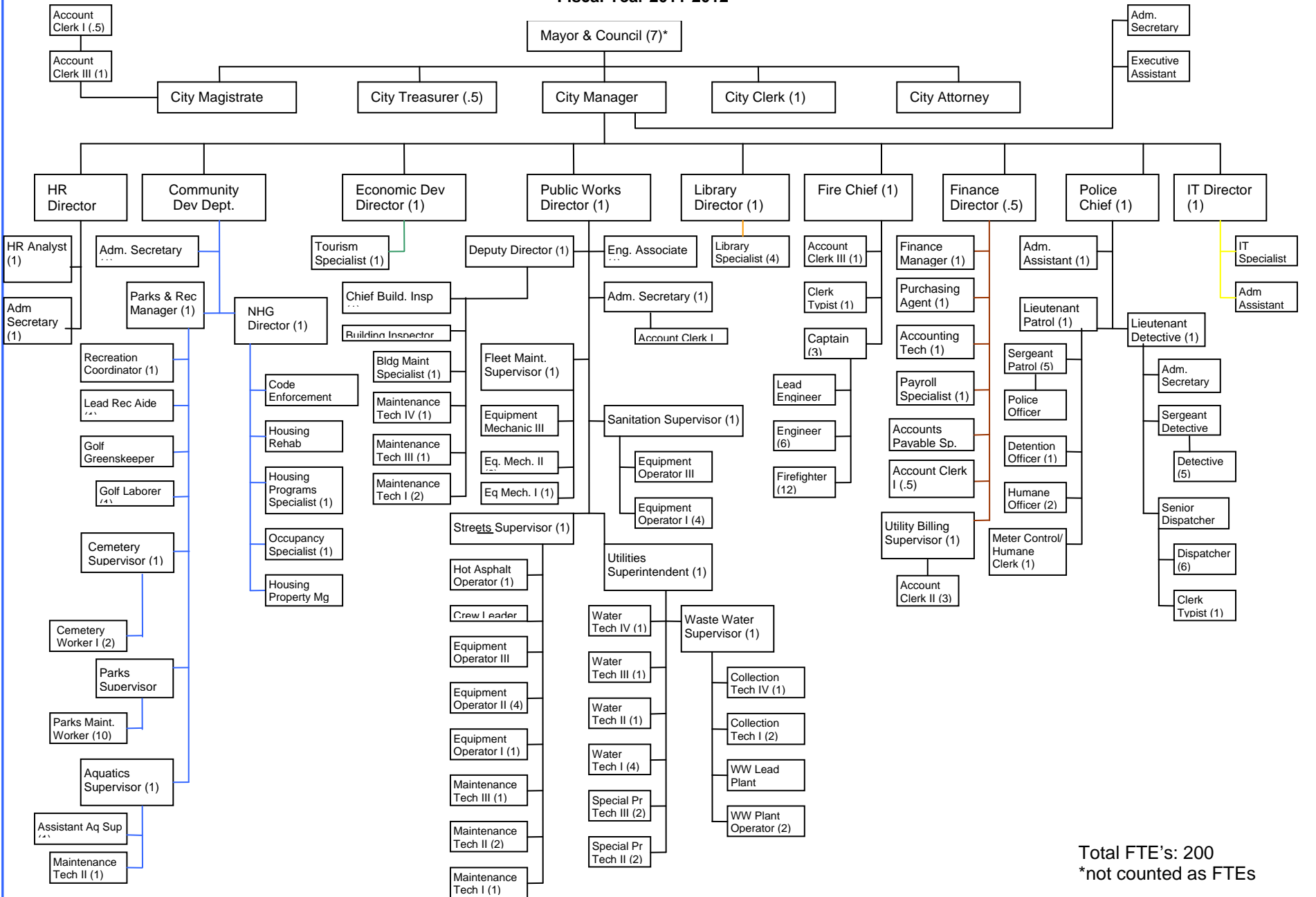
**APPOINTED OFFICIALS**

City Manager	Carlos A. De La Torre
City Clerk	Brenda Aguilar
City Attorney	Juan Pablo Flores
City Treasurer	Luis Pedroza
City Magistrate	Alma Vildosola

**DEPARTMENT DIRECTORS**

Finance Director	Luis Pedroza
Acting Deputy Public Works Director	Lauren Ortega
Police Chief	Alberto Melis
Fire Chief	Mario Novoa
Human Resources/Risk Management	Ana Urquijo
Housing Neighborhoods & Grants Director	Christina Gómez
Librarian	Vacant
Information Technology Director	Vacant

## City of Douglas Organizational Chart Fiscal Year 2011-2012



Total FTE's: 200  
\*not counted as FTEs

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

City of Douglas  
Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Morill*

President

*Jeffrey R. Enos*

Executive Director



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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and the City Council  
City of Douglas, Arizona  
Douglas, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Douglas, Arizona (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Douglas Housing Corporation I (Casa de Esperanza), Douglas Housing Corporation II (Pioneer Village) and the Douglas Community Housing Corporation (Rancho La Parilla Apartments). The Douglas Housing Corporation I and II are presented as Governmental Component Units and those assets comprise 49% and 30% of the total Governmental Component Unit assets, 23% and 10% of total operating revenues and a negative 160% and 84% of total net assets of the Governmental Component Unit revenues, respectively. Rancho La Parilla comprises 100% of the assets and operating revenues reported in the Proprietary Component Unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Governmental Component Units and Proprietary Component Unit, is based solely on the reports of other auditors.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Douglas, Arizona, as of June 30, 2012, and the respective changes in financial position and cash flows, in conformity with accounting principles generally accepted in the United States of America.

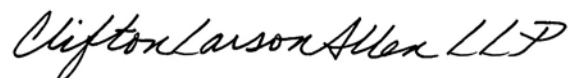
A prior period adjustment was recorded, as described in Note 3.G., to restate the governmental activities beginning net assets and the General Fund Governmental Fund financial statements for an error in the previously issued financial statements.

The Honorable Mayor and the City Council  
City of Douglas, Arizona

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2012 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 21, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 67, and the General Fund Budget and Actual Statement on pages 68 – 69 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
November 29, 2012

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

This section of the City of Douglas, Arizona's (City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information presented in the financial statements.

**FINANCIAL HIGHLIGHTS**

- ◆ The assets of the City at the close of the most recent fiscal year exceed liabilities by \$45.3 million (net assets). Of this amount, \$7.8 million is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- ◆ Total net assets increased by \$6.7 million during the fiscal year.
- ◆ As of June 30, 2012, the City's governmental funds reported a combined ending fund balance of \$5.9 million. Of this amount, 70% is unassigned fund balance and available for spending at the government's discretion.
- ◆ At the close of the current fiscal year, unassigned fund balance for the General Fund was \$ 4.1 million or 32 % of the total General Fund expenditures of \$ 12.7 million.
- ◆ The City drew down \$0.5 million of an authorized \$10.5 million in loans financed by the Water Infrastructure Authority of Arizona.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are separated into three component sections:

1. Government-wide financial statements.
2. Fund financial statements and schedules.
3. Notes to basic financial statements.

In addition to the basic financial statements, this report also includes other supplementary information.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private sector business.

The statement of net assets presents information on all of the City's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the City's financial position is improving or deteriorating.

The statement of activities presents data showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years, such as revenue from uncollected taxes or expenses from earned but unused vacation and sick leave.



**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

Both of the government-wide financial statements distinguish City functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from those functions that intend to recover all or a significant portion of their costs from user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (police, fire and emergency medical services), highways and streets, culture and recreation, and redevelopment and housing. The business-type activities of the City include water, sewer, and solid waste.

The government-wide financial statements include not only the City (known as the primary government), but also four legally separate non-profit corporations - three governmental component units and one proprietary component unit. The governmental units consist of Douglas Housing Authority, Douglas Housing Corporation I - Casa de Esperanza Apartments and Douglas Housing Corporation II - Pioneer Village providing HUD subsidized housing. The proprietary unit is the Douglas Municipal Housing Corporation market rate apartment complex known as Rancho La Perilla. Although legally separate from the City, these component units are discretely presented because of their governance or financial relationships to the City. Separate financial statements for these entities (with the exception of Douglas Housing Authority in which a separate report was not prepared) may be obtained at the City's Finance Department at 425 Tenth Street, Douglas, Arizona 85607.

The government-wide financial statements may be found on pages 22 - 25 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the City funds can be divided into two categories: governmental funds and proprietary (business-type) funds.

- ◆ *Governmental Funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

The City of Douglas, Arizona maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the MPC Debt Service Fund, which are considered to be major funds. Data from the other seven funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of the combining statements elsewhere in this report.

The City of Douglas, Arizona adopts an annual appropriated budget for its General Fund by department. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The City adopts a budget by fund for all Special Revenue Funds; a budget for the MPC Debt Service Fund and the Nonmajor Capital Projects Funds is not adopted.

- ◆ *Proprietary Funds* – Proprietary funds are used to account for services for which the City charges its customers. Enterprise funds are used to report the same functions as presented in the business-type activities in the government-wide financial statements. There are three funds reported under business-type activities and those include the water, sewer, and solid waste funds. The water, sewer and solid waste funds are considered major funds.

**Notes to Basic Financial Statements**

The notes to basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements may be found on pages 34 - 66 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and the budgetary schedule of the General Fund. Required supplementary information may be found on pages 67 – 71 of this report.

**Combining Statements**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

**Government-Wide Financial Analysis**

Comparative data is presented on the following pages for both the governmental activities and the business-type activities along with an analysis of significant variances between the current and prior year.

**Net Assets**

As noted earlier, net assets may serve as useful indicators of a government's financial position. For the City of Douglas, Arizona, assets exceeded liabilities by \$ 45.3 million.

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

The largest portion of the City's net assets (81%) reflects its investment in capital assets (e.g. land, buildings, and equipment), less any debt used to acquire those assets. The City uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources since the assets themselves cannot be liquidated for these liabilities.

**Table A-1  
The City's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 Restated	2012	2011	2012	2011 Restated
<b>ASSETS</b>						
Current and Other Assets	\$ 7,237,654	\$ 8,220,711	\$ 4,557,406	\$ 2,468,017	\$ 11,795,060	\$ 10,688,728
Capital Assets:						
Non-depreciable	1,515,112	3,720,121	1,552,711	1,288,123	3,067,823	5,008,244
Depreciable (net)	30,100,615	23,382,470	20,297,189	20,618,508	50,397,804	44,000,978
Total Assets	<u>38,853,381</u>	<u>35,323,302</u>	<u>26,407,306</u>	<u>24,374,648</u>	<u>65,260,687</u>	<u>59,697,950</u>
<b>LIABILITIES</b>						
Current and Other Liabilities	1,230,235	1,106,594	506,165	212,764	1,736,400	1,319,358
Non-Current Liabilities:						
Due Within One Year	2,356,449	2,182,855	569,954	567,602	2,926,403	2,750,457
Due in More Than One Year	9,735,970	11,528,482	5,529,575	5,445,353	15,265,545	16,973,835
Total Liabilities	<u>13,322,654</u>	<u>14,817,931</u>	<u>6,605,694</u>	<u>6,225,719</u>	<u>19,928,348</u>	<u>21,043,650</u>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	20,735,227	15,847,448	15,921,451	16,048,928	36,656,678	31,896,376
Restricted	871,510	719,796	-	-	871,510	719,796
Unrestricted	3,923,990	3,938,127	3,880,161	2,100,001	7,804,151	6,038,128
Total Net Assets	<u>\$ 25,530,727</u>	<u>\$ 20,505,371</u>	<u>\$ 19,801,612</u>	<u>\$ 18,148,929</u>	<u>\$ 45,332,339</u>	<u>\$ 38,654,300</u>

As of June 30, 2012 the City of Douglas, Arizona was able to report positive balances in all categories of net assets. As previously discussed, approximately 81% of the resources are invested in capital assets, net of related debt. Another 2% of the resources are subject to external restrictions on how they may be used. The remaining unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets increased approximately \$6.7 million over the prior fiscal year. Net assets invested in capital assets, net of related debt increased \$4.8 million due to the net effect of a reduction in current year debt outstanding used to acquire the assets, current year depreciation and current year capital additions and contributions. Current year debt payments (including deferred amounts on refundings and discount) were approximately \$1.7 million (including payments on capital leases). The City drew down \$0.5 million for water and sewer improvements.

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Changes in Net Assets**

As described above, the City's net assets overall increased by \$6.7 million during the current fiscal year. The increase in the governmental activities and business-type activities are discussed on the following pages.

**Table A-2  
Changes in Net Assets**

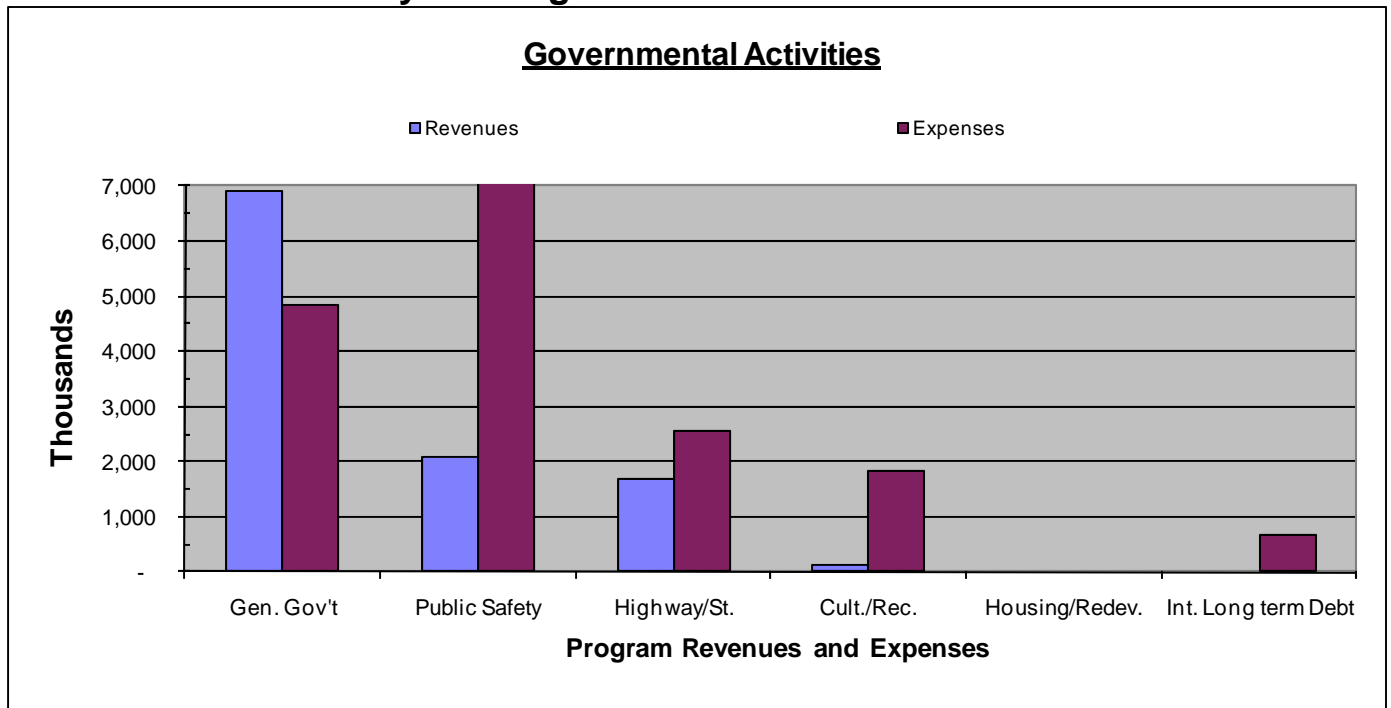
	Governmental Activities		Business-Type Activities		Total	
	2012	2011 Restated	2012	2011	2012	2011 Restated
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 3,033,768	\$ 2,874,650	\$ 5,034,099	\$ 4,872,305	\$ 8,067,867	\$ 7,746,955
Operating Grants and Contributions	2,193,829	2,303,776	592,435	-	2,786,264	2,303,776
Capital Grants and Contributions	5,622,718	951,180	274,140	-	5,896,858	951,180
General Revenues:						
Property Taxes	533,742	545,995	-	-	533,742	545,995
Local Taxes	6,159,476	6,291,027	-	-	6,159,476	6,291,027
State Shared Revenues	3,628,090	3,767,386	-	-	3,628,090	3,767,386
Grants and Contributions Not Restricted to Specific Programs	42,590	39,082	-	-	42,590	39,082
Investment Earnings	44,626	67,493	8,052	980	52,678	68,473
Gain on Sale of Asset	6,769	-	-	-	6,769	-
Other	356,342	258,705	-	-	356,342	258,705
Total Revenues	<u>21,621,950</u>	<u>17,099,294</u>	<u>5,908,726</u>	<u>4,873,285</u>	<u>27,530,676</u>	<u>21,972,579</u>
<b>EXPENSES</b>						
General Government	4,840,153	5,121,084	-	-	4,840,153	5,121,084
Public Safety	7,186,954	6,700,135	-	-	7,186,954	6,700,135
Highways and Streets	2,555,331	2,773,973	-	-	2,555,331	2,773,973
Culture and Recreation	1,827,388	1,936,579	-	-	1,827,388	1,936,579
Redevelopment and Housing	-	51,599	-	-	-	51,599
Interest on Long-Term Debt	664,519	704,510	-	-	664,519	704,510
Water	-	-	1,698,669	1,367,914	1,698,669	1,367,914
Sewer	-	-	1,313,976	1,320,648	1,313,976	1,320,648
Solid Waste	-	-	765,647	755,546	765,647	755,546
Total Expenses	<u>17,074,345</u>	<u>17,287,880</u>	<u>3,778,292</u>	<u>3,444,108</u>	<u>20,852,637</u>	<u>20,731,988</u>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	4,547,605	(188,586)	2,130,434	1,429,177	6,678,039	1,240,591
Transfers	477,751	358,411	(477,751)	(358,411)	-	-
<b>CHANGE IN NET ASSETS</b>	5,025,356	169,825	1,652,683	1,070,766	6,678,039	1,240,591
Net Assets - Beginning of Year (Restated)	20,505,371	20,335,546	18,148,929	17,078,163	38,654,300	37,413,709
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 25,530,727</u>	<u>\$ 20,505,371</u>	<u>\$ 19,801,612</u>	<u>\$ 18,148,929</u>	<u>\$ 45,332,339</u>	<u>\$ 38,654,300</u>

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

*Governmental Activities* – Governmental activities increased the City's net assets by \$5.0 million. Key factors of the overall increased in net assets are as follows:

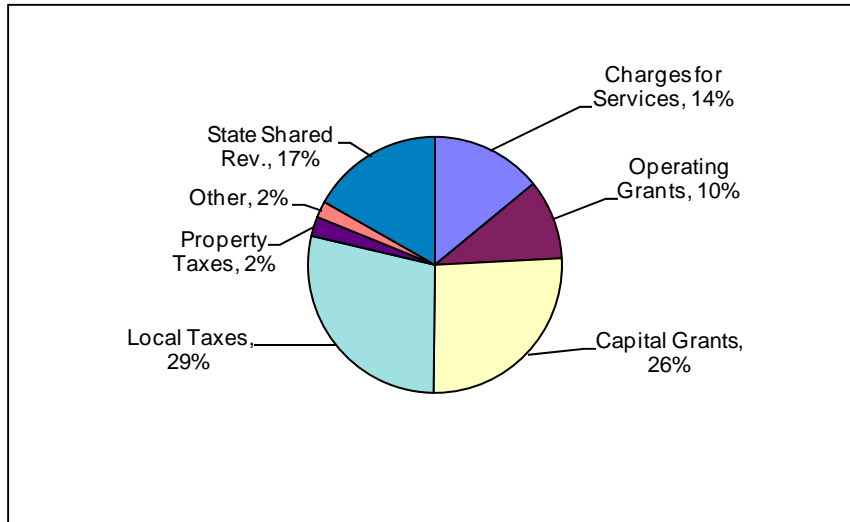
- ◆ Fees, fines and charges for services increased over the prior fiscal year (5.5%). The increase was largely due to an increase in ambulance charge rates.
- ◆ Capital grants and contributions increased \$4.7 million over the prior fiscal year. The increase was primarily the result of contributed capital recognized for the completion of the government center.
- ◆ State shared revenues and local tax revenues decreased 2.7% due to decreased consumer spending. Those revenues are expected to decrease in the upcoming fiscal year as well due to the downturn in the economy.
- ◆ Expenses remained relatively unchanged over the prior fiscal year, with the exception of a decrease in general government expenses in the amount of \$280,931 and an increase in public safety in the amount of \$486,819. The decrease in the general government expenses was due to a decrease in legal services costs compared to the prior year. Public Safety expenses increased due to the police department filling vacant positions resulting in a savings in prior years.

**City of Douglas – Fiscal Year 2011/12**



**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**City of Douglas Revenue by Source  
Governmental Activities Fiscal Year 2011/12**



The charts on the previous page and above illustrate the City's governmental expenses and revenues by function and the City's revenues by source. As shown, Public Safety (police, fire, and emergency medical services) is the largest function in expenses (42%), followed by General Government (28%), Highway/Streets (15%), Culture/Recreation (11%), and the remaining 4% attributable to Interest. General revenues such as property taxes, state shared revenues, and sales taxes are not shown by program but are effectively used to support program activities of the City as a whole. For governmental activities as a whole, sales tax revenues is the largest source of funds (29%) followed by state shared revenues (17%) as illustrated in the above chart.

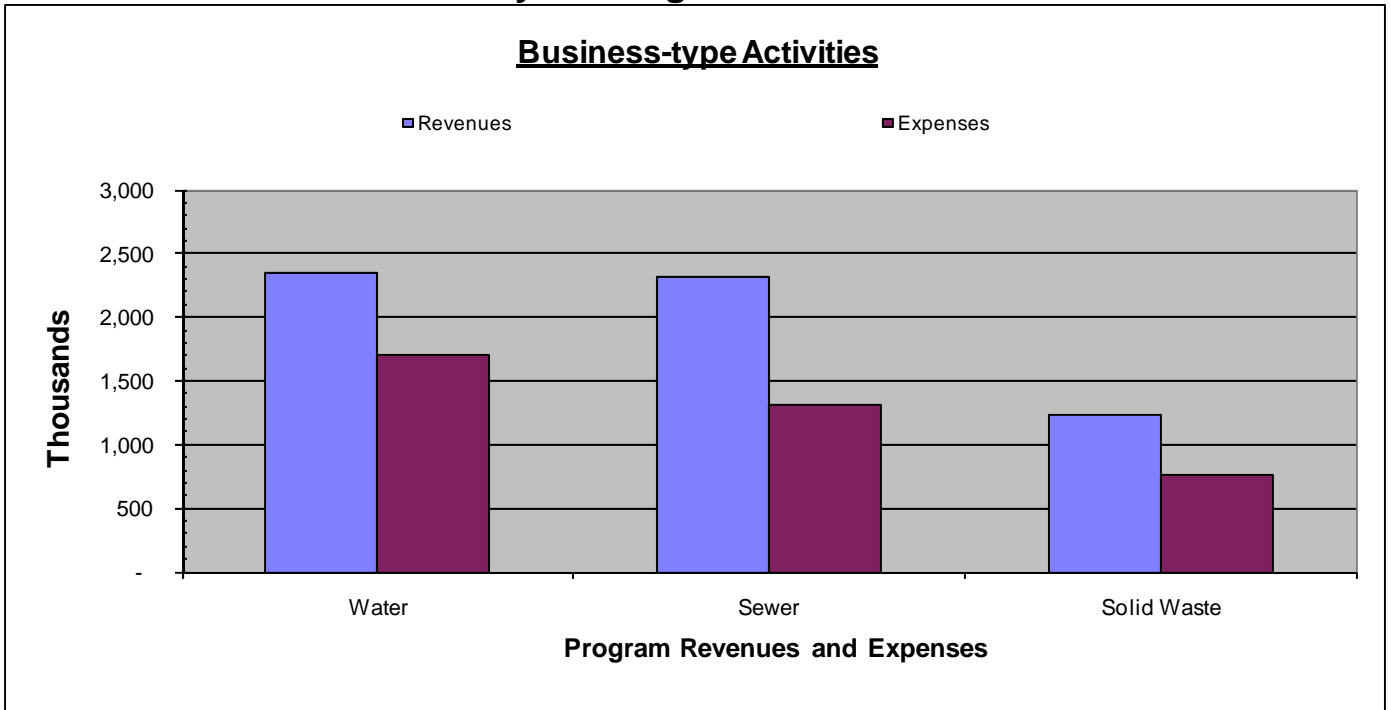
*Business-Type Activities* – Business-type activities increased the City's net assets by \$1.7 million.

The most significant factor accounting for the increase was a \$0.9 million increase in operating and capital grants, offset by an increase in current year expenses of \$0.3 million and a transfer to the governmental funds for \$0.5 million to allocate administrative overhead costs incurred by the governmental funds. The increase in charges for services was not significant despite an increase in service fee rates.

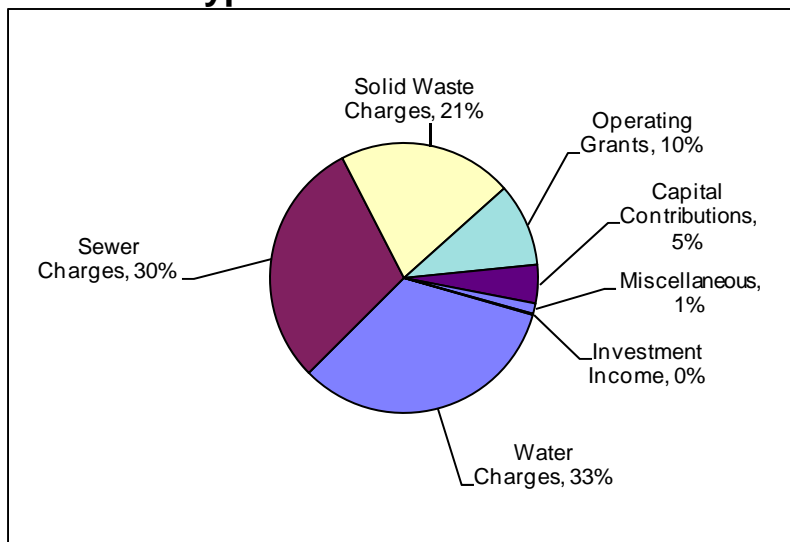
Water, Sewer and Solid Waste reported operating income due to an increase in its rates. Through a fee structure analysis and Mayor and Council actions to increase rates in the sewer and solid waste funds, the enterprise funds are on their way to becoming self-sufficient. In prior years, the utilities have relied on subsidies from the General Fund for operations.

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**City of Douglas 2011/12**



**City of Douglas Revenue by Source  
Business-type Activities Fiscal Year 2011/12**



**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

As shown in the charts on the previous page, the largest of the City's business-type activities are water and sewer utilities. Sewer Fund expenses were just over \$1.3 million, with Water expenses at \$1.7 million, followed by Solid Waste at approximately \$0.8 million. For this fiscal year, the change in net assets in the Sewer Fund was a positive \$0.9 million while the change in net assets in the Water Fund was a positive \$0.6 million and the Solid Waste Fund was a positive \$0.1 million. The positive change in net assets in the Enterprise Funds was due to the City increasing rates to cover operating costs and an increase in capital and operating grants.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

*Governmental Funds* – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Douglas, Arizona's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Fund.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5.9 million, a decrease of \$1.1 million from the prior year. This decrease is primarily due to the completion of several bonded capital projects during the fiscal year.

Revenues for governmental funds overall totaled approximately \$16.9 million for the fiscal year ended June 30, 2012 which represents a decrease of 1.1% or approximately \$0.2 million from the prior fiscal year. The decrease was due to less grant funding received for police operating grants and the Library's E-Rate grant. In addition local sales tax collections decreased by 0.6% or approximately \$33 thousand.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$4.1 million. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. Unassigned General Fund balance represents 32.5% of the total General Fund expenditures of \$12.7 million.

The beginning fund balance in the City's General Fund was restated by \$0.9 million due to a correction of the loan receivable balance due from the component unit Rancho La Perilla discussed in the notes to the financial statements. Revenues and expenditures of the General Fund were consistent with prior year resulting in a net change in fund balance of \$19 thousand.

The MPC Debt Service Fund did not significantly change during the fiscal year. The MPC Debt Service Fund accounts for the principal and interest requirements on debt issued by the City's Municipal Property Corporation, blended component unit. The debt is repaid through transfers from the HURF Fund and the General Fund.

The Nonmajor Governmental Funds decreased \$1.1 million largely due to the use of capital projects fund balance carried forward from prior years for various City-wide projects.

*Proprietary Funds* – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.



**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

At the end of the fiscal year, unrestricted net assets for the Water Fund were \$2.4 million, Sewer \$0.7 million, and Solid Waste \$0.8 million. The total increase in net assets for the enterprise funds was \$1.7 million largely due to capital grants used to acquire capital during the fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City did not revise the budget during the current fiscal year.

Actual revenues exceeded the budget by \$55 thousand and actual expenditures were less than budget by \$374 thousand dollars. The actual revenues were greater than budget largely due to operating grant revenues coming in greater than expected and court fines and forfeitures revenue exceeding budget due to more collections obtained during this year compared to the prior year.

The City was able to realize a savings of 3% in actual expenditures versus the budget due to substantial savings in the General Government, Management Information Systems (MIS) and Call Center departments. General Government saw savings in its fireworks line item since the City was forced to cancel its fireworks in the prior year and it also experienced savings in the Douglas Unified School District infrastructure project since no work was completed during the year. The MIS department was able to defer upgrades to its systems and also eliminate some contractual costs. The Call Center obtained savings due to the fact that the City is no longer contractually responsible for maintaining ACT's IT equipment, therefore phone and computer maintenance contracts are no longer at the City's cost.

The legal level of budgetary control is at the departmental level in the General Fund; however, the City Council monitors the General Fund as a whole and the City Manager has the authority to make budget transfers between departments in the General Fund as long as the General Fund in total does not exceed the budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2012 amount to \$53.5 million (net of accumulated depreciation). Capital assets include land and improvements, infrastructure, buildings and improvements, machinery equipment, and vehicles, and construction in progress.

**Table A-3  
Capital Assets (Net)**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and Land Improvements	\$ 3,475,776	\$ 3,706,757	\$ -	\$ -	\$ 3,475,776	\$ 3,706,757
Streets and Storm Drains	6,691,896	6,087,619	-	-	6,691,896	6,087,619
Buildings and Improvements	16,814,530	9,474,080	5,244,025	5,422,083	22,058,555	14,896,163
Water System	-	-	6,089,290	5,727,922	6,089,290	5,727,922
Wastewater System	-	-	8,578,370	8,710,484	8,578,370	8,710,484
Machinery, Equipment and Vehicles	4,183,723	5,224,576	385,504	758,019	4,569,227	5,982,595
Construction In Progress	449,802	2,609,559	1,552,711	1,288,123	2,002,513	3,897,682
<b>Total Capital Assets</b>	<b>\$ 31,615,727</b>	<b>\$ 27,102,591</b>	<b>\$ 21,849,900</b>	<b>\$ 21,906,631</b>	<b>\$ 53,465,627</b>	<b>\$ 49,009,222</b>

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

Major capital asset events during the current fiscal year include the following:

*Governmental Activities*

- ◆ Upon completion of the government center project, which was a joint project performed by the City of Douglas and Cochise County, the City recorded \$4.7 million in donated assets for the County's share of construction related to the government center. The total government center was completed at a cost of \$7.2 million, which included the County's contribution and current year costs of \$1.1 million.
- ◆ Completion of the City Hall improvements for a total project cost of \$0.6 million, including \$0.1 million in current year costs.
- ◆ Completion of various infrastructure projects for total project costs of \$1.2 million, including \$0.9 million in current year costs.
- ◆ Acquisition of \$0.3 million in vehicles.
- ◆ Acquisition of nineteen golf carts through a long-term capital lease totaling \$71,676.

*Business-type Activities*

- ◆ Completion of the 3<sup>rd</sup> Street water line project at a total cost of \$141,000 and completion of the southwest interceptor project at a total cost of \$143,000. Total costs incurred during the current fiscal year on the projects were \$60,681 and \$14,000, respectively.
- ◆ Construction on the three-hundred thousand gallon elevated tank on 15<sup>th</sup> Street. Current year costs of \$274,000 are included in construction in progress.
- ◆ Construction on the wastewater treatment plant and system currently included in construction in progress reported \$135,000 in current year costs.
- ◆ A well obtained through a settlement agreement was recorded for \$251,900.

For government-wide financial statement purposes, capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Additional information on the City of Douglas, Arizona's capital assets may be found in the Notes to the Basic Financial Statements in note 3.A.4. on pages 49 - 52 of this report.

**Debt Administration**

At the end of the fiscal year, the City of Douglas, Arizona had total long-term obligations outstanding of \$16.9 million. The City drew down \$0.5 million from an available \$10.5 million loan financed by the Water Infrastructure Authority of Arizona for water and wastewater improvements during the current fiscal year. The current year decrease was the net effect of the issuance of debt, offset by the required principal due on outstanding debt.

The State constitution imposes certain debt limits on the issuance of General Obligation Bonds at six percent (6%) and twenty percent (20%) of the secondary assessed valuation of the City. The City has not issued any general obligation bonds. Therefore, the City's available debt margin at June 30, 2012 is \$3.4 million in the 6% capacity and \$11.2 million in the 20% capacity.

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Table A-4  
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Loans Payable	\$ 9,155,000	\$ 10,025,000	\$ 5,928,449	\$ 5,857,703	\$ 15,083,449	\$ 15,882,703
Revenue Bonds	1,365,000	1,790,000	-	-	1,365,000	1,790,000
Capital Lease	431,731	701,457	-	-	431,731	701,457
Total Outstanding Debt	<u>\$ 10,951,731</u>	<u>\$ 12,516,457</u>	<u>\$ 5,928,449</u>	<u>\$ 5,857,703</u>	<u>\$ 16,880,180</u>	<u>\$ 18,374,160</u>

Additional information on the City's debt can be found in Note 3.E. on pages 55 - 59.

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

The following factors were considered when preparing the 2012-13 budget:

- ◆ A conservative economic forecast and limited revenue growth.
- ◆ A focus on preventing layoffs and furloughs.
- ◆ Continued investment in the City's basic infrastructure and public facilities combined with a careful analysis of operating costs.
- ◆ An emphasis on a "pay-as-you-go" approach to funding water and wastewater capital investments.
- ◆ Sustained funding of General Fund and Enterprise contingency/reserve funds to ensure that the City will be able to provide basic services during economic downturns or major emergencies.
- ◆ Increased contributions for Arizona State Retirement, Public Safety Retirement and increased health care insurance rates.

Both Water and Sewer rates increased this fiscal year by one dollar per month and two dollars, respectively. This increase was the continuing effort by Mayor and Council to get the enterprise funds fiscally solvent and give them the ability to not only pay for current financed infrastructure projects, but also for future "pay-as-you-go" infrastructure improvements. The increases were also staggered in order to minimize the impact to the City's ratepayers. The solid waste fund also enacted increases on January 2009 of 5 dollars to current residential rates and additional increases in 2010 and 2011 of \$3.50 and \$1.50 respectively. Due to these increases, the health of the City's enterprise funds has improved and necessary capital projects can continue.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those interested in the government's finances. If you have any questions about this report or need additional financial information, contact:

City of Douglas  
Finance Department  
425 Tenth Street  
Douglas, Arizona 85607

(520) 417-7333

## **BASIC FINANCIAL STATEMENTS**

**CITY OF DOUGLAS, ARIZONA  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 4,290,922	\$ 3,851,454	\$ 8,142,376
Receivables, Net:			
Accounts Receivable	321,604	501,671	823,275
Taxes Receivable	581,488	-	581,488
Intergovernmental Receivables	1,312,624	204,281	1,516,905
Due from Component Unit	669,328	-	669,328
Inventories	30,516	-	30,516
Prepaid Items	-	-	-
Deferred Charges	31,172	-	31,172
Restricted Assets	-	-	-
Capital Assets:			
Non-Depreciable	1,515,112	1,552,711	3,067,823
Depreciable (net)	30,100,615	20,297,189	50,397,804
Total Assets	<u>38,853,381</u>	<u>26,407,306</u>	<u>65,260,687</u>
<b>LIABILITIES</b>			
Accounts Payable	386,859	396,121	782,980
Accrued Wages and Benefits	375,784	45,455	421,239
Interest Payable	29,428	64,589	94,017
Intergovernmental Payable	12,232	-	12,232
Customer Deposits Payable	-	-	-
Unearned Revenue	932	-	932
Due to Primary Government	-	-	-
Prepaid Rents	-	-	-
Matured Debt Principal Payable	425,000	-	425,000
Noncurrent Liabilities			
Due Within One Year	2,356,449	569,954	2,926,403
Due in More Than One Year	9,735,970	5,529,575	15,265,545
Total Liabilities	<u>13,322,654</u>	<u>6,605,694</u>	<u>19,928,348</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	20,735,227	15,921,451	36,656,678
Restricted for:			
Other Federal and State Grants	113,749	-	113,749
Court Administration	75,933	-	75,933
Public Safety	246,704	-	246,704
Highways, Streets and Local Transportation	274,138	-	274,138
Redevelopment and Housing	160,986	-	160,986
Unrestricted	3,923,990	3,880,161	7,804,151
Total Net Assets	<u>\$ 25,530,727</u>	<u>\$ 19,801,612</u>	<u>\$ 45,332,339</u>

See accompanying Notes to Basic Financial Statements.

Component Unit

Governmental Component Units	Proprietary Type Component Units
\$ 634,544	\$ 29,030
34,936	320
-	-
-	-
-	-
24,800	15,469
257,631	113,696
244,780	361,337
91,150	265,000
1,271,181	3,734,800
2,559,022	4,519,652
20,604	24,829
32,893	1,253
78,735	15,502
-	9,220
40,869	18,640
16,912	-
47,655	621,673
-	17,884
-	-
22,325	47,315
2,589,850	5,173,683
2,849,843	5,929,999
(1,249,844)	(1,221,198)
-	-
-	-
-	-
-	-
959,023	(189,149)
\$ (290,821)	\$ (1,410,347)

**CITY OF DOUGLAS, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General Government	\$ 4,840,153	\$ 2,035,725	\$ 3,328	\$ 4,885,318
Public Safety	7,186,954	924,788	1,156,773	14,491
Highways and Streets	2,555,331	-	1,033,728	666,570
Culture and Recreation	1,827,388	73,255	-	56,339
Interest and Fiscal Charges	664,519	-	-	-
Total Governmental Activities	17,074,345	3,033,768	2,193,829	5,622,718
Business-Type Activities:				
Water	1,698,669	2,000,402	75,324	274,140
Sewer	1,313,976	1,796,248	517,111	-
Solid Waste	765,647	1,237,449	-	-
Total Business-Type Activities	3,778,292	5,034,099	592,435	274,140
Total Primary Government	\$ 20,852,637	\$ 8,067,867	\$ 2,786,264	\$ 5,896,858
Component Units:				
Governmental Component Units	\$ 1,720,709	\$ 142,129	\$ 1,366,469	\$ -
Proprietary Type Component Units	1,135,648	652,795	-	-
	\$ 2,856,357	\$ 794,924	\$ 1,366,469	\$ -

**General Revenues**

Taxes:  
Sales Taxes  
Property Taxes  
Franchise Taxes  
State Revenue Sharing  
State Sales Tax Revenue Sharing  
Auto Lieu Tax Revenue Sharing  
Grants and Contributions not Restricted  
Investment Income (Loss)  
Gain on Sale of Asset  
Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (As Restated)

Net Assets - Ending

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Governmental Component Units	Proprietary Type Component Units
\$ 2,084,218		\$ 2,084,218		
(5,090,902)		(5,090,902)		
(855,033)		(855,033)		
(1,697,794)		(1,697,794)		
(664,519)		(664,519)		
<u>(6,224,030)</u>		<u>(6,224,030)</u>		
	\$ 651,197	651,197		
	999,383	999,383		
	471,802	471,802		
	<u>2,122,382</u>	<u>2,122,382</u>		
(6,224,030)	2,122,382	(4,101,648)		
			\$ (212,111)	\$ -
			<u>-</u>	<u>(482,853)</u>
			(212,111)	(482,853)
5,825,402	-	5,825,402	-	-
533,742	-	533,742	-	-
334,074	-	334,074	-	-
1,466,716	-	1,466,716	-	-
1,357,922	-	1,357,922	-	-
803,452	-	803,452	-	-
42,590	-	42,590	-	-
44,626	8,052	52,678	559	187
6,769	-	6,769	-	-
356,342	-	356,342	75,934	15,624
477,751	(477,751)	-	-	-
<u>11,249,386</u>	<u>(469,699)</u>	<u>10,779,687</u>	<u>76,493</u>	<u>15,811</u>
5,025,356	1,652,683	6,678,039	(135,618)	(467,042)
20,505,371	18,148,929	38,654,300	(155,203)	(943,305)
<u>\$ 25,530,727</u>	<u>\$ 19,801,612</u>	<u>\$ 45,332,339</u>	<u>\$ (290,821)</u>	<u>\$ (1,410,347)</u>



**CITY OF DOUGLAS, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General Fund	MPC Debt Service	Nonmajor Governmental	Totals
<b>ASSETS</b>				
Cash and Investments	\$ 3,255,704	\$ 454,428	\$ 580,790	\$ 4,290,922
Receivables:				
Accounts Receivable	104,604	-	217,000	321,604
Taxes Receivable	530,548	-	50,940	581,488
Intergovernmental Receivables	596,620	-	716,004	1,312,624
Due from Component Unit	47,655	-	-	47,655
Component Unit Long Term Note	621,673	-	-	621,673
Due from Other Funds	241,391	-	-	241,391
Inventory	30,516	-	-	30,516
Restricted Assets	-	-	-	-
Total Assets	<u>\$ 5,428,711</u>	<u>\$ 454,428</u>	<u>\$ 1,564,734</u>	<u>\$ 7,447,873</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts Payable	\$ 251,689	\$ -	\$ 135,170	\$ 386,859
Accrued Wages and Benefits	355,676	-	20,108	375,784
Interest Payable	-	29,428	-	29,428
Intergovernmental Payable	12,232	-	-	12,232
Due to Other Funds	-	-	241,391	241,391
Deferred Revenue	47,973	-	68,215	116,188
Customer Deposits Payable	-	-	-	-
Matured Debt Principal Payable	-	425,000	-	425,000
Total Liabilities	<u>667,570</u>	<u>454,428</u>	<u>464,884</u>	<u>1,586,882</u>
Fund Balances:				
Nonspendable	652,189	-	-	652,189
Restricted	-	-	871,510	871,510
Assigned	-	-	228,340	228,340
Unassigned	4,108,952	-	-	4,108,952
Total Fund Balances	<u>4,761,141</u>	<u>-</u>	<u>1,099,850</u>	<u>5,860,991</u>
Total Liabilities and Balances	<u>\$ 5,428,711</u>	<u>\$ 454,428</u>	<u>\$ 1,564,734</u>	<u>\$ 7,447,873</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**Total Fund Balances for Governmental Funds** \$ 5,860,991

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$	1,065,310	
Construction in Progress		449,802	
Land Improvements		4,673,188	
Streets and Storm Drains		15,911,232	
Buildings and Improvements		22,010,699	
Machinery, Equipment and Vehicles		14,039,380	
Total Capital Assets		58,149,611	
Less: Accumulated Depreciation		(26,533,884)	31,615,727

Some of the City's property taxes and special assessments will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the governmental funds. 47,041

Some loans receivable through the City's housing rehabilitation program are recorded as a receivable and deferred revenue in the City's Governmental Fund financial statements, but are recognized as revenue in the government-wide financial statements. 68,215

Bond issuance costs are reported as expenditures in the governmental funds and are shown net of accumulated amortization on the statement of net assets. 31,172

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of Net Assets.

Loans Payable		(9,155,000)	
Revenue Bonds		(1,365,000)	
Deferred Amount on Refunding		64,229	
Deferred Amount on Discount		7,002	
Capital Lease Payable		(431,731)	
Compensated Absence Payable		(1,211,919)	(12,092,419)

**Total Net Assets of Governmental Activities** \$ 25,530,727

**CITY OF DOUGLAS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	General Fund	MPC Debt Service	Nonmajor Governmental	Totals
<b>REVENUES</b>				
Taxes:				
Sales Taxes	\$ 5,220,896	\$ -	\$ 604,506	\$ 5,825,402
Property Taxes	548,177	-	-	548,177
Franchise Taxes	334,074	-	-	334,074
Intergovernmental Revenues	4,433,746	-	2,349,907	6,783,653
Fines and Forfeits	310,612	-	8,682	319,294
Licenses and Permits	196,385	-	-	196,385
Charges for Services	1,759,653	-	-	1,759,653
Rents and Royalties	758,436	-	-	758,436
Investment Income (Loss)	25,579	-	19,047	44,626
Other	97,525	-	258,817	356,342
Total Revenues	<u>13,685,083</u>	<u>-</u>	<u>3,240,959</u>	<u>16,926,042</u>
<b>EXPENDITURES</b>				
Current:				
General Government	3,356,791	-	198,464	3,555,255
Public Safety	6,488,818	-	220,224	6,709,042
Highways and Streets	920,809	-	1,172,488	2,093,297
Culture and Recreation	1,361,409	-	181	1,361,590
Redevelopment and Housing	-	-	-	-
Debt Service:				
Principal Retirement	27,482	425,000	1,183,920	1,636,402
Interest on Long-Term Debt	3,699	59,457	560,397	623,553
Capital Outlay	497,630	-	2,122,874	2,620,504
Total Expenditures	<u>12,656,638</u>	<u>484,457</u>	<u>5,458,548</u>	<u>18,599,643</u>
Excess (Deficiency) of Revenues Over Expenditures	1,028,445	(484,457)	(2,217,589)	(1,673,601)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	659,629	484,457	1,779,270	2,923,356
Transfers Out	(1,793,101)	-	(652,504)	(2,445,605)
Proceeds from Sale of Capital Assets	52,021	-	-	52,021
Proceeds from Capital Leases	71,676	-	-	71,676
Total Other Financing Sources (Uses)	<u>(1,009,775)</u>	<u>484,457</u>	<u>1,126,766</u>	<u>601,448</u>
Net Change in Fund Balance	18,670	-	(1,090,823)	(1,072,153)
<b>FUND BALANCES</b>				
Beginning of Year, As Restated	4,742,471	-	2,190,673	6,933,144
End of Year	<u>\$ 4,761,141</u>	<u>\$ -</u>	<u>\$ 1,099,850</u>	<u>\$ 5,860,991</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCES IN THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

**Net Change in Fund Balances-Total Governmental Funds** \$ (1,072,153)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Expenditures for Capital Assets	\$ 2,765,822	
Depreciation Expense	<u>(2,918,647)</u>	(152,825)

The net effect of capital asset donations (\$4,711,213) and capital asset disposals (\$45,252).		4,665,961
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Loan receivable recorded as revenue in the government-wide statement of net assets, but not yet available.

Intergovernmental Receivables - June 30, 2011	75,854	
Intergovernmental Receivables - June 30, 2012	<u>68,215</u>	(7,639)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest and bond issuance costs are recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues and issuance costs are amortized over the life of the bonds, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Issuance of Long-Term Debt	(71,676)	
Amortization of Deferred Amounts on the Refunding	(25,693)	
Amortization of Deferred Amount on the Discount	(2,802)	
Repayment of Long-Term Debt	1,636,402	
Amortization of Issuance Costs	<u>(12,471)</u>	1,523,760

Delinquent and deferred property taxes receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds.

Deferred Revenue - June 30, 2011	61,476	
Deferred Revenue - June 30, 2012	<u>47,041</u>	(14,435)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

82,687

**Change in Net Assets of Governmental Activities** \$ 5,025,356

**CITY OF DOUGLAS, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	Business-Type Activities			
	Water	Sewer	Solid Waste	Totals
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 2,470,555	\$ 668,798	\$ 712,101	\$ 3,851,454
Receivables, Net:				
Accounts Receivable	230,254	160,184	111,233	501,671
Intergovernmental Receivable	204,281	-	-	204,281
Total Current Assets	<u>2,905,090</u>	<u>828,982</u>	<u>823,334</u>	<u>4,557,406</u>
Noncurrent Assets:				
Capital Assets:				
Non-Depreciable	1,140,214	412,497	-	1,552,711
Depreciable (Net)	6,298,981	13,906,555	91,653	20,297,189
Total Noncurrent Assets	<u>7,439,195</u>	<u>14,319,052</u>	<u>91,653</u>	<u>21,849,900</u>
Total Assets	<u>10,344,285</u>	<u>15,148,034</u>	<u>914,987</u>	<u>26,407,306</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	358,726	10,411	26,984	396,121
Accrued Wages and Benefits	20,615	16,008	8,832	45,455
Interest Payable	17,796	46,793	-	64,589
Compensated Absences	41,598	34,190	23,385	99,173
Loans Payable	68,864	401,917	-	470,781
Total Current Liabilities	<u>507,599</u>	<u>509,319</u>	<u>59,201</u>	<u>1,076,119</u>
Noncurrent Liabilities:				
Compensated Absences Payable	40,524	31,383	-	71,907
Loans Payable	1,195,897	4,261,771	-	5,457,668
Total Noncurrent Liabilities	<u>1,236,421</u>	<u>4,293,154</u>	<u>-</u>	<u>5,529,575</u>
Total Liabilities	<u>1,744,020</u>	<u>4,802,473</u>	<u>59,201</u>	<u>6,605,694</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of				
Related Debt	6,174,434	9,655,364	91,653	15,921,451
Unrestricted	2,425,831	690,197	764,133	3,880,161
Total Net Assets	<u>\$ 8,600,265</u>	<u>\$ 10,345,561</u>	<u>\$ 855,786</u>	<u>\$ 19,801,612</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	Business-Type Activities			Totals
	Water	Sewer	Solid Waste	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 1,954,102	\$ 1,768,454	\$ 1,237,376	\$ 4,959,932
<b>OPERATING EXPENSES</b>				
Cost of Sales and Services	1,282,995	851,675	713,275	2,847,945
Depreciation	383,076	462,301	52,372	897,749
Total Operating Expenses	<u>1,666,071</u>	<u>1,313,976</u>	<u>765,647</u>	<u>3,745,694</u>
Operating Income (Loss)	288,031	454,478	471,729	1,214,238
<b>NONOPERATING REVENUES (EXPENSE)</b>				
Impact Fees	5,600	21,000	-	26,600
Intergovernmental Revenue	75,324	517,111	-	592,435
Investment Income	3,841	3,825	386	8,052
Interest Expense	(32,598)	-	-	(32,598)
Miscellaneous Nonoperating Revenues	40,700	6,794	73	47,567
Total Nonoperating Revenues (Expenses)	<u>92,867</u>	<u>548,730</u>	<u>459</u>	<u>642,056</u>
Income (Loss) Before Contributions and Transfers	380,898	1,003,208	472,188	1,856,294
Capital Contributions	274,140	-	-	274,140
Transfers Out	<u>(91,736)</u>	<u>(58,677)</u>	<u>(327,338)</u>	<u>(477,751)</u>
Change in Net Assets	563,302	944,531	144,850	1,652,683
Total Net Assets - Beginning of Year	<u>8,036,963</u>	<u>9,401,030</u>	<u>710,936</u>	<u>18,148,929</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u><u>\$ 8,600,265</u></u>	<u><u>\$ 10,345,561</u></u>	<u><u>\$ 855,786</u></u>	<u><u>\$ 19,801,612</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012**

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 1,952,123	\$ 1,771,131	\$ 1,243,440	\$ 4,966,694
Payments to Suppliers	(870,312)	(529,683)	(495,479)	(1,895,474)
Payments to Employees	(316,956)	(355,179)	(227,376)	(899,511)
Other Receipts	40,700	6,794	73	47,567
Net Cash Flows Provided by Operating Activities	805,555	893,063	520,658	2,219,276
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Received Paid to Other Funds for Interfund Borrowing	-	(153,573)	-	(153,573)
Transfers Out	(91,736)	(58,677)	(327,338)	(477,751)
Intergovernmental Revenue	75,324	517,111	-	592,435
Net Cash Flows Provided (Used) by Noncapital Financing Activities	(16,412)	304,861	(327,338)	(38,889)
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>				
Capital Contributions	69,859	-	-	69,859
Impact Fees	5,600	21,000	-	26,600
Purchases of Capital Assets	(431,374)	(64,159)	-	(495,533)
Issuance of Long-Term Debt	531,760	-	-	531,760
Principal Paid on Capital Debt	(66,978)	(394,036)	-	(461,014)
Interest Paid on Capital Debt	(26,058)	(95,756)	-	(121,814)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	82,809	(532,951)	-	(450,142)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income	3,841	3,825	386	8,052
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	875,793	668,798	193,706	1,738,297
Cash and Cash Equivalents - Beginning of Year	1,594,762	-	518,395	2,113,157
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,470,555</u>	<u>\$ 668,798</u>	<u>\$ 712,101</u>	<u>\$ 3,851,454</u>

(Continued)

**CITY OF DOUGLAS, ARIZONA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012**

	Business-type Activities - Enterprise Fund			
	Water	Sewer	Solid Waste	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income	\$ 288,031	\$ 454,478	\$ 471,729	\$ 1,214,238
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	383,076	462,301	52,372	897,749
Miscellaneous Nonoperating Revenues	40,700	6,794	73	47,567
Change in Assets/Liabilities:				
Receivables, Net	(1,979)	2,677	6,064	6,762
Accounts Payable	59,663	(29,224)	(3,627)	26,812
Accrued Wages and Benefits	7,903	2,693	(276)	10,320
Compensated Absences	28,161	(6,656)	(5,677)	15,828
Net Cash Provided by Operating Activities	\$ 805,555	\$ 893,063	\$ 520,658	\$ 2,219,276

See accompanying Notes to Basic Financial Statements.



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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1    SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the City of Douglas, Arizona (City) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

**A. Reporting Entity**

The City is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. The governmental component units are combined into one column in the government-wide financial statements and condensed financial information is presented in Note 3.H. in the notes to the financial statements. The Douglas Housing Authority is presented in the combining statements as a discretely presented component unit; however, Douglas Housing Corporation I and Douglas Housing Corporation II are not included in the combining statements because they are audited by other auditors and have separately issued financial statements. The business-type component unit consists of only Rancho La Perilla and is presented in one column of the government-wide financial statements. See the descriptions below of each of the blended and discretely presented component units.

*Blended component unit:*

**Douglas Municipal Property Corporation** – The Douglas Municipal Property Corporation's (DMPC) board of directors consists of six members which are appointed by the Douglas City Council. The DMPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the City in obtaining financing for various projects of the City. The City has a "moral obligation" for the repayment of the Douglas Municipal Property Corporation's bonds. All related receivables and payables between the City and the DMPC have been eliminated. Separate financial statements for the Douglas Municipal Property Corporation are not prepared.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**A. Reporting Entity (Continued)**

*Discretely presented component units:*

**Douglas Housing Authority** – The Douglas Housing Authority is a public benefit corporation created by the City to eliminate the financial burden on the City to provide subsidized public housing in accordance with federal legislation. The Mayor appoints members of the Governing Board for staggered terms; they, in turn, elect a chairman. The Governing Board employs executives, authorizes contracts of subsidy with the U.S. Department of Housing and Urban Development pursuant to the latter agency's regulations and statutory authorizations, and causes the corporation to construct, own and operate public housing facilities within the boundaries of the City. The financial liability of the housing agency is essentially supported by the operating and debt service subsidies received under contract from the federal government, although services or cash subsidies may be, and from time to time, are received from the City as well. Separate financial statements for the Douglas Housing Authority are not prepared.

**Douglas Housing Corporation I** (Casa De Esperanza Apartments) – The Douglas Housing Corporation I is a non-profit corporation created by the City to eliminate the financial burden on the City to provide financing for the construction of a low-income apartment complex. The City Council appoints members of the Governing Board for staggered terms; they, in turn, elect a chairman. The Governing Board employs executives, authorizes contracts of subsidy with the U.S. Department of Housing and Urban Development pursuant to the latter agency's regulations and statutory authorizations, and causes the corporation to construct and operate a low-income apartment complex of fifty units for families under Section 221(d)(3) of the National Housing Act. Such projects are regulated by the United States Department of Housing and Urban Development (HUD) as to rent charges and operating methods. The financial liability of the corporation is supported by the operating subsidies received under contract from HUD. The audited financial statements of the Douglas Housing Corporation I may be obtained at the offices of the corporation.

**Douglas Housing Corporation II** (Pioneer Village) – The Douglas Housing Corporation II is a non-profit corporation created by the City to eliminate the financial burden on the City to provide financing for the construction of a low-income apartment complex. The City Council appoints members of the Governing Board for staggered terms; they, in turn, elect a chairman. The Governing Board employs executives, authorizes contracts of subsidy with the U.S. Department of Housing and Urban Development pursuant to the latter agency's regulations and statutory authorizations, and causes the corporation to construct and operate a low-income apartment complex of twenty-eight units for the elderly under Section 221(d)(3) of the National Housing Act. Such projects are regulated by the United States Department of Housing and Urban Development (HUD) as to rent charges and operating methods. The financial liability of the corporation is supported by the operating subsidies received under contract from HUD. The audited financial statements of the Douglas Housing Corporation II may be obtained at the offices of the corporation.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**A. Reporting Entity (Continued)**

**Douglas Community Housing Corporation** (Rancho La Perilla Apartments) – The Douglas Community Housing Corporation is a non-profit 501(c)(3) corporation created by the City to eliminate the financial burden on the City to provide financing for the construction and operation of apartments. The City Council appoints members of the Governing Board; they, in turn, elect a chairman. The Governing Board employs executives, authorizes contracts, and causes the corporation to construct and operate an apartment complex of 80 units. The Community Housing Corporation has appointed a management corporation to promote the apartments and manage the daily activities of the apartments. The financial liability of the Corporation is solely dependent upon the rental revenue received from the tenants. Financial statements of the Douglas Community Housing Corporation may be obtained at the offices of the corporation.

Separately issued financial statements for Casa de Esperanza, Pioneer Village and Rancho La Parilla have been prepared in conformity with the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations" and are available from the Essex Corporation.

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. The effect of interfund activity has been removed from these statements except for interfund services provided and used, which are not eliminated in the consolidation. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

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

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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Funds.

Property taxes, intergovernmental grants and aid, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

*Major Governmental Funds*

General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

MPC Debt Service Fund

The MPC Debt Service Fund accounts for the accumulation of resources for, and the payments of, the MPC debt service principal, interest and related debt.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

The City reports the following major proprietary funds:

*Major Proprietary Funds*

Water Fund

The Water Fund accounts for the costs to operate, construct and finance the City's water system.

Sewer Fund

The Sewer Fund accounts for the costs to operate, construct and finance the wastewater treatment system.

Solid Waste Fund

The Solid Waste Fund accounts for the costs to operate, construct and finance the City's solid waste operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 proprietary funds are charges for services. Operating expenses for the proprietary funds include the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, for governmental activities it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable bond covenants.



**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

The primary government and component unit cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. The City Council-approved investment policy authorizes the City to invest in obligations of the U.S. government which do not exceed three years in maturity and are guaranteed by the U.S. Treasury; Certificates of Deposit or other deposits in FDIC insured banks; obligations of FNMA and FHMA which mature the next business day; repurchase agreements of less than \$5,000 which mature on the next business day; and the Local Government Investment Pools managed by the State Treasurer. Additionally, the trustee of the City's employee retirement plan holds certain City funds in a money market mutual fund.

The governmental and business-type component units invest cash and investments in local financial institutions and the state's Local Government Investment Pools managed by the State Treasurer.

**2. Receivables**

All trade and property taxes receivables are shown net of an allowance for uncollectibles. All revenues of governmental activities were considered collectible and therefore there was no provision, the business-type activities reported an allowance of \$41,118.

Cochise County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

**3. Intergovernmental Receivables**

Intergovernmental receivables include state shared revenues and federal and state grants.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**4. Short-Term Interfund Receivables/Payables**

During the course of operations, individual funds within the City's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

**5. Inventories and Prepaid Items**

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenditures at the time of purchase in the governmental funds and are expensed in the governmental activities, business-type activities and proprietary funds when the resources are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**6. Restricted Assets**

The City's component units also record restrictions on certain assets for replacement reserves, residual receipts and funds with the escrow agent for requirements set forth by the holder of the mortgage notes payable.

**7. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Upon implementation of GASB Statement No. 34, all phase I and II governments were required to report infrastructure assets acquired by the government since 1980. The City reports all infrastructure acquired since 1980, as well as pre-1980 infrastructure assets acquired or constructed by the City and report those assets at cost, if available, or the estimated fair value of the asset at the time of acquisition or construction.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**7. Capital Assets (Continued)**

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and improvements	30 Years
Improvements other than buildings	6 to 50 Years
Wastewater system	6 to 50 Years
Water system	6 to 50 Years
Infrastructure	6 to 50 Years
Furniture, machinery and equipment	3 to 6 Years
Vehicles	5 to 7 Years

**8. Compensated Absences**

The liability for compensated absences reported in the government-wide and proprietary statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**9. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**10. Net Assets**

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the City. Unrestricted net assets are the remaining net assets not included in the previous two categories.

**11. Fund Balance Classifications**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable and spendable fund balances. Spendable fund balances include restricted, committed, assigned and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. The committed fund balances are self-imposed limitations approved by the City's Council, which is the highest level of decision-making authority within the City and the formal commitment must occur prior to fiscal year end. Only the City Council can remove or change the constraints placed on committed fund balances through formal council action. Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has authorized the City Manager to make assignments of resources for a specific purpose. The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred, for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to use restricted fund balance first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned are available, the City uses, committed, assigned and finally unassigned amounts.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The City 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 City 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 City 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 City expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management and legal purposes, the City Council adopts a budget by department for the General Fund and in total by other funds. The City Manager may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures. No budget was appropriated for the MPC Debt Service and Capital Projects Fund during the fiscal year.

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

No supplementary budgetary appropriations were necessary during the year.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2012 consist of the following:

Deposits:	
Cash on Hand	\$ 2,986
Cash in Bank	3,607,553
Cash on Deposit with County Attorney	377,495
Investments:	
State Treasurer's Investment Pool	3,699,914
Cash on Deposit with Trustee	454,428
Total Cash and Investments	\$ 8,142,376

**Deposits**

The carrying value of the City's deposits at June 30, 2012 was \$3,607,553 and the bank balance was \$3,746,345. Of the bank balance, \$1,278,556 was covered by federal depository insurance, \$208,688 was covered by collateral held by the City's custodial bank in the City's name, and \$2,259,101 was uninsured and uncollateralized. The deposits held by the trustee were insured by federal depository insurance or were collateralized by securities held by the pledging financial institution in the trustee's name.

**Investments**

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk.

The City's cash on deposit with the trustee are invested in U.S. Government securities. The securities were not rated and were not subject to credit risk.

*Interest Rate Risk* – In accordance with the City's investment policy, the City manages its exposure to declines in fair value by limiting the City's investment portfolio in maturities of more than one year to less than 20% of total investments.

The City's investments at June 30, 2012 consist of the following:

Investment Type	Amount	Interest - Risk: Maturity in Years		
		Less than 1	1-2	2-3
State Treasurer's Investment Pool 5	\$ 3,023,064	\$ 3,023,064	\$ -	\$ -
State Treasurer's Investment Pool 500	676,850	-	676,850	-
	\$ 3,699,914	\$ 3,023,064	\$ 676,850	\$ -

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

*Concentration of Credit Risk* – The City does not have a formal investment policy regarding the concentration of credit risk. However, the City invests in funds authorized by Arizona state law and currently only invests in the State Treasurer Investment Pool.

*Custodial Credit Risk* – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy regarding custodial credit risk.

*Credit Risk* – The City does not have a policy related to credit risk. The City's deposits and investments consist of insured or collateralized deposits and investments in U.S. Government Securities, U.S. Treasury Notes and the State Treasurer's Investment Pool. The City's investment in the State Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

Cash and investments of the component unit's at June 30, 2012 consist of the following:

Deposits:	
Cash on Hand	\$ 100
Cash in Bank	722,983
Investments:	
Funds Held by Mortgage	546,608
Restricted Assets	(606,117)
Total Cash and Cash Equivalents	<u>\$ 663,574</u>

The carrying value of the component unit's deposits at June 30, 2012 was \$722,983 which was entirely covered by federal depository insurance.

**2. Restricted Assets**

Restricted assets of the discretely presented component units at June 30, 2012 consisted of the following

Funds Held by Mortgage	\$ 546,608
Tenant Deposits	59,509
Total Restricted Assets of the Component Units	<u>\$ 606,117</u>

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Receivables**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent Property Taxes Receivable: (General Fund)	\$ 47,041	\$ -
Unavailable Grant Revenue: (Nonmajor Governmental Funds)	68,215	-
Unearned Grant Revenue: (General Fund)	-	932
	\$ 115,256	\$ 932



**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets**

Capital asset activity for the primary government's governmental activities for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,110,562	\$ -	\$ (45,252)	\$ 1,065,310
Construction in Progress	2,609,559	6,751,878	(8,911,635)	449,802
Total Capital Assets, Not Being Depreciated	3,720,121	6,751,878	(8,956,887)	1,515,112
Capital Assets, Being Depreciated:				
Land Improvements	4,673,188	-	-	4,673,188
Streets and Storm Drains	14,740,044	1,171,188	-	15,911,232
Buildings and Improvements	14,119,394	7,891,305	-	22,010,699
Machinery and Equipment	10,511,938	297,600	-	10,809,538
Vehicles	2,953,143	276,699	-	3,229,842
Total Capital Assets, Being Depreciated	46,997,707	9,636,792	-	56,634,499
Accumulated Depreciation for:				
Land Improvements	(2,076,993)	(185,729)	-	(2,262,722)
Streets and Storm Drains	(8,652,425)	(566,911)	-	(9,219,336)
Buildings and Improvements	(4,645,314)	(550,855)	-	(5,196,169)
Machinery and Equipment	(6,085,077)	(1,361,018)	-	(7,446,095)
Vehicles	(2,155,428)	(254,134)	-	(2,409,562)
Total Accumulated Depreciation	(23,615,237)	(2,918,647)	-	(26,533,884)
Total Capital Assets, Being Depreciated, Net	23,382,470	6,718,145	-	30,100,615
Governmental Activities Capital Assets, Net	<u>\$ 27,102,591</u>	<u>\$ 13,470,023</u>	<u>\$ (8,956,887)</u>	<u>\$ 31,615,727</u>

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

Capital assets activity for the primary government's business-type activities for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 1,288,123	\$ 548,280	\$ (283,692)	\$ 1,552,711
Capital Assets, Being Depreciated:				
Buildings and Improvements	7,648,482	-	-	7,648,482
Water System	13,354,813	392,499	-	13,747,312
Wastewater System	13,577,012	143,094	-	13,720,106
Machinery, Equipment, and Vehicles	1,932,533	40,837	-	1,973,370
Total Capital Assets, Being Depreciated	36,512,840	576,430	-	37,089,270
Accumulated Depreciation for:				
Buildings and Improvements	(2,234,491)	(169,966)	-	(2,404,457)
Water System	(7,326,304)	(331,718)	-	(7,658,022)
Wastewater System	(4,866,528)	(275,208)	-	(5,141,736)
Machinery, Equipment, and Vehicles	(1,467,009)	(120,857)	-	(1,587,866)
Total Accumulated Depreciation	(15,894,332)	(897,749)	-	(16,792,081)
Total Capital Assets, Being Depreciated, Net	20,618,508	(321,319)	-	20,297,189
Business-Type Activities Capital Assets, Net	<u>\$ 21,906,631</u>	<u>\$ 226,961</u>	<u>\$ (283,692)</u>	<u>\$ 21,849,900</u>

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

The activity for the governmental component units for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 91,150	\$ -	\$ -	\$ 91,150
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,455,911	159,012	-	3,614,923
Furniture and Equipment	189,348	-	-	189,348
Total Capital Assets, Being Depreciated	3,645,259	159,012	-	3,804,271
Accumulated Depreciation for:				
Accumulated Depreciation	(2,397,484)	(135,606)	-	(2,533,090)
Total Capital Assets, Being Depreciated, Net	1,247,775	23,406	-	1,271,181
Business-Type Activities				
Capital Assets, Net	<u>\$ 1,338,925</u>	<u>\$ 23,406</u>	<u>\$ -</u>	<u>\$ 1,362,331</u>

The activity for the business-type component units for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 265,000	\$ -	\$ -	\$ 265,000
Capital Assets, Being Depreciated:				
Buildings and Improvements	5,207,564	-	-	5,207,564
Furniture and Equipment	24,021	-	-	24,021
Total Capital Assets, Being Depreciated	5,231,585	-	-	5,231,585
Accumulated Depreciation for:				
Buildings and Improvements	(1,343,529)	(130,189)	-	(1,473,718)
Furniture and Equipment	(22,488)	(579)	-	(23,067)
Total Accumulated Depreciation	(1,366,017)	(130,768)	-	(1,496,785)
Total Capital Assets, Being Depreciated, Net	3,865,568	(130,768)	-	3,734,800
Business-Type Activities				
Capital Assets, Net	<u>\$ 4,130,568</u>	<u>\$ (130,768)</u>	<u>\$ -</u>	<u>\$ 3,999,800</u>

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs as follows:

Primary Government

**Governmental Activities:**

General Government	\$ 1,303,441
Public Safety	497,490
Highways and Streets	649,964
Culture and Recreation	<u>467,752</u>
Total Depreciation Expense, Governmental Activities	<u><u>\$ 2,918,647</u></u>

**Business-Type Activities:**

Water	\$ 383,076
Sewer	462,301
Solid Waste	<u>52,372</u>
Total Depreciation Expense, Business-Type Activities	<u><u>\$ 897,749</u></u>

Component Units

Governmental Activities:

Casa de Esperanza	\$ 93,929
Pioneer Village	<u>41,677</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 135,606</u></u>

Business-type Activities:

Rancho La Perilla	<u><u>\$ 130,768</u></u>
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**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Interfund Receivables, Payables and Transfers**

As of June 30, 2012 interfund receivable and payables were as follows:

	Due To
Due From	General Fund
Nonmajor Governmental Funds	\$ 241,391

The above interfund receivables and payables were recorded to cover a cash deficit at year-end. Funds were received subsequent to June 30, 2012 to cover the deficit.

Interfund transfers for the year ended June 30, 2012 consisted of the following:

Transfers Out	Transfers In			Total
	General Fund	MPC Debt Service Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 321,547	\$ 1,471,554	\$ 1,793,101
Nonmajor Governmental Funds	218,417	162,910	271,177	652,504
Water Fund	60,129	-	31,607	91,736
Sewer Fund	56,485	-	2,192	58,677
Solid Waste Fund	324,598	-	2,740	327,338
	\$ 659,629	\$ 484,457	\$ 1,779,270	\$ 2,923,356

Transfers were used to fund debt service and to fund capital outlay and indirect administrative costs. General Fund transfers were also used to subsidize the operating costs of Nonmajor Governmental Funds. The Business-type funds were used to allocate a percentage of their costs of goods sold to the General Fund for indirect administrative costs and to allocate the cost of the use of certain facilities owned and operated by the General Fund.

**C. Obligations Under Capital Leases**

The City has acquired communication equipment, lawn mowers, and golf carts under the provisions of long-term lease agreements classified as capital leases. Accordingly, the principal amount of the assets totaling \$1,337,089 capitalized as governmental activities.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Obligations Under Capital Leases (Continued)**

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Furniture, Equipment and Vehicles	\$ 1,337,089
Less: Accumulated Depreciation	(434,507)
Total	\$ 902,582

Amortization expense on the capital leases is included in depreciation expense.

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2012, were as follows:

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2013	282,474	14,415
2014	94,678	4,340
2015	30,837	1,769
2016	23,742	515
Total	\$ 431,731	\$ 21,039

**D. Call Center Lease Revenue**

During fiscal year 2009, the City established a lease agreement for the City's new call center. Revenue related to this lease totaled \$715,478 during this fiscal year. Future minimum lease payments related to the call center lease are as follows:

Year Ended June 30,	Amount
2013	\$ 693,288
2014	670,182
2015	647,076
2016	647,076
2017	647,076
2018 - 2022	3,073,596
2023 - 2024	901,278
	\$ 7,279,572

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations**

The City has long-term bonds and loans payable issued to provide funds for the acquisition and construction of major capital facilities. The debt is being repaid by the Highway User Revenue and Debt Service Funds. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

The City of Douglas, Arizona reports the following outstanding bonds:

Description	Maturity	Interest Rate (%)	Outstanding at June 30, 2012
Revenue Bonds			
Municipal Property Corporation Excise Tax Refunding Bond, Series 2004; original issue			
\$4,165,000	7/1/12-15	2.00-3.50%	<u>\$ 1,365,000</u>

The City has pledged future excise taxes to repay \$4.2 million in governmental excise tax refunding bonds issued in 2004. Proceeds of the bonds were used to refund and refinance the outstanding excise tax revenue bonds, series 1995 and highways and streets revenue bonds, Series 1996. The bonds are payable solely from excise taxes and are payable through 2015. Annual principal and interest payments on the bonds are expected to require approximately 12 percent of excise tax revenues recorded in the HURF and Debt Service Funds. The total principal and interest remaining to be paid on the bonds is \$1,459,362. Principal and interest paid for the current year and total excise taxes were \$484,457 and \$5,825,402, respectively.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

The City of Douglas, Arizona reports the following outstanding loans:

<u>Description</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2012</u>
<b>Governmental Activities</b>			
Loans Payable:			
Greater Arizona Development Authority, Series 2008A; original issue \$3,000,000	8/1/12-28	4.00-5.25%	\$ 2,610,000
The Industrial Development Authority of the City of Douglas, Arizona. Original issue \$400,000	7/1/12-14	0%	180,000
Call Center Purchase Agreement; collateralized by the building and equipment acquired with the debt; original issue \$9,000,000	7/31/12-28	4.29-5.63%	<u>6,365,000</u>
Total Governmental Loans Payable			<u><u>\$ 9,155,000</u></u>
<b>Business-Type Activities</b>			
Water Infrastructure Finance Authority of Arizona Issued 2009-2010	7/1/12-29	2.00%	\$ 4,663,688
Water Infrastructure Finance Authority of Arizona Issued 2009-2010	7/1/12-27	2.814%	<u>1,264,761</u>
Total Business-Type Loans Payable			<u><u>\$ 5,928,449</u></u>

The City has pledged future state shared revenue tax, state shared sales tax, City sales tax, transaction privilege tax and other miscellaneous revenues to repay \$3.0 million in GADA loans, Series 2008A. Proceeds of the loan provided financing for the development center project, including the purchase and renovation of buildings, land purchase, and upgrades and renovations to the existing City Hall. The loan is payable solely from pledged revenues discussed previously and are payable through 2029. Annual principal and interest payments on the bonds are expected to require less than 3 percent of pledged revenues. The total principal and interest remaining to be paid on the loan is \$3,943,519. Principal and interest paid for the current year and total excise taxes were \$233,775 and \$9,383,676.



**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

In 2009, the City issued loans totaling \$9,000,000 for the acquisition and construction of a call center. The loan is payable from a 0.3 percent City sales tax, plus unused lease revenues received on the lease agreement with a third party. The lease of the call center is a 13 year lease with annual payments of \$693,288 plus taxes and utilities. The lease revenues are to be used for maintenance and operations costs, then for payment of the debt. Annual principal and interest payments on the loans are expected to require more than 100 percent of the committed sales tax and 83 percent of the lease revenues through the fiscal year 2014. For fiscal years 2015 through 2029, the annual principal and interest payments on the loans are expected to require 95 percent of the City sales tax in 2015, declining each year to 53 percent in 2029. The call center lease agreement expires fiscal year 2023; however, the City does not anticipate using any lease revenue to fund the debt service payments after fiscal year 2014. The total principal and interest remaining to be paid on the loan is \$9,991,964. Principal and interest paid for the current year and the City sales tax and lease revenues were \$1,091,310 and \$1,242,698.

The City has two loans through the Water Infrastructure Financing Authority of Arizona (WIFA). The loans are structured where the City draws on the loans as funds are needed. To-date, the City has drawn down \$0.9 million and \$5.1 million from the total authorized loan of \$1.5 million and \$9.0 million, respectively, for the acquisition and construction of water and sewer facilities and improvements. The loans are payable from water and sewer charges for services through the fiscal year 2025. The City draws the loan as funds are utilized and pays interest on the outstanding principal balance. Annual principal and interest payments on the bonds are expected to require approximately 65-75% percent of net available revenue. The total principal and interest remaining to be paid on the loan is \$6,854,402. Principal and interest paid for the current year and total pledged revenues were \$587,197 and \$742,509.

The City's component units have outstanding mortgage notes payables collateralized by an insured mortgage on the projects land and buildings. The notes are being repaid through federal subsidies and tenant rents. The governmental component units' outstanding debt consisted of interest only mortgage notes payable at 1% per annum. The future principal payments are scheduled based on estimated principal retirement. The component units pay principal as cash is available; the maturity date of the outstanding debt is May 1, 2042.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

Changes in long-term obligations for the year ended June 30, 2012 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
<b>Governmental Activities:</b>					
Loans Payable	\$ 10,025,000	\$ -	\$ (870,000)	\$ 9,155,000	\$ 895,000
Revenue Bonds	1,790,000	-	(425,000)	1,365,000	440,000
Deferred Amounts:					
On refunding	(89,922)	-	25,693	(64,229)	-
Discount	(9,804)	-	2,802	(7,002)	-
Total Bonds and Loans	<u>11,715,274</u>	<u>-</u>	<u>(1,266,505)</u>	<u>10,448,769</u>	<u>1,335,000</u>
Other Liabilities:					
Capital Leases	701,457	71,676	(341,402)	431,731	282,474
Compensated Absences	1,294,606	692,025	(774,712)	1,211,919	738,975
Total Governmental Activities	<u>\$ 13,711,337</u>	<u>\$ 763,701</u>	<u>\$ (2,382,619)</u>	<u>\$ 12,092,419</u>	<u>\$ 2,356,449</u>
<b>Business-Type Activities:</b>					
Loans Payable	\$ 5,857,703	\$ 531,760	\$ (461,014)	\$ 5,928,449	\$ 470,781
Other Liabilities:					
Compensated Absences	155,252	115,930	(100,102)	171,080	99,173
Total Business-Type Activities	<u>\$ 6,012,955</u>	<u>\$ 647,690</u>	<u>\$ (561,116)</u>	<u>\$ 6,099,529</u>	<u>\$ 569,954</u>
<b>Governmental Component Units:</b>					
Notes Payable	<u>\$ 2,658,805</u>	<u>\$ -</u>	<u>\$ (46,630)</u>	<u>\$ 2,612,175</u>	<u>\$ 22,325</u>
<b>Business-Type Component Units:</b>					
Notes Payable	<u>\$ 4,881,145</u>	<u>\$ 4,601,000</u>	<u>\$ (4,261,147)</u>	<u>\$ 5,220,998</u>	<u>\$ 47,315</u>

The beginning balance of the business-type component units was restated to include \$627,700 in notes due to the Arizona Department of Housing, which were previously reported as due to primary government in error.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

Debt service requirements on long-term debt at June 30, 2012 are as follows:

Years	Primary Government				Component Units	
	Governmental Activities		Business-Type Activities		Governmental Activities	Business-type Activities
	Principal	Interest	Principal	Interest	Principal	Principal
2013	\$ 1,335,000	\$ 472,558	\$ 462,899	\$ 119,200	\$ 11,218	\$ 47,315
2014	990,000	429,047	472,718	109,009	11,940	49,268
2015	1,010,000	385,642	482,748	98,597	12,708	51,300
2016	525,000	358,487	492,996	87,961	13,525	53,417
2017	510,000	331,757	503,465	77,034	14,395	683,321
2018-2022	2,660,000	1,237,429	2,682,466	404,070	-	-
2023-2027	2,850,000	499,511	829,855	30,082	-	-
2028-2030	640,000	7,405	1,302	-	-	-
2031-2035	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-
2041-2042	-	-	-	-	-	-
Thereafter					2,548,389	4,336,377
Totals	<u>\$ 10,520,000</u>	<u>\$ 3,721,836</u>	<u>\$ 5,928,449</u>	<u>\$ 925,953</u>	<u>\$ 2,612,175</u>	<u>\$ 5,220,998</u>

**F. Fund Balance Classifications of Governmental Funds**

The City has classified its fund balances as follows:

	General Fund	MPC Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventory	\$ 30,516	\$ -	\$ -	\$ 30,516
Due from Component Unit	621,673	-	-	621,673
Total Nonspendable	652,189	-	-	652,189
Restricted:				
Federal and State Programs	-	-	274,735	274,735
Court Administration	-	-	75,933	75,933
Public Safety Programs	-	-	246,704	246,704
Local Transportation	-	-	211,937	211,937
Highways and Streets	-	-	62,201	62,201
Total Restricted	-	-	871,510	871,510
Assigned:				
Debt Service	-	-	101,080	101,080
Capital Projects	-	-	127,260	127,260
Total Assigned	-	-	228,340	228,340
Unassigned:	4,108,952	-	-	4,108,952
Total Fund Balance	<u>\$ 4,761,141</u>	<u>\$ -</u>	<u>\$ 1,099,850</u>	<u>\$ 5,860,991</u>

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Prior Period Adjustment**

The beginning net assets/fund balance were restated in the Government-wide and General Fund financial statements, respectively, to correct an error in the previously issued financial statements. The City recorded, in error, \$627,700 provided to Rancho La Perilla directly from the Arizona Department of Housing as a note receivable from component units, thereby overstating due from component units and fund balance/net assets in prior years. In addition, the City incorrectly accrued interest (\$339,295) on the overstated balance at a rate of 6%, overstating the amount due from the component unit and net assets/fund balance. The following adjustments are necessary to reconcile beginning net assets/fund balance to the prior year audited financial statements:

	Net Assets/ Fund Balance Beginning of Year	Restatement	Net Assets/ Fund Balance as Restated
Governmental Activities	<u>\$ 21,472,366</u>	<u>\$ (966,995)</u>	<u>\$ 20,505,371</u>
Governmental Funds			
General Fund	\$ 5,709,466	\$ (966,995)	\$ 4,742,471
MPC Debt Service Fund	-	-	-
Nonmajor Governmental Funds	<u>2,190,673</u>	<u>-</u>	<u>2,190,673</u>
Total Governmental Funds	<u>\$ 7,900,139</u>	<u>\$ (966,995)</u>	<u>\$ 6,933,144</u>

The beginning net assets of the proprietary-type component unit was restated by \$339,295 to increase net assets and reduce the amount due to the primary government for the overstatement of accrued interest. The \$627,700, discussed above, was reclassified in the proprietary-type component unit as a loan payable to the Arizona Department of Housing and the \$339,295 was removed as a liability and increased beginning net assets. The following is a summary to reconcile beginning net assets to the prior year audited financial statements:

	Net Assets Beginning of Year	Restatement	Net Assets as Restated
Proprietary-type Component Unit	<u>\$ (1,282,600)</u>	<u>\$ 339,295</u>	<u>\$ (943,305)</u>

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Component Units Condensed Financial Information**

The City includes within its reporting entity three governmental component units and one business-type component unit. Separately issued financial statements for Rancho La Perilla (the business-type component unit) have been prepared in conformity with the Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-for-Profit Organizations" and are available from the City. Summary financial information for the three governmental component units is presented below:

	Douglas Housing Authority	Casa De Esperanza	Pioneer Village	Totals
Condensed Statement of Net Assets				
Assets:				
Current Assets:				
Cash and Equivalents	\$ 481,873	\$ 109,460	\$ 43,211	\$ 634,544
Accounts Receivable	5,956	19,483	9,497	34,936
Prepaid Items	-	16,165	8,635	24,800
Deferred Charges	-	90,752	166,879	257,631
Restricted Assets	29,761	73,705	141,314	244,780
Capital Assets				
Non-depreciable	-	74,696	16,454	91,150
Depreciable (Net)	31,929	856,356	382,896	1,271,181
Total Assets	<u>549,519</u>	<u>1,240,617</u>	<u>768,886</u>	<u>2,559,022</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	950	15,062	4,592	20,604
Accrued Wages and Benefits	-	23,575	9,318	32,893
Interest Payable	-	26,774	51,961	78,735
Customer Deposits Payable	29,761	6,986	4,122	40,869
Unearned Revenue	16,912	-	-	16,912
Due to Primary Government	47,655	-	-	47,655
Notes Payable	-	16,485	5,840	22,325
Noncurrent Liabilities:				
Due in More Than One Year	-	1,640,495	949,355	2,589,850
Total Liabilities	<u>95,278</u>	<u>1,729,377</u>	<u>1,025,188</u>	<u>2,849,843</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	31,929	(725,928)	(555,845)	(1,249,844)
Restricted for Redevelopment and Housing	422,312	237,168	299,543	959,023
Total Net Assets	<u>\$ 454,241</u>	<u>\$ (488,760)</u>	<u>\$ (256,302)</u>	<u>\$ (290,821)</u>

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Component Units Condensed Financial Information (Continued)**

	Douglas Housing Authority	Casa De Esperanza	Pioneer Village	Totals
Condensed Statement of Activities				
Expenses:				
Current:				
Redevelopment and Housing	\$ 1,090,911	\$ 278,751	\$ 135,296	\$ 1,504,958
Depreciation	-	93,929	41,677	135,606
Debt Service:				
Interest on Long-Term Debt	-	55,720	24,425	80,145
Total Expenses	<u>1,090,911</u>	<u>428,400</u>	<u>201,398</u>	<u>1,720,709</u>
Program Revenues:				
Operating Grants and Contributions	974,247	296,821	95,401	1,366,469
Charges for Services	37,440	52,794	51,895	142,129
Total Program Revenues	<u>1,011,687</u>	<u>349,615</u>	<u>147,296</u>	<u>1,508,598</u>
Net Program (Expense)	(79,224)	(78,785)	(54,102)	(212,111)
General Revenues:				
Investment Income	201	75	283	559
Other	65,532	7,881	2,521	75,934
Total General Revenues	<u>65,733</u>	<u>7,956</u>	<u>2,804</u>	<u>76,493</u>
Change in Net Assets	(13,491)	(70,829)	(51,298)	(135,618)
Net Assets, Beginning of Year	<u>467,732</u>	<u>(417,931)</u>	<u>(205,004)</u>	<u>(155,203)</u>
Net Assets, End of Year	<u>\$ 454,241</u>	<u>\$ (488,760)</u>	<u>\$ (256,302)</u>	<u>\$ (290,821)</u>

The deficits reported in Casa de Esperanza and Pioneer Village in the investment in capital assets, net of related debt on the previous page and above was due to the entities debt exceeding the investment in capital assets.

Separately issued financial statements for Casa de Esperanza and Pioneer Village have been prepared in conformity with the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations" and are available from the Essex Corporation. Separately issued financial statements for the Douglas Housing Authority were not prepared.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

The City of Douglas, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's insurance protection is provided by a private carrier (Travelers), of which the City is a participating member. The limit for basic coverage is for \$1,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$5,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The City is also insured by State Compensation Fund for workers compensation for potential worker related accidents.

**B. Contingent Liabilities**

**Lawsuits**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the City has some exposure to loss; however, the City is vigorously defending these claims and any loss or dollar value of the loss is not determinable.

**C. Commitments**

The City has two committed projects that will be funded through the Water Infrastructure Authority of Arizona (WIFA) in the amount of \$1.5 million and \$9.0 million. The projects are for drinkwater and wastewater, respectively. As of June 30, 2012, the City had no construction commitments related to either project, but spent and drew down \$6.0 million; the WIFA funds, negotiated as a loan, have an available balance in the amount of \$0.6 million and \$3.9 million. Annual principal and semi-annual interest payment will be due through 2027 when the City begins to draw upon the loan.

The City entered into a loan agreement in the amount of \$400,000 to fund the acquisition of the Hidden Treasurers RV Park. The City has not drawn on the available \$400,000; however, principal and interest will be due on any outstanding balance drawn by the City.

The City entered into a settlement agreement related to on-going litigation related to a civil matter. The settlement agreement releases either party of any continued litigation. Under the settlement agreement, the City is required to pay \$350,000; however, the party receiving payment has credit the City \$23,100 under the settlement agreement for sewer development fees. The settlement is structured such that the remaining \$326,900 on the \$350,000 settlement will be paid by the City in installments; the first installment of \$75,000 was paid on October 27, 2011 and three annual payments of \$70,000 will be made on October 27<sup>th</sup> through 2014 and the final payment will be due on October 27, 2015. There will be no interest on the settlement amount of the unpaid balance.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Subsequent Events**

Subsequent to June 30, 2012 the City entered into a lease purchase agreement for the purchase of a fire truck. The Lease has a total principal amount of \$1,100,060 with an annual interest rate of 2.21%. The lease requires annual principal and interest payments of \$170,586 through November 2019.

In July 2012, the City entered into a lease purchase agreement for the purchase of a backhoe. The lease has a total principal amount of \$105,850 with an annual interest of 2.03%. The lease requires semi-annual principal and interest payments of \$11,184 through July 2017.

In November 2012, the City has signed a lease-purchase agreement with the intent to purchase a Vac-Con Truck. The lease agreement has yet to be executed; however, the lease would require ten semi-annual payments of \$30,788 at 2.03% per year for a total principal value of \$281,384.

**E. Retirement Plans**

**Arizona State Retirement System**

**Plan Descriptions**

The City of Douglas, Arizona contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.



**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**Funding Policy**

The Arizona State Legislature establishes and may amend active plan members' and the City of Douglas, Arizona's contribution rates. For the year ended June 30, 2012, active plan members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the City of Douglas, Arizona was required by statute to contribute at the actuarially determined rate of 10.74 percent (9.85 percent for retirement, 0.65 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll. The City's contributions to the ASRS for the years ended June 30, 2012, 2011, and 2010, which were equal to 100 percent of the required contributions for each year, were as follows:

<u>Year Ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2012	\$ 404,836	\$ 26,715	\$ 9,864
2011	396,381	25,956	10,998
2010	387,508	50,559	24,078

**Public Safety Personnel Retirement System (PSPRS)**

**Plan Description**

The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 1020 E. Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

**Funding Policy**

Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The City is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 29.85 and 35.23 percent of annual covered payroll for Police and Fire, respectively.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

**Annual Pension Cost**

During the year ended June 30, 2012, the City of Douglas, Arizona's annual pension cost of \$569,043 for police and \$435,560 for fire was equal to the City of Douglas, Arizona's required and actual contributions.

The required contribution was determined as part of the June 30, 2010 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability related to the PSPRS plan and related OPEB health insurance subsidy include (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 6.5% (including inflation at 5.0%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

**Funded Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the plan for police was 49.3 percent funded and the plan for fire was 44.9 percent funded. The actuarial accrued liability for benefits was \$15.1 million and \$11.0 million for police and fire, respectively; and the actuarial value of assets was \$7.4 million and \$4.9 million, respectively; resulting in an unfunded actuarial accrued liability (UAAL) of \$7.6 million and \$6.0 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) for police and fire was \$1.8 million and \$1.2 million, and the ratio of the UAAL to the covered payroll was 427.7 percent and 517.4 percent, respectively.

**Funded Status and Funding Progress (Continued)**

As of June 30, 2011, the OPEB plan for police and fire was 0.0 percent funded. The actuarial accrued liability for benefits was \$0.4 million and \$0.2 million for police and fire, respectively; and the actuarial value of assets was \$0.0 million for police and fire; resulting in an unfunded actuarial accrued liability (UAAL) of \$0.4 million and \$0.2 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) for police and fire was \$1.8 million and \$1.2 million, and the ratio of the UAAL to the covered payroll was 20.6 percent and 20.1 percent, respectively.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The City of Douglas, Arizona's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 20 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

**Three-Year Trend Information  
Police**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2010	\$ 448,358	100%	\$ -
2011	472,674	100%	-
2012	569,043	100%	-
Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	OPEB Benefit Obligation
2010	\$ 31,981	100%	\$ -
2011	32,868	100%	-
2012	30,515	100%	-

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

**Funded Status and Funding Progress (Continued)**

<b>Three-Year Trend Information</b>			
<b>Fire</b>			
<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percent</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2010	\$ 359,844	100%	\$ -
2011	411,893	100%	-
2012	435,560	100%	-
<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percent</u> <u>Contributed</u>	<u>OPEB Benefit</u> <u>Obligation</u>
2010	\$ 18,740	100%	\$ -
2011	20,045	100%	-
2012	19,203	100%	-

Additional historical trend information for the City's PSPRS is disclosed on page 67. Historical trend information is presented in order for the reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF DOUGLAS, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS**

**Douglas Police**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
2009	\$ 7,443,158	\$ 12,447,256	59.8%	\$ (5,004,098)	\$ 1,641,897	304.8%
2010	7,498,002	13,570,575	55.3	(6,072,573)	1,811,688	335.2
2011	7,416,284	15,053,324	49.3	(7,637,040)	1,785,679	427.7

**Other Post Employment Benefits (Health Insurance Subsidy)**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
2009	\$ -	\$ 325,382	0.0%	\$ (325,382)	\$ 1,641,897	19.8%
2010	-	320,514	0.0	(320,514)	1,811,688	17.7
2011	-	368,007	0.0	(368,007)	1,785,679	20.6

**Douglas Fire**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
2009	\$ 5,067,134	\$ 9,857,596	51.4%	\$ (4,790,462)	\$ 1,169,246	409.7%
2010	5,036,495	10,098,073	49.9	(5,061,578)	1,161,906	435.6
2011	4,928,154	10,975,912	44.9	(6,047,758)	1,168,985	517.4

**Other Post Employment Benefits (Health Insurance Subsidy)**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
2009	\$ -	\$ 214,858	0.0%	\$ (214,858)	\$ 1,169,246	18.4%
2010	-	221,080	0.0	(221,080)	1,161,906	19.0
2011	-	234,971	0.0	(234,971)	1,168,985	20.1



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**CITY OF DOUGLAS, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
Taxes:			
Sales Taxes	\$ 5,607,478	\$ 5,220,896	\$ (386,582)
Property Taxes	520,000	548,177	28,177
Franchise Taxes	350,000	334,074	(15,926)
Intergovernmental Revenues	4,180,121	4,433,746	253,625
Fines and Forfeits	241,500	362,633	121,133
Licenses and Permits	159,700	196,385	36,685
Charges for Services	1,246,985	1,274,047	27,062
Rents and Royalties	735,778	736,008	230
Investment Income (Loss)	13,000	25,579	12,579
Other	119,686	97,579	(22,107)
Total Revenues	<u>13,174,248</u>	<u>13,229,124</u>	<u>54,876</u>
<b>EXPENDITURES</b>			
Current:			
General Government:			
Administration	451,162	466,202	(15,040)
Finance	547,140	531,401	15,739
Personnel	500,413	402,241	98,172
General Government	467,475	152,664	314,811
Management Information Systems	732,218	601,018	131,200
Parking Lot	43,938	43,182	756
City Magistrate	85,609	72,714	12,895
Cemetery	76,204	89,993	(13,789)
Community Development	97,084	68,429	28,655
Economic Development	35,000	28,000	7,000
Call Center	299,762	77,286	222,476
Total General Government	<u>3,336,005</u>	<u>2,533,130</u>	<u>802,875</u>
Public Safety:			
Police	4,015,824	4,183,628	(167,804)
Fire	1,101,131	1,186,224	(85,093)
Emergency Medical Services	1,068,622	1,118,966	(50,344)
Total Public Safety	<u>6,185,577</u>	<u>6,488,818</u>	<u>(303,241)</u>
Highways and Streets:			
Public Works	926,440	920,809	5,631

(Continued)

**CITY OF DOUGLAS, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

(Concluded)	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>EXPENDITURES (CONTINUED)</b>			
Culture and Recreation:			
Parks	\$ 583,355	\$ 562,081	\$ 21,274
Recreation	114,842	123,976	(9,134)
Library	332,546	314,181	18,365
Aquatics	285,037	286,356	(1,319)
Visitor Center	75,699	74,815	884
Total Culture and Recreation	<u>1,391,479</u>	<u>1,361,409</u>	<u>30,070</u>
Capital Outlay	<u>236,200</u>	<u>397,837</u>	<u>(161,637)</u>
Total Expenditures	<u>12,075,701</u>	<u>11,702,003</u>	<u>373,698</u>
Excess (Deficiency) of Revenues Over Expenditures	1,098,547	1,527,121	428,574
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	517,989	619,441	101,452
Transfers Out	<u>(494,705)</u>	<u>(1,793,101)</u>	<u>(1,298,396)</u>
Total Other Financing Sources (Uses)	<u>23,284</u>	<u>(1,173,660)</u>	<u>(1,196,944)</u>
Net Change in Fund Balance	1,121,831	353,461	(768,370)
<b>FUND BALANCE</b>			
Beginning of Year, As Restated	3,639,900	4,971,922	1,332,022
End of Year	<u>\$ 4,761,731</u>	<u>\$ 5,325,383</u>	<u>\$ 563,652</u>

See accompanying Notes to Budgetary Comparison Schedule.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2012**

**NOTE 1      BASIS OF ACCOUNTING**

The General Fund budgetary comparison schedule is prepared on a budgetary basis of accounting. See Note 3 for a reconciliation of the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures and Changes in Fund Balances.

**NOTE 2      BUDGETARY INFORMATION**

The City 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 City 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 City 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 City expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management and legal purposes, the City Council adopts a budget by department for the General Fund and in total by other funds. The City Manager may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures. No budget was appropriated for the MPC Debt Service Fund during the fiscal year.

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

No supplementary budgetary appropriations were necessary during the year.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2012**

**NOTE 3 BUDGETARY COMPARISON SCHEDULE RECONCILIATION**

For external reporting purposes, the General Fund includes revenues, expenditures, other financing sources, and uses and fund balances of other internally maintained funds. The General Fund, however, is budgeted based on the internally maintained General Fund. Therefore the following reconciliation is necessary to reconcile the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures and Changes in Fund Balances.

	Statement of Revenues Expenditures and Changes in Fund Balances	Adjustments	Budgetary Comparison Schedule - General Fund
Revenues	\$ 13,685,083	\$ (455,959)	\$ 13,229,124
Expenditures	12,656,638	(954,635)	11,702,003
Excess (Deficiency) of Revenues Over Expenditures	1,028,445	498,676	1,527,121
Other Financing Sources and (Uses)	(1,009,775)	(163,885)	(1,173,660)
Net Change in Fund Balance	18,670	334,791	353,461
Fund Balance, Beginning of Year	4,742,471	229,451	4,971,922
Fund Balance, End of Year	<u>\$ 4,761,141</u>	<u>\$ 564,242</u>	<u>\$ 5,325,383</u>

**NOTE 4 EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded appropriations in the following funds:

	Amount of Overexpenditure
General Fund:	
Administration	\$ 15,040
Cemetery	13,789
Police	167,804
Fire	85,093
Emergency Medical Services	50,344
Recreation	9,134
Aquatics	1,319
Capital Outlay	161,637
Nonmajor Governmental Funds	
Police Grants Fund	60,770
Debt Service Fund	75,156

Cash was available to meet all of the overexpenditures listed above.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS**

### **SPECIAL REVENUE FUNDS**

*Highway Users Fund (HURF)* – accounts for the City’s share of state taxes on gasoline, diesel fuels, and other transportation related fees to be used solely for street and highway purposes. Eligible expenditures include the cost of right-of-way acquisitions, construction, reconstruction, maintenance, repair, roadside development of city roads, streets and bridges and the payment of the interest and principal on highway and street bonds.

*Grants Fund* – accounts for the activity of the City’s grants.

*Police Grants* – accounts for the activity of grants received by the City’s police department.

*Local Transportation Assistance Fund (LTAF)* – accounts for the City’s share of state lottery funds. Expenditures are restricted to transportation. Ten percent of revenues received may be used for culture and recreation with a match from other non-governmental sources.

*JCEF Restricted Court Fund* – accounts for the activity of the JCEF court receipts.

### **CAPITAL PROJECTS FUND**

*Capital Projects Fund* – accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

### **DEBT SERVICE FUND**

*Debt Service Fund* – accounts for the accumulation of resources for, and the payments of, debt service principal, interest and related debt.

### **DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS**

*Douglas Housing Authority* – accounts for the activity of the Douglas Housing Authority (DHA) which is a public benefit corporation created by the City to eliminate the financial burden on the City to provide subsidized public housing in accordance with federal legislation. Stand alone financial statements are not presented for the DHA.



**CITY OF DOUGLAS, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS AND  
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

	Special Revenue			
	HURF	Grants	Police Grants	LTAF
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,630	\$ -	\$ 246,836	\$ 211,937
Receivables				
Accounts Receivable	-	-	-	-
Taxes Receivable	-	-	-	-
Intergovernmental Receivable	103,828	606,412	-	-
Restricted Assets	-	-	-	-
Total Assets	\$ 105,458	\$ 606,412	\$ 246,836	\$ 211,937
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts Payable	\$ 23,149	\$ 97,434	\$ 132	\$ -
Accrued Wages and Benefits	20,108	-	-	-
Intergovernmental Payable	-	-	-	-
Due to Other Funds	-	166,028	-	-
Deferred Revenue	-	68,215	-	-
Customer Deposits Payable	-	-	-	-
Total Liabilities	43,257	331,677	132	-
Fund Balances:				
Restricted	62,201	274,735	246,704	211,937
Assigned	-	-	-	-
Total Fund Balances	62,201	274,735	246,704	211,937
Total Liabilities and Fund Balances	\$ 105,458	\$ 606,412	\$ 246,836	\$ 211,937

<u>Special Revenue</u>					Discretely Presented Component Unit Douglas Housing Authority
<u>JCEF Restricted Court</u>	<u>Total Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>	
\$ 76,011	\$ 536,414	\$ -	\$ 44,376	\$ 580,790	\$ 481,873
-	-	217,000	-	217,000	5,956
-	-	-	50,940	50,940	-
-	710,240	-	5,764	716,004	-
-	-	-	-	-	29,761
<u>\$ 76,011</u>	<u>\$ 1,246,654</u>	<u>\$ 217,000</u>	<u>\$ 101,080</u>	<u>\$ 1,564,734</u>	<u>\$ 517,590</u>
\$ 78	\$ 120,793	\$ 14,377	\$ -	\$ 135,170	\$ 950
-	20,108	-	-	20,108	-
-	-	-	-	-	47,655
-	166,028	75,363	-	241,391	-
-	68,215	-	-	68,215	16,912
-	-	-	-	-	29,761
<u>78</u>	<u>375,144</u>	<u>89,740</u>	<u>-</u>	<u>464,884</u>	<u>95,278</u>
75,933	871,510	-	-	871,510	422,312
-	-	127,260	101,080	228,340	-
<u>75,933</u>	<u>871,510</u>	<u>127,260</u>	<u>101,080</u>	<u>1,099,850</u>	<u>422,312</u>
<u>\$ 76,011</u>	<u>\$ 1,246,654</u>	<u>\$ 217,000</u>	<u>\$ 101,080</u>	<u>\$ 1,564,734</u>	<u>\$ 517,590</u>

**CITY OF DOUGLAS, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS AND  
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCES  
YEAR ENDED JUNE 30, 2012**

	Special Revenue			
	HURF	Grants	Police Grants	LTAF
<b>REVENUES</b>				
Taxes				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	1,033,728	866,181	449,998	-
Fines and Forfeitures	-	-	-	-
Charges for Services	-	-	-	-
Investment Income	-	2,459	2,591	-
Other	41,817	-	-	-
Total Revenues	<u>1,075,545</u>	<u>868,640</u>	<u>452,589</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	181,616	-	-
Public Safety	-	4,454	215,770	-
Highways and Streets	1,003,321	152,578	-	16,589
Culture and Recreation	-	181	-	-
Redevelopment and Housing	-	-	-	-
Debt Service				
Principal Retirement	12,873	-	-	-
Interest on Long-Term Debt	278	-	-	-
Capital Outlay	87,105	543,058	-	-
Total Expenditures	<u>1,103,577</u>	<u>881,887</u>	<u>215,770</u>	<u>16,589</u>
Excess (Deficiency) of Revenues Over Expenditures	(28,032)	(13,247)	236,819	(16,589)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	323,997	227,967	-	-
Transfers Out	(203,907)	(151,419)	-	(109,998)
Total Other Financing Sources (Uses)	<u>120,090</u>	<u>76,548</u>	<u>-</u>	<u>(109,998)</u>
Net Change in Fund Balances	92,058	63,301	236,819	(126,587)
<b>FUND BALANCE</b>				
Beginning of Year	(29,857)	211,434	9,885	338,524
End of Year	<u>\$ 62,201</u>	<u>\$ 274,735</u>	<u>\$ 246,704</u>	<u>\$ 211,937</u>

<u>Special Revenue</u>					
<u>JCEF Restricted Court</u>	<u>Total Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Discretely Presented Component Unit Douglas Housing Authority</u>
\$ -	\$ -	\$ -	\$ 604,506	\$ 604,506	\$ -
-	2,349,907	-	-	2,349,907	974,247
8,682	8,682	-	-	8,682	-
-	-	-	-	-	37,440
-	5,050	13,563	434	19,047	201
-	41,817	217,000	-	258,817	65,532
<u>8,682</u>	<u>2,405,456</u>	<u>230,563</u>	<u>604,940</u>	<u>3,240,959</u>	<u>1,077,420</u>
16,848	198,464	-	-	198,464	-
-	220,224	-	-	220,224	-
-	1,172,488	-	-	1,172,488	-
-	181	-	-	181	-
-	-	-	-	-	1,122,840
-	12,873	-	1,171,047	1,183,920	-
-	278	-	560,119	560,397	-
-	630,163	1,492,711	-	2,122,874	-
<u>16,848</u>	<u>2,234,671</u>	<u>1,492,711</u>	<u>1,731,166</u>	<u>5,458,548</u>	<u>1,122,840</u>
(8,166)	170,785	(1,262,148)	(1,126,226)	(2,217,589)	(45,420)
-	551,964	-	1,227,306	1,779,270	-
-	(465,324)	(187,180)	-	(652,504)	-
-	86,640	(187,180)	1,227,306	1,126,766	-
<u>(8,166)</u>	<u>257,425</u>	<u>(1,449,328)</u>	<u>101,080</u>	<u>(1,090,823)</u>	<u>(45,420)</u>
84,099	614,085	1,576,588	-	2,190,673	467,732
<u>\$ 75,933</u>	<u>\$ 871,510</u>	<u>\$ 127,260</u>	<u>\$ 101,080</u>	<u>\$ 1,099,850</u>	<u>\$ 422,312</u>

**CITY OF DOUGLAS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HURF FUND**  
**YEAR ENDED JUNE 30, 2012**

	Original and Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 1,105,914	\$ 1,033,728	\$ (72,186)
Other	35,000	41,817	6,817
Total Revenues	1,140,914	1,075,545	(65,369)
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	1,007,932	1,003,321	4,611
Debt Service:			
Principal Retirement	12,520	12,873	(353)
Interest on Long-Term Debt	19,423	278	19,145
Capital Outlay	160,324	87,105	73,219
Total Expenditures	1,200,199	1,103,577	96,622
Excess (Deficiency) of Revenues Over Expenditures	(59,285)	(28,032)	31,253
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	240,000	323,997	83,997
Transfers Out	(180,715)	(203,907)	(23,192)
Total Other Financing Sources (Uses)	59,285	120,090	60,805
Net Change in Fund Balance	-	92,058	92,058
<b>FUND BALANCE</b>			
Beginning of Year	-	(29,857)	(29,857)
End of Year	\$ -	\$ 62,201	\$ 62,201

**CITY OF DOUGLAS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GRANTS FUND**  
**YEAR ENDED JUNE 30, 2012**

	Original and Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 5,698,293	\$ 866,181	\$ (4,832,112)
Investment Income	-	2,459	2,459
Total Revenues	<u>5,698,293</u>	<u>868,640</u>	<u>(4,829,653)</u>
<b>EXPENDITURES</b>			
Current:			
General Government	478,911	181,616	297,295
Public Safety	69,247	4,454	64,793
Highways and Streets	921,759	152,578	769,181
Culture and Recreation	1,000	181	819
Redevelopment and Housing	30,761	-	30,761
Capital Outlay	<u>4,171,426</u>	<u>543,058</u>	<u>3,628,368</u>
Total Expenditures	<u>5,673,104</u>	<u>881,887</u>	<u>4,791,217</u>
Excess (Deficiency) of Revenues Over Expenditures	25,189	(13,247)	(38,436)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	227,967	227,967
Transfers Out	<u>(25,189)</u>	<u>(151,419)</u>	<u>(126,230)</u>
Total Other Financing Sources (Uses)	<u>(25,189)</u>	<u>76,548</u>	<u>101,737</u>
Net Change in Fund Balance	-	63,301	63,301
<b>FUND BALANCE</b>			
Beginning of Year	-	211,434	211,434
End of Year	<u>\$ -</u>	<u>\$ 274,735</u>	<u>\$ 274,735</u>

**CITY OF DOUGLAS, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
POLICE GRANTS FUND  
YEAR ENDED JUNE 30, 2012**

	Original and Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 155,000	\$ 449,998	\$ 294,998
Investment Income	-	2,591	2,591
Total Revenues	<u>155,000</u>	<u>452,589</u>	<u>297,589</u>
<b>EXPENDITURES</b>			
Current			
Public Safety	<u>155,000</u>	<u>215,770</u>	<u>(60,770)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	236,819	236,819
<b>FUND BALANCE</b>			
Beginning of Year	-	9,885	9,885
End of Year	<u>\$ -</u>	<u>\$ 246,704</u>	<u>\$ 246,704</u>

**CITY OF DOUGLAS, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
LTAF FUND  
YEAR ENDED JUNE 30, 2012**

	Original and Final Budget	Actual	Variance With Final Budget
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	\$      16,589	\$      16,589	\$              -
Excess (Deficiency) of Revenues Over Expenditures	(16,589)	(16,589)	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	-	(109,998)	(109,998)
Net Change in Fund Balance	(16,589)	(126,587)	(109,998)
<b>FUND BALANCE</b>			
Beginning of Year	-	338,524	338,524
End of Year	\$      (16,589)	\$      211,937	\$      228,526



**CITY OF DOUGLAS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**JCEF FUND**  
**YEAR ENDED JUNE 30, 2012**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
Fines and Forfeits	\$ 10,500	\$ 8,682	\$ (1,818)
<b>EXPENDITURES</b>			
Current:			
General Government	<u>18,312</u>	<u>16,848</u>	<u>1,464</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,812)	(8,166)	(354)
<b>FUND BALANCE</b>			
Beginning of Year	-	84,099	84,099
End of Year	<u>\$ (7,812)</u>	<u>\$ 75,933</u>	<u>\$ 83,745</u>

**CITY OF DOUGLAS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2012**

	Original and Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Taxes	\$ 667,487	\$ 604,506	\$ (62,981)
Investment Earnings	-	434	434
Total Revenues	667,487	604,940	(62,547)
<b>EXPENDITURES</b>			
Debt Service:			
Principal Retirement	1,114,889	1,171,047	(56,158)
Interest on Long-Term Debt	541,121	560,119	(18,998)
Total Expenditures	1,656,010	1,731,166	(75,156)
Excess (Deficiency) of Revenues Over Expenditures	(988,523)	(1,126,226)	(137,703)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	1,227,306	1,227,306
Net Change in Fund Balance	(988,523)	101,080	1,089,603
<b>FUND BALANCE</b>			
Beginning of Year	-	-	-
End of Year	\$ (988,523)	\$ 101,080	\$ 1,089,603

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## **STATISTICAL SECTION (UNAUDITED)**

This section of the City of Douglas, Arizona's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

### **Financial Trends**

*These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*

### **Revenue Capacity**

*These schedules contain information to help the reader assess the government's most significant local revenue source, sales tax.*

### **Debt Capacity**

*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.*

### **Demographic and Economic Information**

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.*

### **Operating Information**

*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.*

*See the table of contents for page numbers of the schedules that encompass the above sections.*

**CITY OF DOUGLAS, ARIZONA  
NET ASSETS BY COMPONENT  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year			
	2003	2004	2005	2006
<b>Governmental Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 2,222,567	\$ 4,663,850	\$ 5,862,693	\$ 6,617,585
Restricted	2,231,109	2,762,253	3,233,910	3,008,022
Unrestricted	1,751,785	3,445,457	3,376,539	3,586,626
<b>Total Governmental Activities     Net Assets</b>	<b><u>\$ 6,205,461</u></b>	<b><u>\$ 10,871,560</u></b>	<b><u>\$ 12,473,142</u></b>	<b><u>\$ 13,212,233</u></b>
<b>Business-Type Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 11,730,762	\$ 11,497,904	\$ 11,354,586	\$ 11,052,102
Unrestricted	1,497,359	1,910,464	1,885,932	2,010,602
<b>Total Business-Type Activities     Net Assets</b>	<b><u>\$ 13,228,121</u></b>	<b><u>\$ 13,408,368</u></b>	<b><u>\$ 13,240,518</u></b>	<b><u>\$ 13,062,704</u></b>
<b>Primary Government:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 13,953,329	\$ 16,161,754	\$ 17,217,279	\$ 17,669,687
Restricted	2,231,109	2,762,253	3,233,910	3,008,022
Unrestricted	3,249,144	5,355,921	5,262,471	5,597,228
<b>Total Primary Government     Net Assets</b>	<b><u>\$ 19,433,582</u></b>	<b><u>\$ 24,279,928</u></b>	<b><u>\$ 25,713,660</u></b>	<b><u>\$ 26,274,937</u></b>

Source: The City's Finance Department.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 14,111,791	\$ 13,509,453	\$ 12,376,658	\$ 13,775,501	\$ 15,847,448	\$ 20,735,227
2,756,736	2,939,323	3,634,763	477,084	719,796	871,510
3,951,726	3,491,020	5,438,330	7,049,956	3,938,127	3,923,990
<u>\$ 20,820,253</u>	<u>\$ 19,939,796</u>	<u>\$ 21,449,751</u>	<u>\$ 21,302,541</u>	<u>\$ 20,505,371</u>	<u>\$ 25,530,727</u>
\$ 11,744,198	\$ 12,314,881	\$ 15,535,124	\$ 15,872,761	\$ 16,048,928	\$ 15,921,451
1,586,749	1,815,909	1,006,658	1,205,402	2,100,001	3,880,161
<u>\$ 13,330,947</u>	<u>\$ 14,130,790</u>	<u>\$ 16,541,782</u>	<u>\$ 17,078,163</u>	<u>\$ 18,148,929</u>	<u>\$ 19,801,612</u>
\$ 25,855,989	\$ 25,824,334	\$ 27,911,782	\$ 29,648,262	\$ 31,896,376	\$ 36,656,678
2,756,736	2,939,323	3,634,763	477,084	719,796	871,510
5,538,475	5,306,929	6,444,988	8,255,358	6,038,128	7,804,151
<u>\$ 34,151,200</u>	<u>\$ 34,070,586</u>	<u>\$ 37,991,533</u>	<u>\$ 38,380,704</u>	<u>\$ 38,654,300</u>	<u>\$ 45,332,339</u>

**CITY OF DOUGLAS, ARIZONA  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year			
	2003	2004	2005	2006
<b>EXPENSES</b>				
Governmental Activities:				
General Government	\$ 2,174,349	\$ 2,446,006	\$ 2,989,561	\$ 3,406,989
Public Safety	4,371,219	4,840,034	4,985,627	5,720,526
Highways and Streets	1,761,503	1,794,385	2,144,672	2,938,401
Culture and Recreation	1,342,237	1,676,356	1,792,405	1,771,149
Redevelopment and Housing	123,297	202,831	20,744	281,392
Interest on Long-Term Debt	283,444	227,622	186,596	165,418
Total Governmental Activities	<u>10,056,049</u>	<u>11,187,234</u>	<u>12,119,605</u>	<u>14,283,875</u>
Business-Type Activities:				
Water	1,598,625	1,649,980	1,758,738	1,774,516
Sewer	935,498	808,261	902,247	861,899
Solid Waste	718,440	659,918	814,419	842,263
Total Business-Type Activities	<u>3,252,563</u>	<u>3,118,159</u>	<u>3,475,404</u>	<u>3,478,678</u>
 Total Primary Government Expenses	 <u>\$ 13,308,612</u>	 <u>\$ 14,305,393</u>	 <u>\$ 15,595,009</u>	 <u>\$ 17,762,553</u>
<b>PROGRAM REVENUES</b>				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 579,567	\$ 1,636,724	\$ 1,334,218	\$ 1,359,062
Public Safety	405,047	598,003	556,022	586,562
Highways and Streets	60,978	-	2,750	3,256
Culture and Recreation	48,130	104,814	157,660	104,169
Operating Grants and Contributions	1,978,386	2,628,305	1,826,751	2,326,620
Capital Grants and Contributions	570,302	1,982,658	809,180	555,531
Total Governmental Activities	<u>3,642,410</u>	<u>6,950,504</u>	<u>4,686,581</u>	<u>4,935,200</u>
Business-Type Activities:				
Charges for Services:				
Water	1,496,424	1,673,639	1,586,261	1,597,155
Sewer	797,768	912,736	903,830	911,694
Solid Waste	662,747	662,740	673,965	643,107
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	-	-	-	86,803
Total Business-Type Activities	<u>2,956,939</u>	<u>3,249,115</u>	<u>3,164,056</u>	<u>3,238,759</u>
 Total Primary Government Program Revenues	 <u>\$ 6,599,349</u>	 <u>\$ 10,199,619</u>	 <u>\$ 7,850,637</u>	 <u>\$ 8,173,959</u>

Source: The City's Finance Department.

Fiscal Year

	2007	2008	2009	2010	2011	2012
\$	3,725,063	\$ 4,340,737	\$ 3,999,501	\$ 4,639,733	\$ 5,121,084	\$ 4,840,153
	6,043,744	6,348,866	6,604,306	6,715,219	6,700,135	7,186,954
	2,271,480	1,760,251	2,702,979	2,970,829	2,773,973	2,555,331
	1,983,227	2,189,769	2,074,291	1,986,674	1,936,579	1,827,388
	25,159	132,857	497,600	53,973	51,599	-
	159,577	180,077	727,564	760,128	704,510	664,519
	<u>14,208,250</u>	<u>14,952,557</u>	<u>16,606,241</u>	<u>17,126,556</u>	<u>17,287,880</u>	<u>17,074,345</u>
	1,838,462	1,455,706	1,344,052	1,261,985	1,367,914	1,698,669
	938,588	952,579	1,385,910	1,337,193	1,320,648	1,313,976
	872,341	891,003	707,042	716,047	755,546	765,647
	<u>3,649,391</u>	<u>3,299,288</u>	<u>3,437,004</u>	<u>3,315,225</u>	<u>3,444,108</u>	<u>3,778,292</u>
\$	<u>17,857,641</u>	<u>18,251,845</u>	<u>20,043,245</u>	<u>20,441,781</u>	<u>20,731,988</u>	<u>20,852,637</u>
\$	1,031,216	\$ 939,208	\$ 1,387,975	\$ 1,766,509	\$ 1,728,090	\$ 2,035,725
	591,610	642,820	760,669	669,040	972,724	924,788
	62	2,834	-	-	-	-
	102,689	97,949	98,174	90,033	173,836	73,255
	2,428,909	2,293,564	1,818,551	2,128,442	2,303,776	2,193,829
	651,377	589,152	1,765,876	902,228	951,180	5,622,718
	<u>4,805,863</u>	<u>4,565,527</u>	<u>5,831,245</u>	<u>5,556,252</u>	<u>6,129,606</u>	<u>10,850,315</u>
	1,618,744	1,749,040	1,782,320	1,870,916	1,965,519	2,000,402
	916,597	924,045	909,842	1,042,152	1,703,223	1,796,248
	667,241	668,023	816,038	1,056,305	1,203,563	1,237,449
	-	-	-	-	-	592,435
	580,433	110,274	2,373,486	-	-	274,140
	<u>3,783,015</u>	<u>3,451,382</u>	<u>5,881,686</u>	<u>3,969,373</u>	<u>4,872,305</u>	<u>5,900,674</u>
\$	<u>8,588,878</u>	<u>8,016,909</u>	<u>11,712,931</u>	<u>9,525,625</u>	<u>11,001,911</u>	<u>16,750,989</u>



**CITY OF DOUGLAS, ARIZONA**  
**CHANGES IN NET ASSETS (CONTINUED)**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

(Concluded)	Fiscal Year			
	2003	2004	2005	2006
<b>NET (EXPENSE)/REVENUE</b>				
Governmental Activities	\$ (6,413,639)	\$ (4,236,730)	\$ (7,433,024)	\$ (9,348,675)
Business-Type Activities	(295,624)	130,956	(311,348)	(239,919)
Total Primary Government Net Expense	\$ (6,709,263)	\$ (4,105,774)	\$ (7,744,372)	\$ (9,588,594)
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 4,038,242	\$ 4,432,493	\$ 4,390,874	\$ 4,740,475
Property Taxes	386,952	369,912	410,706	448,571
Franchise Taxes	260,267	242,164	253,182	261,809
Unrestricted Grants and Contributions	2,759,997	2,901,935	3,089,912	-
State Revenue Sharing	-	-	-	1,765,690
State Sales Tax Revenue Sharing	-	-	-	1,729,948
Auto Lieu Tax Revenue Sharing	-	-	-	791,931
Payments in Lieu of Taxes	635,636	685,970	713,727	-
Gain (Loss) on Sale of Capital Assets	(115,214)	-	-	-
Investment Income (Loss)	(31,955)	202,299	170,524	229,305
Other	1,729	992	25	1,802
Transfers	73,960	67,064	5,656	118,235
Total Governmental Activities	8,009,614	8,902,829	9,034,606	10,087,766
Business-Type Activities:				
Sales Tax	84,480	91,380	98,995	91,380
Investment Income (Loss)	(21,770)	24,975	50,159	88,960
Transfers	(73,960)	(67,064)	(5,656)	(118,235)
Total Business-Type Activities	(11,250)	49,291	143,498	62,105
Total Primary Government	\$ 7,998,364	\$ 8,952,120	\$ 9,178,104	\$ 10,149,871
<b>CHANGE IN NET ASSETS</b>				
Governmental Activities	\$ 1,595,975	\$ 4,666,099	\$ 1,601,582	\$ 739,091
Business-Type Activities	(306,874)	180,247	(167,850)	(177,814)
Total Primary Government	\$ 1,289,101	\$ 4,846,346	\$ 1,433,732	\$ 561,277

Fiscal Year

2007	2008	2009	2010	2011	2012
\$ (9,402,387)	\$ (10,387,030)	\$ (10,774,996)	\$ (11,570,304)	\$ (11,158,274)	\$ (6,224,030)
133,624	152,094	2,444,682	654,148	1,428,197	2,122,382
<u>\$ (9,268,763)</u>	<u>\$ (10,234,936)</u>	<u>\$ (8,330,314)</u>	<u>\$ (10,916,156)</u>	<u>\$ (9,730,077)</u>	<u>\$ (4,101,648)</u>
\$ 5,006,857	\$ 5,095,143	\$ 6,151,531	\$ 5,808,108	\$ 5,953,998	\$ 5,825,402
465,726	462,232	532,028	531,489	545,995	533,742
322,308	349,444	341,702	351,635	337,029	334,074
-	49,612	18,467	30,274	39,082	42,590
2,002,854	2,448,141	2,608,244	2,245,322	1,687,895	1,466,716
1,634,497	1,580,288	1,368,088	1,261,862	1,316,667	1,357,922
789,900	845,030	793,358	732,787	762,824	803,452
-	-	-	-	-	-
-	-	-	-	-	6,769
311,744	280,685	16,212	107,495	67,493	44,626
1,119	1,697	322,889	238,124	258,705	356,342
63,387	(323,514)	132,432	115,998	358,411	477,751
<u>10,598,392</u>	<u>10,788,758</u>	<u>12,284,951</u>	<u>11,423,094</u>	<u>11,328,099</u>	<u>11,249,386</u>
91,380	224,968	77,114	-	-	-
106,626	99,267	21,628	(1,769)	980	8,052
(63,387)	323,514	(132,432)	(115,998)	(358,411)	(477,751)
<u>134,619</u>	<u>647,749</u>	<u>(33,690)</u>	<u>(117,767)</u>	<u>(357,431)</u>	<u>(469,699)</u>
<u>\$ 10,733,011</u>	<u>\$ 11,436,507</u>	<u>\$ 12,251,261</u>	<u>\$ 11,305,327</u>	<u>\$ 10,970,668</u>	<u>\$ 10,779,687</u>
\$ 1,196,005	\$ 401,728	\$ 1,509,955	\$ (147,210)	\$ 169,825	\$ 5,025,356
268,243	799,843	2,410,992	536,381	1,070,766	1,652,683
<u>\$ 1,464,248</u>	<u>\$ 1,201,571</u>	<u>\$ 3,920,947</u>	<u>\$ 389,171</u>	<u>\$ 1,240,591</u>	<u>\$ 6,678,039</u>

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**CITY OF DOUGLAS, ARIZONA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

<u>Fiscal Year</u>	<u>Sales Taxes</u>	<u>Property Taxes</u>	<u>Franchise Taxes</u>	<u>Total</u>
2003	\$ 4,038,242	\$ 370,411	\$ 260,267	\$ 4,668,920
2004	4,432,493	330,022	242,164	5,004,679
2005	4,390,874	416,850	253,182	5,060,906
2006	4,740,475	448,571	261,809	5,450,855
2007	5,006,857	465,726	322,308	5,794,891
2008	5,095,143	462,232	349,444	5,906,819
2009	6,228,645	532,028	341,702	7,102,375
2010	5,808,108	531,489	351,635	6,691,232
2011	5,953,998	545,995	337,029	6,837,022
2012	5,825,402	533,742	334,074	6,693,218

Source: The City's Finance Department.

**CITY OF DOUGLAS, ARIZONA  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund:					
Reserved	\$ 207	\$ 60,472	\$ 1,285	\$ -	\$ 5,878
Unreserved	2,272,689	3,035,409	3,328,604	3,788,373	4,076,080
Non-spendable	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 2,272,896</u>	<u>\$ 3,095,881</u>	<u>\$ 3,329,889</u>	<u>\$ 3,788,373</u>	<u>\$ 4,081,958</u>
All Other Governmental Funds:					
Reserved	\$ 10,000	\$ 14,780	\$ 10,000	\$ 10,000	\$ 10,000
Unreserved, Reported in:					
Special Revenue Funds	2,199,864	2,733,028	2,897,657	2,597,332	2,643,920
Capital Projects Funds	13,893	14,445	15,184	-	3,143
Debt Service Funds	-	-	-	300	-
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 2,223,757</u>	<u>\$ 2,762,253</u>	<u>\$ 2,922,841</u>	<u>\$ 2,607,632</u>	<u>\$ 2,657,063</u>

Source: The City's Finance Department.

Note 1: The City implemented the provisions of GASB Statement No. 54 in the fiscal year 2011, which required fund balances to be reported in different categories.

Fiscal Year				
2008	2009	2010	2011	2012
\$ 78,239	\$ 68,239	\$ 68,239	\$ -	\$ -
3,735,584	3,962,160	3,962,160	-	-
-	-	-	58,493	652,189
-	-	-	4,683,978	4,108,952
<u>\$ 3,813,823</u>	<u>\$ 4,030,399</u>	<u>\$ 4,030,399</u>	<u>\$ 4,742,471</u>	<u>\$ 4,761,141</u>
\$ 10,000	\$ 10,000	\$ 15,453	\$ -	\$ -
4,854,098	5,335,420	4,065,860	-	-
(68,512)	(7,499)	-	-	-
-	-	-	-	-
-	-	-	2,220,530	871,510
-	-	-	-	228,340
-	-	-	(29,857)	-
<u>\$ 4,795,586</u>	<u>\$ 5,337,921</u>	<u>\$ 4,081,313</u>	<u>\$ 2,190,673</u>	<u>\$ 1,099,850</u>

**CITY OF DOUGLAS, ARIZONA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year			
	2003	2004	2005	2006
<b>REVENUES</b>				
Taxes	\$ 4,668,920	\$ 5,004,679	\$ 5,060,906	\$ 5,464,419
Intergovernmental	5,944,321	6,773,955	6,439,570	7,169,720
Fines and Forfeitures	171,725	177,795	206,150	185,754
Licenses and Permits	164,255	318,126	223,484	262,858
Charges for Services	563,409	834,821	972,483	1,040,529
Rents and Royalties	-	-	-	45,000
Special Assessments	-	15,600	18,000	-
Investment Income (Loss)	(31,955)	202,299	170,524	229,305
Other	196,062	262,423	681,111	661,749
Total Revenues	<u>11,676,737</u>	<u>13,589,698</u>	<u>13,772,228</u>	<u>15,059,334</u>
<b>EXPENDITURES</b>				
General Government	2,221,633	2,381,289	3,579,484	3,477,225
Public Safety	4,479,468	5,047,690	4,989,254	5,764,769
Highways and Streets	2,471,570	2,135,963	2,700,498	3,166,478
Culture and Recreation	1,733,215	1,486,634	1,671,445	1,767,630
Redevelopment and Housing	123,297	202,831	20,744	281,392
Capital Outlay	177,751	489,038	-	38,999
Debt Service				
Principal Retirement	273,081	304,083	390,742	413,349
Interest on Long-Term Debt	262,649	207,138	145,630	124,452
Issuance Costs	-	137,176	-	-
Total Expenditures	<u>11,742,664</u>	<u>12,391,842</u>	<u>13,497,797</u>	<u>15,034,294</u>
Excess of Revenues				
Over (Under) Expenditures	(65,927)	1,197,856	274,431	25,040
<b>OTHER FINANCING SOURCES</b>				
<b>(USES)</b>				
Transfers In	858,865	833,301	1,161,277	1,374,466
Transfers Out	(784,905)	(766,237)	(1,155,621)	(1,256,231)
Issuance of Refunding Debt	-	4,134,181	-	-
Issuance of Long-Term Debt	-	-	-	-
Payment to Refunded Debt				
Escrow agent	-	(4,037,620)	-	-
Proceeds from Capital Leases	449,450	-	114,509	-
Proceeds from Sale of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>523,410</u>	<u>163,625</u>	<u>120,165</u>	<u>118,235</u>
Net Change in Fund Balance	<u>\$ 457,483</u>	<u>\$ 1,361,481</u>	<u>\$ 394,596</u>	<u>\$ 143,275</u>
Debt Service as a Percentage of Noncapital Expenditures	4.63%	5.45%	3.97%	3.59%

Source: The City's Finance Department.

Fiscal Year

	2007	2008	2009	2010	2011	2012
\$	5,782,276	\$ 5,914,743	\$ 7,012,223	\$ 6,689,354	\$ 6,831,876	\$ 6,707,653
	7,507,537	7,805,787	8,372,584	7,184,648	7,083,337	6,783,653
	199,420	141,232	195,644	189,333	201,361	319,294
	270,278	169,697	126,224	192,309	172,602	196,385
	1,012,858	1,059,989	1,386,022	1,410,391	1,745,359	1,759,653
	45,000	36,000	538,928	733,549	755,328	758,436
	-	-	-	-	-	-
	311,744	280,685	16,212	107,495	67,493	44,626
	324,140	307,449	322,889	238,124	258,705	356,342
	<u>15,453,253</u>	<u>15,715,582</u>	<u>17,970,726</u>	<u>16,745,203</u>	<u>17,116,061</u>	<u>16,926,042</u>
	3,801,423	5,169,854	13,462,021	3,961,316	3,910,726	3,555,255
	5,992,153	6,078,350	6,579,669	6,554,551	6,275,426	6,709,042
	2,551,227	2,413,444	2,626,696	2,660,654	1,975,991	2,093,297
	2,266,214	1,863,014	1,750,997	1,513,127	1,409,501	1,361,590
	25,159	132,857	497,600	53,973	51,599	-
	-	896,225	817,482	728,862	2,007,704	2,620,504
	418,837	429,669	656,965	2,228,723	1,611,006	1,636,402
	118,611	133,267	686,598	719,162	663,544	623,553
	-	-	-	-	-	-
	<u>15,173,624</u>	<u>17,116,680</u>	<u>27,078,028</u>	<u>18,420,368</u>	<u>17,905,497</u>	<u>18,599,643</u>
	279,629	(1,401,098)	(9,107,302)	(1,675,165)	(789,436)	(1,673,601)
	1,380,037	1,553,137	1,020,458	1,303,871	2,837,907	2,923,356
	(1,316,650)	(1,876,651)	(888,026)	(1,002,494)	(2,479,496)	(2,445,605)
	-	-	-	-	-	-
	-	3,000,000	9,000,000	400,000	-	-
	-	-	-	-	-	-
	-	595,000	595,000	-	75,413	71,676
	-	-	-	-	-	52,021
	<u>63,387</u>	<u>3,271,486</u>	<u>9,727,432</u>	<u>701,377</u>	<u>433,824</u>	<u>601,448</u>
\$	<u>343,016</u>	<u>\$ 1,870,388</u>	<u>\$ 620,130</u>	<u>\$ (973,788)</u>	<u>\$ (355,612)</u>	<u>\$ (1,072,153)</u>
	3.54%	4.05%	9.80%	18.09%	14.02%	14.27%



**CITY OF DOUGLAS, ARIZONA  
TAXABLE SALES BY CATEGORY  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Sales Category:	Fiscal Year			
	2003	2004	2005	2006
Mining	\$ 528,965	\$ 505,885	\$ 788,852	\$ 499,539
Communications and Utilities	9,397,466	9,284,375	9,522,557	10,008,146
Transportation & Warehousing	191,785	144,228	118,643	47,034
Construction	7,809,960	17,584,695	5,509,385	9,952,326
Manufacturing	816,481	3,070,108	3,669,492	3,246,085
Wholesale Trade	2,432,668	4,388,768	3,853,589	4,063,304
Retail Trade	120,612,404	120,347,438	133,948,362	141,390,374
Finance and Insurance	181,505	211,112	105,986	94,754
Real Estate, Rental and Leases	4,356,126	5,319,960	5,231,069	7,666,144
Restaurants and Bars	11,281,768	12,705,315	11,927,045	12,864,527
Accommodations	2,133,543	2,237,920	1,971,777	2,286,598
Public Administration	-	626	241,021	130,215
Services	3,912,560	2,571,763	1,851,152	1,785,624
Arts & Entertainment	-	8,912	15,673	23,100
Other	754,200	2,432,757	2,417,236	2,393,080
<b>Total</b>	<b>\$ 164,409,431</b>	<b>\$ 180,813,862</b>	<b>\$ 181,171,839</b>	<b>\$ 196,450,850</b>
City Sales Tax Rate	2.50%	2.50%	2.50%	2.50%

Source: Arizona Department of Revenue.

Fiscal Year

2007	2008	2009	2010	2011	2012
\$ 466,247	\$ 510,450	\$ 2,318,215	\$ 2,318,215	\$ 301,452	\$ 6,606
15,039,614	23,876,918	22,195,363	22,195,363	23,550,249	21,998,591
40,313	15,283	48,456	48,456	66,060	36,614
8,593,952	7,578,438	15,965,933	15,965,933	19,963,998	18,615,619
3,375,254	4,144,993	3,945,094	3,945,094	986,650	-
3,994,393	4,093,177	3,884,491	3,884,491	1,226,017	-
145,310,162	146,386,134	144,710,942	144,710,942	147,664,164	136,449,566
84,995	194,035	93,629	93,629	33,753	-
6,656,980	5,664,318	6,249,386	6,249,386	8,690,896	8,369,967
12,923,634	12,932,385	12,500,240	12,500,240	14,153,836	15,215,328
2,600,819	2,277,339	2,363,017	2,363,017	3,652,951	4,552,670
108,890	100,106	294,021	294,021	-	-
2,714,689	3,342,416	3,242,519	3,242,519	1,018,073	1,224,696
8,285	-	56,562	56,562	410,600	758,552
2,532,122	3,121,725	2,921,447	2,921,447	2,599,103	276,830
<u>\$ 204,450,349</u>	<u>\$ 214,237,717</u>	<u>\$ 220,789,315</u>	<u>\$ 220,789,315</u>	<u>\$ 224,317,802</u>	<u>\$ 207,505,039</u>
2.50%	2.50%	2.50%	2.80%	2.80%	2.80%

**CITY OF DOUGLAS, ARIZONA  
DIRECT AND OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Cochise County</u>
2003	2.50 %	6.10 %
2004	2.50	6.10
2005	2.50	6.10
2006	2.50	6.10
2007	2.50	6.10
2008	2.50	6.10
2009	2.80	6.10
2010	2.80	6.10
2011	2.80	7.10
2012	2.80	7.10

Source: Arizona Department of Revenue.

**CITY OF DOUGLAS, ARIZONA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(IN THOUSANDS OF DOLLARS)**  
**(UNAUDITED)**

Fiscal Year	Assessed Value			Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property	Less: Tax Exempt Real Property				
2003	\$ 34,586	\$ 4,770	\$ 3,921	\$ 35,435	11.21	\$ 430,212	8.237%
2004	37,278	3,473	4,207	36,544	11.20	439,875	8.308
2005	39,514	5,087	4,443	40,158	11.15	444,275	9.039
2006	41,500	4,385	4,466	41,419	10.70	448,500	9.235
2007	54,948	2,925	5,980	51,893	8.70	459,832	11.285
2008	55,520	1,506	4,205	52,821	8.87	462,040	11.432
2009	58,804	4,848	6,625	57,027	10.55	470,911	12.110
2010	58,950	4,728	7,328	56,350	13.07	478,320	11.781
2011	62,801	4,254	9,278	57,777	8.23	509,351	11.343
2012	61,660	3,936	9,408	56,188	8.36	506,672	11.090

Source: The Cochise County Treasurer.

**CITY OF DOUGLAS, ARIZONA  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	Primary Rates					Secondary Rates		Rate Total
	City of Douglas	Cochise County	Cochise County Community College	Douglas Unified School District	Total Direct Rate	School District	County	
2003	1.09	3.43	1.79	4.90	11.21	2.30	0.51	14.02
2004	1.09	3.39	1.79	4.93	11.20	1.90	0.51	13.61
2005	1.09	2.94	1.79	5.33	11.15	0.83	0.51	12.49
2006	1.05	2.92	1.79	4.94	10.70	1.58	0.51	12.79
2007	0.99	2.87	1.74	3.10	8.70	1.72	0.40	10.82
2008	1.02	2.68	1.66	3.51	8.87	1.78	0.40	11.05
2009	1.00	2.64	1.61	5.30	10.55	0.96	0.40	11.91
2010	0.98	2.63	1.60	7.86	13.07	1.07	0.34	14.48
2011	0.98	2.63	1.67	2.95	8.23	0.87	0.45	9.55
2012	1.05	2.63	1.73	2.95	8.36	0.53	0.55	9.44

**CITY OF DOUGLAS, ARIZONA  
PRINCIPAL PROPERTY TAXPAYERS  
JUNE 30, 2012 AND 2004  
(UNAUDITED)**

Taxpayer	2012			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart	\$ 2,294,016	1	3.77 %	\$ 1,136,367	2	3.05 %
Arizona Public Service	1,810,862	2	2.98	1,540,039	1	4.13
Phelps Dodge Corporation	612,035	3	1.01	290,846	9	0.78
DHD LLC	634,720	4	1.04	-	-	-
Qwest Corporation	542,030	5	0.89	955,884	3	2.57
Safeway Inc.	531,492	6	0.87	810,682	4	2.18
SFP Pool Five Shopping Center	477,733	7	0.79	-	-	-
Southwest Gas Corporation	458,121	8	0.75	771,078	5	2.07
FAE Holdings 356216R, LLC	452,000	9	0.74	-	-	-
Douglas Customs LLC	402,319	10	0.66	-	-	-
J C Penney Co Inc	-	-	-	461,917	6	1.24
Accotel Properties Investors LLC	-	-	-	296,952	8	0.80
Newhall Douglas LTD PRT	-	-	-	300,233	7	0.81
Borane Ronald J and Rona JT Rev T	-	-	-	246,543	10	0.66
	<u>\$ 8,215,328</u>		14.43 %	<u>\$ 6,810,541</u>		18.28 %

Source: The Cochise County Assessor's Office

Note: 2004 used as 2003 information was not available.

**CITY OF DOUGLAS, ARIZONA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
2003	\$ 372,024	\$ 333,408	89.62 %	\$ 38,616	\$ 372,024	100.00 %
2004	387,160	359,258	92.79	27,902	387,160	100.00
2005	399,279	242,065	60.63	156,777	398,842	99.89
2006	442,229	411,452	93.04	29,834	441,286	99.79
2007	468,748	423,146	90.27	44,129	467,275	99.69
2008	485,584	440,446	90.70	43,886	484,332	99.74
2009	542,878	489,507	90.17	49,587	539,094	99.30
2010	546,719	477,007	87.25	64,962	541,969	99.13
2011	555,804	504,613	90.79	43,683	548,296	98.65
2012	538,029	490,427	91.15	-	490,427	91.15

Source: The Cochise County Treasurer.

Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
\$ -	- %
-	-
437	0.11
943	0.21
1,473	0.31
1,252	0.26
3,784	0.70
4,750	0.87
7,508	1.35
47,602	8.85



**CITY OF DOUGLAS, ARIZONA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Revenue Bonds	Loans Payable	Capital Leases	Loans Payable	Capital Leases			
2003	\$ 4,285,000	\$ -	\$ 925,407	\$ -	\$ 254,777	\$ 5,465,184	3.22 %	\$ 330
2004	4,435,000	-	785,356	-	341,697	5,562,053	2.93	327
2005	4,095,000	-	771,477	-	258,035	5,124,512	2.31	298
2006	3,735,000	-	623,828	-	314,761	4,673,589	1.99	268
2007	3,370,000	-	483,879	-	198,842	4,052,721	1.57	220
2008	2,995,000	3,000,000	947,738	-	109,353	7,052,091	2.73	371
2009	2,605,000	12,000,000	1,275,773	-	61,716	15,942,489	5.65	862
2010	2,205,000	10,890,000	957,050	3,239,489	31,626	17,323,165	5.62	864
2011	1,790,000	10,025,000	701,457	5,857,703	-	18,374,160	6.24	913
2012	1,365,000	9,155,000	431,731	5,928,449	-	16,880,180	6.44	854

Source: The City's Finance Department.

**CITY OF DOUGLAS, ARIZONA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**JUNE 30, 2012**  
**(UNAUDITED)**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<b>Debt Repaid with Property Taxes</b>			
Cochise County	\$ 5,104,618	5.25%	\$ 267,992
Cochise County Community College District	23,005,000	5.25%	1,207,763
Douglas Unified School District No. 27	9,109,297	100.00%	9,109,297
Subtotal, Overlapping Debt			<u>10,585,052</u>
City of Douglas, Arizona direct debt	16,880,180	100.00%	<u>16,880,180</u>
Total Direct and Overlapping Debt			<u><u>\$ 27,465,232</u></u>

Source: Cochise County Treasurer's Office.

(1) Proportion applicable to the City of Douglas, Arizona, is computed on the ratio of secondary assessed valuation for 2011-12.

**CITY OF DOUGLAS, ARIZONA  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)**

	Fiscal Year				
	2003	2004	2005	2006	2007
20% Debt Limit	\$ 6,987,807	\$ 7,173,258	\$ 7,442,536	\$ 8,283,788	\$ 9,938,245
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 6,987,807</u>	<u>\$ 7,173,258</u>	<u>\$ 7,442,536</u>	<u>\$ 8,283,788</u>	<u>\$ 9,938,245</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	-	-	-	-	-

	Fiscal Year				
	2003	2004	2005	2006	2007
6% Debt Limit	\$ 2,096,342	\$ 2,151,977	\$ 2,232,761	\$ 2,485,137	\$ 2,981,474
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 2,096,342</u>	<u>\$ 2,151,977</u>	<u>\$ 2,232,761</u>	<u>\$ 2,485,137</u>	<u>\$ 2,981,474</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	-	-	-	-	-

Source: The City's Finance Department and the Cochise County Assessor's Office.

Fiscal Year				
2008	2009	2010	2011	2012
\$ 10,378,721	\$ 10,890,226	\$ 11,240,800	\$ 11,387,094	\$ 11,237,561
-	-	-	-	-
<u>\$ 10,378,721</u>	<u>\$ 10,890,226</u>	<u>\$ 11,240,800</u>	<u>\$ 11,387,094</u>	<u>\$ 11,237,561</u>

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Fiscal Year				
2008	2009	2010	2011	2012
\$ 3,113,616	\$ 3,267,068	\$ 3,372,240	\$ 3,416,128	\$ 3,371,268
-	-	-	-	-
<u>\$ 3,113,616</u>	<u>\$ 3,267,068</u>	<u>\$ 3,372,240</u>	<u>\$ 3,416,128</u>	<u>\$ 3,371,268</u>

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**CITY OF DOUGLAS, ARIZONA**  
**CALCULATION OF LEGAL DEBT MARGIN**  
**JUNE 30, 2012**  
**(UNAUDITED)**

Net Secondary Assessed Value		<u>\$ 56,187,807</u>
<u>Water, Sewer, Light, Parks, Open Space and  Recreational Facility Bonds</u>		
Debt Limit - 20% of Net Secondary Assessed Value		11,237,561
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ -	
Less: Amount Set Aside for Repayment of Debt	-	
Net Debt Applicable to Limit	<u>-</u>	<u>-</u>
20% Legal Debt Margin		<u>11,237,561</u>
<u>All Other General Obligation Bonds</u>		
Debt Limit - 6% of Net Secondary Assessed Value		3,371,268
Debt Applicable to Limit		
General Obligation Bonds Outstanding	-	
Less: Amount Set Aside for Repayment of Debt	-	
Net Debt Applicable to Limit	<u>-</u>	<u>-</u>
All Other General Obligation Bonds debt Margin		<u>3,371,268</u>
Total Legal Debt Margin		<u>\$ 14,608,830</u>

Source: Cochise County Assessor's Office.

Note: The City did not have any debt subject to the debt limits.

**CITY OF DOUGLAS, ARIZONA  
 PLEDGED-REVENUE COVERAGE  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)**

Revenue Bonds						
Fiscal Year	Excise Tax	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2003	\$ 3,236,937	\$ -	\$ 3,236,937	\$ 165,000	\$ 166,435	976.64 %
2004	3,552,034	-	3,552,034	175,000	135,204	1145.06
2005	3,518,881	-	3,518,881	250,000	122,136	945.59
2006	3,796,816	-	3,796,816	360,000	111,472	805.31
2007	4,012,867	-	4,012,867	365,000	104,838	854.10
2008	4,067,101	-	4,067,101	375,000	97,238	861.24
2009	5,095,143	-	5,095,143	390,000	97,237	1045.72
2010	5,808,108	-	5,808,108	400,000	80,476	1208.82
2011	5,953,998	-	5,953,998	415,000	71,077	1224.90
2012	5,825,402	-	5,825,402	425,000	59,457	1202.46

Source: The City of Douglas' internal records.

Note: The City's bonds are secured by City sales tax revenues. Sales tax revenues are applied first to the bonds and therefore no operating expenses are presented.

GADA Loan

Fiscal Year	Excise Tax	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses					
2003	\$ -	\$ -		\$ -	\$ -	\$ -	N/A
2004	-	-		-	-	-	N/A
2005	-	-		-	-	-	N/A
2006	-	-		-	-	-	N/A
2007	-	-		-	-	-	N/A
2008	10,217,630	-		10,217,630	-	24,369	41928.80%
2009	11,456,914	-		11,456,914	-	147,935	7744.56%
2010	9,545,898	-		9,545,898	170,000	142,812	3051.64%
2011	9,274,436	-		9,274,436	110,000	128,638	3886.40%
2012	9,383,676	-		9,383,676	110,000	123,775	4013.98%

Call Center Loan

Fiscal Year	City Sales Tax and Lease Revenue	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses					
2002	\$ -	\$ -		\$ -	\$ -	\$ -	N/A
2003	-	-		-	-	-	N/A
2004	-	-		-	-	-	N/A
2005	-	-		-	-	-	N/A
2006	-	-		-	-	-	N/A
2007	-	-		-	-	-	N/A
2008	-	-		-	-	-	N/A
2009	483,499	-		483,499	-	239,925	201.52%
2010	704,620	-		704,620	1,260,000	451,849	41.16%
2011	1,421,131	123,081		1,298,050	675,000	431,325	117.33%
2012	1,319,984	77,286		1,242,698	700,000	391,310	113.87%

WIFA Loan

Fiscal Year	Water/Sewer Revenues	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses					
2010	\$ 2,749,697	\$ 2,586,553		\$ 163,144	\$ -	\$ 12,625	1292.23%
2011	3,540,996	2,688,562		852,434	65,145	103,461	505.58%
2012	3,722,556	2,980,047		742,509	461,014	126,183	126.45%



**CITY OF DOUGLAS, ARIZONA  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
2003	16,585	\$ 169,697,720	\$ 10,232	30.50	8.8 %
2004	17,035	190,042,460	11,156	30.50	7.7
2005	17,195	222,142,205	12,919	30.50	7.6
2006	17,468	235,241,556	13,467	30.50	7.2
2007	18,411	258,453,618	14,038	30.50	6.8
2008	18,996	277,987,464	14,634	30.50	6.8
2009	18,500	282,199,000	15,254	31.00	9.1
2010	20,061	308,277,387	15,367	31.10	9.2
2011	20,122	294,364,738	14,629	32.20	13.1
2012	19,772	262,236,036	13,263	32.20	12.0

Source: Arizona Department of Economic Security

**CITY OF DOUGLAS, ARIZONA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)**

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Arizona Department of Corrections	648	1	9.68 %	666	1	11.98 %
Advance Call Center Technologies	537	2	8.02	-	0	-
Douglas Unified School District	516	3	7.71	617	2	11.10
Wal-Mart Stores, Inc.	295	4	4.41	235	4	4.23
Cochise College	218	5	3.26	166	6	2.99
City of Douglas	197	6	2.94	234	5	4.21
Chiricahua Community Health Center	106	7	1.58	-	-	-
Southeast Arizona Medical Center	77	8	1.15	120	8	2.16
Cochise County	64	9	0.96	-	-	-
Basha's Inc.	62	10	0.93	117	8	2.10
Homeland Security: U.S. Border Patrol	-	-	-	510	3	9.17
Homeland Security: U.S. Customs	-	-	-	70	8	1.26
Gadsen Hotel	-	-	-	65	10	1.17
	<u>2,720</u>		40.64 %	<u>2,800</u>		50.35 %

Source: Cochise College Center for Economic Research  
Arizona Department of Economic Security

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**CITY OF DOUGLAS, ARIZONA**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Function	Full-Time Equivalent Employees									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Management Services:										
Administration	4	5	5	5	7	7	5	5	5	5
Human resources	3	3	3	3	4	4	4	3	3	3
Court	2	2	2	1	3	3	3	2	2	2
MIS	2	2	2	2	2	3	3	3	4	4
Finance	4	3	3	4	6	7	6	6	6	6
Economic Development	-	1	-	1	1	1	1	-	-	-
Visitor Parking Center	-	-	-	-	5	5	4	-	4	4
Building (Housing)	4	4	4	4	4	4	5	4	8	9
Police										
Officers	31	30	32	35	29	31	37	34	32	32
Civilians	13	14	13	13	15	16	14	14	14	14
Fire										
Firefighters and Officers	21	22	22	21	26	24	25	23	25	23
Civilians	2	2	2	2	2	2	1	1	1	2
Public Works										
Engineering (PW Adm)	4	2	2	2	4	4	6	4	4	4
Refuse Collections	7	8	7	8	10	7	5	4	6	5
Mechanics	3	4	5	4	4	4	4	4	3	2
Streets	10	10	10	10	12	11	8	6	7	6
Street Maintenance	8	4	5	5	5	4	4	4	4	4
Parks and Recreation										
Comm Dev Admin	2	2	2	2	3	3	2	1	1	1
Planning & Zoning	2	2	2	2	2	3	2	2	2	2
Aquatics	2	3	3	3	16	14	12	2	11	11
Construction	-	4	4	4	4	4	4	4	6	6
Cemetery	4	4	4	4	4	4	2	2	1	2
Parks	8	9	10	9	9	10	10	10	11	10
Recreation	1	2	2	1	7	9	5	1	6	7
Golf Course	1	1	1	1	4	6	8	-	11	10
Library	5	5	5	5	8	8	7	5	8	7
Water										
Field	8	7	7	7	10	9	8	4	7	7
CIP	3	3	3	1	6	8	7	4	4	4
Billing	4	4	4	4	4	4	4	4	3	3
Wastewater	5	6	5	7	7	8	7	7	6	5
<b>Total</b>	<b>163</b>	<b>168</b>	<b>169</b>	<b>170</b>	<b>223</b>	<b>227</b>	<b>213</b>	<b>163</b>	<b>205</b>	<b>200</b>

Source: The City of Douglas's Internal Records.

**CITY OF DOUGLAS, ARIZONA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Function	Fiscal Year				
	2003	2004	2005	2006	2007
General Government					
Building Permits Issued	63	60	48	258	262
Building Inspection Conducted	800	1,000	1,440	1,085	1,100
Police					
Physical Arrests	1,765	1,657	1,804	1,725	1,615
Parking Violations	1,606	1,463	2,208	1,640	1,919
Traffic Violations	3,522	4,051	3,283	4,134	4,590
Fire					
Emergency Responses	2,305	2,565	2,670	2,540	2,336
Fires Extinguished	178	219	289	17	187
Inspections	115	68	105	122	62
Refuse Collection					
Refuse Collections (Tons/Day)	16.0	18.0	17.0	17.0	23.9
Recyclables Collected (Tons/Day)	1.0	1.0	1.0	1.0	0.5
Other Public Works					
Street Resurfacing (Miles)	-	-	-	-	1.0
Potholes Repaired	-	-	273	175	143
Parks and Recreation					
Athletic Field Permits Issued	-	25	26	40	120
Community Center Admissions	11,490	7,610	13,743	9,724	16,535
Aquatic Center Admissions	-	10,178	11,925	21,852	26,990
Library					
Volumes in Collection	39,912	41,517	47,302	49,141	52,824
Total Volumes Borrowed	72,302	71,833	91,623	94,147	83,018
Water					
New Connections	-	-	-	-	60
Water Main Breaks	2	9	6	7	8
Average Daily Consumption (Thousands of Gallons)	1,601,153	6,852,381	2,602,839	3,167,934	2,579,831
Peak Daily Consumption (Thousands of Gallons)	-	-	-	-	4,385,713
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	2.8	3.1	2.8	2.6	1.8

Source: The City of Douglas

Fiscal Year

2008	2009	2010	2011	2012
338	354	305	198	221
858	400	344	305	778
1,475	1,917	1,795	1,564	554
1,562	648	646	745	545
3,814	4,569	4,300	4,211	3,888
2,200	2,030	2,312	2,829	2,437
201	216	198	61	55
80	80	101	150	200
30.0	30.0	16.3	23.5	26.5
0.5	0.5	-	-	-
1.4	1.5	2.1	1.0	0.5
152	195	680	1,360	2,100
117	120	119	122	125
14,660	9,071	10,036	11,021	8,812
28,369	36,761	31,408	14,808	21,301
56,961	60,856	59,649	57,684	56,715
94,955	85,595	86,098	74,141	63,180
28	68	10	16	10
18	5	2	9	8
3,660,000	2,638,660	3,662,519	3,500,000	3,177,000
5,380,000	3,613,013	148,101,000	5,023,000	4,725,000
2.1	1.6	1.5	1.7	1.7

**CITY OF DOUGLAS, ARIZONA**  
**CAPITAL ASSETS STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Police					
Stations	1	1	1	1	1
Patrol Units	-	-	-	25	21
Fire Stations	1	1	1	1	1
Refuse Collection					
Collection Trucks	-	-	-	4	5
Other Public Works					
Streets (Miles)	79	79	95	110	110
Streetlights	1,840	1,959	2,083	1,192	1,192
Traffic Signals	-	-	-	13	13
Parks and Recreation					
Acreage	42	42	62	92	92
Playgrounds	-	-	-	5	5
Baseball and Softball Diamonds	-	-	-	6	6
Soccer/Football Fields	-	-	-	13	13
Aquatic Centers	2	2	2	2	2
Community Centers	1	1	1	1	1
Water					
Water Mains (Miles)	65	65	80	81	81
Fire hydrants	338	338	338	445	445
Storage Capacity (Thousands of Gallons)	500,900	500,900	500,900	500,900	500,900
Wastewater					
Sanitary Sewers (Miles)	69	69	75	75	75
Storm Sewers (Miles)	2	2	2	2	2
Maximum Treatment Capacity (Thousands of Gallons)	1,800,000	1,800,000	2,000,000	2,000,000	2,000,000

Fiscal Year				
2008	2009	2010	2011	2012
1	1	1	1	1
20	27	22	21	23
1	1	1	1	1
5	5	5	5	5
110	110	112	110	110
1,194	1,194	1,194	1,194	1,194
14	14	14	14	14
92	92	92	92	92
5	5	5	5	5
6	6	6	6	6
13	13	13	13	13
2	2	2	2	2
1	1	1	1	1
83	83	84	100	100
526	526	535	540	545
500,900	500,900	500,900	500,900	500,900
78	78	80	85	85
2	2	2	2	2
2,000,000	2,000,000	2,000,000	2,000,000	2,000,000



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