



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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CITY OF DOUGLAS, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

Robert Uribe
Mayor

Councilmembers

Margaret Morales

Mitch Lindemann

Donald Huish

Ray Shelton

Cesar Soto

Jose Grijalva

Jim Russell
City Manager

Prepared by:
Finance Department

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INTRODUCTORY SECTION

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THE CITY OF DOUGLAS

425 10TH STREET, DOUGLAS, ARIZONA 85607
Telephone (520) 417-7333 Fax (520) 417-7162

FINANCE DEPARTMENT

December 12, 2018

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 31st or by February 28th 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, 2018.

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' 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' 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, 2018 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 unmodified opinion of City of Douglas' financial statements for the fiscal-year-ended June 30, 2018, 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' MD&A can be found immediately following the reports of the independent auditors.

The City of Douglas, Arizona is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Information related to this single audit, including the schedule of federal awards, findings and questioned costs and auditors' reports on the internal control structure and compliance for each major federal program required by the Uniform Guidance 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, transit service, 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 one business-type discretely presented component unit Rancho La Perilla Apartments. Additionally, the City reports the golf course Municipal Property Corporation as a blended component unit of the City, since the City has established a separate municipal property corporation for the management of the golf course.

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 16,588 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 primarily based on the commercial exchange with Mexico. The Douglas/Agua Prieta connection is very strong with the coordinated efforts of both local governments for the expansion of the existing and development of a new commercial port of entry. The City's major employers consist of governmental entities such as Customs and Border Protection, Arizona State Prison Complex, Douglas Unified School District, Cochise College and the City of Douglas. Private and major employers in our City include Advanced Call Center Technologies and Wal-Mart Stores. According to the Cochise College for Economic Research the City's unemployment rate at the end of June 2018 was at 7.1%, which is above the national and state unemployment rates of 4.0% and 4.7% respectively.

Major Initiatives

The City Mayor and Council continue to pursue the development of a new commercial port of entry. The existing port of entry lacks the processing capacity for the existing demand. The existing infrastructure is also inefficient to process commercial trucks. By building a new commercial port at a separate location outside of City traffic, commercial trucks can more securely cross their products, while at the same time increasing the personal traffic processing in the existing port once commercial operations are moved. The City along with the assistance of its binational consultant have made great strides in the development of a new port as well as bringing much needed security improvements and modernization to the existing port. A federally funded feasibility study was conducted this year that revealed the inadequacies suspected in the existing port and also recommends to the federal government a two port solution. The next steps are to continue advocacy efforts in including the design and construction of a new port in the federal government capital improvements plan and budget. Most importantly in the execution of this project, the City has garnered support throughout the region supporting a two port solution that included the Mexican government, our County and State government, local business groups and of course our Mayor and Council.

The City entered year 2 of its streets improvement projects. This year the City completed street projects along 8th, 9th, 10th, 13th and 15th Streets for a total investment of \$298,816. Additionally, at June 30, 2018 the City had \$370,450 in streets improvements pending completion. The City also began the expansion of the wastewater treatment plant from 2.0 million gallons per day (MGD) to 2.6 MGD. The NADBank provided grant funding of \$7,475,697 towards this project and the City secured a loan from WIFA in the amount of \$5,500,000. At the end of this fiscal year, the City completed \$3,176,088 towards the expansion from a total projected cost of \$13,008,815 projected to finalize in October 2019. Another infrastructure project was the completion of the second phase of the Airport security fencing. The City installed 7,000 linear feet of fencing along the west and south side of the airport property, 1,000 feet short of encompassing the entire southern portion.

This year we entered into a lease purchase agreement with Enterprise to acquire five new police vehicles and five new water and sewer work trucks. We also purchased an oil distributor and sweeper for our streets project, a bus for transportation of our inmate crews and acquired a truck from our seized vehicles. Total value in vehicles acquired was \$421,516, also \$120,294 in small equipment and \$25,389 in small building improvements. The City also sold the old Recreation Center building that was being leased by CAS schools and also sold a building on 1703 9th Street for private development.

A new baseball field was constructed this year with a generous grant donation from APS and the Arizona Diamondbacks. Additionally, former Major League Baseball player Erubiel Durazo contributed to the donation of our field and as a result is now known as the Erubiel Durazo Baseball field. The City continues working with CDBG entitlement funds and began rehab on two homes for \$50,000 each and two emergency rehabs at \$12,500 each. The development of an Airport Master plan was also finalized this year through a grant from Arizona Department of Transportation Aeronautics Division with a total value of \$247,500.

The Sanitation division was busy this year converting the entire City of Douglas to an automated garbage pickup system. The new system allows an automated arm within the refuse truck to pick up City issued garbage cans from the curb. Total investment to date for the program has been \$721,371 that includes a new truck, two used automated trucks, one delivery truck and commercial and residential garbage cans. For next year we expect to expend \$374,000 on a new truck and additional cans. The program was well received by the public and at June 30, 2018 was about 70% complete.

The City partnered with the Mexican Baseball Fiesta this year to bring one Mexican Professional baseball game to the City. On October 5, 2017, the Naranjeros de Hermosillo played the Caneros de Los Mochis in Douglas to a sold out Copper King Stadium. The event was a great success in which the City made a profit of \$6,194 from ticket sales, beer sales and sponsorships.

Upcoming Year

The City received the results of the feasibility study conducted on our existing port of entry early this year. The results showed the inadequacy in the existing port and the need for a two port solution. The study recommends the two port solution with the construction of a new port of entry outside of the City's downtown area. This is good news, as the City has been petitioning a two port solution that would increase economic activity in our City. Next steps are to petition the Federal government to commit funding towards the project.

Along with the expansion of the wastewater treatment plant, the City will begin the Bay Acres sewer project in which the City will furnish the community of Bay Acres (just outside the City limits) with sewer treatment once the wastewater treatment plant's capacity is expanded. A grant of \$6,883,056 from USDA Rural Development will pay for the new sewer lines, connections to the property as well as the impact fees. The City will be responsible to maintain the sewer for the community of which City water is already being provided.

New LED lights are being installed on all City street lights as well as most City buildings. The City entered into a contract with Utility Construction Company to install and a zero cost financing deal with US Bancorp. We obtained rebates from APS and through the electrical savings earned, will be able to pay for the project.

The City wide garbage is expected to be finalized before the end of 2018 where all City homes will have automated garbage pickup. The City expects to offer the service to outside City limits customers on a voluntary basis.

Another infrastructure is on the horizon with the conversion of our water meter system from manual read to automatic read system known as Automated Meter Infrastructure (AMI). City Council approved the contract to Ferguson to provide the infrastructure and work with Mueller Systems for the software and system management. We will once again seek WIFA funding for this project and expect the project to begin construction in January 2019.

Long-Term Financial Planning

With the establishment of written financial policies, the City has set financial goals and measures. We established reserve levels and are currently meeting all required levels at this time. The General Fund fund balance reserve requirement is 30% of revenues and we are currently exceeding that at 50%. We are also meeting 45 days of expense operations reserve, the 10% of average revenues for the past five years, capital (pay-as-you-go) reserve and debt reserve of one year of general government debt service obligations.

With a regression in our sales tax revenue of 5% last year, sales tax rebounded this year with a 6% increase over last year. However, the strength of the dollar has made the peso weaker, and as a result purchasing power for our visitors coming to shop from Mexico is reduced.

We are also concerned about the state of our public safety retirement plan. Although new laws passed that would place new hires in a more sustainable retirement plan, our current beneficiaries are seriously underfunded. Our current police unfunded liability is at 32% for police and 30% for fire as of June 30, 2017.

Although our fund balance is currently healthy, our revenues are struggling. The City has carefully managed expenses and property sales has brought in one time revenue. However, in order to continue on a path of financial sustainability we must continue to control our costs as well as enhance consistent revenues by fostering growth and job creation. With this in mind, the City is prepared to undertake all challenges and impact the essential services to our citizens as little as possible as well it is determined to preserve our valuable workforce.

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 and funding capital needs without the need for new debt.

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, 2017. 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.

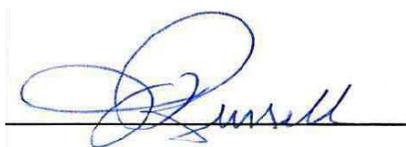
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement

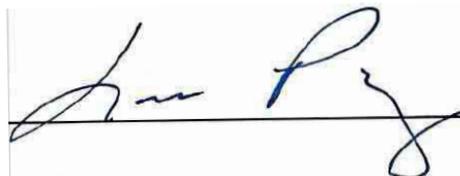
We would like to express our appreciation to each member of the Finance Department who has assisted in the preparation of this report. We are thankful for having the Finance Committee of the City of Douglas providing their support and having them evaluate this report. And also, thanks to our independent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



Jim Russell
City Manager



Luis Pedroza
Finance Director/City Treasurer

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**CITY OF DOUGLAS, ARIZONA
LIST OF PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2018**

ELECTED OFFICIALS

Mayor	
Councilmember	Margaret Morales
Councilmember	Mitch Lindemann
Councilmember	Donald Huish
Councilmember	Ray Shelton
Councilmember	Cesar Soto
Councilmember	Jose Grijalva

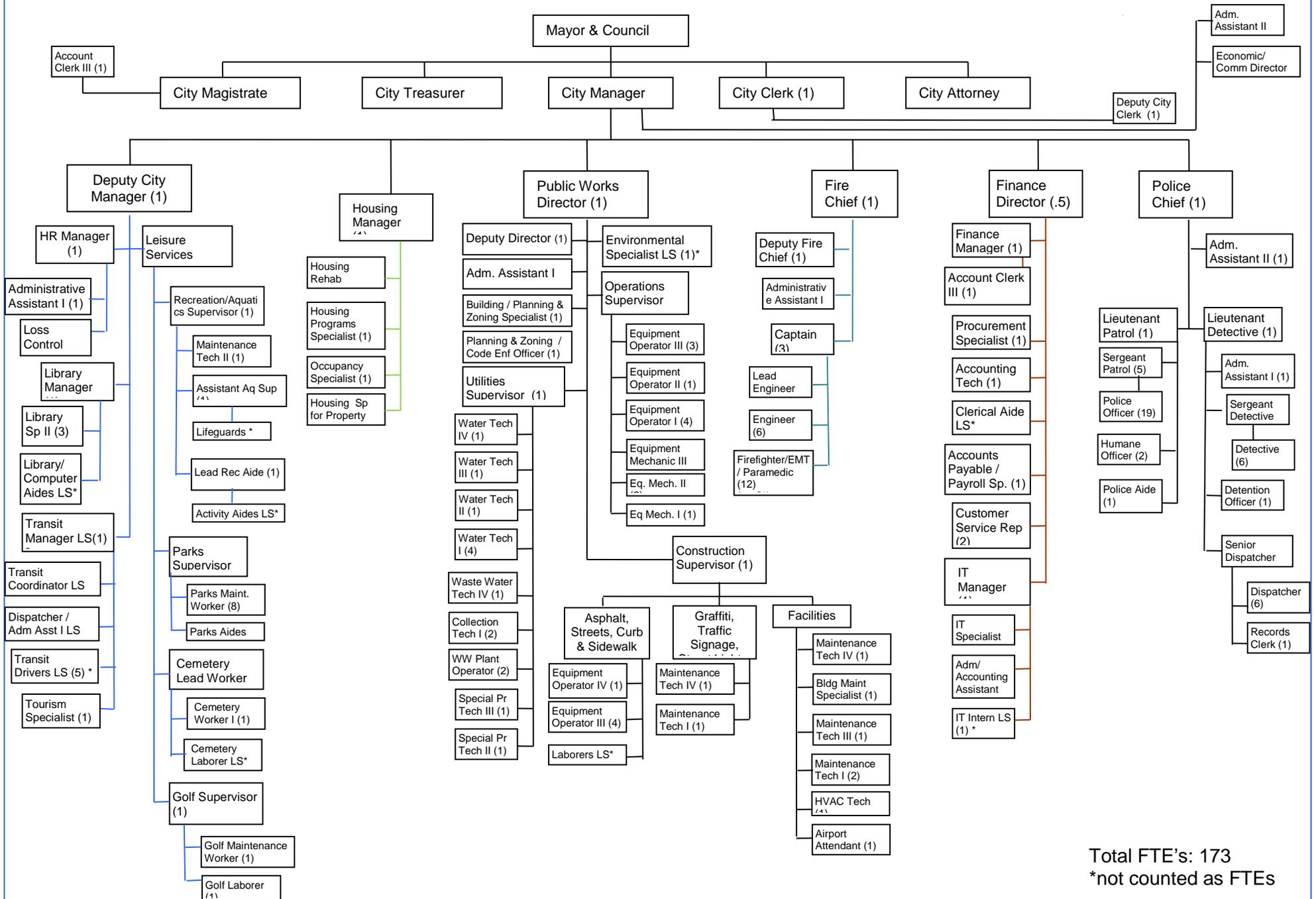
APPOINTED OFFICIALS

City Manager	Jim Russell
City Clerk	Brenda Aguilar
City Attorney	Juan Pablo Flores
City Treasurer	Luis Pedroza
City Magistrate	Alma Vildosola

DEPARTMENT DIRECTORS

Finance Director	Luis Pedroza
Public Works Director	Lynn Kartchner
Police Chief	Kraig Fullen
Fire Chief	Mario Novoa
Housing Manager	Xenia Gonzalez

City of Douglas Organizational Chart Fiscal Year 2017-2018



Total FTE's: 173
*not counted as FTEs



Government Finance Officers Association

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, 2017

Christopher P. Morrill

Executive Director/CEO

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Douglas Community Housing Corporation (Rancho La Perilla Apartments). Rancho La Perilla comprises 100% of the assets and operating revenues reported in the Proprietary Component Unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Proprietary Component Unit, is based solely on the report 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Douglas, Arizona as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, and the General Fund Budget and Actual Statement as listed in the table of contents 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.

Supplementary and Other Information

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 fund financial statements and schedules 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 Honorable Mayor and the City Council
City of Douglas, Arizona

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the City of Douglas, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Douglas, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Douglas, Arizona's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 12, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information presented in the financial statements.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the City at the close of the most recent fiscal year exceed liabilities and deferred inflows of resources by \$20.2 million (net position). Unrestricted net position is a deficit \$16.9million due to the recognition of the City's net pension and OPEB liability and related pension inflows and outflows.
- ◆ Total net position increased by \$1.0 million during the fiscal year.
- ◆ As of June 30, 2018, the City's governmental funds reported a combined ending fund balance of \$10.0 million. Of this amount, 56% 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 \$5.7 million or 41.2% of the total General Fund expenditures of \$13.8 million.

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 position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 2018**

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 a legally separate non-profit corporation - proprietary component unit. The proprietary component unit is the Douglas Municipal Housing Corporation market rate apartment complex known as Rancho La Perilla. Although legally separate from the City, the component unit is discretely presented because of its financial relationship to the City.

Separate financial statements for Rancho La Parilla 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 23 - 26 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 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.

The City of Douglas, Arizona maintains ten 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, which is considered to be the only major fund. Data from the other nine 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.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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 with the exception of the LTAF, Golf Course MPC and Public Housing Funds.

Proprietary Funds – The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the operations of the water services, sewer services and sanitation services. The *Internal service fund* is an accounting device used to accumulate and allocate costs among the City's various functions. The City uses an internal service fund to account for insurance services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements, with a portion of the change in net position being allocated to the *business type activities*.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Water, and Solid Waste, which are considered to be major funds of the City. The internal service fund is presented in the proprietary fund financial statements as a separate column.

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 35 - 72 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 pension plan and the budgetary schedule of the General Fund. Required supplementary information may be found on pages 73 – 80 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 Position

As noted earlier, net position may serve as useful indicators of a government's financial position. For the City of Douglas, Arizona, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20.2 million.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and Other Assets	\$ 11,598,079	\$ 10,468,143	\$ 8,988,708	\$ 8,473,716	\$ 20,586,787	\$ 18,941,859
Capital Assets:						
Non-Depreciable	1,547,847	1,109,474	3,291,853	1,053,409	4,839,700	2,162,883
Depreciable (Net)	20,499,385	22,007,235	19,460,696	19,724,048	39,960,081	41,731,283
Total Assets	33,645,311	33,584,852	31,741,257	29,251,173	65,386,568	62,836,025
DEFERRED OUTFLOWS	6,631,149	6,855,268	227,608	323,174	6,858,757	7,178,442
LIABILITIES						
Current and Other Liabilities	1,288,183	1,316,255	396,111	240,228	1,684,294	1,556,483
Non-Current Liabilities:						
Due Within One Year	1,479,258	1,660,261	447,313	508,897	1,926,571	2,169,158
Due in More Than One Year	40,546,857	37,826,018	6,118,635	6,421,886	46,665,492	44,247,904
Total Liabilities	43,314,298	40,802,534	6,962,059	7,171,011	50,276,357	47,973,545
DEFERRED INFLOWS	1,680,401	2,546,802	137,915	327,068	1,818,316	2,873,870
NET POSITION						
Net Investment in Capital Assets	15,840,000	16,107,618	18,044,782	15,748,934	33,884,782	31,856,552
Restricted	2,521,494	2,385,205	628,579	615,334	3,150,073	3,000,539
Unrestricted	(23,079,733)	(21,402,039)	6,195,530	5,712,000	(16,884,203)	(15,690,039)
Total Net Position	\$ (4,718,239)	\$ (2,909,216)	\$ 24,868,891	\$ 22,076,268	\$ 20,150,652	\$ 19,167,052

The largest portion of the City's net position (168%) 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.

As of June 30, 2018 the City of Douglas, Arizona reported \$33.9 million as the net investment in capital assets. Another \$3.2 million of the resources are subject to external restrictions on how they may be used. Unrestricted net position is a deficit \$16.9 million due to the recognition of the City's net pension and OPEB liability.

The City's net position increased approximately \$1.0 million over the prior fiscal year. Net investment in capital assets increased \$2.0 million due to the net effect of a reduction in current year debt outstanding used to acquire the assets, current year depreciation, current year capital additions and contributions and the sale of capital assets. Current year debt payments were approximately \$1.4 million (including payments on capital leases).

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Changes in Net Position

As described above, the City's net position overall increased by \$1.0 million during the current fiscal year. The change in the governmental activities and business-type activities are discussed on the following pages.

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

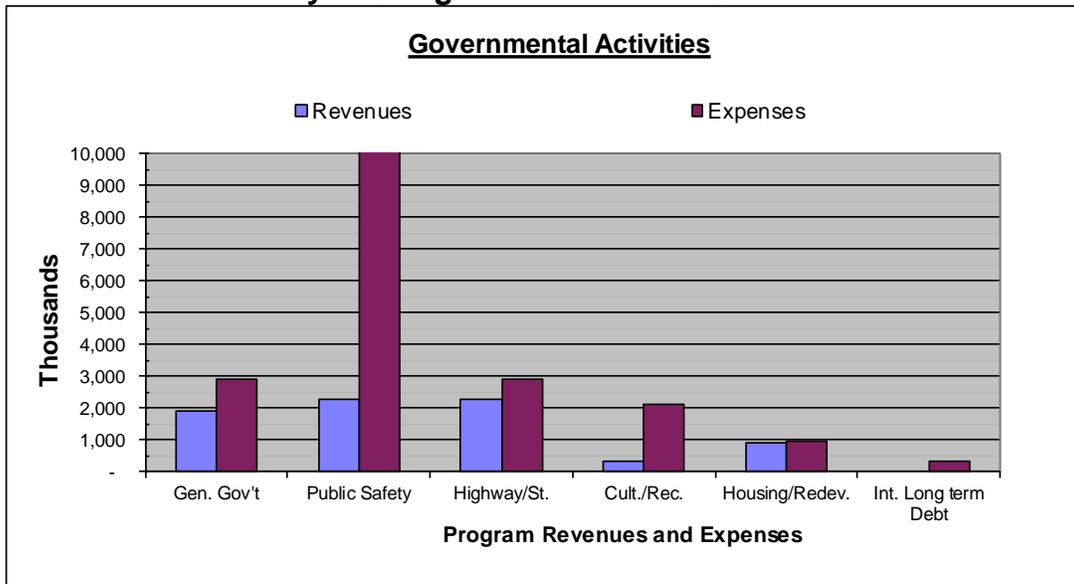
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 3,074,860	\$ 3,466,181	\$ 5,142,014	\$ 5,173,231	\$ 8,216,874	\$ 8,639,412
Operating Grants and Contributions	4,184,057	4,084,183	-	-	4,184,057	4,084,183
Capital Grants and Contributions	474,578	383,742	2,064,313	-	2,538,891	383,742
General Revenues:						
Property Taxes	587,260	595,284	-	-	587,260	595,284
Local Taxes	5,480,960	5,392,733	-	-	5,480,960	5,392,733
State Shared Revenues	4,503,715	4,367,940	-	-	4,503,715	4,367,940
Grants and Contributions Not Restricted to Specific Programs	38,510	38,171	-	-	38,510	38,171
Investment Income	136,960	73,269	69,068	37,228	206,028	110,497
Gain on Sale of Asset	-	69,902	-	-	-	69,902
Other	82,176	106,863	-	-	82,176	106,863
Total Revenues	<u>18,563,076</u>	<u>18,578,268</u>	<u>7,275,395</u>	<u>5,210,459</u>	<u>25,838,471</u>	<u>23,788,727</u>
EXPENSES						
General Government	2,910,916	3,463,981	-	-	2,910,916	3,463,981
Public Safety	11,269,994	10,479,931	-	-	11,269,994	10,479,931
Highways and Streets	2,929,910	2,649,507	-	-	2,929,910	2,649,507
Culture and Recreation	2,107,161	2,100,889	-	-	2,107,161	2,100,889
Redevelopment and Housing	985,896	924,901	-	-	985,896	924,901
Interest on Long-Term Debt	351,121	379,124	-	-	351,121	379,124
Water	-	-	1,798,870	1,902,651	1,798,870	1,902,651
Sewer	-	-	1,434,055	1,344,495	1,434,055	1,344,495
Solid Waste	-	-	1,066,948	991,934	1,066,948	991,934
Total Expenses	<u>20,554,998</u>	<u>19,998,333</u>	<u>4,299,873</u>	<u>4,239,080</u>	<u>24,854,871</u>	<u>24,237,413</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	(1,991,922)	(1,420,065)	2,975,522	971,379	983,600	(448,686)
Transfers	<u>182,899</u>	<u>232,778</u>	<u>(182,899)</u>	<u>(232,778)</u>	-	-
CHANGE IN NET POSITION	(1,809,023)	(1,187,287)	2,792,623	738,601	983,600	(448,686)
Net Position - Beginning of Year	<u>(2,909,216)</u>	<u>(1,721,929)</u>	<u>22,076,268</u>	<u>21,337,667</u>	<u>19,167,052</u>	<u>19,615,738</u>
NET POSITION - END OF YEAR	<u>\$ (4,718,239)</u>	<u>\$ (2,909,216)</u>	<u>\$ 24,868,891</u>	<u>\$ 22,076,268</u>	<u>\$ 20,150,652</u>	<u>\$ 19,167,052</u>

Governmental Activities – Governmental activities decreased the City's net position by \$1.8 million. Key factors of the overall decrease in net position are as follows:

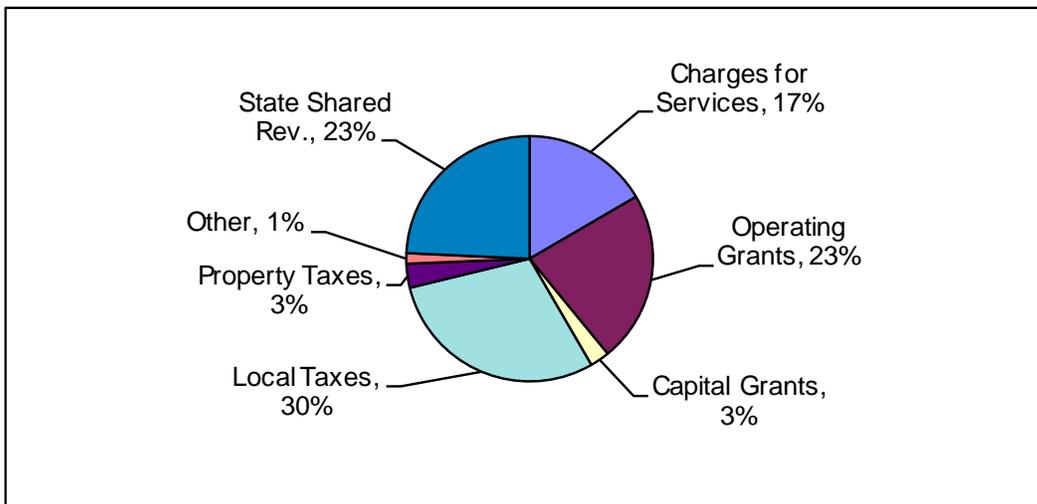
- ◆ Increase in state shared revenues and local taxes compared to last year. The \$0.2 million aggregate increase was largely due to the state and local economy.
- ◆ Decrease in the City's fees, fines and charges for services. The decrease was largely due to less ambulance fees collected as a result of declining service calls.
- ◆ Public Safety expenses increased due to increased pension expense based on actuarial studies and changes in net pension liability from prior year.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

City of Douglas – Fiscal Year 2017/18



**City of Douglas Revenue by Source
Governmental Activities Fiscal Year 2017/18**

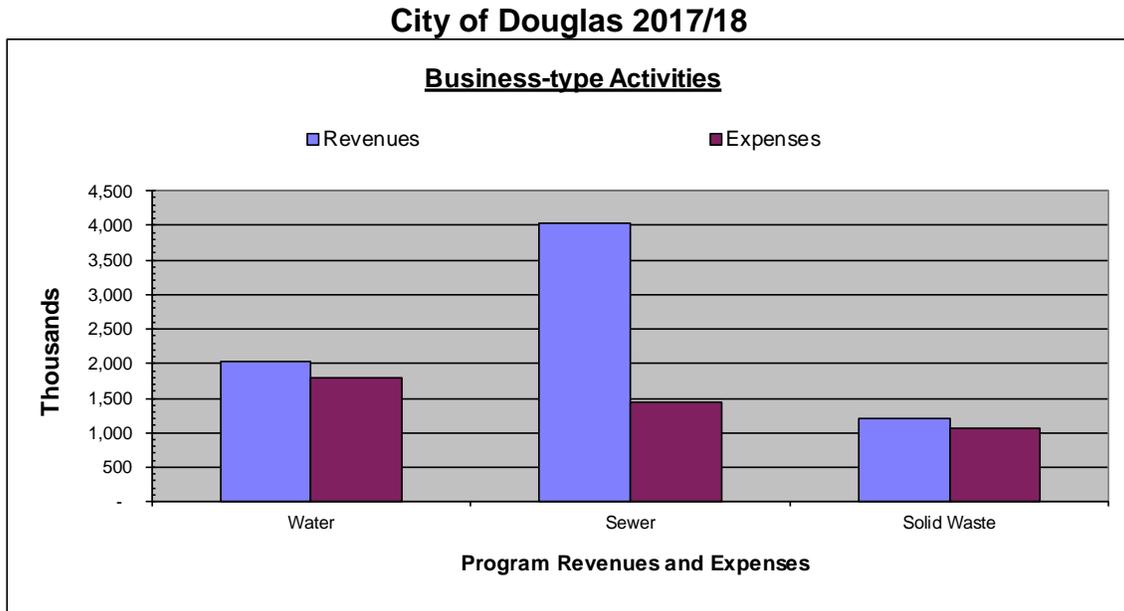


The charts above illustrate the City's governmental expenses and revenues by function and the City's revenues by source. As shown, Public Safety (police, fire, and emergency medical services) is the largest function in expenses (55%), followed by General Government (14%), Highway/Streets (14%), Culture/Recreation (10%), Redevelopment and Housing (5%) and the remaining 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.

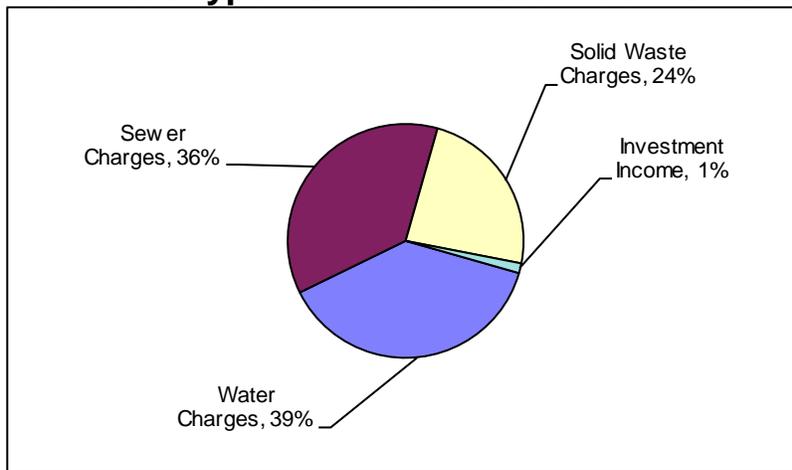
For governmental activities as a whole, sales tax revenues is the largest source of funds (30%) followed by state shared revenues (23%) as illustrated in the chart above.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Business-Type Activities – Business-type activities increased the City's net position by \$2.8 million. The increase in net position was primarily the result of the City's Sewer Fund recognizing \$2.1 million of capital grants for the continued construction of the Wastewater Treatment Project.



**City of Douglas Revenue by Source
Business-type Activities Fiscal Year 2017/18**



As shown in the chart above, the largest of the City's business-type activities are water and sewer utilities. Sewer Fund operating expenses were \$1.4 million, with Water operating expenses at \$1.8 million, followed by Solid Waste at approximately \$1.1 million. For this fiscal year, the change in net position in the Sewer Fund was a positive \$2.5 million while the change in net position in the Water Fund was a positive \$0.1 million and the Solid Waste Fund was a positive \$0.1 million. The positive change in net position in the Enterprise Funds was due to revenues exceeding expenses. Revenues are budgeted to exceed expenses as the utility rate includes a capital replacement component.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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 \$10.0 million, a slight increase of \$0.9 million from the prior year.

Revenues for governmental funds overall totaled approximately \$18.2 million for the fiscal year ended June 30, 2018 which represents a decrease of 1.2% from the prior fiscal year. This decrease is primarily due to a decrease in sales taxes and charges for services, offset with an increase in intergovernmental revenues. This decrease was a result of a slight economic downturn and a reduction in ambulance billings and collections.

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 \$5.7 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 41.2% of the total General Fund expenditures of \$13.8 million.

The fund balance of the City's General Fund remained consistent with prior year. This was a result of decreases in ambulance fees charges for services as service calls decreased from prior year offset with a similar decrease in public safety expenditures due to less required PSPRS employer contributions.

The Nonmajor Governmental Funds increase of \$0.9 million was due to \$0.9 million of unspent capital lease proceeds in the Capital Projects Fund for the LED Street Light project. This capital project will begin in the next fiscal year.

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

At the end of the fiscal year, unrestricted net position for the Water Fund was \$3.4 million, Sewer \$2.0 million, and Solid Waste \$0.6 million. The total increase in net position for the enterprise funds was \$2.8 million largely due to revenues exceeding expenses as the utility rate includes a capital replacement component. Expenses decreased in the Sewer and Water Funds due to a decreased pension expense for the Arizona State Retirement System. Solid Waste expenses increased as a result of higher depreciation on capital assets purchased during the fiscal year.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Actual revenues were less than the budget by \$1.2 million and actual expenditures were less than budget by \$1.1 million. The actual revenues were less than budget largely due to local sales tax collections, intergovernmental revenues, and charges for services not coming in as projected.

The City exceeded the expenditures budget in the Administration, Fire, and Capital Outlay expenditures. The Fire deficit was largely due to additional overtime expenses required for emergency room transports. The Administrative deficit was largely due to personnel costs that were larger than expected. The Capital Outlay had a deficit due to capital lease expenditures for 5 police trucks that were budgeted as operating leases.

Golf course operations exceeded budget largely due to the City incurring more costs than anticipated to operate the golf course, including additional course maintenance costs. It also funded the MPC's annual liability and worker's compensation insurance amounts. Although the MPC has control of the golf course operations, it is still unable to fully fund the entire operating expenses of the course.

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. The City maintains reserves for any expenditures in excess of the total General Fund budget. The reserves are monitored by City Council and the City Manager.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2018 amount to \$44.8 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	
	2018	2017	2018	2017	2018	2017
Land and Land Improvements	\$ 3,089,007	\$ 2,723,139	\$ -	\$ -	\$ 3,089,007	\$ 2,723,139
Streets and Storm Drains	8,663,650	9,150,256	-	-	8,663,650	9,150,256
Buildings and Improvements	7,221,759	7,948,950	4,498,410	4,652,897	11,720,169	12,601,847
Water System	-	-	5,897,751	6,303,660	5,897,751	6,303,660
Wastewater System	-	-	7,896,775	8,231,290	7,896,775	8,231,290
Machinery, Equipment and Vehicles	2,590,279	3,250,200	1,167,760	536,201	3,758,039	3,786,401
Construction In Progress	482,537	44,164	3,291,853	1,053,409	3,774,390	1,097,573
Total Capital Assets	\$ 22,047,232	\$ 23,116,709	\$ 22,752,549	\$ 20,777,457	\$ 44,799,781	\$ 43,894,166

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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

Governmental Activities

- ◆ Construction of airport perimeter fencing for \$138,000.
- ◆ Various street projects for \$370,000.
- ◆ Completion of Erubiel Durazo baseball field for \$410,000.
- ◆ Purchase of new police vehicles for \$165,000.

Business-type Activities

- ◆ Wastewater treatment plant phase II construction for \$2,100,000.

For government-wide financial statement purposes, capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental 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 50 - 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 \$11.8 million. The current year decrease was the net result of required principal due on outstanding debt, offset by additional capital leases for vehicles and the LED Street Light Project.

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, 2018 is \$3.0 million in the 6% capacity and \$10.0 million in the 20% capacity.

**Table A-4
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Loans Payable	\$ 5,590,000	\$ 6,110,000	\$ 4,609,499	\$ 4,937,620	\$ 10,199,499	\$ 11,047,620
Capital Lease	1,512,561	899,091	98,268	90,903	1,610,829	989,994
Total Outstanding Debt	<u>\$ 7,102,561</u>	<u>\$ 7,009,091</u>	<u>\$ 4,707,767</u>	<u>\$ 5,028,523</u>	<u>\$ 11,810,328</u>	<u>\$ 12,037,614</u>

Additional information on the City's debt can be found in Note 3.E. on pages 56 - 58.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered when preparing the 2018-19 budgets:

- ◆ A conservative economic forecast and limited revenue growth. Refinance the GADA loan through the Enterprise funds generating savings of \$0.4 million over 12 years. Propose sales tax increases in its use tax from 2.5% to 2.8% and levy a new wastewater removal sales tax of 2.8%.
- ◆ Enter into a new lease for IT equipment and infrastructure starting in January 2019
- ◆ Continue the wastewater treatment plant expansion project for a budgeted amount of \$12,690,697.
- ◆ Budget almost \$0.4 million in streets work.
- ◆ Implement an automated meter reading infrastructure project in the water fund at \$1.5 million

Direction from Mayor and Council continues to be the expansion of our port of entry with a two port solution. The City has a consultant to assist with binational relations with different government and private agencies to try and gain support for our project. An increase to our sales taxes was necessary in order to preserve services and address rising costs. The Mayor and Council, however, elected not to pass a wastewater removal sales tax, but did increase the use tax from 2.5% to 2.8% that will become effective January 1, 2019. The wastewater treatment plant expansion project is scheduled to finish in October of 2019 and we also expect the Bay Acres sewer project to begin in the Spring of 2019. The automated meter infrastructure project begins this winter with all City meters being replaced to an automatic reading system that will free up our meter reading technicians and provide our customers with better service. We will continue our third year of our streets project by chip sealing main streets as well as highly neglected streets this year. We budgeted \$435,000 this year for streets and will address as many streets as possible within our plan as weather permits. The Mayor and Council's direction is to continue to market our City as a safe place to visit and a community oriented place where we enjoy a pleasant climate and great place to live and raise a family. This marketing plan is geared to grow our City population and our business sector as well.

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

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BASIC FINANCIAL STATEMENT

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 7,844,612	\$ 7,683,214	\$ 15,527,826
Receivables, Net:			
Accounts Receivable	402,928	580,482	983,410
Taxes Receivable	688,927	-	688,927
Intergovernmental Receivables	644,742	-	644,742
Due from Component Unit	806,588	-	806,588
Internal Balances	(76,614)	76,614	-
Inventories	36,773	-	36,773
Prepaid Items	85,967	-	85,967
Other Assets	-	-	-
Restricted Assets	948,392	648,398	1,596,790
Net OPEB Asset	215,764	-	215,764
Capital Assets:			
Non-Depreciable	1,547,847	3,291,853	4,839,700
Depreciable (Net)	20,499,385	19,460,696	39,960,081
Total Assets	<u>33,645,311</u>	<u>31,741,257</u>	<u>65,386,568</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	6,596,057	227,608	6,823,665
OPEB Related	35,092	-	35,092
	<u>6,631,149</u>	<u>227,608</u>	<u>6,858,757</u>
LIABILITIES			
Accounts Payable	262,106	237,931	500,037
Accrued Wages and Benefits	771,960	11,438	783,398
Insurance Claims Payable	110,122	-	110,122
Interest Payable	-	51,789	51,789
Intergovernmental Payable	-	-	-
Customer Deposits Payable	53,063	94,953	148,016
Unearned Revenue	90,932	-	90,932
Due to Primary Government	-	-	-
Noncurrent Liabilities			
Due Within One Year	1,479,258	447,313	1,926,571
Due in More Than One Year	6,978,662	4,376,783	11,355,445
Net Pension Liability	33,552,097	1,741,852	35,293,949
Net OPEB Liability	16,098	-	16,098
Total Liabilities	<u>43,314,298</u>	<u>6,962,059</u>	<u>50,276,357</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	1,580,056	137,915	1,717,971
OPEB Related	100,345	-	100,345
	<u>1,680,401</u>	<u>137,915</u>	<u>1,818,316</u>
NET POSITION			
Net Investment in Capital Assets	15,840,000	18,044,782	33,884,782
Restricted for:			
Firefighters Injured in Line of Duty	139,571	-	139,571
Transit - Making the Connection Program	20,000	-	20,000
Other Federal and State Grants	147,626	-	147,626
Public Safety	108,588	-	108,588
Highways, Streets and Local Transportation	1,310,929	-	1,310,929
Redevelopment and Housing	579,016	-	579,016
Other Postemployment Benefits	215,764	-	215,764
Debt Service	-	494,488	494,488
Repair and Replacement	-	134,091	134,091
Unrestricted	(23,079,733)	6,195,530	(16,884,203)
Total Net Position	<u>\$ (4,718,239)</u>	<u>\$ 24,868,891</u>	<u>\$ 20,150,652</u>

See accompanying Notes to Basic Financial Statements.

Component Unit	
Proprietary Type	
Component Unit	
\$	2,807
	543
	-
	-
	-
	-
	28,456
	22,744
	395,671
	-
	265,000
	2,956,759
	<u>3,671,980</u>
	-
	-
	-
	50,024
	1,453
	-
	14,440
	15,357
	22,720
	-
	806,588
	-
	60,306
	4,749,321
	-
	-
	<u>5,720,209</u>
	-
	-
	-
	(1,587,868)
	-
	-
	-
	-
	-
	-
	-
	-
	(460,361)
\$	<u><u>(2,048,229)</u></u>

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Fee, Fines and Charges for Services	Operating Grants Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 2,910,916	\$ 1,296,371	\$ 206,596	\$ 394,826
Public Safety	11,269,994	1,457,381	789,620	42,612
Highways and Streets	2,929,910	33,949	2,253,838	6,005
Culture and Recreation	2,107,161	287,159	5,786	31,135
Redevelopment and Housing	985,896	-	928,217	-
Interest and Fiscal Charges	351,121	-	-	-
Total Governmental Activities	20,554,998	3,074,860	4,184,057	474,578
Business-Type Activities:				
Water	1,798,870	1,997,192	-	-
Sewer	1,434,055	1,939,739	-	2,064,313
Solid Waste	1,066,948	1,205,083	-	-
Total Business-Type Activities	4,299,873	5,142,014	-	2,064,313
Total Primary Government	\$ 24,854,871	\$ 8,216,874	\$ 4,184,057	\$ 2,538,891
Component Units:				
Proprietary Type Component Units	\$ 689,801	\$ 558,784	\$ -	\$ -
	\$ 689,801	\$ 558,784	\$ -	\$ -

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
Gain on Sale of Asset
Other
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Net Position - Ending

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Proprietary Type Component Unit
\$ (1,013,123)		\$ (1,013,123)	
(8,980,381)		(8,980,381)	
(636,118)		(636,118)	
(1,783,081)		(1,783,081)	
(57,679)		(57,679)	
(351,121)		(351,121)	
<u>(12,821,503)</u>		<u>(12,821,503)</u>	
	\$ 198,322	198,322	
	2,569,997	2,569,997	
	138,135	138,135	
	<u>2,906,454</u>	<u>2,906,454</u>	
(12,821,503)	2,906,454	(9,915,049)	
			<u>(131,017)</u>
			(131,017)
5,166,243	-	5,166,243	-
587,260	-	587,260	-
314,717	-	314,717	-
2,056,563	-	2,056,563	-
1,591,310	-	1,591,310	-
855,842	-	855,842	-
38,510	-	38,510	-
136,960	69,068	206,028	179
-	-	-	-
82,176	-	82,176	33,496
182,899	(182,899)	-	-
<u>11,012,480</u>	<u>(113,831)</u>	<u>10,898,649</u>	<u>33,675</u>
(1,809,023)	2,792,623	983,600	(97,342)
(2,909,216)	22,076,268	19,167,052	(1,950,887)
<u>\$ (4,718,239)</u>	<u>\$ 24,868,891</u>	<u>\$ 20,150,652</u>	<u>\$ (2,048,229)</u>

**CITY OF DOUGLAS, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Nonmajor Governmental Funds	Totals
ASSETS			
Cash and Investments	\$ 5,515,713	\$ 2,163,623	\$ 7,679,336
Receivables:			
Accounts Receivable	392,235	10,693	402,928
Taxes Receivable	686,889	2,038	688,927
Intergovernmental Receivables	253,229	391,513	644,742
Due from Component Unit	806,588	-	806,588
Due To Other Funds	19,557	-	19,557
Inventory	36,773	-	36,773
Prepaid Items	85,967	-	85,967
Advance To Other Funds	22,500	-	22,500
Restricted Assets	-	948,392	948,392
Total Assets	<u>\$ 7,819,451</u>	<u>\$ 3,516,259</u>	<u>\$ 11,335,710</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 122,892	\$ 139,214	\$ 262,106
Accrued Wages and Benefits	749,190	22,770	771,960
Intergovernmental Payable	-	-	-
Due To Other Funds	-	19,557	19,557
Unearned Revenue	90,932	-	90,932
Customer Deposits Payable	-	53,063	53,063
Advances From Other Funds	-	22,500	22,500
Total Liabilities	<u>963,014</u>	<u>257,104</u>	<u>1,220,118</u>
Deferred Inflows of Resources			
Unavailable Revenue	66,340	16,486	82,826
Fund Balances			
Nonspendable	951,828	-	951,828
Restricted	159,571	3,027,040	3,186,611
Committed	-	233,639	233,639
Unassigned	5,678,698	(18,010)	5,660,688
Total Fund Balances	<u>6,790,097</u>	<u>3,242,669</u>	<u>10,032,766</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances			
	<u>\$ 7,819,451</u>	<u>\$ 3,516,259</u>	<u>\$ 11,335,710</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 POSITION
JUNE 30, 2018**

Total Fund Balances for Governmental Funds \$ 10,032,766

Total net position reported for governmental activities in the statement of net position 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	482,537	
Land Improvements	5,454,246	
Streets and Storm Drains	22,039,172	
Buildings and Improvements	15,027,666	
Machinery, Equipment and Vehicles	19,426,956	
Total Capital Assets	63,495,887	
Less: Accumulated Depreciation	(41,448,655)	22,047,232

Some of the City's property taxes and sales taxes 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 unavailable revenue in the governmental funds. 68,378

Some loans receivable through the City's housing rehabilitation program are recorded as a receivable and unavailable revenue in the City's Governmental Fund financial statements, but are recognized as revenue in the governmental-wide financial statements 14,448

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore are not reported in the funds.

Deferred outflows of resources related to pensions	6,596,057	
Deferred inflows of resources related to pensions	(1,580,056)	
Deferred outflows of resources related to OPEB	35,092	
Deferred inflows of resources related to OPEB	(100,345)	

Long-term liabilities that pertain to governmental funds, including bonds payable and net pension liabilities, 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 position.

Loans Payable	(5,590,000)	
Net Pension Liability	(33,552,097)	
Net OPEB Asset (Liability)	199,666	
Capital Lease Payable	(1,512,561)	
Compensated Absence Payable	(1,355,359)	(41,810,351)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.

Internal Service Fund Net Position	55,154	
Less: Amount Attributed to the Business-Type Activities	(76,614)	(21,460)
Total Net Position of Governmental Activities	(4,718,239)	\$ (4,718,239)

See accompanying Notes to Basic Financial Statements.

CITY OF DOUGLAS, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund	Nonmajor Governmental Funds	Totals
REVENUES			
Taxes:			
Sales Taxes	\$ 5,165,954	\$ 289	\$ 5,166,243
Property Taxes	592,674	-	592,674
Franchise Taxes	314,717	-	314,717
Intergovernmental Revenues	5,494,392	3,319,166	8,813,558
Fines and Forfeitures	93,401	782	94,183
Licenses and Permits	119,114	-	119,114
Charges for Services	1,822,769	232,815	2,055,584
Rents and Royalties	805,979	-	805,979
Contributions and Donations	-	-	-
Investment Income	125,859	11,101	136,960
Other	78,542	3,634	82,176
Total Revenues	<u>14,613,401</u>	<u>3,567,787</u>	<u>18,181,188</u>
EXPENDITURES			
Current:			
General Government	2,812,399	44,239	2,856,638
Public Safety	8,646,563	46,404	8,692,967
Highways and Streets	589,047	2,238,128	2,827,175
Culture and Recreation	1,509,552	225,069	1,734,621
Redevelopment and Housing	-	985,896	985,896
Debt Service:			
Principal Retirement	36,295	930,715	967,010
Interest on Long-Term Debt	5,907	345,214	351,121
Capital Outlay	168,646	226,533	395,179
Total Expenditures	<u>13,768,409</u>	<u>5,042,198</u>	<u>18,810,607</u>
Excess (Deficiency) of Revenues Over Expenditures	844,992	(1,474,411)	(629,419)
OTHER FINANCING SOURCES (USES)			
Transfers In	149,990	1,392,021	1,542,011
Transfers Out	(1,318,664)	(40,448)	(1,359,112)
Proceeds from Sale of Capital Assets	251,003	85,000	336,003
Issuance of Capital Leases	165,151	895,329	1,060,480
Total Other Financing Sources (Uses)	<u>(752,520)</u>	<u>2,331,902</u>	<u>1,579,382</u>
Net Change in Fund Balances	92,472	857,491	949,963
FUND BALANCES			
Beginning of Year	6,697,625	2,385,178	9,082,803
End of Year	<u>\$ 6,790,097</u>	<u>\$ 3,242,669</u>	<u>\$ 10,032,766</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, 2018**

Net Change in Fund Balances-Total Governmental Funds	\$	949,963
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	\$ 1,283,361	
Depreciation Expense	<u>(2,521,488)</u>	(1,238,127)
Contributions of capital assets are not current financial resources and are not reflected in the governmental funds.		
		394,826
The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds only report a gain for proceeds received on the sale of capital assets, but do not report a loss on the disposal of capital assets.		
		(226,176)
Loan receivable recorded as revenue in the government-wide statement of net position, but not yet available.		
Intergovernmental Receivables - June 30, 2017	21,972	
Intergovernmental Receivables - June 30, 2018	<u>14,448</u>	(7,524)
Governmental funds report City pension and OPEB contributions as expenditures when made. However, in the statement of activities pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions and OPEB, and the investment experience.		
Pension Contributions		2,316,783
Pension Expense		(4,028,674)
OPEB Contributions and OPEB Expense		134,413
The governmental funds report the issuance of bonds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest 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. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
Proceeds from Capital Leases	(1,060,480)	
Repayment of Long-Term Debt	<u>967,010</u>	(93,470)
Delinquent property taxes and sales 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, reported as unavailable in the governmental funds.		
Unavailable Revenue - June 30, 2017	73,792	
Unavailable Revenue - June 30, 2018	<u>68,378</u>	(5,414)
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).		
		(10,842)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service fund is reported with governmental activities.		
Net Income of the Internal Service Fund	6,075	
Less: Amount Attributable to the Business-Type Activities	<u>(856)</u>	5,219
Change in Net Position of Governmental Activities		<u><u>\$ (1,809,023)</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Business-Type Activities				Governmental Activities
	Water	Sewer	Solid Waste	Totals	Internal Service Fund
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 4,030,688	\$ 2,492,373	\$ 1,160,153	\$ 7,683,214	\$ 165,276
Receivables, Net:					
Accounts Receivable	224,309	246,866	109,307	580,482	-
Total Current Assets	<u>4,254,997</u>	<u>2,739,239</u>	<u>1,269,460</u>	<u>8,263,696</u>	<u>165,276</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	198,195	450,203	-	648,398	-
Capital Assets:					
Non-Depreciable	-	3,291,853	-	3,291,853	-
Depreciable (Net)	6,005,188	12,645,941	809,567	19,460,696	-
Total Noncurrent Assets	<u>6,203,383</u>	<u>16,387,997</u>	<u>809,567</u>	<u>23,400,947</u>	<u>-</u>
Total Assets	<u>10,458,380</u>	<u>19,127,236</u>	<u>2,079,027</u>	<u>31,664,643</u>	<u>165,276</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	93,605	60,262	73,741	227,608	-
LIABILITIES					
Current Liabilities:					
Accounts Payable	54,146	148,873	34,912	237,931	-
Accrued Wages and Benefits	8,899	1,184	1,355	11,438	-
Insurance Claims Payable	-	-	-	-	110,122
Interest Payable	13,008	38,781	-	51,789	-
Customer Deposits Payable	34,848	30,670	29,435	94,953	-
Compensated Absences	50,786	18,192	23,078	92,056	-
Capital Leases Payable	15,799	3,950	-	19,749	-
Loans Payable	81,339	254,169	-	335,508	-
Total Current Liabilities	<u>258,825</u>	<u>495,819</u>	<u>88,780</u>	<u>843,424</u>	<u>110,122</u>
Noncurrent Liabilities:					
Compensated Absences Payable	1,374	22,899	-	24,273	-
Capital Leases Payable	62,815	15,704	-	78,519	-
Loans Payable	843,152	3,430,839	-	4,273,991	-
Net Pension Liability	716,347	461,175	564,330	1,741,852	-
Total Noncurrent Liabilities	<u>1,623,688</u>	<u>3,930,617</u>	<u>564,330</u>	<u>6,118,635</u>	<u>-</u>
Total Liabilities	<u>1,882,513</u>	<u>4,426,436</u>	<u>653,110</u>	<u>6,962,059</u>	<u>110,122</u>
DEFERRED INFLOWS OF RESOURCES					
Pension Related	56,718	36,515	44,682	137,915	-
NET POSITION					
Net Investment in Capital Assets	5,002,083	12,233,132	809,567	18,044,782	-
Restricted for:					
Debt Service	99,098	395,390	-	494,488	-
Repair and Replacement	79,278	54,813	-	134,091	-
Unrestricted	<u>3,432,295</u>	<u>2,041,212</u>	<u>645,409</u>	<u>6,118,916</u>	<u>55,154</u>
Total Net Position	<u>\$ 8,612,754</u>	<u>\$ 14,724,547</u>	<u>\$ 1,454,976</u>	<u>24,792,277</u>	<u>\$ 55,154</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				76,614	
Net position of business-type activities				<u>\$ 24,868,891</u>	

See accompanying Notes to Basic Financial Statements.

CITY OF DOUGLAS, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities				Governmental Activities Internal Service Fund
	Water	Sewer	Solid Waste	Totals	
OPERATING REVENUES					
Charges for Services	\$ 1,944,757	\$ 1,861,332	\$ 1,204,785	\$ 5,010,874	\$ 909,536
OPERATING EXPENSES					
Cost of Sales and Services	1,283,460	774,386	953,823	3,011,669	-
Insurance Claims	-	-	-	-	904,330
Depreciation	488,919	581,260	112,749	1,182,928	-
Total Operating Expenses	<u>1,772,379</u>	<u>1,355,646</u>	<u>1,066,572</u>	<u>4,194,597</u>	<u>904,330</u>
Operating Income	172,378	505,686	138,213	816,277	5,206
NONOPERATING REVENUES (EXPENSE)					
Impact Fees	7,654	23,632	-	31,286	-
Investment Income	32,531	24,790	11,747	69,068	869
Interest Expense	(26,787)	(78,642)	(703)	(106,132)	-
Miscellaneous Nonoperating Revenues	44,781	54,775	298	99,854	-
Total Nonoperating Revenues	<u>58,179</u>	<u>24,555</u>	<u>11,342</u>	<u>94,076</u>	<u>869</u>
Income Before Transfers	230,557	530,241	149,555	910,353	6,075
Capital Contributions	-	2,064,313	-	2,064,313	-
Transfers Out	<u>(96,768)</u>	<u>(62,972)</u>	<u>(23,159)</u>	<u>(182,899)</u>	<u>-</u>
Change in Net Position	133,789	2,531,582	126,396	2,791,767	6,075
Total Net Position - Beginning of Year	<u>8,478,965</u>	<u>12,192,965</u>	<u>1,328,580</u>		<u>49,079</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 8,612,754</u></u>	<u><u>\$ 14,724,547</u></u>	<u><u>\$ 1,454,976</u></u>		<u><u>\$ 55,154</u></u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				856	
Change in net position of business-type activities				<u><u>\$ 2,792,623</u></u>	

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Water	Sewer	Solid Waste	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 1,946,700	\$ 1,787,575	\$ 1,204,290	\$ 4,938,565	\$ 909,536
Payments to Suppliers	(818,900)	(431,969)	(588,291)	(1,839,160)	(1,032,798)
Payments to Employees	(474,501)	(299,576)	(361,680)	(1,135,757)	-
Payment for Contributions to Internal Service	(44,149)	(44,149)	(44,149)	(132,447)	-
Customer Deposits	5,419	4,770	4,577	14,766	-
Other Receipts	44,781	54,775	298	99,854	-
Net Cash Flows Provided (Used) by Operating Financing Activities	659,350	1,071,426	215,045	1,945,821	(123,262)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers Out	(96,768)	(62,972)	(23,159)	(182,899)	-
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES					
Capital Contributions	-	2,064,313	-	2,064,313	-
Impact Fees	7,654	23,632	-	31,286	-
Purchases of Capital Assets	(150,055)	(2,186,224)	(718,901)	(3,055,180)	-
Issuance of Long-Term Debt	85,309	21,328	-	106,637	-
Principal Paid on Capital Debt	(85,808)	(300,497)	(41,088)	(427,393)	-
Interest Paid on Capital Debt	(27,900)	(81,223)	(703)	(109,826)	-
Net Cash Flows Used by Capital and Related Financing Activities	(170,800)	(458,671)	(760,692)	(1,390,163)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Income	32,531	24,790	11,747	69,068	869
NET CHANGE IN CASH AND CASH EQUIVALENTS	424,313	574,573	(557,059)	441,827	(122,393)
Cash and Cash Equivalents - Beginning of Year	3,804,570	2,368,003	1,717,212	7,889,785	287,669
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,228,883</u>	<u>\$ 2,942,576</u>	<u>\$ 1,160,153</u>	<u>\$ 8,331,612</u>	<u>\$ 165,276</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION					
Cash and Cash Equivalents	\$ 4,030,688	\$ 2,492,373	\$ 1,160,153	\$ 7,683,214	\$ 165,276
Restricted Cash and Cash Equivalents	198,195	450,203	-	648,398	-
Total Cash and Cash Equivalents	<u>\$ 4,228,883</u>	<u>\$ 2,942,576</u>	<u>\$ 1,160,153</u>	<u>\$ 8,331,612</u>	<u>\$ 165,276</u>

(Continued)

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Business-type Activities - Enterprise Funds				Governmental Activities Internal
	Water	Sewer	Solid Waste	Totals	Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 172,378	\$ 505,686	\$ 138,213	\$ 816,277	\$ 5,206
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	488,919	581,260	112,749	1,182,928	-
Miscellaneous Nonoperating Revenues	44,781	54,775	298	99,854	-
Change in Assets/Liabilities:					
Receivables, Net	1,943	(73,757)	(495)	(72,309)	-
Deferred Outflows of Resources	40,095	25,208	30,263	95,566	-
Accounts Payable	9,701	31,797	(453)	41,045	-
Accrued Wages and Benefits	373	303	250	926	-
Insurance Claims Payable	-	-	-	-	(128,468)
Customer Deposits Payable	5,419	4,770	4,577	14,766	-
Compensated Absences	(1,500)	3,580	1,925	4,005	-
Net Pension Liability	(24,166)	(12,211)	(11,707)	(48,084)	-
Deferred Inflows of Resources	(78,593)	(49,985)	(60,575)	(189,153)	-
Net Cash Flows Provided (Used) by Operating Financing Activities	\$ 659,350	\$ 1,071,426	\$ 215,045	\$ 1,945,821	\$ (123,262)

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NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF 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.

For the year ended June 30, 2018, the City implemented the provisions of GASB Statement Nos. 75 and 89. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes measurement and reporting requirements for postemployment benefit plans that are not pension plans. Because the net OPEB asset/liability is not material to the financial statements, the net OPEB asset/liability and related deferred inflows and outflows of resources have been recorded in the financial statements; however, all related disclosures have been excluded. GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, amends previously established accounting requirements for interest costs incurred before the end of a construction period in which cost is incurred for financial statements prepared using the economic resources measurement focus.

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 business-type discretely presented component unit consists of only Rancho La Perilla and is presented as a separate column of the government-wide financial statements. See the descriptions below of each of the blended and discretely presented component units.

Blended component units:

Douglas Public Facility Municipal Property Corporation – The Douglas Public Facility 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 the management of the Douglas Golf Course. The DMPC operates the day-to-day operations of the golf course and receives subsidies from the City to operate. All capital assets and related debt are held by the City. The DMPC provides a service directly to the City by providing management of day-to-day operations. All related receivables and payables between the City and the DMPC have been eliminated. Separate financial statements for the Douglas Public Facility Property Municipal Property Corporation are not prepared.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Douglas Housing Authority – The Douglas Housing Authority (Authority) is a public benefit corporation created by the City to provide subsidized public housing in accordance with federal legislation. The City Council acts as the governing body of the Authority and as such 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.

Discretely presented component unit:

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 Rancho La Perilla have been prepared in conformity with the Financial Accounting Standards Board (FASB) Accounting Standards Codification 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 position 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.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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.

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.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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 governmental funds:

Major Governmental Funds

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.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

The *Internal Service Funds* account for the City's limited risk, self-insurance program for employee and dependent medical care.

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, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position 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 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. No comparable oversight is provided for the County Treasurer's investment pool and that pool's structure does not provide for shares.

The business-type component unit invests cash and investments in local financial institutions.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

2. Accounts and Property Tax Receivables

All trade and property taxes receivables are shown net of an allowance for uncollectible accounts. All revenues of governmental activities were considered collectible and therefore there was no provision. The business-type activities reported an allowance of \$20,973.

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 amounts due from other government agencies and include Highway User Revenue fuel tax (\$124,975), State sales tax (\$53,069), auto lieu (\$33,111), federal transit grant (\$119,164), homeland security grant (\$120,066), rehabilitation revolving loans (\$14,448), and other federal and state grants (\$179,909) in the governmental funds and governmental activities column of the government-wide financial statements.

4. Due From Component Unit

Due from component unit recorded in the governmental activities column of the government-wide financial statements represents a loan due from Rancho LaParilla Housing Corporation, a discretely presented component unit of the City. Rancho La Parilla Housing Corporation reports an offsetting due to primary government.

5. Interfund Receivables and Payables

The City reports due to and due from other funds to eliminate deficit cash in individual funds through a short-term borrowing or advances to/from other funds for non-current portion of interfund loans. Fund balance resulting from advances to other funds is shown as nonspendable amounts.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

6. 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 an expenditure in the governmental funds and as an expense 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. Prepaids are expensed when the benefit is received.

7. Restricted Assets

As required by applicable loan documents, certain resources are set aside for debt service requirements on loans, the repair and replacement of utility infrastructure, or are restricted for the purchase of 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.

8. 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 \$5,000 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 acquisition 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, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

8. 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

9. Deferred Outflows of Resources

The City recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions and other postemployment benefits.

10. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund financial 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. A liability for compensated absences are only recorded in the governmental funds to the extent they will be paid with current financial resources for employee resignations or retirement.

11. Pensions and Other Post-Retirement Benefits

For purposes of measuring the net pension liability, net OPEB assets or liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension expense and OPEB expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from ASRS/PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS/PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

12. 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 position. Bond premiums and discounts are 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 recognized in the period incurred.

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.

13. Deferred Inflows of Resources

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the City as of June 30, 2018 or within 60 days of fiscal year-end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

The deferred inflows of resources in the government-wide financial statements represent the acquisition of net position that is applicable to a future reporting period. Reported amounts are related to the requirements of accounting and financial reporting for pensions and other postemployment benefits.

14. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because capital assets make up a significant portion of total net position. Restricted net position accounts for the portion restricted by parties outside the City. Unrestricted net position is the remaining net position not included in the previous two categories. None of the restricted net position was restricted by enabling legislation.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

15. 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 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, through formal resolution. The City Council 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, through formal resolution, 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 other classifications. The general fund is the only fund that reports a positive unassigned fund balance and 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, 2018

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, subject to City Council approval, 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, Special Revenue, Debt Service and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures. No budget was appropriated for the Golf Course MPC and Public Housing Funds 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.

B. Deficit Net Position

At June 30, 2018, the City reported a deficit net position in the governmental activities of \$4,718,239. The deficit was due to recording the net pension and OPEB liability for the City's proportionate share of the Arizona State Retirement System and the Public Safety Retirement Plan. The City does not anticipate recovering the deficit in the near-term; however, the unfunded pension and OPEB liability will be reduced through future contributions to the plans.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Deficit Net Position (Continued)

The Golf Course MPC nonmajor governmental fund reported a deficit fund balance of \$18,010. The deficit is expected to be recovered through operations and General Fund subsidies.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2018 consist of the following:

Deposits:	
Cash on Hand	\$ 3,600
Cash in Bank	3,702,549
Cash on Deposit with County Attorney	211,673
Unspent Capital Lease Proceeds	895,329
Investments:	
State Treasurer's Investment Pool	12,311,465
Total Cash and Investments	<u>17,124,616</u>
Less Restricted Assets	<u>(1,596,790)</u>
Cash and Investments - Statement of Net Position	<u><u>\$ 15,527,826</u></u>

Deposits

The carrying value of the City's deposits at June 30, 2018 was \$3,702,549 and the bank balance was \$3,970,005. Of the bank balance, \$297,412 was covered by federal depository insurance, \$3,672,593 was uninsured and covered by collateral held by the City's custodial bank in the City's name and cash on deposit with the county attorney was insured by federal depository insurance or was uninsured and 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.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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, 2018 consist of the following:

Investment Type	Amount	Maturity in Years	
		Less than 1	1-2
State Treasurer's Investment Pool 5	\$ 11,590,882	\$ 11,590,882	\$ -
State Treasurer's Investment Pool 500	720,583	-	720,583
	<u>\$ 12,311,465</u>	<u>\$ 11,590,882</u>	<u>\$ 720,583</u>

Concentration of Credit Risk – 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’s investment policy limits investments to 1) the State of Arizona Local Government Investment Pool; 2) U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations; 3) obligations of the Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or any federal farm credit bank, federal land bank or federal home loan bank notes or bonds. In addition to limitations imposed by Arizona statute, City funds shall not be invested in reverse repurchase agreements, callable agency securities, or derivative type investments.

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.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Cash and investments of the component unit's at June 30, 2018 consist of:

Deposits:	
Cash in Bank	\$ 2,807
Investments:	
Funds Held by Mortgage	395,671
Restricted Assets	<u>(395,671)</u>
Total Cash and Cash Equivalents	<u><u>\$ 2,807</u></u>

The carrying value of the component unit's deposits at June 30, 2018 was \$2,807 which was entirely covered by federal depository insurance.

2. Restricted Assets

Restricted assets in the Governmental Activities, Water Fund and the Sewer Fund at June 30, 2018 consisted of the following:

	Governmental Activities	Business-Type Activities		Total
		Water Fund	Sewer Fund	
Loan Debt Service Reserve Requirement	\$ -	\$ 198,195	\$ 450,203	\$ 648,398
Customer Deposits	53,063	-	-	53,063
Unspent Capital Lease Proceeds	895,329	-	-	895,329
Total	<u><u>\$ 948,392</u></u>	<u><u>\$ 198,195</u></u>	<u><u>\$ 450,203</u></u>	<u><u>\$ 1,596,790</u></u>

Restricted assets of the discretely presented component units at June 30, 2018 consisted of the following:

Funds Held by Mortgage	<u><u>\$ 395,671</u></u>
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**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Receivables

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

	Unavailable	Unearned
Delinquent Property Taxes Receivable:		
(General Fund)	\$ 49,349	\$ -
Unavailable Grant Revenue:		
(Nonmajor Governmental Funds)	14,448	-
Sales Tax Audit Receivable:		
(General Fund)	16,991	-
(Nonmajor Governmental Funds)	2,038	-
Unearned Revenue:		
(General Fund)	-	90,000
Unearned Grant Revenue:		
(General Fund)	-	932
	\$ 82,826	\$ 90,932

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CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,065,310	\$ -	\$ -	\$ 1,065,310
Construction in Progress	44,164	673,883	(235,510)	482,537
Total Capital Assets, Not Being Depreciated	1,109,474	673,883	(235,510)	1,547,847
Capital Assets, Being Depreciated:				
Land Improvements	4,880,657	573,589	-	5,454,246
Streets and Storm Drains	21,736,374	302,798	-	22,039,172
Buildings and Improvements	15,769,331	25,389	(767,054)	15,027,666
Machinery and Equipment	13,086,148	120,294	(20,799)	13,185,643
Vehicles	6,028,819	217,744	(5,250)	6,241,313
Total Capital Assets, Being Depreciated	61,501,329	1,239,814	(793,103)	61,948,040
Accumulated Depreciation for:				
Land Improvements	(3,222,828)	(207,721)	-	(3,430,549)
Streets and Storm Drains	(12,586,118)	(789,404)	-	(13,375,522)
Buildings and Improvements	(7,820,381)	(537,547)	552,021	(7,805,907)
Machinery and Equipment	(11,427,812)	(489,859)	9,657	(11,908,014)
Vehicles	(4,436,955)	(496,957)	5,249	(4,928,663)
Total Accumulated Depreciation	(39,494,094)	(2,521,488)	566,927	(41,448,655)
Total Capital Assets, Being Depreciated, Net	22,007,235	(1,281,674)	(226,176)	20,499,385
Governmental Activities Capital Assets, Net	<u>\$ 23,116,709</u>	<u>\$ (607,791)</u>	<u>\$ (461,686)</u>	<u>\$ 22,047,232</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 664,458
Public Safety	582,427
Highways and Streets	844,322
Culture and Recreation	430,281
Total Depreciation Expense, Governmental Activities	<u>\$ 2,521,488</u>

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 1,053,409	\$ 2,238,444	\$ -	\$ 3,291,853
Capital Assets, Being Depreciated:				
Buildings and Improvements	7,913,936	22,234	-	7,936,170
Water System	16,052,359	65,723	-	16,118,082
Wastewater System	14,848,511	\$6,081	-	14,854,592
Machinery, Equipment, and Vehicles	2,958,112	825,538	-	3,783,650
Total Capital Assets, Being Depreciated	41,772,918	919,576	-	42,692,494
Accumulated Depreciation for:				
Buildings and Improvements	(3,261,039)	(176,721)	-	(3,437,760)
Water System	(9,748,699)	(471,632)	-	(10,220,331)
Wastewater System	(6,617,221)	(340,596)	-	(6,957,817)
Machinery, Equipment, and Vehicles	(2,421,911)	(193,979)	-	(2,615,890)
Total Accumulated Depreciation	(22,048,870)	(1,182,928)	-	(23,231,798)
Total Capital Assets, Being Depreciated, Net	19,724,048	(263,352)	-	19,460,696
Business-Type Activities Capital Assets, Net	<u>\$ 20,777,457</u>	<u>\$ 1,975,092</u>	<u>\$ -</u>	<u>\$ 22,752,549</u>

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities:	
Water	\$ 488,919
Sewer	581,260
Solid Waste	112,749
Total Depreciation Expense, Business-Type Activities	<u>\$ 1,182,928</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

Capital asset activity for the business-type discretely presented component units for the year ended June 30, 2018 were as follows:

Business-Type Discretely Presented Component Unit	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	26,278	-	-	26,278
Total Capital Assets, Being Depreciated	5,233,842	-	-	5,233,842
Accumulated Depreciation for:				
Buildings and Improvements	(2,124,663)	(130,186)	-	(2,254,849)
Furniture and Equipment	(21,476)	(758)	-	(22,234)
Total Accumulated Depreciation	(2,146,139)	(130,944)	-	(2,277,083)
Total Capital Assets, Being Depreciated, Net	3,087,703	(130,944)	-	2,956,759
Business-Type Activities Capital Assets, Net	<u>\$ 3,352,703</u>	<u>\$ (130,944)</u>	<u>\$ -</u>	<u>\$ 3,221,759</u>

Depreciation expense was charged to functions/programs as follows:

Business-type Activities:	
Rancho La Perilla	<u>\$ 130,944</u>

B. Interfund Receivables, Payables and Transfers

Interfund receivables and payables at June 30, 2018 were recorded to eliminate a deficit cash balance in the Nonmajor LTAF Fund and consisted of the following:

Due To	<u>Due From Nonmajor Governmental</u>
General Fund	<u>\$ 19,557</u>

Cash was received subsequent to year-end to cover the deficit.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

As of June 30, 2018, the City had the following long-term loan outstanding. The General Fund loan is the result of the Nonmajor Golf Course MPC Fund requiring a cash flow loan for operating expenses. The repayment of the loan is to be funded through operating revenues.

Advance To	Advance From Nonmajor Governmental
General Fund	\$ 22,500

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Transfers Out	General Fund	Transfers In Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 1,318,664	\$ 1,318,664
Nonmajor Governmental Funds	29,342	11,106	40,448
Water Fund	51,177	45,591	96,768
Sewer Fund	51,866	11,106	62,972
Solid Waste Fund	17,605	5,554	23,159
	\$ 149,990	\$ 1,392,021	\$ 1,542,011

Transfers were used 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 costs for the use of certain facilities owned and operated by the General Fund.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Capital Leases

The City acquired furniture, equipment and vehicles under the provisions of long-term lease agreements classified as capital leases. Accordingly, the principal amount of the assets totaling \$2,768,170 and \$690,189 are capitalized as governmental activities and business-type activities, respectively.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Furniture, Equipment and Vehicles	\$ 2,768,170	\$ 690,189
Less: Accumulated Depreciation	(1,807,739)	(331,338)
Unspent Capital Lease Proceeds	895,329	-
Total	\$ 1,855,760	\$ 358,851

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

Future principal and interest payments due on capital leases are as follows:

Year Ending <u>June 30,</u>	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 360,234	\$ 44,005	\$ 19,749	\$ 4,018
2020	310,073	39,337	20,656	3,111
2021	140,425	30,452	21,605	2,162
2022	125,789	25,302	22,598	1,169
2023	79,889	21,567	13,660	206
2024-2028	496,151	55,614	-	-
Total	\$ 1,512,561	\$ 216,277	\$ 98,268	\$ 10,666

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. 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 \$669,266 during the current fiscal year. Future minimum lease payments related to the call center lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 623,964
2020	600,852
2021	600,852
2022	600,852
2023	600,852
2024	300,426
	<u>\$ 3,327,798</u>

The City leases land to various third parties. Annual rental revenues from the lease agreements are recognized in the General Fund. Payments on the leases totaled \$106,740. The future minimum lease payments required under the leases at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 10,923
2020	1,320
2021	1,320
2022	1,320
2023	1,320
Thereafter	33,000
	<u>\$ 49,203</u>

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations

The City has 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 loans:

Description	Maturity	Interest Rate (%)	Outstanding at June 30, 2018
Governmental Activities			
Loans Payable:			
Greater Arizona Development Authority, Series 2008A; original issue \$3,000,000	8/1/18-28	4.00-5.25%	\$ 1,840,000
Call Center Purchase Agreement; collateralized by the building and equipment acquired with the debt; original issue \$9,000,000	7/31/18-28	4.29-5.63%	3,750,000
Total Governmental Loans Payable			<u>\$ 5,590,000</u>
Business-Type Activities			
Water Infrastructure Finance Authority of Arizona Issued 2009-2010; Authorized Loan \$9,000,000	7/1/18-29	2.00%	\$ 2,893,481
Water Infrastructure Finance Authority of Arizona Issued 2015-2016, Authorized Loan \$900,000	7/1/18-34	2.00%	791,527
Water Infrastructure Finance Authority of Arizona Issued 2009-2010; Authorized Loan \$1,500,000	7/1/18-27	2.814%	924,491
Water Infrastructure Finance Authority of Arizona Issued 2016-2017; Authorized Loan \$3,000,000	7/1/18-37	1.89%	-
Total Business-Type Loans Payable			<u>\$ 4,609,499</u>

The City has pledged future state shared revenue and City excise taxes, 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 Regional Service 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 2% of pledged revenues. The total principal and interest remaining to be paid on the loan is \$2,317,794. Principal and interest paid for the current year and total excise taxes and shared revenues were \$238,238 and \$8,814,116, respectively.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

In 2009, the City issued two loans totaling \$9,000,000 for the acquisition and construction of a call center. The IT loan for \$2,400,000 is payable from a 0.3% City sales tax, and the building loan for \$6,600,000 is payable from lease revenues received on the lease agreement with a third-party. The IT Loan was paid in full on June 30, 2013. The lease of the call center is a 15-year lease with annual payments of \$600,852 plus property expenses. The lease revenues are to be used for payment of the debt, then for maintenance and operations costs. Annual principal and interest payments on the loans are expected to exceed revenue by 21%. The call center lease agreement expires fiscal year 2024; however, the City anticipates extending the lease agreement to cover the loan obligation period. The total principal and interest remaining to be paid on the loan is \$4,912,055. Principal and interest paid for the current year was \$610,463 and the City sales tax and lease revenues were \$8,872,919 and \$669,266, respectively.

The City has four loans through the Water Infrastructure Financing Authority of Arizona (WIFA). In June 2017, the City acquired a \$3,000,000 loan from WIFA for the expansion and rehabilitation of its wastewater treatment plant. The loans are structured where the City draws on the loans as funds are needed. To-date, the City has drawn down \$-0-, \$1.5 million, \$5.5 million and \$900,000 from the total authorized loan of \$3.0 million, \$1.5 million, \$9.0 million and \$900,000, 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 2034.

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% of net available revenue. The total principal and interest remaining to be paid on the loans are \$5,307,492. Principal and interest paid for the current year and total pledged revenues were \$428,799 and \$866,277, respectively.

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, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2018 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
Loans Payable	\$ 6,110,000	\$ -	\$ (520,000)	\$ 5,590,000	\$ 525,000
Other Liabilities:					
Capital Leases	899,091	1,060,480	(447,010)	1,512,561	360,234
Compensated Absences	1,344,517	696,589	(685,747)	1,355,359	594,024
Total Governmental Activities	<u>\$ 8,353,608</u>	<u>\$ 1,757,069</u>	<u>\$ (1,652,757)</u>	<u>\$ 8,457,920</u>	<u>\$ 1,479,258</u>
Business-Type Activities:					
Loans Payable	\$ 4,937,620	\$ -	\$ (328,121)	\$ 4,609,499	\$335,508
Other Liabilities:					
Capital Lease	90,903	106,637	(99,272)	98,268	19,749
Compensated Absences	112,324	151,548	(147,543)	116,329	92,056
Total Business-Type Activities	<u>\$ 5,140,847</u>	<u>\$ 258,185</u>	<u>\$ (574,936)</u>	<u>\$ 4,824,096</u>	<u>\$ 447,313</u>
Business-Type Component Units:					
Notes Payable	<u>\$ 4,864,682</u>	<u>\$ -</u>	<u>\$ (55,055)</u>	<u>\$ 4,809,627</u>	<u>\$ 60,306</u>

Debt service requirements on long-term debt at June 30, 2018 are as follows:

Years	Primary Government				Component Units
	Governmental Activities		Business-Type Activities		Business-type Activities
	Principal	Interest	Principal	Interest	Principal
2019	\$ 525,000	\$ 294,106	\$ 335,508	\$ 100,678	\$ 60,306
2020	530,000	267,127	343,067	93,120	690,494
2021	540,000	238,591	350,798	85,388	65,385
2022	545,000	209,044	358,709	77,477	68,083
2023	550,000	181,169	366,802	69,384	70,892
2024-2028	2,900,000	449,812	1,962,115	218,817	-
2029-2033	-	-	781,350	48,963	-
2034-2035	-	-	111,150	4,166	3,854,467
Totals	<u>\$ 5,590,000</u>	<u>\$ 1,639,849</u>	<u>\$ 4,609,499</u>	<u>\$ 697,993</u>	<u>\$ 4,809,627</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Fund Balance Classifications of Governmental Funds

The City has classified its fund balances as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:			
Nonspendable:			
Inventory	\$ 36,773	\$ -	\$ 36,773
Prepaid Items	85,967	-	85,967
Due from Component Unit	806,588	-	806,588
Advance to Other Funds	22,500	-	22,500
Total Nonspendable	951,828	-	951,828
Restricted:			
Capital Projects	-	895,329	895,329
Firefighters Injured in Line of Duty	139,571	-	139,571
Transit - Making the Connection Program	20,000	-	20,000
Federal and State Grant Programs	-	391,639	391,639
Court Administration	-	-	-
Law Enforcement Operations	-	108,588	108,588
Local Transportation	-	190,084	190,084
Highways and Streets by A.R.S. 28-6533	-	1,120,845	1,120,845
Housing and Redevelopment	-	320,555	320,555
Total Restricted	159,571	3,027,040	3,186,611
Committed:			
Capital Projects	-	233,639	233,639
Unassigned:	5,678,698	(18,010)	5,660,688
Total Fund Balances	<u>\$ 6,790,097</u>	<u>\$ 3,242,669</u>	<u>\$ 10,032,766</u>

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 (State National Insurance Company), 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.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

The City is self-insured for individual health claims up to \$50,000 per covered person. Coverage in excess of this amount is provided through the purchase of commercial insurance. Settlements for the past fiscal year did not exceed the City's excess insurance coverage amounts for any claims.

The City reports its self-insurance activity as an internal service fund. The City allocates the cost of claims by charging a premium to each fund based on a percentage of each fund's estimated current-year payroll. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

The liability claims amount recorded in the accompanying financial statements is based on reported pending claims, effects of inflation, recent claim settlement trends and other economic and social trends. At June 30, 2018, the self-insured benefit claims payable reported within the internal service fund, including amounts incurred, but not yet reported totaled \$110,122.

As of June 30, 2018 and 2017, unpaid claims were as follows:

	2018	2017
Beginning unpaid claims	\$ 238,590	\$ 156,446
Claims incurred and changes in estimates	904,330	1,065,674
Payments made	(1,032,798)	(983,530)
Ending unpaid claims	\$ 110,122	\$ 238,590

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.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans

Cost-Sharing and Agent Multiple Employer Pension Plans

The City contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) for police officers and firefighters. The plans are component units of the State of Arizona.

At June 30, 2018, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Liabilities	\$ 33,552,097	\$ 1,741,852	\$ 35,293,949
Deferred Outflows of Resources	6,596,057	227,608	6,823,665
Deferred Inflows of Resources	1,580,056	137,915	1,717,971
Pension Expense	4,028,674	51,511	4,080,185

The City reported accrued payroll and employee benefits of \$444,771 for outstanding pension contribution amounts payable to \$2,438,424 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System

Plan Descriptions – City employees not covered by the other pension plans described on the following pages participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB). The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2, and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

The ASRS OPEB plan disclosures are not included in the City's financial statements as the liability and related deferred inflows of resources, deferred outflows of resources, and OPEB expense are not material.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as presented on the following page.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

	Retirement	
	Initial Membership Date	
	Before July 1, 2011	On or After July 1, 2011
Years of Service and Age Required to Receive Benefit	Sum of Years and Age Equals 80 10 Years Age 62 5 Year Age 50* any Years Age 65	30 Years Age 55 25 Years Age 60 10 Years Age 62 5 Years Age 50* any Years Age 65
Final Average Salary is Based on	Highest 36 Consecutive Months of Last 120 Months	Highest 60 Consecutive Months of Last 120 Months
Benefit Percentage Per Year of Service	2.1% to 2.3%	2.1% to 2.3%

* With Actuarially Reduced Benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.34% of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 10.90% of the active members' annual covered payroll.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.26% of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The City's contributions to the pension plan for the year ended June 30, 2018, totaled \$485,199.

During the fiscal year ended June 30, 2018, the City paid for ASRS pension contributions as follows: 59% from the General Fund, 16% from nonmajor governmental funds, 10% from the Water Fund, 7% from the Sewer Fund and 8% from the Solid Waste Fund.

Pension Liability – At June 30, 2018, the City reported a liability of \$6,947,811 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017 reflects a change in actuarial assumption for a decrease in loads for future permanent benefit increases.

The City's reported liability at June 30, 2018, decreased by \$147,775 from the City's prior year liability of \$7,095,586 because of changes in the ASRS' net pension liability and the City's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

The City's proportion of the net pension liability was based on the City's fiscal year 2017 pension contributions. The City's proportion measured as of June 30, 2017, was 0.04460%, which was an increase of 0.00064 from its proportion measured as of June 30, 2016.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2018 the City recognized net pension income for ASRS of \$35,770. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 208,334
Changes of assumptions or other inputs	301,759	207,752
Net difference between projected and actual earnings on pension plan investments	49,880	-
Changes in proportion and differences between City contributions and proportionate share of contributions	71,032	134,023
City's contributions subsequent to the measurement date	485,199	-
Total	\$ 907,870	\$ 550,109

The \$485,199 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	\$ (365,090)
2019	305,882
2020	91,591
2021	(159,821)

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2016
Actuarial Roll Forward Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Discount Rate	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

Actuarial assumptions used in the **June 30, 2016** valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Arithmetic Basis</u>
Equity	58%	6.73%
Fixed Income	25%	3.70%
Commodities	2%	3.84%
Real estate	10%	4.25%
Multi-asset class	5%	3.41%
Total	<u>100%</u>	

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.7%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City’s proportionate share of the net pension liability	\$ 8,917,636	\$ 6,947,811	\$ 5,301,853

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan Descriptions— City police employees and City firefighters who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Benefits Provided — The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012
Retirement and Disability	20 Years any Age	25 Years and Age 52.5
Years of Service and Age Required to Receive Benefit	15 Years Age 62	
Final Average Salary is Based on	Highest 36 Consecutive Months of Last 20 Years	Highest 60 Consecutive Months of Last 20 Years
Benefit Percentage Normal Retirement	50% Less 2.0% for Each Year of Credited Service Less Than 20 Years OR Plus 2.0% to 2.5% for Each Year of Credited Service Over 20 Years, Not to Exceed 80%	2.5% Per Year of Credited Service, Not to Exceed 80%
Accidental Disability Retirement	50% or Normal Retirement, Whichever is Greater	
Catastrophic Disability Retirement	90% for the First 60 Months then Reduced to Either 62.5% or Normal Retirement, Whichever is Greater	
Ordinary Disability Retirement	Normal Retirement Calculated with Actual Years of Credited Service or 20 Years of Credited Service, Whichever is Greater, Multiplied by Years of Credited Service (Not to Exceed 20 Years) Divided by 20	
<u>Survivor Benefit</u>		
Retired Members	80-100% of Retired Member's Pension Benefit	
Active Members	80-100% of Accidental Disability Retirement Benefit or 100% of Average Monthly Compensation if Death was the Result of Injuries Received on the Job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation for PSPRS. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50% of the member's compensation for up to 12 months.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	PSPRS Firefighters
Inactive Employees or Beneficiaries		
Currently Receiving Benefits	32	21
Inactive Employees Entitled to but Not Yet Receiving Benefits	6	8
Active Employees	34	22
Total	72	51

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Firefighters
Active Members - Pension	7.65% - 9.94%	7.65% - 9.94%
City		
PSPRS Tier 1/2	65.41%	64.01%
PSPRS Tier 3	60.06%	57.11%

For the agent plans, the City's contributions to the pension plan for the year ended June 30, 2018, were:

	PSPRS Police	PSPRS Firefighters
Pension Contributions Made	\$ 1,069,973	\$ 883,253

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Contributions and Annual OPEB Cost (Continued)

During the fiscal year 2018, the City paid for PSPRS pension and OPEB contributions 100% from the General Fund.

Pension Liability – At June 30, 2018, the City reported the following net pension liabilities:

	Net Pension Liability
PSPRS Police	\$ 16,293,516
PSPRS Firefighters	12,052,622

The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5% to 7.4%, decreasing wage inflation from 4% to 3.5% and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012 and before July 1, 2017, and a court decision that decreased contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the City's PSRPS net pension liabilities as a result of the refunds is not known.

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.40%
Projected Salary Increases	3.50%
Inflation	2.5%
Permanent Benefit Increase	Included
Mortality Rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Short Term Investments	2%	0.25%
Absolute Return	2%	3.75%
Risk Parity	4%	5.00%
Fixed Income	5%	1.25%
Real Assets	9%	4.52%
GTAA	10%	3.96%
Private Equity	12%	6.75%
Real Estate	10%	3.75%
Credit Opportunities	16%	5.83%
Non-U.S. Equity	14%	8.70%
U.S. Equity	16%	7.60%
Total	<u>100%</u>	

Pension Discount Rates – The following discount rates were used to measure the total pension liabilities:

Discount Rates	<u>Police</u> 7.40%	<u>Firefighters</u> 7.40%
----------------	------------------------	------------------------------

At June 30, 2017, the discount rate used to measure the PSPRS total pension liabilities was 7.40%, which was a decrease of 0.10 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Changes in the Agent Plans Net Pension Liability – The following tables present changes in the City's net pension liability for the PSPRS – Police, PSPRS – Fire pension plans as follows:

PSPRS - Police	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance - June 30, 2017	\$ 20,661,266	\$ 6,218,115	\$ 14,443,151
Changes for the Year:			
Service Cost	503,156	-	503,156
Interest on the Total Pension Liability	1,518,655	-	1,518,655
Changes of Benefit Terms	343,604	-	343,604
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	1,102,554	-	1,102,554
Changes of Assumptions or Other Inputs	838,776	-	838,776
Contributions - Employer	-	1,313,766	(1,313,766)
Contributions - Employee	-	237,017	(237,017)
Net Investment Income	-	740,758	(740,758)
Benefit Payments, Including Refunds of Employee Contributions	(1,328,230)	(1,328,230)	-
Administrative Expenses	-	(6,954)	6,954
Other Changes	-	171,793	(171,793)
Net Changes	<u>2,978,515</u>	<u>1,128,150</u>	<u>1,850,365</u>
Balance - June 30, 2018	<u>\$ 23,639,781</u>	<u>\$ 7,346,265</u>	<u>\$ 16,293,516</u>

PSPRS - Firefighters	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2017	\$ 15,291,528	\$ 3,907,658	\$ 11,383,870
Changes for the Year:			
Service Cost	383,056	-	383,056
Interest on the Total Pension Liability	1,130,984	-	1,130,984
Changes of Benefit Terms	264,068	-	264,068
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(142,300)	-	(142,300)
Changes of Assumptions or Other Inputs	776,695	-	776,695
Contributions - Employer	-	1,086,339	(1,086,339)
Contributions - Employee	-	179,196	(179,196)
Net Investment Income	-	482,843	(482,843)
Benefit Payments, Including Refunds of Employee Contributions	(806,531)	(806,531)	-
Administrative Expenses	-	(4,672)	4,672
Other Changes	-	45	(45)
Net Changes	<u>1,605,972</u>	<u>937,220</u>	<u>668,752</u>
Balances as of June 30, 2018	<u>\$ 16,897,500</u>	<u>\$ 4,844,878</u>	<u>\$ 12,052,622</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate – The following table presents the City's net pension liabilities calculated using the discount rate of 7.40%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.40%	7.40%	8.40%
Net Pension Liability (Asset)	\$ 19,460,571	\$ 16,293,516	\$ 13,714,464
PSPRS Firefighters			
Rate	6.40%	7.40%	8.40%

Pension Plan Fiduciary Net Position – Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense – For the year ended June 30, 2018, the City recognized \$1,643,282 and \$2,401,133 in pension expenses for PSPRS Police and PSPRS Firefighters, respectively.

Pension Deferred Outflows/Inflows of Resources – At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 831,036	\$ 559,844
Changes of assumptions or other inputs	1,117,121	-
Net difference between projected and actual earnings on pension plan investments	100,292	-
City contributions subsequent to the measurement date	1,069,973	-
Total	<u>\$ 3,118,422</u>	<u>\$ 559,844</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

PSPRS - Firefighters	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,555	\$ 608,018
Changes of assumptions or other inputs	1,849,953	-
Net difference between projected and actual earnings on pension plan investments	48,612	-
City contributions subsequent to the measurement date	883,253	-
Total	\$ 2,797,373	\$ 608,018

The amounts reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	PSPRS Police	PSPRS Firefighters
2019	\$ 467,460	\$ 349,855
2020	530,460	388,544
2021	513,639	355,869
2022	(22,954)	36,218
2023	-	83,144
Thereafter	-	92,472

D. Subsequent Events

Subsequent to June 30, 2018, the City entered into a five year, \$959,000 lease purchase agreement for the acquisition of information technology network and infrastructure upgrades. The lease provides for semi-annual principal and interest payments through fiscal year 2024 at 3.345 percent per annum.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
COST SHARING PENSION PLANS
LAST FOUR MEASUREMENT PERIODS**

Arizona State Retirement System

	Reporting Year (Measurement Date) June 30,			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
City's Proportion of the Net Pension Liability	0.044600%	0.043960%	0.045470%	0.000494
City's Proportionate Share of the Net Pension Liability	\$ 6,947,811	\$ 7,095,586	\$ 7,082,217	\$ 7,309,573
City's Covered Payroll	\$ 4,539,864	\$ 4,074,323	\$ 4,108,769	\$ 4,015,976
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	153.04%	174.15%	172.37%	182.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.92%	67.06%	68.35%	69.49%

See accompanying Notes to Pension Schedules.

CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS
LAST FOUR MEASUREMENT PERIODS

PSPRS Police

	Reporting Year (Measurement Date) June 30,			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability				
Service Cost	\$ 503,156	\$ 348,598	\$ 350,912	\$ 397,560
Interest on the Total Pension Liability	1,518,655	1,555,542	1,536,369	1,299,915
Changes of Benefit Terms	343,604	(35,698)	-	572,866
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	1,102,554	(895,420)	(298,004)	(586,401)
Changes of Assumptions or Other Inputs	838,776	776,728	-	2,630,528
Benefit Payments, Including Refunds of Employee Contributions	(1,328,230)	(1,460,025)	(1,227,722)	(1,330,257)
Net Change in Total Pension Liability	2,978,515	289,725	361,555	2,984,211
Total Pension Liability - Beginning	20,661,266	20,371,541	20,009,986	17,025,775
Total Pension Liability - Ending (a)	23,639,781	20,661,266	20,371,541	20,009,986
Plan Fiduciary Net Position				
Contributions - Employer	1,313,766	1,078,409	730,718	731,085
Contributions - Employee	237,017	263,157	211,626	201,922
Net Investment Income	740,758	36,786	233,285	814,052
Benefit Payments, Including Refunds of Employee Contributions	(1,328,230)	(1,460,025)	(1,227,722)	(1,330,257)
Administrative Expenses	(6,954)	(5,693)	(6,060)	(6,556)
Other Changes	171,793	38	(53,348)	-
Net Change in Plan Fiduciary Net Position	1,128,150	(87,328)	(111,501)	410,246
Plan Fiduciary Net Position - Beginning	6,218,115	6,305,443	6,416,944	6,006,698
Plan Fiduciary Net Position - Ending (b)	7,346,265	6,218,115	6,305,443	6,416,944
City's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 16,293,516</u>	<u>\$ 14,443,151</u>	<u>\$14,066,098</u>	<u>\$13,593,042</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.08%	30.10%	30.95%	32.07%
Covered Payroll	\$ 2,218,501	\$ 1,824,164	\$ 1,799,959	\$ 1,865,210
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	734.44%	791.77%	781.46%	728.77%

See accompanying Notes to Pension Schedules.

CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS
LAST FOUR MEASUREMENT PERIODS

PSPRS Fire

	Reporting Year (Measurement Date) June 30,			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability				
Service Cost	\$ 383,056	\$ 300,094	\$ 258,460	\$ 288,434
Interest on the Total Pension Liability	1,130,984	1,140,961	1,111,551	909,525
Changes of Benefit Terms	264,068	(16,539)	-	444,603
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(142,300)	(610,416)	(86,876)	36,351
Changes of Assumptions or Other Inputs	776,695	560,384	-	1,830,655
Benefit Payments, Including Refunds of Employee Contributions	(806,531)	(934,899)	(923,685)	(918,315)
Net Change in Total Pension Liability	1,605,972	439,585	359,450	2,591,253
Total Pension Liability - Beginning	15,291,528	14,851,943	14,492,493	11,901,240
Total Pension Liability - Ending (a)	16,897,500	15,291,528	14,851,943	14,492,493
Plan Fiduciary Net Position				
Contributions - Employer	1,086,339	996,227	570,035	613,837
Contributions - Employee	179,196	184,516	151,481	146,888
Net Investment Income	482,843	21,858	133,862	473,107
Benefit Payments, Including Refunds of Employee Contributions	(806,531)	(934,899)	(923,685)	(918,315)
Administrative Expenses	(4,672)	(3,545)	(3,626)	(3,810)
Other Changes	45	(24,570)	(2,812)	22,909
Net Change in Plan Fiduciary Net Position	937,220	239,587	(74,745)	334,616
Plan Fiduciary Net Position - Beginning	3,907,658	3,668,071	3,742,816	3,408,200
Plan Fiduciary Net Position - Ending (b)	4,844,878	3,907,658	3,668,071	3,742,816
City's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 12,052,622</u>	<u>\$ 11,383,870</u>	<u>\$ 11,183,872</u>	<u>\$ 10,749,677</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.67%	25.55%	24.70%	25.83%
Covered Payroll	\$ 1,580,918	\$ 1,517,157	\$ 1,263,573	\$ 1,273,232
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	762.38%	750.34%	885.10%	844.28%

See accompanying Notes to Pension Schedules.

**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST FIVE MEASUREMENT PERIODS**

Arizona State Retirement System

	Reporting Fiscal Year June 30,				
	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 485,199	\$ 469,070	\$ 449,208	\$ 449,025	\$ 476,481
City's Contribution in Relation to the Statutorily Required Contribution	485,199	469,070	449,208	449,025	476,481
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 4,486,032	\$ 4,539,864	\$ 4,074,323	\$ 4,108,769	\$ 4,015,976
City's Contributions as a Percentage of Covered Payroll	10.82%	10.33%	11.03%	10.93%	11.86%

PSPRS Police

	Reporting Fiscal Year June 30,				
	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 1,290,550	\$ 1,313,766	\$ 1,078,409	\$ 730,718	\$ 731,085
City's Contribution in Relation to the Actuarially Determined Contribution	1,069,973	1,313,766	1,078,409	730,718	731,085
City's Contribution Deficiency (Excess)*	\$ 220,577	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 2,097,375	\$ 2,206,930	\$ 1,824,164	\$ 1,799,959	\$ 1,865,210
City's Contributions as a Percentage of Covered Payroll	51.01%	59.53%	59.12%	40.60%	39.20%

PSPRS Fire

	Reporting Fiscal Year June 30,				
	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 1,050,377	\$ 1,086,339	\$ 996,227	\$ 570,035	\$ 613,837
City's Contribution in Relation to the Actuarially Determined Contribution	883,253	1,086,339	996,227	570,035	613,837
City's Contribution Deficiency (Excess)*	\$ 167,124	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 1,655,589	\$ 1,619,974	\$ 1,517,157	\$ 1,263,573	\$ 1,273,232
City's Contributions as a Percentage of Covered Payroll	53.35%	67.06%	65.66%	45.11%	48.21%

* Deficiency is due to benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision affected the actuarially determined contributions for the fiscal year ended June 30, 2018, because of refunds of excess member contributions. The Town refunded excess member contributions on June 30, 2017 and were reported in the prior fiscal year. The Town utilized the PSPRS credit memos in 2018 to reduce actual contributions.

**CITY OF DOUGLAS, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 NOTES TO PENSION SCHEDULES
 JUNE 30, 2018**

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent closed
Remaining Amortization Period as of the 2016 Actuarial Valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions: Investment Rate of Return	PSPRS Members with initial membership date before July 1, 2017. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected Salary Increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases
Wage Growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth decreased from 5.0% to 4.5% for PSPRS.
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 INFORMATION PRIOR TO THE MEASUREMENT DATE

Ten years of information is required; however, information prior to the measurement date (June 30, 2014) was not available.

**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Taxes:			
Sales Taxes	\$ 5,496,813	\$ 5,165,954	\$ (330,859)
Property Taxes	580,000	592,674	12,674
Franchise Taxes	323,000	314,717	(8,283)
Intergovernmental Revenues	5,904,213	5,494,392	(409,821)
Fines and Forfeitures	101,500	93,401	(8,099)
Licenses and Permits	175,400	119,114	(56,286)
Charges for Services	2,239,207	1,822,769	(416,438)
Rents and Royalties	752,355	805,979	53,624
Investment Income	16,000	125,859	109,859
Other	189,596	78,542	(111,054)
Total Revenues	<u>15,778,084</u>	<u>14,613,401</u>	<u>(1,164,683)</u>
EXPENDITURES			
Current:			
General Government:			
Administration	496,254	529,411	(33,157)
Finance	516,416	473,218	43,198
Personnel	421,399	356,028	65,371
General Government	490,871	210,988	279,883
Management Information Systems	448,325	421,074	27,251
Parking Lot	-	1,227	(1,227)
City Magistrate	35,000	46,400	(11,400)
Cemetery	151,066	149,242	1,824
Community Development	-	8,050	(8,050)
Golf Course	166,828	178,770	(11,942)
Economic Development	103,162	107,000	(3,838)
Airport	292,257	293,069	(812)
Call Center	41,640	37,922	3,718
Total General Government	<u>3,163,218</u>	<u>2,812,399</u>	<u>350,819</u>
Public Safety:			
Police	5,840,633	4,936,810	903,823
Fire	1,695,680	1,893,812	(198,132)
Emergency Medical Services	1,903,585	1,815,941	87,644
Total Public Safety	<u>9,439,898</u>	<u>8,646,563</u>	<u>793,335</u>
Highways and Streets:			
Public Works	609,177	589,047	20,130

(Continued)

**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

(Concluded)	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
EXPENDITURES (CONTINUED)			
Culture and Recreation:			
Parks	\$ 534,304	\$ 511,734	\$ 22,570
Recreation	186,174	193,584	(7,410)
Library	436,403	411,293	25,110
Aquatics	311,807	335,137	(23,330)
Visitor Center	62,505	57,804	4,701
Total Culture and Recreation	<u>1,531,193</u>	<u>1,509,552</u>	<u>21,641</u>
Debt Service:			
Principal Retirement	18,172	36,295	(18,123)
Interest on Long-Term Debt	-	5,907	(5,907)
Total Debt Service	<u>18,172</u>	<u>42,202</u>	<u>(24,030)</u>
Capital Outlay	<u>85,000</u>	<u>168,646</u>	<u>(83,646)</u>
Total Expenditures	<u>14,846,658</u>	<u>13,768,409</u>	<u>1,078,249</u>
Excess (Deficiency) of Revenues Over Expenditures	931,426	844,992	(86,434)
OTHER FINANCING SOURCES (USES)			
Transfers In	184,746	149,990	(34,756)
Transfers Out	(1,561,290)	(1,318,664)	242,626
Proceeds from Sale of Capital Assets	445,111	251,003	(194,108)
Issuance of Capital Leases	-	165,151	165,151
Total Other Financing Sources (Uses)	<u>(931,433)</u>	<u>(752,520)</u>	<u>178,913</u>
Net Change in Fund Balance	(7)	92,472	92,479
FUND BALANCE			
Beginning of Year	<u>4,544,106</u>	<u>6,697,625</u>	<u>2,153,519</u>
End of Year	<u>\$ 4,544,099</u>	<u>\$ 6,790,097</u>	<u>\$ 2,245,998</u>

See accompanying Notes to Budgetary Comparison Schedule.

**CITY OF DOUGLAS, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2018**

NOTE 1 BASIS OF ACCOUNTING

The General Fund budgetary comparison schedule is prepared on essentially the same modified accrual bases of accounting as the statement of revenues, expenditures and changes in fund balances reported in the basic financial statements.

Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management and legal purposes, the City Council adopts an annual budget by department for the General Fund. The City Manager, subject to City Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between departments.

NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund:	
Administration	\$ 33,157
Parking Lot	1,227
City Magistrate	11,400
Community Development	8,050
Golf Course	11,942
Economic Development	3,838
Airport	812
Fire	198,132
Recreation	7,410
Aquatics	23,330
Debt Service	24,030
Capital Outlay	83,646

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

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 federal and state grants received by the City restricted for specific projects and awards.

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

LTAF Fund – accounts for the Local Transportation Assistance of the City. The LTAF receives assistance from the State of Arizona to support the development and operation of transportation programs.

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

Golf Course Municipal Property Corporation (MPC) – accounts for operations of the golf course restricted for use of golf course operations. The MPC operates the golf course; however, the City owns all golf course assets and liabilities.

Public Housing Fund – accounts for the Douglas Housing Authority component unit of the City. The Douglas Housing Authority receives federal assistance and provides low rent housing for the area.

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.

**CITY OF DOUGLAS, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	Special Revenue			
	HURF	Grants	Police Grants	LTAF
ASSETS				
Cash and Investments	\$ 1,117,673	\$ 353,718	\$ 108,588	\$ -
Receivables				
Accounts Receivable	-	-	-	-
Taxes Receivable	-	-	-	-
Intergovernmental Receivable	124,975	52,369	-	214,169
Restricted Assets	-	-	-	-
Total Assets	\$ 1,242,648	\$ 406,087	\$ 108,588	\$ 214,169
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 120,188	\$ -	\$ -	\$ 3,242
Accrued Wages and Benefits	1,615	-	-	1,286
Due to Other Funds	-	-	-	19,557
Customer Deposits Payable	-	-	-	-
Advance From Other Funds	-	-	-	-
Total Liabilities	121,803	-	-	24,085
Deferred Inflows of Resources				
Unavailable Revenue	-	14,448	-	-
Fund Balances				
Restricted	1,120,845	391,639	108,588	190,084
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	1,120,845	391,639	108,588	190,084
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,242,648	\$ 406,087	\$ 108,588	\$ 214,169

Special Revenue

JCEF Restricted Court	Golf Course MPC	Public Housing	Total Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 341,365	\$ 1,921,344	\$ 242,279	\$ -	\$ 2,163,623
-	7,447	3,246	10,693	-	-	10,693
-	-	-	-	2,038	-	2,038
-	-	-	391,513	-	-	391,513
-	-	53,063	53,063	895,329	-	948,392
<u>\$ -</u>	<u>\$ 7,447</u>	<u>\$ 397,674</u>	<u>\$ 2,376,613</u>	<u>\$ 1,139,646</u>	<u>\$ -</u>	<u>\$ 3,516,259</u>
\$ -	\$ 2,957	\$ 4,187	\$ 130,574	\$ 8,640	\$ -	139,214
-	-	19,869	22,770	-	-	22,770
-	-	-	19,557	-	-	19,557
-	-	53,063	53,063	-	-	53,063
-	22,500	-	22,500	-	-	22,500
-	25,457	77,119	248,464	8,640	-	257,104
-	-	-	14,448	2,038	-	16,486
-	-	320,555	2,131,711	895,329	-	3,027,040
-	-	-	-	233,639	-	233,639
-	(18,010)	-	(18,010)	-	-	(18,010)
<u>-</u>	<u>(18,010)</u>	<u>320,555</u>	<u>2,113,701</u>	<u>1,128,968</u>	<u>-</u>	<u>3,242,669</u>
<u>\$ -</u>	<u>\$ 7,447</u>	<u>\$ 397,674</u>	<u>\$ 2,376,613</u>	<u>\$ 1,139,646</u>	<u>\$ -</u>	<u>\$ 3,516,259</u>

**CITY OF DOUGLAS, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	Special Revenue			
	HURF	Grants	Police Grants	LTAF
REVENUES				
Taxes				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	1,414,113	109,747	28,001	839,725
Fines and Forfeitures	-	-	-	-
Charges for Services	-	-	-	33,949
Investment Income	-	21	3,569	-
Other	1,301	-	-	-
Total Revenues	<u>1,415,414</u>	<u>109,768</u>	<u>31,570</u>	<u>873,674</u>
EXPENDITURES				
Current				
General Government	-	25,348	-	-
Public Safety	-	7,464	38,940	-
Highways and Streets	1,427,666	3,376	-	807,086
Culture and Recreation	-	3,176	-	-
Redevelopment and Housing	-	-	-	-
Debt Service				
Principal Retirement	-	-	-	-
Interest on Long-Term Debt	-	-	-	-
Capital Outlay	-	61,747	18,944	-
Total Expenditures	<u>1,427,666</u>	<u>101,111</u>	<u>57,884</u>	<u>807,086</u>
Excess (Deficiency) of Revenues Over Expenditures	(12,252)	8,657	(26,314)	66,588
OTHER FINANCING SOURCES (USES)				
Transfers In	-	4,185	-	-
Transfers Out	(40,448)	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Proceeds from Capital Leases	-	-	-	-
Total Other Financing Sources (Uses)	<u>(40,448)</u>	<u>4,185</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(52,700)	12,842	(26,314)	66,588
FUND BALANCES				
Beginning of Year	1,173,545	378,797	134,902	123,496
End of Year	<u>\$ 1,120,845</u>	<u>\$ 391,639</u>	<u>\$ 108,588</u>	<u>\$ 190,084</u>

Special Revenue

JCEF Restricted Court	Golf Course MPC	Public Housing	Total Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 289	\$ 289
-	-	927,580	3,319,166	-	-	3,319,166
782	-	-	782	-	-	782
-	198,866	-	232,815	-	-	232,815
-	-	642	4,232	6,869	-	11,101
-	-	2,333	3,634	-	-	3,634
<u>782</u>	<u>198,866</u>	<u>930,555</u>	<u>3,560,629</u>	<u>6,869</u>	<u>289</u>	<u>3,567,787</u>
18,891	-	-	44,239	-	-	44,239
-	-	-	46,404	-	-	46,404
-	-	-	2,238,128	-	-	2,238,128
-	206,308	-	209,484	15,585	-	225,069
-	-	985,896	985,896	-	-	985,896
-	-	-	-	-	930,715	930,715
-	-	-	-	-	345,214	345,214
-	-	-	80,691	145,842	-	226,533
<u>18,891</u>	<u>206,308</u>	<u>985,896</u>	<u>3,604,842</u>	<u>161,427</u>	<u>1,275,929</u>	<u>5,042,198</u>
(18,109)	(7,442)	(55,341)	(44,213)	(154,558)	(1,275,640)	(1,474,411)
-	4,000	-	8,185	108,196	1,275,640	1,392,021
-	-	-	(40,448)	-	-	(40,448)
-	-	-	-	85,000	-	85,000
-	-	-	-	895,329	-	895,329
<u>-</u>	<u>4,000</u>	<u>-</u>	<u>(32,263)</u>	<u>1,088,525</u>	<u>1,275,640</u>	<u>2,331,902</u>
(18,109)	(3,442)	(55,341)	(76,476)	933,967	-	857,491
18,109	(14,568)	375,896	2,190,177	195,001	-	2,385,178
<u>\$ -</u>	<u>\$ (18,010)</u>	<u>\$ 320,555</u>	<u>\$ 2,113,701</u>	<u>\$ 1,128,968</u>	<u>\$ -</u>	<u>\$ 3,242,669</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
HURF FUND
YEAR ENDED JUNE 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Intergovernmental Revenues	\$ 1,363,685	\$ 1,414,113	\$ 50,428
Other	<u>35,000</u>	<u>1,301</u>	<u>(33,699)</u>
Total Revenues	1,398,685	1,415,414	16,729
EXPENDITURES			
Current:			
Highways and Streets	<u>2,355,142</u>	<u>1,427,666</u>	<u>927,476</u>
Excess (Deficiency) of Revenues Over Expenditures	(956,457)	(12,252)	944,205
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(43,543)</u>	<u>(40,448)</u>	<u>3,095</u>
Net Change in Fund Balance	(1,000,000)	(52,700)	947,300
FUND BALANCE			
Beginning of Year	-	1,173,545	1,173,545
End of Year	<u>\$ (1,000,000)</u>	<u>\$ 1,120,845</u>	<u>\$ 2,120,845</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GRANTS FUND
YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental Revenues	\$ 786,189	\$ 109,747	\$ (676,442)
Investment Income	-	21	21
Total Revenues	<u>786,189</u>	<u>109,768</u>	<u>(676,421)</u>
EXPENDITURES			
Current:			
General Government	5,000	25,348	(20,348)
Public Safety	4,500	7,464	(2,964)
Highways and Streets	-	3,376	(3,376)
Culture and Recreation	22,500	3,176	19,324
Capital Outlay	766,094	61,747	704,347
Total Expenditures	<u>798,094</u>	<u>101,111</u>	<u>696,983</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,905)	8,657	20,562
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>6,300</u>	<u>4,185</u>	<u>(2,115)</u>
Net Change in Fund Balance	(5,605)	12,842	18,447
FUND BALANCE			
Beginning of Year	-	378,797	378,797
End of Year	<u>\$ (5,605)</u>	<u>\$ 391,639</u>	<u>\$ 397,244</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
POLICE GRANTS FUND
YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental Revenues	\$ 204,745	\$ 28,001	\$ (176,744)
Investment Income	-	3,569	3,569
Total Revenues	204,745	31,570	(173,175)
EXPENDITURES			
Current			
Public Safety	58,000	38,940	19,060
Capital Outlay	146,745	18,944	127,801
Total Expenditures	204,745	57,884	146,861
Excess (Deficiency) of Revenues Over Expenditures	-	(26,314)	(26,314)
FUND BALANCE			
Beginning of Year	-	134,902	134,902
End of Year	\$ -	\$ 108,588	\$ 108,588

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
LTAFF FUND
YEAR ENDED JUNE 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Intergovernmental	\$ 1,011,800	\$ 839,725	\$ (172,075)
Charges for Services	75,000	33,949	(41,051)
Total Revenue	<u>1,086,800</u>	<u>873,674</u>	<u>(213,126)</u>
EXPENDITURES			
Current:			
Highways and Streets	<u>1,073,506</u>	<u>807,086</u>	<u>266,420</u>
Excess (Deficiency) of Revenues Over Expenditures	13,294	66,588	53,294
FUND BALANCE			
Beginning of Year	-	123,496	123,496
End of Year	<u>\$ 13,294</u>	<u>\$ 190,084</u>	<u>\$ 176,790</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
JCEF RESTRICTED COURT FUND
YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual	Variance With Final Budget
REVENUES			
Fines and Forfeitures	\$ -	\$ 782	\$ 782
EXPENDITURES			
Current:			
General Government	15,000	18,891	(3,891)
Excess (Deficiency) of Revenues Over Expenditures	(15,000)	(18,109)	(3,109)
FUND BALANCE			
Beginning of Year	-	18,109	18,109
End of Year	\$ (15,000)	\$ -	\$ 15,000

**CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Investment Income	\$ -	\$ 6,869	\$ 6,869
EXPENDITURES			
Current:			
Culture and Recreation	-	15,585	(15,585)
Capital Outlay	<u>495,301</u>	<u>145,842</u>	<u>349,459</u>
Excess (Deficiency) of Revenues Over Expenditures	(495,301)	(154,558)	340,743
OTHER FINANCING SOURCES (USES)			
Transfers In	324,952	108,196	(216,756)
Proceeds from Sale of Capital Assets	-	85,000	85,000
Proceeds from Capital Lease	-	895,329	895,329
Total Other Financing Sources (Uses)	<u>324,952</u>	<u>1,088,525</u>	<u>763,573</u>
Net Change in Fund Balance	(170,349)	933,967	1,104,316
FUND BALANCE			
Beginning of Year	-	195,001	-
End of Year	<u>\$ (170,349)</u>	<u>\$ 1,128,968</u>	<u>\$ 1,104,316</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual	Variance With Final Budget
REVENUES			
Taxes	\$ -	\$ 289	\$ 289
EXPENDITURES			
Debt Service:			
Principal Retirement	1,277,791	930,715	347,076
Interest on Long-Term Debt	-	345,214	(345,214)
Total Expenditures	<u>1,277,791</u>	<u>1,275,929</u>	<u>1,862</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,277,791)	(1,275,640)	2,151
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>1,277,791</u>	<u>1,275,640</u>	<u>(2,151)</u>
Net Change in Fund Balance	-	-	-
FUND BALANCE			
Beginning of Year	-	-	-
End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2009	2010	2011	2012
Governmental Activities:				
Net Investment in Capital Assets	\$ 12,376,658	\$ 13,775,501	\$ 15,847,448	\$ 20,735,227
Restricted	3,634,763	477,084	719,796	871,510
Unrestricted	5,438,330	7,049,956	3,938,127	3,923,990
Total Governmental Activities Net Position	<u>\$ 21,449,751</u>	<u>\$ 21,302,541</u>	<u>\$ 20,505,371</u>	<u>\$ 25,530,727</u>
Business-Type Activities:				
Net Investment in Capital Assets	\$ 15,535,124	\$ 15,872,761	\$ 16,048,928	\$ 15,921,451
Restricted	-	-	-	-
Unrestricted	1,006,658	1,205,402	2,100,001	3,880,161
Total Business-Type Activities Net Position	<u>\$ 16,541,782</u>	<u>\$ 17,078,163</u>	<u>\$ 18,148,929</u>	<u>\$ 19,801,612</u>
Primary Government:				
Net Investment in Capital Assets	\$ 27,911,782	\$ 29,648,262	\$ 31,896,376	\$ 36,656,678
Restricted	3,634,763	477,084	719,796	871,510
Unrestricted	6,444,988	8,255,358	6,038,128	7,804,151
Total Primary Government Net Position	<u>\$ 37,991,533</u>	<u>\$ 38,380,704</u>	<u>\$ 38,654,300</u>	<u>\$ 45,332,339</u>

Source: The City's Finance Department.

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 20,087,841	\$ 13,255,510	\$ 14,659,500	\$ 16,236,005	\$ 16,107,618	\$ 15,840,000
1,234,695	1,261,605	1,632,597	2,087,831	2,385,205	2,521,494
3,991,132	5,512,891	(20,445,957)	(20,045,765)	(21,402,039)	(23,079,733)
<u>\$ 25,313,668</u>	<u>\$ 20,030,006</u>	<u>\$ (4,153,860)</u>	<u>\$ (1,721,929)</u>	<u>\$ (2,909,216)</u>	<u>\$ (4,718,239)</u>
\$ 16,866,077	\$ 16,491,574	\$ 16,271,458	\$ 16,301,425	\$ 15,748,934	\$ 18,044,782
443,520	568,237	712,773	893,708	615,334	628,579
3,685,177	4,508,051	3,157,152	4,142,534	5,712,000	6,195,530
<u>\$ 20,994,774</u>	<u>\$ 21,567,862</u>	<u>\$ 20,141,383</u>	<u>\$ 21,337,667</u>	<u>\$ 22,076,268</u>	<u>\$ 24,868,891</u>
\$ 36,953,918	\$ 29,747,084	\$ 30,930,958	\$ 32,537,430	\$ 31,856,552	\$ 33,884,782
1,678,215	1,829,842	2,345,370	2,981,539	3,000,539	3,150,073
7,676,309	10,020,942	(17,288,805)	(15,903,231)	(15,690,039)	(16,884,203)
<u>\$ 46,308,442</u>	<u>\$ 41,597,868</u>	<u>\$ 15,987,523</u>	<u>\$ 19,615,738</u>	<u>\$ 19,167,052</u>	<u>\$ 20,150,652</u>

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

	Fiscal Year			
	2009	2010	2011	2012
EXPENSES				
Governmental Activities:				
General Government	\$ 3,999,501	\$ 4,639,733	\$ 5,121,084	\$ 4,840,153
Public Safety	6,604,306	6,715,219	6,700,135	7,186,954
Highways and Streets	2,702,979	2,970,829	2,773,973	2,555,331
Culture and Recreation	2,074,291	1,986,674	1,936,579	1,827,388
Redevelopment and Housing	497,600	53,973	51,599	-
Interest on Long-Term Debt	727,564	760,128	704,510	664,519
Total Governmental Activities	<u>16,606,241</u>	<u>17,126,556</u>	<u>17,287,880</u>	<u>17,074,345</u>
Business-Type Activities:				
Water	1,344,052	1,261,985	1,367,914	1,698,669
Sewer	1,385,910	1,337,193	1,320,648	1,313,976
Solid Waste	707,042	716,047	755,546	765,647
Total Business-Type Activities	<u>3,437,004</u>	<u>3,315,225</u>	<u>3,444,108</u>	<u>3,778,292</u>
Total Primary Government Expenses	<u>\$ 20,043,245</u>	<u>\$ 20,441,781</u>	<u>\$ 20,731,988</u>	<u>\$ 20,852,637</u>
PROGRAM REVENUES				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 1,387,975	\$ 1,766,509	\$ 1,728,090	\$ 2,035,725
Public Safety	760,669	669,040	972,724	924,788
Highways and Streets	-	-	-	-
Culture and Recreation	98,174	90,033	173,836	73,255
Operating Grants and Contributions	1,818,551	2,128,442	2,303,776	2,193,829
Capital Grants and Contributions	1,765,876	902,228	951,180	5,622,718
Total Governmental Activities	<u>5,831,245</u>	<u>5,556,252</u>	<u>6,129,606</u>	<u>10,850,315</u>
Business-Type Activities:				
Charges for Services:				
Water	1,782,320	1,870,916	1,965,519	2,000,402
Sewer	909,842	1,042,152	1,703,223	1,796,248
Solid Waste	816,038	1,056,305	1,203,563	1,237,449
Operating Grants and Contributions	-	-	-	592,435
Capital Grants and Contributions	2,373,486	-	-	274,140
Total Business-Type Activities	<u>5,881,686</u>	<u>3,969,373</u>	<u>4,872,305</u>	<u>5,900,674</u>
Total Primary Government	<u>\$ 11,712,931</u>	<u>\$ 9,525,625</u>	<u>\$ 11,001,911</u>	<u>\$ 16,750,989</u>

Source: The City's Finance Department.

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 4,989,484	\$ 4,499,732	\$ 3,858,018	\$ 3,336,212	\$ 3,463,981	\$ 2,910,916
7,799,983	8,050,797	9,792,922	9,678,626	10,479,931	11,269,994
2,605,395	2,394,792	1,946,662	2,597,146	2,649,507	2,929,910
1,868,116	1,965,397	1,680,063	2,057,077	2,100,889	2,107,161
1,041,957	1,064,489	954,039	922,816	924,901	985,896
579,592	530,417	478,120	414,014	379,124	351,121
<u>18,884,527</u>	<u>18,505,624</u>	<u>18,709,824</u>	<u>19,005,891</u>	<u>19,998,333</u>	<u>20,554,998</u>
1,666,863	1,839,897	1,884,943	1,654,307	1,902,651	1,798,870
1,310,421	1,538,514	1,472,735	1,353,423	1,344,495	1,434,055
785,788	956,297	930,769	1,134,665	991,934	1,066,948
<u>3,763,072</u>	<u>4,334,708</u>	<u>4,288,447</u>	<u>4,142,395</u>	<u>4,239,080</u>	<u>4,299,873</u>
<u>\$ 22,647,599</u>	<u>\$ 22,840,332</u>	<u>\$ 22,998,271</u>	<u>\$ 23,148,286</u>	<u>\$ 24,237,413</u>	<u>\$ 24,854,871</u>
\$ 1,825,479	\$ 1,890,264	\$ 1,699,542	\$ 1,482,688	\$ 1,538,549	\$ 1,296,371
895,111	1,069,174	1,246,153	1,647,339	1,603,762	1,457,381
-	-	-	20,537	21,666	33,949
89,531	136,056	94,747	304,953	302,204	287,159
3,340,827	3,751,156	3,466,981	3,661,814	4,084,183	4,184,057
1,000,170	423,034	582,348	2,996,541	383,742	474,578
<u>7,151,118</u>	<u>7,269,684</u>	<u>7,089,771</u>	<u>10,113,872</u>	<u>7,934,106</u>	<u>7,733,495</u>
2,025,752	2,070,331	1,979,308	1,989,253	2,031,524	1,997,192
1,835,771	1,880,405	1,852,495	1,954,149	1,941,864	1,939,739
1,205,675	1,202,806	1,212,089	1,207,590	1,199,843	1,205,083
8,196	1,320	-	400,000	-	-
19,578	-	-	-	-	2,064,313
<u>5,094,972</u>	<u>5,154,862</u>	<u>5,043,892</u>	<u>5,550,992</u>	<u>5,173,231</u>	<u>7,206,327</u>
<u>\$ 12,246,090</u>	<u>\$ 12,424,546</u>	<u>\$ 12,133,663</u>	<u>\$ 15,664,864</u>	<u>\$ 13,107,337</u>	<u>\$ 14,939,822</u>

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

(Concluded)	Fiscal Year			
	2009	2010	2011	2012
NET (EXPENSE)/REVENUE				
Governmental Activities	\$ (10,774,996)	\$ (11,570,304)	\$ (11,158,274)	\$ (6,224,030)
Business-Type Activities	2,444,682	654,148	1,428,197	2,122,382
Total Primary Government Net Expense	\$ (8,330,314)	\$ (10,916,156)	\$ (9,730,077)	\$ (4,101,648)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 6,151,531	\$ 5,808,108	\$ 5,953,998	\$ 5,825,402
Property Taxes	532,028	531,489	545,995	533,742
Franchise Taxes	341,702	351,635	337,029	334,074
Unrestricted Grants and Contributions	18,467	30,274	39,082	42,590
State Revenue Sharing	2,608,244	2,245,322	1,687,895	1,466,716
State Sales Tax Revenue Sharing	1,368,088	1,261,862	1,316,667	1,357,922
Auto Lieu Tax Revenue Sharing	793,358	732,787	762,824	803,452
Gain on Sale of Capital Assets	-	-	-	6,769
Investment Income	16,212	107,495	67,493	44,626
Other	322,889	238,124	258,705	356,342
Special Item	-	-	-	-
Transfers	132,432	115,998	358,411	477,751
Total Governmental Activities	12,284,951	11,423,094	11,328,099	11,249,386
Business-Type Activities:				
Sales Tax	77,114	-	-	-
Investment Income (Loss)	21,628	(1,769)	980	8,052
Transfers	(132,432)	(115,998)	(358,411)	(477,751)
Total Business-Type Activities	(33,690)	(117,767)	(357,431)	(469,699)
Total Primary Government	\$ 12,251,261	\$ 11,305,327	\$ 10,970,668	\$ 10,779,687
CHANGE IN NET POSITION				
Governmental Activities	\$ 1,509,955	\$ (147,210)	\$ 169,825	\$ 5,025,356
Business-Type Activities	2,410,992	536,381	1,070,766	1,652,683
Total Primary Government	\$ 3,920,947	\$ 389,171	\$ 1,240,591	\$ 6,678,039

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ (11,733,409)	\$ (11,235,940)	\$ (11,620,053)	\$ (8,892,019)	\$ (12,064,227)	\$ (12,821,503)
1,331,900	820,154	755,445	1,408,597	934,151	2,906,454
<u>\$ (10,401,509)</u>	<u>\$ (10,415,786)</u>	<u>\$ (10,864,608)</u>	<u>\$ (7,483,422)</u>	<u>\$ (11,130,076)</u>	<u>\$ (9,915,049)</u>
\$ 5,364,312	\$ 5,533,351	\$ 5,578,165	\$ 5,361,849	\$ 5,097,699	\$ 5,166,243
563,698	578,759	577,360	585,960	595,284	587,260
314,080	311,019	317,610	312,874	295,034	314,717
70,074	41,950	40,417	37,610	38,171	38,510
1,775,125	1,976,038	2,119,573	2,108,081	2,029,912	2,056,563
1,419,048	1,545,589	1,600,126	1,644,426	1,518,751	1,591,310
757,402	736,085	776,774	812,549	819,277	855,842
-	-	20,480	(11,611)	69,902	-
39,423	30,607	26,489	39,738	73,269	136,960
596,739	281,915	265,826	188,576	106,863	82,176
-	(5,352,178)	-	-	-	-
162,208	269,143	245,316	243,898	232,778	182,899
<u>11,062,109</u>	<u>5,952,278</u>	<u>11,568,136</u>	<u>11,323,950</u>	<u>10,876,940</u>	<u>11,012,480</u>
-	-	-	-	-	-
23,470	22,077	18,232	31,585	37,228	69,068
(162,208)	(269,143)	(245,316)	(243,898)	(232,778)	(182,899)
<u>(138,738)</u>	<u>(247,066)</u>	<u>(227,084)</u>	<u>(212,313)</u>	<u>(195,550)</u>	<u>(113,831)</u>
<u>\$ 10,923,371</u>	<u>\$ 5,705,212</u>	<u>\$ 11,341,052</u>	<u>\$ 11,111,637</u>	<u>\$ 10,681,390</u>	<u>\$ 10,898,649</u>
\$ (671,300)	\$ (5,283,662)	\$ (51,917)	\$ 2,431,931	\$ (1,187,287)	\$ (1,809,023)
1,193,162	573,088	528,361	1,196,284	738,601	2,792,623
<u>\$ 521,862</u>	<u>\$ (4,710,574)</u>	<u>\$ 476,444</u>	<u>\$ 3,628,215</u>	<u>\$ (448,686)</u>	<u>\$ 983,600</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>
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
2013	5,364,312	563,698	314,080	6,242,090
2014	5,533,351	578,759	311,019	6,423,129
2015	5,578,165	577,360	317,610	6,473,135
2016	5,361,849	585,960	312,874	6,260,683
2017	5,097,699	595,284	295,034	5,988,017
2018	5,166,243	587,260	314,717	6,068,220

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				
	2009	2010	2011	2012	2013
General Fund:					
Reserved	\$ 68,239	\$ -			
Unreserved	3,962,160	4,174,438			
Nonspendable			\$ 58,493	\$ 652,189	\$ 686,488
Restricted			-	-	-
Unassigned			4,683,978	4,108,952	4,260,979
Total General Fund	<u>\$ 4,030,399</u>	<u>\$ 4,174,438</u>	<u>\$ 4,742,471</u>	<u>\$ 4,761,141</u>	<u>\$ 4,947,467</u>
All Other Governmental Funds:					
Reserved	\$ 10,000	\$ 15,453			
Unreserved, Reported in:					
Special Revenue Funds	5,335,420	4,065,860			
Capital Projects Funds	(7,499)	-			
Debt Service Funds	-	-			
Restricted			\$ 2,220,530	\$ 871,510	\$ 1,174,505
Committed			-	-	-
Assigned			-	228,340	224,190
Unassigned			(29,857)	-	-
Total All Other Governmental Funds	<u>\$ 5,337,921</u>	<u>\$ 4,081,313</u>	<u>\$ 2,190,673</u>	<u>\$ 1,099,850</u>	<u>\$ 1,398,695</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

2014	2015	2016	2017	2018
\$ 720,416	\$ 723,641	\$ 734,543	\$ 858,288	\$ 951,828
-	156,889	157,580	158,488	159,571
4,790,887	5,613,427	6,512,749	5,680,849	5,678,698
<u>\$ 5,511,303</u>	<u>\$ 6,493,957</u>	<u>\$ 7,404,872</u>	<u>\$ 6,697,625</u>	<u>\$ 6,790,097</u>
\$ 1,218,198	\$ 1,439,415	\$ 1,900,963	\$ 2,204,745	\$ 3,027,040
1,033,237	779,693	693,863	195,001	233,639
320,290	-	-	-	-
-	-	-	(14,568)	(18,010)
<u>\$ 2,571,725</u>	<u>\$ 2,219,108</u>	<u>\$ 2,594,826</u>	<u>\$ 2,385,178</u>	<u>\$ 3,242,669</u>

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

	Fiscal Year			
	2009	2010	2011	2012
REVENUES				
Taxes	\$ 7,012,223	\$ 6,689,354	\$ 6,831,876	\$ 6,707,653
Intergovernmental	8,372,584	7,184,648	7,083,337	6,783,653
Fines and Forfeitures	195,644	189,333	201,361	319,294
Licenses and Permits	126,224	192,309	172,602	196,385
Charges for Services	1,386,022	1,410,391	1,745,359	1,759,653
Rents and Royalties	538,928	733,549	755,328	758,436
Contributions and Donations	-	-	-	-
Investment Income	16,212	107,495	67,493	44,626
Other	322,889	238,124	258,705	356,342
Total Revenues	<u>17,970,726</u>	<u>16,745,203</u>	<u>17,116,061</u>	<u>16,926,042</u>
EXPENDITURES				
General Government	13,462,021	3,961,316	3,910,726	3,555,255
Public Safety	6,579,669	6,554,551	6,275,426	6,709,042
Highways and Streets	2,626,696	2,660,654	1,975,991	2,093,297
Culture and Recreation	1,750,997	1,513,127	1,409,501	1,361,590
Redevelopment and Housing	497,600	53,973	51,599	-
Capital Outlay	817,482	728,862	2,007,704	2,620,504
Debt Service				
Principal Retirement	656,965	2,228,723	1,611,006	1,636,402
Interest on Long-Term Debt	686,598	719,162	663,544	623,553
Total Expenditures	<u>27,078,028</u>	<u>18,420,368</u>	<u>17,905,497</u>	<u>18,599,643</u>
Excess of Revenues				
Over (Under) Expenditures	(9,107,302)	(1,675,165)	(789,436)	(1,673,601)
OTHER FINANCING SOURCES				
(USES)				
Transfers In	1,020,458	1,303,871	2,837,907	2,923,356
Transfers Out	(888,026)	(1,002,494)	(2,479,496)	(2,445,605)
Issuance of Long-Term Debt	9,000,000	400,000	-	-
Proceeds from Capital Leases	595,000	-	75,413	71,676
Proceeds from Sale of Capital Assets	-	-	-	52,021
Total Other Financing	<u>9,727,432</u>	<u>701,377</u>	<u>433,824</u>	<u>601,448</u>
Sources (Uses)				
Net Change in Fund Balance	<u>\$ 620,130</u>	<u>\$ (973,788)</u>	<u>\$ (355,612)</u>	<u>\$ (1,072,153)</u>
Debt Service as a Percentage of				
Noncapital Expenditures	9.80%	18.09%	14.02%	14.27%

Source: The City's Finance Department.

Fiscal Year

	2013	2014	2015	2016	2017	2018
\$	6,234,848	\$ 6,399,692	\$ 6,476,819	\$ 6,252,364	\$ 5,996,580	\$ 6,073,634
	8,031,863	8,455,635	8,035,692	8,446,141	8,750,525	8,813,558
	273,475	311,448	160,870	202,116	157,059	94,183
	162,571	201,227	165,004	152,482	151,967	119,114
	1,605,657	1,763,797	1,895,749	2,282,537	2,335,745	2,055,584
	768,418	819,022	818,819	818,382	821,410	805,979
	-	-	136,718	-	-	-
	39,423	30,607	26,489	39,738	73,271	136,960
	596,739	281,915	265,826	188,576	106,863	82,176
	<u>17,712,994</u>	<u>18,263,343</u>	<u>17,981,986</u>	<u>18,382,336</u>	<u>18,393,420</u>	<u>18,181,188</u>
	3,469,997	3,407,238	3,203,318	2,863,112	2,838,725	2,856,638
	7,139,134	7,295,712	7,030,010	8,395,922	9,453,283	8,692,967
	1,779,871	1,685,298	1,276,388	1,909,520	2,161,891	2,827,175
	1,407,089	1,513,927	1,337,577	1,694,211	1,744,473	1,734,621
	1,035,816	1,058,347	947,866	916,674	920,658	985,896
	2,007,665	1,806,890	1,923,777	521,648	1,124,777	395,179
	1,627,585	1,464,848	1,474,930	907,502	913,997	967,010
	551,097	501,922	423,879	414,014	379,124	351,121
	<u>19,018,254</u>	<u>18,734,182</u>	<u>17,617,745</u>	<u>17,622,603</u>	<u>19,536,928</u>	<u>18,810,607</u>
	(1,305,260)	(470,839)	364,241	759,733	(1,143,508)	(629,419)
	2,480,730	2,354,892	2,557,063	1,633,133	1,558,311	1,542,011
	(2,318,522)	(2,085,749)	(2,311,747)	(1,389,235)	(1,325,533)	(1,359,112)
	-	-	-	-	-	-
	1,205,911	1,041,474	-	67,277	140,482	1,060,480
	-	897,088	20,480	215,725	69,902	336,003
	<u>1,368,119</u>	<u>2,207,705</u>	<u>265,796</u>	<u>526,900</u>	<u>443,162</u>	<u>1,579,382</u>
\$	<u>62,859</u>	<u>\$ 1,736,866</u>	<u>\$ 630,037</u>	<u>\$ 1,286,633</u>	<u>\$ (700,346)</u>	<u>\$ 949,963</u>

12.65%

11.68%

12.10%

7.87%

7.16%

7.52%

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

Sales Category:	Fiscal Year			
	2009	2010	2011	2012
Mining	\$ 2,318,215	\$ 2,318,215	\$ 301,452	\$ 6,606
Communications and Utilities	22,195,363	22,195,363	23,550,249	21,998,591
Transportation & Warehousing	48,456	48,456	66,060	36,614
Construction	15,965,933	15,965,933	19,963,998	18,615,619
Manufacturing	3,945,094	3,945,094	986,650	-
Wholesale Trade	3,884,491	3,884,491	1,226,017	-
Retail Trade	144,710,942	144,710,942	147,664,164	136,449,566
Finance and Insurance	93,629	93,629	33,753	-
Real Estate, Rental and Leases	6,249,386	6,249,386	8,690,896	8,369,967
Restaurants and Bars	12,500,240	12,500,240	14,153,836	15,215,328
Accommodations	2,363,017	2,363,017	3,652,951	4,552,670
Public Administration	294,021	294,021	-	-
Services	3,242,519	3,242,519	1,018,073	1,224,696
Arts & Entertainment	56,562	56,562	410,600	758,552
Other	2,921,447	2,921,447	2,599,103	276,830
Total	<u>\$ 220,789,315</u>	<u>\$ 220,789,315</u>	<u>\$ 224,317,802</u>	<u>\$ 207,505,039</u>
City Sales Tax Rate	2.50%	2.80%	2.80%	2.80%

Source: Arizona Department of Revenue.

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 4,715	\$ 2,626	\$ 2,891	\$ -	\$ -	\$ -
20,996,222	20,874,694	20,725,169	20,056,514	17,469,469	17,199,821
34,024	7,558	32,657	23,200	7,646	10,500
4,980,458	7,161,065	10,778,758	7,836,315	7,855,430	4,842,286
-	-	-	-	-	-
-	-	-	-	-	-
137,243,931	138,881,604	141,407,356	134,525,779	124,098,318	135,090,750
-	-	-	-	-	-
7,812,435	8,037,675	8,143,356	8,776,313	8,341,499	9,606,250
14,682,935	14,404,604	14,634,276	14,629,652	14,290,984	13,806,714
3,855,249	3,792,273	2,848,778	2,685,332	2,646,883	2,646,883
-	-	-	-	-	-
1,152,749	1,385,854	1,102,206	709,281	2,318,353	4,424,929
642,019	477,238	377,338	342,208	588,899	210,429
196,727	173,041	262,025	177,197	195,312	201,500
<u>\$ 191,601,464</u>	<u>\$ 195,198,232</u>	<u>\$ 200,314,810</u>	<u>\$ 189,761,791</u>	<u>\$ 177,812,793</u>	<u>\$ 188,040,062</u>
2.80%	2.80%	2.80%	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>
2009	2.80	6.10
2010	2.80	6.10
2011	2.80	7.10
2012	2.80	7.10
2013	2.80	6.10
2014	2.80	6.10
2015	2.80	6.10
2016	2.80	6.10
2017	2.80	6.10
2018	2.80	6.10

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				
2009	\$ 58,804	\$ 4,848	\$ 6,625	\$ 57,027	10.55	\$ 470,911	12.109%
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	505,672	11.112
2013	60,730	3,905	9,743	54,892	7.21	499,781	10.983
2014	59,500	3,585	9,685	53,400	11.64	494,935	10.789
2015	56,289	3,718	9,531	50,476	13.79	468,243	10.780
2016	55,812	3,782	9,709	49,885	13.90	468,189	10.655
2017	55,327	3,784	9,140	49,971	13.53	478,522	10.443
2018	56,385	3,770	9,731	50,424	13.53	480,200	10.501

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	
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
2013	1.08	2.63	1.85	1.65	7.21	0.86	0.55	8.62
2014	1.15	2.63	2.03	5.83	11.64	0.87	0.55	13.06
2015	1.18	2.63	2.18	7.80	13.79	0.89	0.55	15.23
2016	1.19	2.63	2.29	7.79	13.90	1.13	0.55	15.58
2017	1.19	2.67	2.37	7.29	13.53	1.13	0.55	15.23
2018	1.19	2.67	2.37	7.29	13.53	1.14	0.55	15.23

Source: The Cochise County Treasurer.

**CITY OF DOUGLAS, ARIZONA
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2017 AND 2008
(UNAUDITED)**

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service	\$ 3,075,427	1	6.13 %	\$ 1,908,113	2	3.44 %
Wal-Mart Stores Inc.	2,151,478	2	4.29	3,220,860	1	5.80
Phelps Dodge Corp	651,863	3	1.30	-	-	-
DHD LLC	558,900	4	1.11	-	-	-
Southwest Gas Corporation	529,574	5	1.06	775,922	3	1.40
Borane Ronald J & Rona Trust	489,445	6	0.98	465,160	9	0.84
SFP Pool Five Shopping Centers	448,856	7	0.90	-	-	-
Hillcrest Apartments LLC	406,800	8	0.81	497,200	7	0.90
UIRC-GAS V Douglas AZ, LLC	359,293	9	0.72	-	-	-
Circle K Stores, Inc #2702940	336,756	10	0.67	-	-	-
Qwest Corporation	-	-	-	760,433	4	1.37
B-Y 90 Fifth Street LLC	-	-	-	751,630	5	1.35
Phelps Dodge Corporation	-	-	-	502,688	6	0.91
JC Penney Co., Inc.	-	-	-	483,935	8	0.87
UIRC-GAS V Douglas AZ, LLC	-	-	-	440,000	10	0.79
	<u>\$ 9,008,392</u>		17.96 %	<u>\$ 9,805,941</u>		17.66 %

Source: The Cochise County Assessor's Office.

**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>
2009	\$ 542,878	\$ 489,507	90.17%	\$ 51,173	\$ 540,680	99.60%
2010	546,719	477,007	87.25	67,359	544,366	99.57
2011	555,804	504,613	90.79	48,402	553,015	99.50
2012	538,029	490,427	91.15	44,058	534,485	99.34
2013	552,411	501,212	90.73	47,006	548,218	99.24
2014	562,460	498,462	88.62	59,021	557,483	99.12
2015	565,710	515,897	91.19	44,910	560,807	99.13
2016	586,193	523,764	89.35	52,158	523,764	89.35
2017	587,758	536,145	91.22	53,456	536,145	91.22
2018	599,185	509,098	84.97	-	509,098	84.97

Source: The Cochise County Treasurer.

	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Tax Levy</u>
\$	2,198	0.40
	2,353	0.43
	2,789	0.50
	3,544	0.66
	4,193	0.76
	2,113	0.38
	2,919	0.52
	3,352	0.57
	4,677	0.80
	90,087	15.03

**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			
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
2013	920,800	8,260,000	1,345,057	5,457,668	263,551	16,247,076	7.15	935
2014	468,602	7,725,000	1,911,683	5,095,574	440,727	15,641,586	6.68	893
2015	-	7,125,000	1,506,753	4,604,627	326,606	13,562,986	5.79	798
2016	-	6,620,000	1,162,606	5,263,184	210,018	13,255,808	5.66	757
2017	-	6,110,000	899,091	4,937,620	90,903	12,037,614	5.15	709
2018	-	5,590,000	1,512,561	4,609,499	98,268	11,810,328	4.86	712

Source: The City's Finance Department.

CITY OF DOUGLAS, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2018
(UNAUDITED)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Cochise County	\$ -	5.85%	\$ -
Cochise County Community College District	2,410,000	8.85%	213,213
Douglas Unified School District No. 27	6,384,823	78.84%	<u>5,033,858</u>
Subtotal, Overlapping Debt			<u>5,247,071</u>
City of Douglas, Arizona direct debt	7,102,561	100.00%	<u>7,102,561</u>
Total Direct and Overlapping Debt			<u><u>\$ 12,349,632</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 2017-18.

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

	Fiscal Year				
	2009	2010	2011	2012	2013
20% Debt Limit	\$ 10,890,226	\$ 11,240,800	\$ 11,387,094	\$ 11,237,561	\$ 10,978,476
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 10,890,226</u>	<u>\$ 11,240,800</u>	<u>\$ 11,387,094</u>	<u>\$ 11,237,561</u>	<u>\$ 10,978,476</u>
 Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	-	-	-	-	-

	Fiscal Year				
	2009	2010	2011	2012	2013
6% Debt Limit	\$ 3,267,068	\$ 3,372,240	\$ 3,416,128	\$ 3,371,268	\$ 3,293,543
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 3,267,068</u>	<u>\$ 3,372,240</u>	<u>\$ 3,416,128</u>	<u>\$ 3,371,268</u>	<u>\$ 3,293,543</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				
2014	2015	2016	2017	2018
\$ 10,679,957	\$ 10,095,268	\$ 9,977,035	\$ 9,994,192	\$ 10,029,043
-	-	-	-	-
<u>\$ 10,679,957</u>	<u>\$ 10,095,268</u>	<u>\$ 9,977,035</u>	<u>\$ 9,994,192</u>	<u>\$ 10,029,043</u>

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Fiscal Year				
2014	2015	2016	2017	2018
\$ 3,203,987	\$ 3,028,580	\$ 2,993,111	\$ 2,998,257	\$ 3,008,713
-	-	-	-	-
<u>\$ 3,203,987</u>	<u>\$ 3,028,580</u>	<u>\$ 2,993,111</u>	<u>\$ 2,998,257</u>	<u>\$ 3,008,713</u>

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CITY OF DOUGLAS, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2018
(UNAUDITED)

Net Secondary Assessed Value		<u>\$ 50,145,213</u>
<u>Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds</u>		
Debt Limit - 20% of Net Secondary Assessed Value		10,029,043
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>10,029,043</u>
<u>All Other General Obligation Bonds</u>		
Debt Limit - 6% of Net Secondary Assessed Value		3,008,713
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>3,008,713</u>
Total Legal Debt Margin		<u>\$ 13,037,755</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	Pledged Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009	\$ 12,666,703	\$ -	\$ 12,666,703	\$ 390,000	\$ 97,237	2599.70
2010	11,803,431	-	11,803,431	400,000	80,476	2456.61
2011	11,458,594	-	11,458,594	415,000	71,077	2357.36
2012	11,017,679	-	11,017,679	425,000	59,457	2274.23
2013	10,896,218	-	10,896,218	440,000	46,106	2241.53
2014	11,462,981	-	11,462,981	455,000	31,806	2354.73
2015	11,792,995	-	11,792,995	470,000	16,451	2424.29
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-

Source: The City of Douglas' internal records.

Note 1: 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.

Note 2: Revenue bonds were paid off in fiscal year 2015.

Note 3: The GADA loan is secured by state shared revenues, state sales tax, and City sales tax.

Note 4: The Call Center loan is secured by state shared revenues, state sales tax, City sales tax and lease revenue received on the lease.

GADA Loan						
Fiscal Year	Pledged Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009	\$ 10,921,221	\$ -	\$ 10,921,221	\$ -	\$ 147,935	7382.45%
2010	10,048,079	-	10,048,079	170,000	142,812	3212.18%
2011	9,721,384	-	9,721,384	110,000	128,638	4073.69%
2012	9,453,492	-	9,453,492	110,000	123,775	4043.84%
2013	9,315,887	-	9,315,887	115,000	121,264	3943.00%
2014	9,791,063	-	9,791,063	120,000	114,974	4166.87%
2015	10,074,638	-	10,074,638	125,000	110,172	4283.94%
2016	8,650,701	-	8,650,701	130,000	103,922	3698.11%
2017	8,646,362	-	8,646,362	135,000	98,725	3699.37%
2018	8,814,116	-	8,814,116	145,000	93,238	3699.71%

Call Center Loan						
Fiscal Year	City Sales Tax and Lease Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009	\$ 10,286,049	\$ -	\$ 10,286,049	\$ -	\$ 239,925	4287.19%
2010	9,254,791	-	704,620	1,260,000	451,849	41.16%
2011	8,996,669	-	8,996,669	675,000	431,325	813.20%
2012	8,735,260	-	8,735,260	700,000	391,310	800.44%
2013	8,593,517	-	1,215,652	740,000	356,805	110.84%
2014	9,069,283	-	9,069,283	375,000	321,086	1302.90%
2015	9,353,016	-	9,353,016	375,000	299,680	1386.29%
2016	9,129,585	-	9,129,585	375,000	279,037	1395.88%
2017	8,683,759	-	8,683,759	375,000	256,869	1374.30%
2018	8,872,919	-	8,872,919	375,000	235,463	1453.47%

WIFA Loan						
Fiscal Year	Water/Sewer Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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	460,014	126,183	126.67%
2013	3,779,059	2,974,329	804,730	470,781	124,189	135.26%
2014	3,916,977	3,252,197	664,780	480,756	114,104	111.75%
2015	3,846,928	3,250,667	596,261	490,947	98,597	101.14%
2016	3,969,670	2,924,914	1,044,756	536,634	96,238	165.08%
2017	4,002,528	3,130,108	872,420	325,564	82,723	213.68%
2018	3,994,252	3,128,025	866,227	328,121	100,678	202.01%

Source: The City of Douglas' internal records.

**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>
2009	18,500	\$ 282,199,000	\$ 15,254	31.00	11.2%
2010	20,061	308,277,387	15,367	31.10	10.6
2011	20,122	294,364,738	14,629	32.20	10.8
2012	19,772	262,236,036	13,263	32.20	10.1
2013	17,378	227,252,106	13,077	32.20	10.2
2014	17,509	234,200,384	13,376	32.20	9.6
2015	16,989	233,785,629	13,761	32.20	7.8
2016	16,592	223,046,256	13,443	32.20	7.7
2017	16,897	239,667,048	14,184	32.20	7.2
2018	16,588	242,781,968	14,636	32.20	7.1

**CITY OF DOUGLAS, ARIZONA
PRINCIPAL EMPLOYERS
JUNE 30, 2016 AND EIGHT YEARS AGO
(UNAUDITED)**

Employer	2016			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Arizona Department of Corrections	615	1	12.48 %	761	1	12.54 %
Douglas Unified School District	492	2	9.98	546	3	9.00
Advanced Call Center Technologies	248	3	5.03			-
City of Douglas	179	4	3.63	229	4	3.67
Cochise College	165	5	3.35	570	2	4.09
Chiricahua Community Health Center	116	6	2.35	95	6	1.63
Cochise Private Industry Council	90	7	1.83			
Cochise County	48	8	0.97			
Copper Queen Community Hospital	37	9	0.75			
Wal-Mart Stores, Inc	-	-	-			
Southeast Arizona Medical Center	-	-	-	171	5	2.82
Basha's	-	-	-			
Infinia at Douglas	-	-	-	56	7	0.92
Gadsden Hotel	-	-	-	52	8	0.86
	<u>1,990</u>		40.37 %	<u>2,480</u>		35.53 %

Source: Cochise College Center for Economic Research

Note: 2016 was most recent year available and only Top 9 employers were available in 2016.

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Management Services:										
Administration	5.0	5.0	5.0	5.0	5.0	4.5	4.5	4.0	5.0	4.0
Human resources	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0
Court	2.5	2.0	2.0	1.5	1.5	1.5	1.5	1.5	-	-
MIS	3.0	4.0	4.5	3.5	3.0	4.0	4.0	4.0	4.0	4.0
Finance	6.0	6.0	9.0	8.5	8.5	9.0	9.0	7.0	8.0	6.5
Economic Development	1.0	-	-	-	-	-	-	-	1.0	1.0
Visitor Parking Center	3.5	3.0	3.5	3.5	1.0	1.0	1.0	0.5	0.5	0.5
Total Mgmt Services	<u>24.5</u>	<u>23.0</u>	<u>27.0</u>	<u>25.0</u>	<u>22.0</u>	<u>23.0</u>	<u>23.0</u>	<u>20.0</u>	<u>20.5</u>	<u>18.0</u>
Housing	5.0	5.0	7.5	8.5	6.5	6.5	3.5	3.5	3.5	3.0
Police										
Officers	37.0	34.0	32.0	32.0	32.0	31.0	31.0	29.0	34.0	33.0
Civilians	14.0	14.0	14.0	14.0	15.0	11.5	13.0	13.0	13.5	11.0
Total Police	<u>51.0</u>	<u>48.0</u>	<u>46.0</u>	<u>46.0</u>	<u>47.0</u>	<u>42.5</u>	<u>44.0</u>	<u>42.0</u>	<u>47.5</u>	<u>44.0</u>
Fire										
Firefighters and Officers	25.0	25.0	25.0	23.0	24.0	23.0	25.0	27.0	27.5	28.0
Civilians	1.0	1.0	1.5	1.5	2.0	2.0	2.0	2.0	2.5	1.0
Total Fire	<u>26.0</u>	<u>26.0</u>	<u>26.5</u>	<u>24.5</u>	<u>26.0</u>	<u>25.0</u>	<u>27.0</u>	<u>29.0</u>	<u>30.0</u>	<u>29.0</u>
Public Works										
Engineering (PW Adm)	6.0	4.0	3.5	4.0	2.0	2.0	1.0		2.0	3.0
Planning & Zoning	2.0	2.0	2.0	2.0	1.0	2.0	2.0	1.5	2.0	2.0
Construction	4.0	6.0	7.0	6.0	6.0	5.0	5.0	5.0	5.0	4.5
Refuse Collections	5.0	6.0	6.0	5.0	7.0	8.0	9.0	8.0	7.5	12.5
Mechanics	4.0	4.0	3.0	2.0	2.5	3.0	3.0	3.0	3.0	1.5
Streets	8.0	7.0	7.0	6.0	8.0	7.0	5.0	5.0	8.0	8.0
Street Maintenance	4.0	4.0	4.0	4.0	-	-	-			
Airport	-	-	-	-	1.0	1.0	1.0	0.5	1.0	1.0
Water Field	8.0	6.0	7.0	7.0	7.5	7.5	7.5	7.5	9.5	12.0
Water CIP	7.0	6.0	4.0	4.0	2.0	2.0	2.0	2.0		
Water Billing	4.0	4.0	-	-	-	-	-			
Wastewater	7.0	7.0	6.0	5.0	5.5	5.5	5.5	5.5	5.5	7.5
Total Public Works	<u>59.0</u>	<u>56.0</u>	<u>49.5</u>	<u>45.0</u>	<u>42.5</u>	<u>43.0</u>	<u>41.0</u>	<u>38.0</u>	<u>43.5</u>	<u>52.0</u>
Parks and Recreation										
Comm Dev Admin	2.0	1.0	1.0	1.0	1.0	-	-	-	-	-
Aquatics	11.5	11.0	11.5	10.5	12.5	12.0	10.5	10.5	11.5	18.5
Cemetery	2.0	2.0	1.0	2.0	3.0	3.0	2.0	2.0	2.0	3.0
Parks	10.0	10.0	10.5	9.5	8.5	9.0	9.0	8.5	7.5	8.0
Recreation	4.5	5.0	5.5	6.5	5.5	5.5	6.5	6.0	8.0	8.0
Golf Course	8.0	8.0	10.5	9.5	7.5	5.5	2.5	-	-	-
Library	7.0	8.0	8.0	7.0	6.5	6.5	8.0	7.5	7.5	7.5
Transit	-	-	-	-	5.5	6.5	6.0	12.0	11.5	14.0
Total P&R	<u>45.0</u>	<u>45.0</u>	<u>48.0</u>	<u>46.0</u>	<u>50.0</u>	<u>48.0</u>	<u>44.5</u>	<u>46.5</u>	<u>48.0</u>	<u>59.0</u>
Total	<u>210.5</u>	<u>203.0</u>	<u>204.5</u>	<u>195.0</u>	<u>194.0</u>	<u>188.0</u>	<u>183.0</u>	<u>179.0</u>	<u>193.0</u>	<u>205.0</u>

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

Function	Fiscal Year				
	2009	2010	2011	2012	2013
General Government					
Building Permits Issued	354	305	198	221	264
Building Inspection Conducted	400	344	305	778	695
Police					
Physical Arrests	1,917	1,795	1,564	554	1,332
Parking Violations	648	646	745	545	252
Traffic Violations	4,569	4,300	4,211	3,888	4,158
Fire					
Emergency Responses	2,030	2,312	2,829	2,437	2,459
Fires Extinguished	216	198	61	55	231
Inspections	80	101	150	200	161
Refuse Collection					
Refuse Collections (Tons/Day)	30.0	16.3	23.5	26.5	27.5
Recyclables Collected (Tons/Day)	0.5	-	-	-	-
Other Public Works					
Street Resurfacing (Miles)	1.5	2.1	1.0	0.5	2.1
Potholes Repaired	195	680	1,360	2,100	1,600
Parks and Recreation					
Athletic Field Permits Issued	120	119	122	125	93
Community Center Admissions	9,071	10,036	11,021	8,812	10,199
Aquatic Center Admissions	36,761	31,408	14,808	21,301	16,685
Library					
Volumes in Collection	60,856	59,649	57,684	56,715	47,157
Total Volumes Borrowed	85,595	86,098	74,141	63,180	61,256
Transit					
Riders	-	-	-	-	-
Miles	-	-	-	-	-
Water					
New Connections	68	10	16	10	11
Water Main Breaks	5	2	9	8	12
Average Daily Consumption (Thousands of Gallons)	2,638,660	3,662,519	3,500,000	3,177,000	3,216,045
Peak Daily Consumption (Thousands of Gallons)	3,613,013	4,101,000	5,023,000	4,725,000	4,716,136
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	1.6	1.5	1.7	1.7	2.0

Source: The City of Douglas' internal records.

Fiscal Year

2014	2015	2016	2017	2018
202	188	205	329	235
704	229	277		427
1,348	1,164	1,317	937	764
183	158	140	85	390
3,220	2,981	2,490	2,973	4,031
2,560	2,900	3,479	3,295	3,666
457	52	196	178	239
367	261	108		160
22.9	33.4	24.6	22.0	25.0
-	-	-	-	-
0.8	6.0	6.2	2.0	3.8
1,763	2,385	4,500	6,500	7,000
83	105	56	68	91
16,051	7,954	3,384	1,749	2,987
17,792	14,674	11,631	15,005	15,402
59,033	53,887	63,930	52,543	54,515
64,843	53,181	59,737	38,089	1,714
56,400	68,777	55,770	56,262	60,044
106,795	105,615	105,158	120,453	220,202
11	5	5	8	3
7	8	6	5	11
3,321,000	2,971,544	2,725,146	3,054,914	3,050,474
4,384,000	3,984,848	3,366,799	4,050,528	4,041,935
2.1	1.9	1.9	1.8	2.0

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

Function	Fiscal Year				
	2009	2010	2011	2012	2013
Police					
Stations	1	1	1	1	1
Patrol Units	27	22	21	23	22
Fire Stations	1	1	1	1	1
Refuse Collection					
Collection Trucks	5	5	5	5	4
Other Public Works					
Streets (Miles)	110	112	110	110	110
Streetlights	2,693	2,693	2,693	2,693	2,693
Traffic Signals	14	14	14	14	14
Parks and Recreation					
Acreage	92	92	92	92	92
Playgrounds	5	5	5	5	5
Baseball and Softball Diamonds	6	6	6	6	6
Soccer/Football Fields	13	13	13	13	13
Aquatic Centers	2	2	2	2	2
Community Centers	1	1	1	1	1
Water					
Water Mains (Miles)	83	84	100	100	100
Fire hydrants	526	535	540	545	458
Storage Capacity (Thousands of Gallons)	500,900	500,900	500,900	500,900	500,900
Wastewater					
Sanitary Sewers (Miles)	78	80	85	85	86
Storm Sewers (Miles)	9	9	9	9	9
Maximum Treatment Capacity (Thousands of Gallons)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000

Source: The City of Douglas' internal records.

Fiscal Year

2014	2015	2016	2017	2018
1	1	1	1	1
21	23	23	21	24
1	1	1	1	1
4	4	4	4	4
110	110	110	110	110
2,693	2,693	2,693	2,697	1,209
14	14	12	13	13
92	92	92	92	92
5	5	5	5	5
6	6	6	6	7
13	13	13	13	13
2	2	2	2	2
1	1	1	-	-
100	100	100	100	100
560	567	570	573	574
500,900	590,000	590,000	590,000	590,000
86	86	86	87	87
9	9	9	9	9
2,000,000	2,000,000	2,000,000	2,000,000	2,000,000

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