

City of Douglas

Douglas, Arizona

Annual Expenditure Limitation Report

For the Year Ended June 30, 2022



City of Douglas

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Independent Accountants' Report

To the Honorable Mayor and Members of City Council
of the City of Douglas
Douglas, Arizona

We have examined management of the City of Douglas, Arizona's (the "City") assertion that the information contained in the reports and footnotes listed in the table of contents for the year ended June 30, 2022, are accurate and in accordance with the requirements of the Arizona Revised Statutes 41-1279.07 as authorized by the Arizona Constitution, Article IX, Section 20(9). The City's management is responsible for presenting its Annual Expenditure Limitation Report in accordance with applicable statutes and the voter approved alternative expenditure limitation. Our responsibility is to express an opinion on management's assertion that the information contained in the reports and footnotes listed in the table of contents for the year ended June 30, 2022, are accurate and in accordance with the requirements of the Arizona Revised Statutes 41-1279.07 as authorized by the Arizona Constitution, Article IX, Section 20(9).

Our examination was conducted 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 the City's Annual Expenditure Limitation Report is in accordance with applicable statutes and the voter approved alternative expenditure limitation, in all material respects. An examination involves performing procedures to obtain evidence about management's compliance with the Annual Expenditure Limitation Report requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, management's assertion that the information contained in the reports and footnotes listed in the table of contents for the year ended June 30, 2022, are accurate and in accordance with the requirements of the Arizona Revised Statutes 41-1279.07 as authorized by the Arizona Constitution, Article IX, Section 20(9), in all material respects.

The Pun Group, LLP

Phoenix, Arizona
March 30, 2023

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City of Douglas
Annual Expenditure Limitation Report – Part I
For the Year Ended June 30, 2022

1. Economic Estimates Commission expenditure limitation	\$ 73,436,639	
2. Voter approved alternative expenditure limitation (N/A)	-	
3. Enter applicable amount from Line 1 or Line 2		\$ 73,436,639
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	\$ 24,609,544	
5. Board-authorized expenditures necessitated by a disaster declared by the Governor [Article IX, §20(2)(a), Arizona Constitution]	-	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor [Article IX, §20(2)(b), Arizona Constitution]	-	
7. Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year [Article IX, §20(2)(c), Arizona Constitution]	-	
8. Subtotal		\$ 24,609,544
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters [Article IX, §20(2)(b), Arizona Constitution]	-	
10. Total adjusted amount subject to the expenditure limitation		\$ 24,609,544
11. Amount under (in excess of) the expenditure limitation		\$ 48,827,095

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: _____

Name and Title: _____

Telephone Number: _____ Date: _____

City of Douglas
Annual Expenditure Limitation Report – Part II
For the Year Ended June 30, 2022

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 21,257,167	\$ 5,624,992	\$ 1,942,090	\$ -	\$ 28,824,249
B. Less exclusions claimed:					
2. 5)	3,389,267	825,438	-	-	4,214,705
16 Total exclusions claimed	3,389,267	825,438	-	-	4,214,705
C. Amounts subject to the expenditure limitation	\$ 17,867,900	\$ 4,799,554	\$ 1,942,090	\$ -	\$ 24,609,544

City of Douglas
Annual Expenditure Limitation Report – Reconciliation
For the Year Ended June 30, 2022

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund-based financial statements	\$ 21,416,825	\$ 6,043,385	\$ 1,917,382	\$ -	\$ 29,377,592
B. Subtractions					
1. Items not requiring use of current financial resources:					
a. Depreciation (Capital Asset Rollforward)	-	1,614,789	-	-	1,614,789
c. Bad debt expense	-	49,221	-	-	49,221
d. Pension and other postemployment benefits (OPEB) expense (Note 2)	-	(52,748)	-	-	(52,748)
e. Claims incurred but not reported (IBNR) - (Note 3)	-	-	212,811	-	212,811
2. Expenditures of separate legal entities established under Arizona Revised Statutes - (Note 4)	159,658	-	-	-	159,658
6. Total subtractions	159,658	1,611,262	212,811	-	1,983,731
C. Additions:					
1. Principal payments on long-term debt (Note 5)	-	651,139	-	-	651,139
2. Capital asset acquisitions (Statement of Cash Flows)	-	389,667	-	-	389,667
3. Amounts paid in the current year but reported as expenses in previous years:					
a. Claims previously recognized as IBNR (Note 3)	-	-	237,519	-	237,519
4. Pension and OPEB contributions paid in the current year (Note 2)	-	152,063	-	-	152,063
5. Total additions	-	1,192,869	237,519	-	1,430,388
D. Amounts reported on Part II, Line A	\$ 21,257,167	\$ 5,624,992	\$ 1,942,090	\$ -	\$ 28,824,249

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City of Douglas
Notes to the Annual Expenditure Limitation Report
For the Year Ended June 30, 2022

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. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS requirements, 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; and the Statement of Cash Flows for the Proprietary Funds.

Note 2 – Pension Plans and Other Postemployment Benefits

The \$52,748 addition for pension and other post-employment benefit (OPEB) represents enterprise funds pension related operating expenses recognized in the current year, that did not result in an outlay of cash. The \$152,063 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise funds, that were not included in enterprise funds operating expenses. The schedule below reconciles the net effect the additions have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows net effect on cash.

		2022
<u>Statement of Cash Flows</u>		
Change in net pension and OPEB asset	\$	(48,759)
Change in deferred inflows related to pensions and OPEB		471,844
Change in deferred outflows related to pensions and OBEB		(119,460)
Change in net pension and OPEB liability		(98,814)
Total	\$	204,811
 <u>AELR-Reconciliation</u>		
Pension/OPEB contributions – addition	\$	152,063
Pension/OPEB expense(income) – subtraction		(52,748)
Total	\$	204,811

Note 3 – Claims Incurred but Not Reported (IBNR) Subtractions and Additions

The subtraction of \$212,811 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 \$237,519 of additions for claims paid in the current year but reported as expenses in previous years.

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 Annual Comprehensive Financial Report.

City of Douglas
Notes to the Annual Expenditure Limitation Report (Continued)
For the Year Ended June 30, 2022

Note 5 – Debt Service Requirements and Principal Payment on Long-Term Debt

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
Call Center Loan	\$ 375,000	\$ 147,788	\$ 522,788
2021 Pledged Revenue Bonds	1,485,000	789,922	2,274,922
Lease Payable	36,364	33,591	69,955
Finance Purchase Agreements	459,172	62,430	521,602
	\$ 2,355,536	\$ 1,033,731	\$ 3,389,267
	Enterprise Funds		
	Principal	Interest	Total
Water Infrastructure Financing Authority Loans	\$ 624,354	\$ 167,301	\$ 791,655
Capital Leases	26,785	6,998	33,783
	\$ 651,139	\$ 174,299	\$ 825,438

City of Douglas
Schedule of Findings to the Annual Expenditure Limitation Report
For the Year Ended June 30, 2022

Findings to the Annual Expenditure Limitation Report

None noted.

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