

CITY OF DOUGLAS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2013

**CITY OF DOUGLAS, ARIZONA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2013**

| | |
|--|----------|
| INDEPENDENT ACCOUNTANTS' REPORT | 1 |
| ANNUAL EXPENDITURE LIMITATION REPORT - PART I | 2 |
| ANNUAL EXPENDITURE LIMITATION REPORT - PART II | 3 |
| ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION | 4 |
| NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT | 5 |

INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona

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

We have examined the accompanying Annual Expenditure Limitation Report of the City of Douglas, Arizona, for the year ended June 30, 2013. This report is the responsibility of the City of Douglas, Arizona's management. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the City of Douglas, Arizona, referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

CliftonLarsonAllen LLP

Phoenix, Arizona
November 12, 2013

**CITY OF DOUGLAS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2013**

| <u>Description</u> | <u>Governmental Funds</u> | <u>Enterprise Funds</u> | <u>Internal Service Funds</u> | <u>Fiduciary Funds</u> | <u>Total</u> |
|--|-------------------------------|-----------------------------|-----------------------------------|----------------------------|----------------------|
| A. Amounts reported on the Reconciliation Line D | \$ 17,326,237 | \$ 4,880,170 | \$ - | \$ - | \$ 22,206,407 |
| B. Less exclusions claimed: | | | | | |
| 1 Bond proceeds | - | - | - | - | - |
| Debt service requirements on bonded indebtedness | - | - | - | - | - |
| Debt service requirements on other long-term obligations | 1,692,576 | 589,693 | - | - | 2,282,269 |
| 2 Dividends, interest and gains on sale of investment securities | - | - | - | - | - |
| 3 Trustee or custodian | - | - | - | - | - |
| 4 Grants and aid from the federal government | 2,337,962 | 1,871 | - | - | 2,339,833 |
| 5 Grants, aid, contributions or gifts from private agency, organization or individual | - | - | - | - | - |
| 6 Amounts received from the state | 254,219 | - | - | - | 254,219 |
| 7 Quasi-external interfund transactions (town sewer fees a/c 10- 41-217, 10-55-217) | - | - | - | - | - |
| 8 Amounts accumulated for purchase of land, purchase or construction of buildings or improvements | - | - | - | - | - |
| 9 Highway user revenues in excess FY 1979-80 | - | - | - | - | - |
| 10 Contracts with other political subdivisions | - | - | - | - | - |
| 11 Refunds, reimbursements and other recoveries | - | - | - | - | - |
| 12 Voter approved exclusions not identified above | - | - | - | - | - |
| 13 Prior years carryforward | - | - | - | - | - |
| 14 Total exclusions claimed | <u>4,284,757</u> | <u>591,564</u> | <u>-</u> | <u>-</u> | <u>4,876,321</u> |
| C. Amounts subject to the expenditure limitation | <u>\$ 13,041,480</u> | <u>\$ 4,288,606</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,330,086</u> |

See accompanying notes to report.

**CITY OF DOUGLAS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2013**

| Description | Governmental Funds | Enterprise Funds | Internal Service Funds | Fiduciary Funds | Total |
|--|-----------------------|---------------------|---------------------------|--------------------|----------------------|
| A. Total Expenditures within the fund-based financial statements | \$ 19,018,254 | \$ 3,763,072 | \$ - | \$ - | \$ 22,781,326 |
| B. Subtract: | | | | | |
| 1 Items not requiring use of working capital | | | | | |
| Depreciation | - | 953,771 | - | - | 953,771 |
| Loss on disposal of capital assets | - | - | - | - | - |
| Bad debt expense | - | - | - | - | - |
| Claims incurred but not reported | - | - | - | - | - |
| Landfill Closure | - | - | - | - | - |
| 2 Expenditures of separate legal entities established under ARS | 486,106 | - | - | - | 486,106 |
| 3 Present value of net minimum capital leases or long-term debt | 1,205,911 | - | - | - | 1,205,911 |
| 4 Charges for services paid to Internal Service Funds | - | - | - | - | - |
| 5 Involuntary court judgments | - | - | - | - | - |
| 6 Total subtractions | <u>1,692,017</u> | <u>953,771</u> | <u>-</u> | <u>-</u> | <u>2,645,788</u> |
| C. Additions: | | | | | |
| 1 Principal payments on long-term debt | - | 498,614 | - | - | 498,614 |
| 2 Acquisition of capital assets | - | 1,572,255 | - | - | 1,572,255 |
| 3 Claims paid in the current year but reported as expenses | - | - | - | - | - |
| 4 Landfill closure as expended in previous years | - | - | - | - | - |
| 5 Total additions | <u>-</u> | <u>2,070,869</u> | <u>-</u> | <u>-</u> | <u>2,070,869</u> |
| D. Amounts reported on Part II Line A | <u>\$ 17,326,237</u> | <u>\$ 4,880,170</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,206,407</u> |

See accompanying notes to report.

**CITY OF DOUGLAS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2013**

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.

NOTE 2 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 Municipal Property Corporation, a blended component unit, described in Note 1, A of the Comprehensive Annual Financial Report.

NOTE 3 DEBT SERVICE REQUIREMENTS ON OTHER LONG-TERM OBLIGATIONS

The exclusion claimed for debt service requirements on other long-term obligations in the Governmental and Enterprise Funds consist of principal and interest requirements as follows:

| | Governmental Funds | | |
|---|--------------------|------------|--------------|
| | Principal | Interest | Total |
| Greater Arizona Development Authority | \$ 115,000 | \$ 119,942 | \$ 234,942 |
| Industrial Development Authority Loan | 40,000 | - | 40,000 |
| Call Center Loan | 740,000 | 356,805 | 1,096,805 |
| Capital Leases | 292,585 | 28,244 | 320,829 |
| | \$ 1,187,585 | \$ 504,991 | \$ 1,692,576 |
| | Enterprise Funds | | |
| | Principal | Interest | Total |
| Water Infrastructure Finance Authority of Arizona | \$ 470,781 | \$ 118,912 | \$ 589,693 |
| Capital Leases | 27,833 | 2,955 | 30,788 |
| | \$ 498,614 | \$ 121,867 | \$ 620,481 |

**CITY OF DOUGLAS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2013**

NOTE 4 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 | \$ 23,473 | \$ - |
| Organized Crime Drug Enforcement | 18,758 | - |
| BTOP Library Grant | 26,912 | - |
| Section 8 Housing Choice Vouchers | 871,773 | - |
| Community Development Block Grant | 140,196 | - |
| Home Investment Program | 146,932 | - |
| Bulletproof Vest Partnership Program | 5,738 | - |
| RICO Funds | 194,767 | - |
| State and Community Highway Safety | 18,469 | - |
| Highway Planning and Construction | 3,185 | - |
| Public Transportation for NonUrbanized Areas | 176,313 | - |
| High Intensity Drug Trafficking Area | 1,398 | - |
| U.S. Department of Homeland Security | 710,048 | - |
| Transition Assistance for Water and Wastewater Improvements | - | 1,871 |
| | <u>\$ 2,337,962</u> | <u>\$ 1,871</u> |

NOTE 5 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 | Business-Type Activities |
|--------------------------------------|-----------------------|-----------------------------|
| Gang Enforcement Grant | \$ 123,900 | \$ - |
| Arizona Auto Theft Authority | 5,735 | - |
| Arizona Department of Transportation | 124,584 | - |
| | <u>\$ 254,219</u> | <u>\$ -</u> |