

CITY OF DOUGLAS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2019

**CITY OF DOUGLAS, ARIZONA
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YEAR ENDED JUNE 30, 2019**

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INDEPENDENT ACCOUNTANTS' REPORT

Auditor General of the State of Arizona and
Honorable Mayor and City Council
City of Douglas, Arizona
Douglas, Arizona

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

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

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

This report is intended solely for the information and use of the Mayor and City Council, management, and the Arizona Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
February 28, 2020

**CITY OF DOUGLAS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2019**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation Line D	\$ 21,642,049	\$ 14,222,880	\$ 985,864	\$ 36,850,793
B. Less exclusions claimed:				
1 Debt Proceeds	-	-	-	-
2 Debt service requirements	3,132,331	674,396	-	3,806,727
3 Dividends, interest and gains on sale or redemption of investment securities	-	-	-	-
4 Trustee or custodian	-	-	-	-
5 Grants and aid from the federal government	2,497,204	8,498,264	-	10,995,468
6 Grants, aid, contributions or gifts from private agency, organization or individual, except amounts received in lieu of taxes	-	-	-	-
7 Amounts received from the State of Arizona	87,954	-	-	87,954
8 Quasi-external interfund transactions	-	-	-	-
9 Amounts accumulated for purchase of land, purchase or construction of buildings or improvements	-	-	-	-
10 Highway user revenues in excess of those received in fiscal year 1979-80	-	-	-	-
11 Contracts with other political subdivisions	-	-	-	-
12 Refunds, reimbursements and other recoveries	-	-	-	-
13 Voter approved exclusions not identified above	-	-	-	-
14 Prior years carryforward	-	-	-	-
15 Qualifying capital improvement expenditure repaid in accordance with A.R.S. 41-1279.07	-	-	-	-
16 Total exclusions claimed	<u>5,717,489</u>	<u>9,172,660</u>	<u>-</u>	<u>14,890,149</u>
C. Amounts subject to the expenditure limitation	<u>\$ 15,924,560</u>	<u>\$ 5,050,220</u>	<u>\$ 985,864</u>	<u>\$ 21,960,644</u>

See accompanying Notes to Annual Expenditure Limitation Report.

**CITY OF DOUGLAS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2019**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements.	\$ 22,286,638	4,556,210	\$ 950,135	\$ 27,792,983
B. Subtract:				
1 Items not requiring use of working capital				
Depreciation	-	1,299,792	-	1,299,792
Claims incurred but not reported (IBNR)	-	-	110,122	110,122
Pension expense	-	172,933	-	172,933
2 Expenditures of separate legal entities established under ARS	201,978	-	-	201,978
3 Required fees paid to the Arizona Department of Revenue	-	-	-	-
4 Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	442,611	-	-	442,611
5 Involuntary court judgments	-	-	-	-
6 Total subtractions	<u>644,589</u>	<u>1,472,725</u>	<u>110,122</u>	<u>2,227,436</u>
C. Additions:				
1 Principal payments on long-term debt	-	563,306	-	563,306
2 Capital asset acquisitions	-	10,443,966	-	10,443,966
3 Amounts paid in the current year but reported as expenses in previous years:				
OPEB	-	-	-	-
Claims previously recognized as IBNR	-	-	145,851	145,851
Landfill closure and postclosure care costs	-	-	-	-
4 Pension contributions paid in the current year	-	132,123	-	132,123
5 Total additions	<u>-</u>	<u>11,139,395</u>	<u>145,851</u>	<u>11,285,246</u>
D. Amounts reported on Part II Line A	<u>\$ 21,642,049</u>	<u>\$ 14,222,880</u>	<u>\$ 985,864</u>	<u>\$ 36,850,793</u>

See accompanying Notes to Annual Expenditure Limitation Report.

CITY OF DOUGLAS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction or addition in the reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the statement of revenues, expenditures, and changes in fund balances for the governmental funds; statement of revenues, expenses, and changes in fund net position for the proprietary funds; statement of cash flows for the proprietary funds.

NOTE 2 CLAIMS INCURRED BUT NOT REPORTED (IBNR) SUBTRACTIONS AND ADDITIONS

The subtraction of \$145,851 for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the internal service fund. The City reports \$110,122 of additions for claims paid in the current year but reported as expenses in previous years.

NOTE 3 PENSION EXPENSE SUBTRACTIONS AND PENSION CONTRIBUTION ADDITIONS

The subtraction of \$172,933 for pension expense consists of the change in the net pension liability recognized in the current year in the enterprise funds. The addition of \$132,123 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the enterprise.

NOTE 4 EXPENDITURES OF SEPARATE LEGAL ENTITIES, ESTABLISHED UNDER ARIZONA REVISED STATUTES

The subtraction for expenditures of separate legal entities, established under Arizona Revised Statutes includes expenditures of the Douglas Public Facility Municipal Property Corporation for operations of the golf course, a blended component unit, described in Note 1, A of the Comprehensive Annual Financial Report:

CITY OF DOUGLAS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT (CONTINUED)
JUNE 30, 2019

NOTE 5 PRESENT VALUE OF NET MINIMUM CAPITAL LEASES

The subtraction for the present value of net minimum capital leases and installment purchase contract payments recorded as expenditures at the agreements' inception includes the proceeds and related expenditures for a capital lease (less unspent lease proceeds) the City entered into during fiscal year 2018-19.

NOTE 6 ADDITION FOR CAPITAL ASSET ACQUISITIONS

Capital asset acquisitions reported as additions reconcile to Note 3.A. in the Comprehensive Annual Financial Report.

NOTE 7 DEBT SERVICE REQUIREMENTS

The exclusion claimed for debt service requirements in the Governmental and Enterprise Funds consist of principal and interest requirements as follows:

	Governmental Funds		
	Principal	Interest	Total
Greater Arizona Development Authority	\$ 1,840,000	\$ -	\$ 1,840,000
Call Center Loan	375,000	214,057	589,057
Capital Leases	639,677	63,597	703,274
	<u>\$ 2,854,677</u>	<u>\$ 277,654</u>	<u>\$ 3,132,331</u>
	Enterprise Funds		
	Principal	Interest	Total
Water Infrastructure Finance Authority of Arizona	\$ 543,556	\$ 102,643	\$ 646,199
Capital Leases	19,750	8,447	28,197
	<u>\$ 563,306</u>	<u>\$ 111,090</u>	<u>\$ 674,396</u>

CITY OF DOUGLAS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT (CONTINUED)
JUNE 30, 2019

NOTE 8 GRANTS AND AID FROM THE FEDERAL GOVERNMENT

The exclusion claimed for grants and aid from the federal government include all federal grants, except those recorded in the Enterprise Fund to acquire capital assets and include the following:

	Governmental Funds	Enterprise Funds
U.S. Customs Southbound	\$ 3,779	\$ -
Organized Crime Drug Enforcement	14,636	-
Grants to States	6,381	-
Section 8 Housing Choice Vouchers	825,056	-
Family Self-Sufficiency Program	32,508	-
Community Development Block Grant	146,705	-
Home Investment Program	140,686	-
Asset Forfeiture Program	15,886	-
Public Transportation for NonUrbanized Areas	460,917	-
State and Community Highway Safety	2,030	-
Alcohol Impaired Driving Countermeasures Incentives Grant	26,790	-
High Intensity Drug Trafficking Area	23,090	-
U.S. Department of Homeland Security	798,740	-
Congressionally Mandated Projects	-	4,818,651
Drinking Water State Revolving Fund	-	3,679,613
	<u>\$ 2,497,204</u>	<u>\$ 8,498,264</u>

NOTE 9 AMOUNTS RECEIVED FROM THE STATE

The exclusion claimed for amounts received from the state include all state grants, except those recorded in the Enterprise Fund to acquire capital assets and include the following:

	Governmental Funds
State Forester	\$ 75,658
State Auto Authority Grant	1,873
Arizona Arts Grant	10,423
	<u>\$ 87,954</u>