



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**

*425 10<sup>TH</sup> STREET, DOUGLAS, ARIZONA 85607  
Telephone (520) 417-7333 Fax (520) 417-7162*

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**CITY OF DOUGLAS, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2015**

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Danny Ortega Jr.  
*Mayor*

*Councilmembers*

Margaret Morales

Ken Nelson

Ben LaForge

Patricia Lopez

Luis Greer

Fernando Betancourt

Carlos A. De La Torre  
*City Manager*

Prepared by:  
Finance Department

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## **INTRODUCTORY SECTION**

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# THE CITY OF DOUGLAS

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

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## FINANCE DEPARTMENT

December 21, 2015

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 generally accepted auditing standards by a licensed certified public accounting firm with their office by October 31<sup>st</sup> or by February 28<sup>th</sup> of each year if an automatic extension is requested. Pursuant of that requirement, we hereby issue the comprehensive annual financial report of the City of Douglas, Arizona for the fiscal year ended June 30, 2015.

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

The financial statements contained herein have been audited by CliftonLarsonAllen LLP a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Douglas, Arizona for the Fiscal-Year-Ended June 30, 2015 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts 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's financial statements for the Fiscal-Year-Ended June 30, 2015, and that they are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

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

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

*Profile of the City*

The City of Douglas is located in Southeastern Arizona 117 miles southeast of Tucson on the U.S./Mexico border. Although it has a population of 16,989 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 continues to strengthen with the coordinated efforts of both local governments for the expansion of the existing and development of a new commercial port of entry. The City's major employers consist of governmental entities such as Arizona State Prison Complex, Customs and Border Protection, Douglas Unified School District, Cochise College and the City of Douglas. Private and major employers in the 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 March 2015 was at 7.8%, which is significantly above the national and state unemployment rates of 6.5% and 6.2% respectively.

*Major Initiatives*

The construction of a new commercial port of entry in Douglas continues to be a common goal for the Mayor and Council. This year the City experienced a setback when its application was denied by the Federal Government. Although, the federal government agreed that there is a need in Douglas for a new port, our project was denied due to the federal government restrictions on entering into long term leases. The City's proposal included a City bond to be backed by a lease agreement of the facility; however the Federal government was looking for an outright donation. The City will continue to pursue other opportunities with the private sector but also reapply with the Federal government next funding cycle as well. The City continues to receive support from our congressional delegation as well as the Mexican government. Additionally, the City received support from the City of Douglas Industrial Development Authority through the purchase of 45 acres of land at the proposed port of entry site from the City that would allow them to develop these sites for future businesses.

The City completed significant capital projects this year. The 0.3% sales tax levied for capital projects, \$300,000 from the sale of the government center, left over proceeds from the prior year and grant funds allowed the City to complete \$3.1 million in capital projects this year. The City added over \$1.4 million in equipment purchases that included \$1.1 million in IT infrastructure and software. We also invested \$537,293 in our fleet, which added 18 vehicles, including two new transit buses, seven new police vehicles and nine work trucks for public works and parks. \$116,708 was invested in City buildings and parks, which included new paint at City Hall, new carpet at our library, roof repair at our police station and lighting improvements at Veteran's and Castro parks. There was \$1,012,304 invested in streets, sidewalks, curbing and pathway improvements that included \$283,720 in an overlay of our airport taxiway, and \$669,718 of chip seal work on over 31,000 feet of roadway.

Towards the end of April 2015, the City of Douglas Housing Corporation I sold the Casas de Esperanza housing complex to the private sector. The sale transferred the mortgage to the company Cochise Pacific Associates II and allowed the City to exit this business. The complex was in dire need of improvements, something that the City did not have funding allocated; however the Pacific Associates obtained funding through federal tax incentives which gave them the necessary capital to improve the property. The City also received a generous donation from an ex-firefighter from Syracuse New York that volunteered as a photographer from time to time for our Fire Department. The firefighter donated \$136,718 to the Fire department for the exclusive purpose of paying medical and funeral expenses for those fire department personnel who are injured or die in the line of duty while fighting fires and who face financial hardship.

The Council approved personnel rule changes this year providing employees a flexible work schedule, allowing limited employees to accrue annual leave and provide for a birthday holiday. In addition, several revisions were made to update the current organizational structure, clarify compensation changes on promotions, updating pension system rules according to the latest state statutes, disciplinary action and grievance procedure changes and other rule clarifications. Due to its positive financial performance, the City also provided a one-time bonus to employees this year. The bonus was calculated based on 20% of a \$648,995 projected surplus. 40 hour employees received \$700, 30 hour employees received \$525 and 20 hour employees received \$350. The bonus provided by Mayor and Council was attested to the fine work and sacrifice City employees made during the year that helped in achieving a surplus.

Grant awards for public safety totaled \$707,116 used for overtime reimbursement and equipment. The Library acquired five different grants to assist in the implementation of an RFID inventory system, implementation of new and maintenance of existing technology for a total of \$80,406. The transit division received \$370,905 in federal funds as well as \$56,352 from local assistance including ACT Call Center, Cochise College and SEAGO.

#### *Upcoming Year*

Through the formation of the Public Facility Municipal Property Corporation, the City will relinquish management of the Golf Course in order to allow for more flexible policies on fees and provide greater expertise on golf course management. The MPC began operating July 1, 2015 and officially transitioned from the City in September. Under this plan the City hopes to see a reduction in the subsidy and an increase in play. The overall goal is to bring it to break-even point and put it on the market for sale.

The transit department was awarded a bid from the City of Bisbee to manage their transit system beginning on October 1, 2015. The City will use existing manager and coordinator but hire additional staff and drivers for the Bisbee route. The venture should benefit both cities as Bisbee will see a reduction in their costs while our City will see an increase in its revenue that would go towards our Douglas transit match requirement.

There are several construction projects scheduled for this year in our City. A new development has begun the permitting process to build a small business plaza on 7<sup>th</sup> street on the east side of Pan American. It is projected that a new CVS pharmacy and a Circle K will occupy the property. The construction of a new emergency room should also be underway this year. Copper Queen Medical committed to providing this service to the Douglas community next to its existing medical clinic. With the Douglas Regional Hospital closing, the City is currently resorting to using the emergency room in Bisbee. Our Fire department is currently travelling 23 miles to Bisbee for each emergency transport. This has increased the need for more personnel on the fire side and increased our operating costs. Lastly, the City will finalize the construction of a photovoltaic solar station at its waste water treatment plant. The solar station will supplement solar power to our waste water plant for a projected \$35,000 in annual electrical savings.

#### *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 balance reserve requirement is 30% of revenues and we are currently exceeding that at 44%. We are also meeting 45 days of expenses 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.

Although the U.S. economy is slowly recovering, our local economy is not growing at the same pace. Local sales taxes only increased by about 1% this year. The strength of the dollar has made the peso weaker, thus less purchasing power for our visitors coming to shop from Mexico.

We are also concerned about the state of our public safety retirement fund. Our contribution continues to grow and our unfunded liability is at 33% for police and 26% for fire as of June 30, 2014. The City's self-funded health insurance had a good year this year which saw a 28% decrease in claims compared to the prior year, however overall continuing rising medical costs are something that the City continues to take into account in making the right health coverage decision for its employees.

Although our finances are currently healthy, our revenues are struggling. It is by mitigating our expenses, that we have increased our fund balance by 55% over the last five years. In order to continue on a path of financial sustainability we must continue to control our costs as well as enhancing 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 as 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.

*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, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

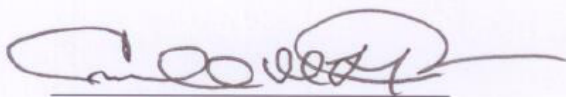
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

*Acknowledgement*

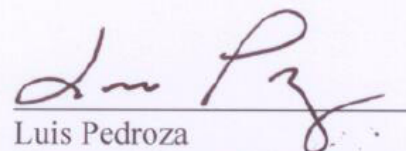
We would like to express our appreciation to each member of the Finance Department who has assisted in the preparation of this report. We are thankful for having the Finance Committee of the City of Douglas providing their support and having them evaluate this report. And also, thanks to our independent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

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

Respectfully Submitted,



Carlos De La Torre  
City Manager



Luis Pedroza  
Finance Director/City Treasurer

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**CITY OF DOUGLAS, ARIZONA  
LIST OF PRINCIPAL OFFICIALS  
YEAR ENDED JUNE 30, 2015**

**ELECTED OFFICIALS**

Mayor	Danny Ortega Jr.
Councilmember	Margaret Morales
Councilmember	Ken Nelson
Councilmember	Ben LaForge
Councilmember	Patricia Lopez
Councilmember	Luis Greer
Councilmember	Fernando Betancourt

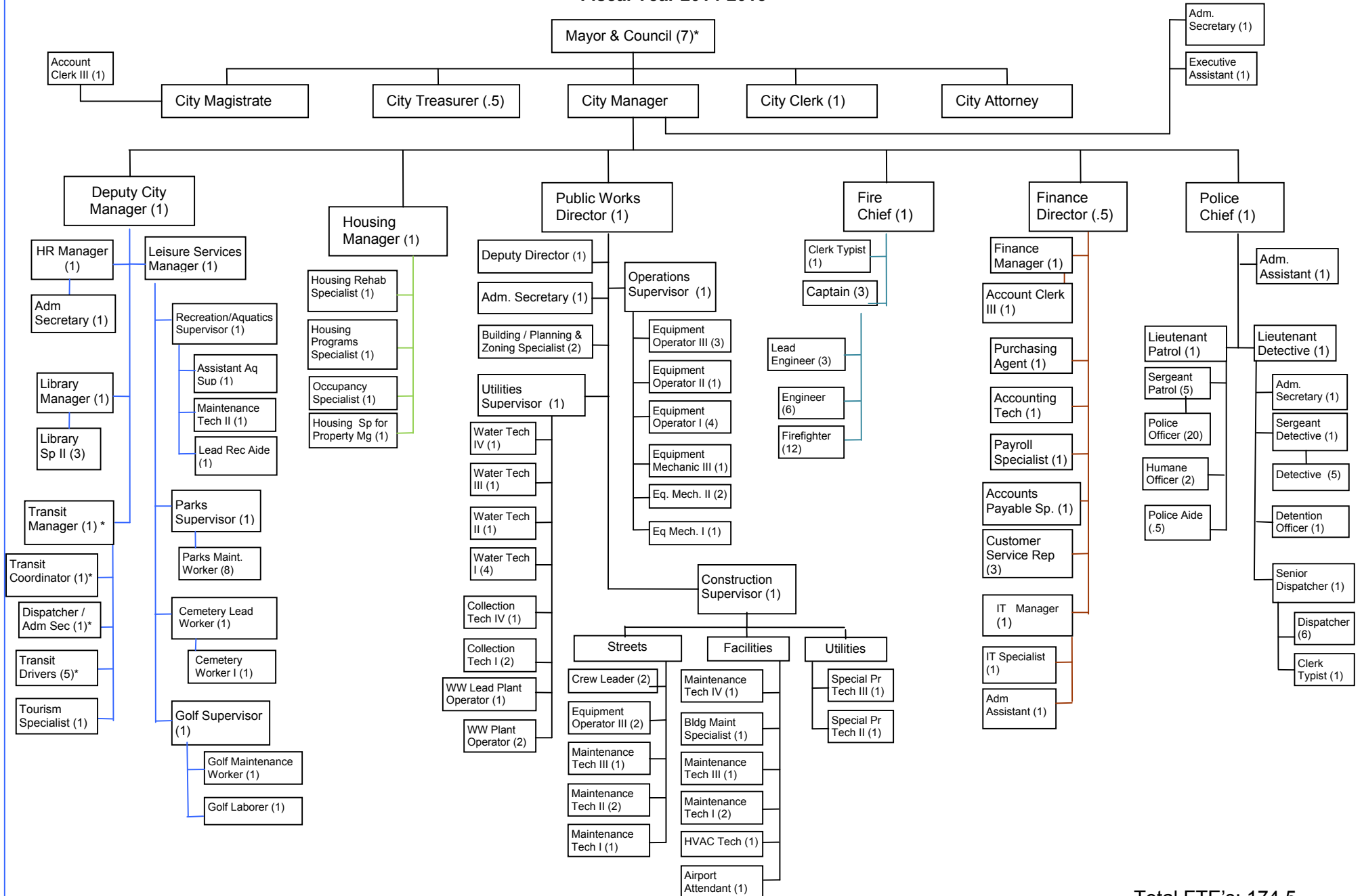
**APPOINTED OFFICIALS**

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

**DEPARTMENT DIRECTORS**

Finance Director	Luis Pedroza
Public Works Director	Lauren Ortega
Police Chief	Kraig Fullen
Fire Chief	Mario Novoa
Deputy City Manager	Ana Urquijo
Housing Manager	Xenia Gonzalez

# City of Douglas Organizational Chart Fiscal Year 2014-2015



Total FTE's: 174.5  
\*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, 2014**

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Douglas, Arizona (City), as of and for the year ended June 30, 2015, 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 Housing Corporation II (Pioneer Village) and the Douglas Community Housing Corporation (Rancho La Perilla Apartments). The Douglas Housing Corporation comprises 100% of the assets and operating revenues reported in the Governmental Component Unit. 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 reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Governmental Component Unit and Proprietary Component Unit, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Douglas, Arizona as of June 30, 2015, 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.

### ***Emphasis of a Matter***

During fiscal year ended June 30, 2015, the City of Douglas, Arizona adopted Governmental Accounting Standards Board Statement (GASBS) No. 68, *Accounting and Financial Reporting for Pensions* and GASBS Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASBS No. 68*. As a result of the implementation of GASBS No. 68 and No. 71, the City reported a restatement for the change in accounting principle (see Note 3.G.) Our auditors' opinion was not modified with respect to the restatement.

### ***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, agent OPEB funding progress, and the General Fund Budget and Actual Statement as listed on 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 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



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

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, 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 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 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 21, 2015

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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, 2015. 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 \$16.0 million (net position). Unrestricted net position is a deficit \$17.3 million due to the recognition of the City's net pension liability and related pension inflows and outflows.
- ◆ Total net position increased by \$0.5 million during the fiscal year.
- ◆ As of June 30, 2015, the City's governmental funds reported a combined ending fund balance of \$8.7 million. Of this amount, 64% 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 \$5.6 million or 45.6% of the total General Fund expenditures of \$12.3 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, 2015**

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 two legally separate non-profit corporations - one governmental component unit and one proprietary component unit. The governmental component unit is the Douglas Housing Corporation II - Pioneer Village providing HUD subsidized housing. 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, these component units are discretely presented because of their governance or financial relationships to the City.

Separate financial statements for Douglas Housing Corporation II – Pioneer Village and 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 (business-type) funds.

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

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

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

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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 Public Housing Fund.

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

**Notes to Basic Financial Statements**

The notes to basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements may be found on pages 35 - 73 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 and other post employment benefit plans and the budgetary schedule of the General Fund. Required supplementary information may be found on pages 74 – 83 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 \$16.0 million.

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)
<b>ASSETS</b>						
Current and Other Assets	\$ 10,372,397	\$ 9,669,009	\$ 6,314,373	\$ 5,598,228	\$ 16,686,770	\$ 15,267,237
Capital Assets:						
Non-depreciable	1,956,234	2,660,393	742,090	810,112	2,698,324	3,470,505
Depreciable (net)	21,335,019	20,687,559	20,460,601	21,217,763	41,795,620	41,905,322
Total Assets	<u>33,663,650</u>	<u>33,016,961</u>	<u>27,517,064</u>	<u>27,626,103</u>	<u>61,180,714</u>	<u>60,643,064</u>
<b>DEFERRED OUTFLOWS</b>	5,532,425	1,716,633	202,534	117,613	5,734,959	1,834,246
<b>LIABILITIES</b>						
Current and Other Liabilities	1,549,003	1,464,854	363,334	356,998	1,912,337	1,821,852
Non-Current Liabilities:						
Due Within One Year	1,618,247	2,019,837	719,638	696,120	2,337,885	2,715,957
Due in More Than One Year	38,249,307	35,350,846	6,148,025	7,077,576	44,397,332	42,428,422
Total Liabilities	<u>41,416,557</u>	<u>38,835,537</u>	<u>7,230,997</u>	<u>8,130,694</u>	<u>48,647,554</u>	<u>46,966,231</u>
<b>DEFERRED INFLOWS</b>	1,933,378	-	347,218	-	2,280,596	-
<b>NET POSITION</b>						
Net Investment in Capital Assets	14,659,500	13,255,510	16,271,458	16,491,574	30,930,958	29,747,084
Restricted	1,632,597	1,261,605	712,773	568,237	2,345,370	1,829,842
Unrestricted	(20,445,957)	(18,619,058)	3,157,152	2,553,211	(17,288,805)	(16,065,847)
Total Net Position	<u>\$ (4,153,860)</u>	<u>\$ (4,101,943)</u>	<u>\$ 20,141,383</u>	<u>\$ 19,613,022</u>	<u>\$ 15,987,523</u>	<u>\$ 15,511,079</u>

The largest portion of the City's net position (193%) 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, 2015 the City of Douglas, Arizona reported \$30.9 million as the net investment in capital assets. Another \$2.3 million of the resources are subject to external restrictions on how they may be used. Unrestricted net position is a deficit \$17.3 million due to the recognition of the City's net pension liability.

The City's net position increased approximately \$0.5 million over the prior fiscal year. Net investment in capital assets increased \$1.2 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 (including discount) were approximately \$2.1 million (including payments on capital leases).



**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**Changes in Net Position**

As described above, the City's net position overall increased by \$0.5 million during the current fiscal year. The decrease in the governmental activities and increase in the business-type activities are discussed on the following pages.

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

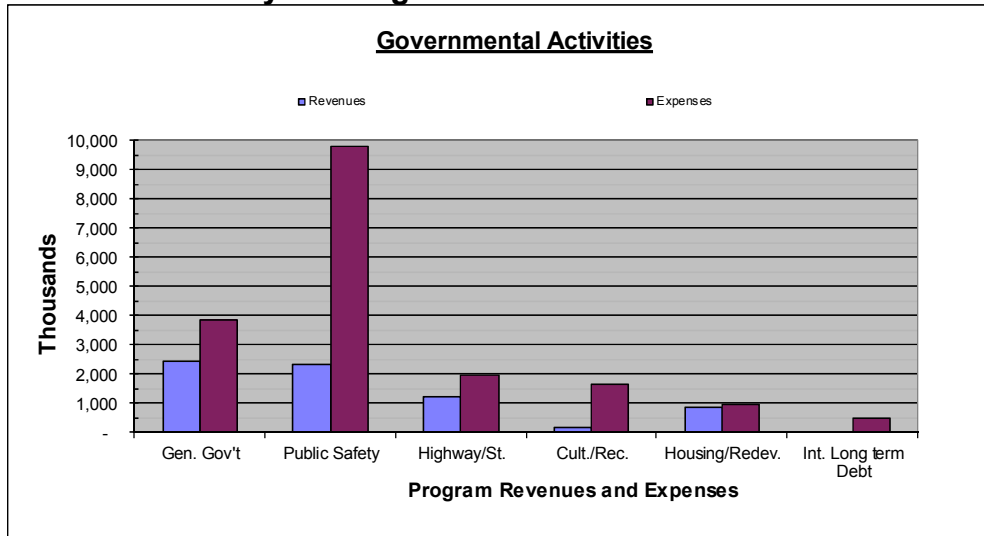
	Governmental Activities		Business-Type Activities		Total	
	2015	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 3,040,442	\$ 3,095,494	\$ 5,043,892	\$ 5,153,542	\$ 8,084,334	\$ 8,249,036
Operating Grants and Contributions	3,466,981	3,751,156	-	1,320	3,466,981	3,752,476
Capital Grants and Contributions	582,348	423,034	-	-	582,348	423,034
General Revenues:						
Property Taxes	577,360	578,759	-	-	577,360	578,759
Local Taxes	5,895,775	5,844,370	-	-	5,895,775	5,844,370
State Shared Revenues	4,496,473	4,257,712	-	-	4,496,473	4,257,712
Grants and Contributions Not Restricted to Specific Programs	40,417	41,950	-	-	40,417	41,950
Investment Income	26,489	30,607	18,232	22,077	44,721	52,684
Gain on Sale of Asset	20,480	-	-	-	20,480	-
Other	265,826	281,915	-	-	265,826	281,915
Total Revenues	18,412,591	18,304,997	5,062,124	5,176,939	23,474,715	23,481,936
<b>EXPENSES</b>						
General Government	3,858,018	4,499,732	-	-	3,858,018	4,499,732
Public Safety	9,792,922	8,050,797	-	-	9,792,922	8,050,797
Highways and Streets	1,946,662	2,394,792	-	-	1,946,662	2,394,792
Culture and Recreation	1,680,063	1,965,397	-	-	1,680,063	1,965,397
Redevelopment and Housing	954,039	1,064,489	-	-	954,039	1,064,489
Interest on Long-Term Debt	478,120	530,417	-	-	478,120	530,417
Water	-	-	1,884,943	1,839,897	1,884,943	1,839,897
Sewer	-	-	1,472,735	1,538,514	1,472,735	1,538,514
Solid Waste	-	-	930,769	956,297	930,769	956,297
Total Expenses	18,709,824	18,505,624	4,288,447	4,334,708	22,998,271	22,840,332
<b>CHANGE IN NET POSITION BEFORE TRANSFERS AND SPECIAL ITEMS</b>	(297,233)	(200,627)	773,677	842,231	476,444	641,604
Transfers	245,316	269,143	(245,316)	(269,143)	-	-
Special Item	-	(5,352,178)	-	-	-	(5,352,178)
<b>CHANGE IN NET POSITION</b>	(51,917)	(5,283,662)	528,361	573,088	476,444	(4,710,574)
Net Position - Beginning of Year	(4,101,943)	25,313,668	19,613,022	20,994,774	15,511,079	46,308,442
Change in Accounting Principle (See Note 3.G.)	-	(24,131,949)	-	(1,954,840)	-	-
Net Position - Beginning of Year, as Restated	(4,101,943)	1,181,719	19,613,022	19,039,934	15,511,079	46,308,442
<b>NET POSITION - END OF YEAR</b>	<b>\$ (4,153,860)</b>	<b>\$ (4,101,943)</b>	<b>\$ 20,141,383</b>	<b>\$ 19,613,022</b>	<b>\$ 15,987,523</b>	<b>\$ 15,511,079</b>

*Governmental Activities* – Governmental activities decreased the City's net position by \$0.1 million. Key factors of the overall decrease in net position are as follows:

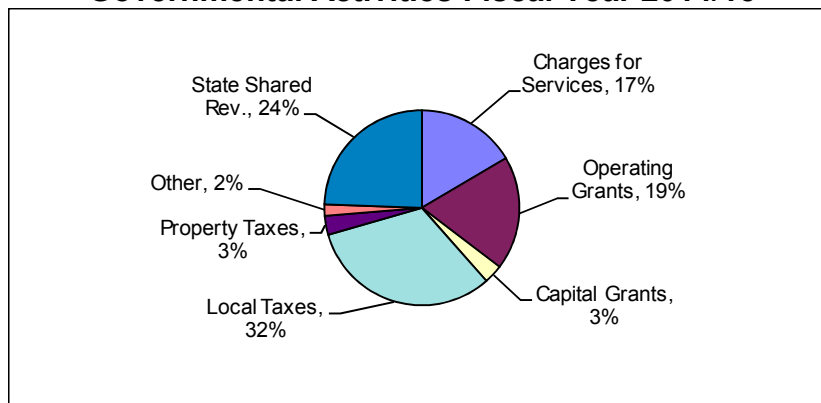
- ◆ Decrease in police and general government grants received compared to last year.
- ◆ Increase in City's contribution to the public safety retirement plan.

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**City of Douglas – Fiscal Year 2014/15**



**City of Douglas Revenue by Source  
Governmental Activities Fiscal Year 2014/15**



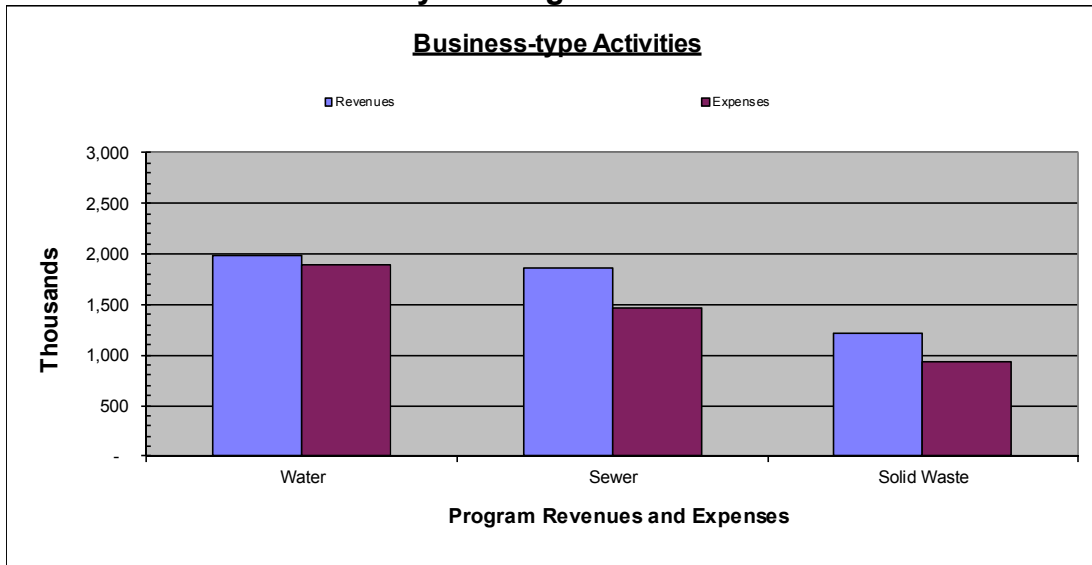
The charts above illustrate the City's governmental expenses and revenues by function and the City's revenues by source. As shown, Public Safety (police, fire, and emergency medical services) is the largest function in expenses (52%), followed by General Government (21%), Highway/Streets (10%), Culture/Recreation (9%), 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 (32%) followed by state shared revenues (24%) as illustrated in the chart on the previous page.

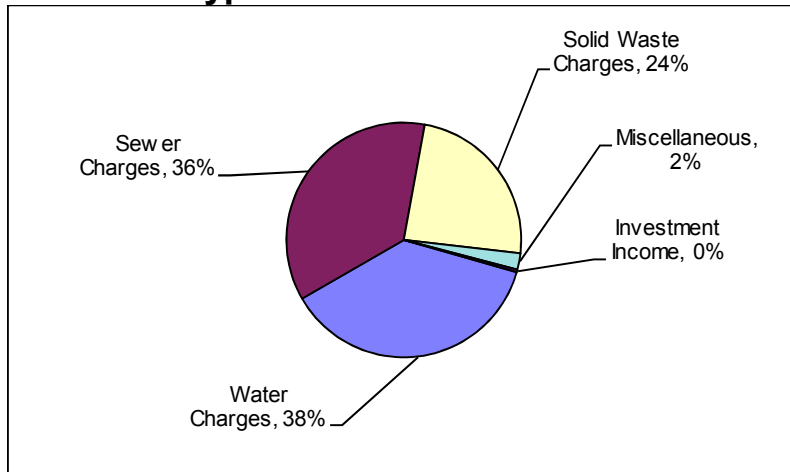
**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

*Business-Type Activities* – Business-type activities increased the City's net position by \$0.5 million. The increase in net position was not significant and was primarily the result of salary savings on vacant positions in the water, sewer and sanitation funds not filled during the year.

**City of Douglas 2014/15**



**City of Douglas Revenue by Source  
Business-type Activities Fiscal Year 2014/15**



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 \$1.9 million, followed by Solid Waste at approximately \$0.9 million. For this fiscal year, the change in net position in the Water Fund was a negative \$15,198 while the change in net position in the Sewer Fund was a positive \$0.3 million and the Solid Waste Fund was a positive \$0.2 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, 2015**

**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 \$8.7 million, an increase of \$0.6 million from the prior year. This increase is primarily due to salary savings from budgeted positions not filled. The City also reduced its fleet from 143 to 117 vehicles in an effort to save on maintenance, insurance and implement operational efficiencies on the use of the vehicles.

Revenues for governmental funds overall totaled approximately \$18.0 million for the fiscal year ended June 30, 2015 which represents a decrease of 1.5% or approximately \$0.3 million from the prior fiscal year. This decrease is primarily due to a decrease in police and general government grants received compared to last year.

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 \$5.6 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 45.6% of the total General Fund expenditures of \$12.3 million.

The fund balance of the City's General Fund increased by \$1.0 million. The increase was largely due to salary and operational savings mainly in reducing the City's fleet.

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

The Nonmajor Governmental Funds decrease of \$0.4 million was largely due to the City receiving less police and general government grants compared to last 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 \$2.1 million, Sewer \$0.1 million, and Solid Waste \$0.9 million. The total increase in net position for the enterprise funds was \$0.5 million largely due to revenues exceeding expenses as the utility rate includes a capital replacement component. Expenses increased in all three funds due to an increase in claims and operating costs.

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

Actual revenues were less than the budget by \$0.4 million and actual expenditures were less than budget by \$1.8 million. The actual revenues were less than budget largely due to local sales tax collections not coming in as projected offset by more than expected charges for service revenues.

The City was able to realize a savings in actual expenditures versus the budget due to substantial savings in the General Government, Transit and Police Operations expenditures. Transfers from the General fund to the Capital Projects fund saw a savings as it was not necessary to provide the transfers as was originally projected due to savings from port of entry budgeted costs. The Transit department saw savings once again from its operations budget specifically from the inability to hire the amount of personnel as originally planned, from fuel savings and its contingency account. The Police operations department had savings from personnel turnover in dispatching as well as police detectives. Although short staffed, savings were realized from the personnel, overtime and benefits line items.

Golf course operations exceeded budget largely due to the City anticipating a transfer of ownership of the course from the City to a private owner through a sale that did not occur during the fiscal year. Because the General Fund as a whole did not exceed the budget, the City is in compliance with its legal level of budgetary control.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2015 amount to \$44.5 million (net of accumulated depreciation). Capital assets include land and improvements, infrastructure, buildings and improvements, machinery equipment, and vehicles, and construction in progress.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and Land Improvements	\$ 3,033,688	\$ 3,192,056	\$ -	\$ -	\$ 3,033,688	\$ 3,192,056
Streets and Storm Drains	6,592,065	6,183,414	-	-	6,592,065	6,183,414
Buildings and Improvements	9,092,702	9,547,474	4,734,127	4,904,093	13,826,829	14,451,567
Water System	-	-	7,092,640	7,248,630	7,092,640	7,248,630
Wastewater System	-	-	7,815,218	8,082,660	7,815,218	8,082,660
Machinery, Equipment and Vehicles	3,716,874	2,864,925	818,616	982,380	4,535,490	3,847,305
Construction In Progress	855,924	1,560,083	742,090	810,112	1,598,014	2,370,195
<b>Total Capital Assets</b>	<b>\$ 23,291,253</b>	<b>\$ 23,347,952</b>	<b>\$ 21,202,691</b>	<b>\$ 22,027,875</b>	<b>\$ 44,493,944</b>	<b>\$ 45,375,827</b>

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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

*Governmental Activities*

- ◆ Approximately \$1.3 million in machinery and equipment.
- ◆ 18 vehicles replacing outdated vehicles that were deleted in the previous fiscal year in the amount of \$0.5 million.
- ◆ More than \$0.1 million in building and land improvements
- ◆ Approximately \$1 million invested in streets and infrastructure improvements.

*Business-type Activities*

- ◆ Approximately \$0.3 million in additions that include well rehabs, small equipment purchases and finalizing outstanding water infrastructure projects.

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 48 - 50 of this report.

**Debt Administration**

At the end of the fiscal year, the City of Douglas, Arizona had total long-term obligations outstanding of \$13.6 million. The current year decrease was the result of required principal due on outstanding debt and the scheduled payoff of the revenue bonds.

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, 2015 is \$3.0 million in the 6% capacity and \$10.1 million in the 20% capacity.

**Table A-4  
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Loans Payable	\$ 7,125,000	\$ 7,725,000	\$ 4,604,627	\$ 5,095,574	\$ 11,729,627	\$ 12,820,574
Revenue Bonds	-	470,000	-	-	-	470,000
Capital Lease	1,506,753	1,911,683	326,606	440,727	1,833,359	2,352,410
Total Outstanding Debt	<u>\$ 8,631,753</u>	<u>\$ 10,106,683</u>	<u>\$ 4,931,233</u>	<u>\$ 5,536,301</u>	<u>\$ 13,562,986</u>	<u>\$ 15,642,984</u>

Additional information on the City's debt can be found in Note 3.E. on pages 53 - 55.

**CITY OF DOUGLAS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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

The following factors were considered when preparing the 2015-16 budgets:

- ◆ A conservative economic forecast and limited revenue growth. A more than \$0.1 million reduction in our expected sales tax collections.
- ◆ Reclassifying the 0.3% special sales tax currently designated for capital for the use of general City operations costs.
- ◆ Program a 2% cost of living adjustment to all City employees.
- ◆ Finalizing capital projects from the remaining proceeds of the 0.3% special sales tax.
- ◆ Transition to the Douglas Public Facility Municipal Property Corporation for the management of the golf course.
- ◆ Continue keeping positions vacant and reorganize to reflect recent operational changes.
- ◆ Increased contributions for Public Safety Retirement for police and fire.

Direction from Mayor and Council continues to be to put to use underutilized City assets. The City will try to sell several properties that are currently undeveloped or dilapidated in the hopes that the private sector can improve the properties and put them in use. Additionally, the City has left the Casas de Esperanza low income housing project and continues to search for potential buyers for the Pioneer Village low income housing project as well. With the management of the golf course going to the newly formed MPC, the City is also looking to exit a currently subsidized business. Finally, the Mayor and Council continue forming partnerships for the construction of a new commercial port of entry. The City is partnering with several organizations including the Industrial Development Authority and Sonora-Arizona International, LLC (SAI). The SAI partnership allows the setting up of strategies and initiatives in the development of a new port and incorporating rail transportation into the project.

**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 STATEMENTS**

**CITY OF DOUGLAS, ARIZONA  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and Investments	\$ 7,460,909	\$ 5,112,020	\$ 12,572,929
Cash with Fiscal Agent	470,903	-	470,903
Receivables, Net:			
Accounts Receivable	230,910	489,580	720,490
Taxes Receivable	615,649	-	615,649
Intergovernmental Receivables	853,006	-	853,006
Due from Component Unit	659,725	-	659,725
Internal Balances	-	-	-
Inventories	63,115	-	63,115
Prepaid Items	801	-	801
Other Assets	-	-	-
Restricted Assets	17,379	712,773	730,152
Capital Assets:			
Non-Depreciable	1,956,234	742,090	2,698,324
Depreciable (Net)	21,335,019	20,460,601	41,795,620
Total Assets	<u>33,663,650</u>	<u>27,517,064</u>	<u>61,180,714</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	5,532,425	202,534	5,734,959
<b>LIABILITIES</b>			
Accounts Payable	399,893	196,153	596,046
Accrued Wages and Benefits	462,742	55,243	517,985
Insurance Claims Payable	99,832	18,556	118,388
Interest Payable	8,225	50,749	58,974
Intergovernmental Payable	-	-	-
Customer Deposits Payable	17,379	42,633	60,012
Unearned Revenue	90,932	-	90,932
Due to Primary Government	-	-	-
Prepaid Rents	-	-	-
Matured Debt Principal Payable	470,000	-	470,000
Noncurrent Liabilities			
Due Within One Year	1,618,247	719,638	2,337,885
Due in More Than One Year	8,401,280	4,343,760	12,745,040
Net Pension Liability	29,848,027	1,804,265	31,652,292
Total Liabilities	<u>41,416,557</u>	<u>7,230,997</u>	<u>48,647,554</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	1,933,378	347,218	2,280,596
<b>NET POSITION</b>			
Net Investment in Capital Assets	14,659,500	16,271,458	30,930,958
Restricted for:			
Firefighters Injured in Line of Duty	136,889	-	136,889
Transit - Making the Connection Program	20,000	-	20,000
Other Federal and State Grants	212,320	-	212,320
Court Administration	49,680	-	49,680
Public Safety	253,770	-	253,770
Highways, Streets and Local Transportation	427,569	-	427,569
Redevelopment and Housing	532,369	-	532,369
Debt Service	-	692,953	692,953
Repair and Replacement	-	19,820	19,820
Unrestricted	(20,445,957)	3,157,152	(17,288,805)
Total Net Position	<u>\$ (4,153,860)</u>	<u>\$ 20,141,383</u>	<u>\$ 15,987,523</u>

See accompanying Notes to Basic Financial Statements.

Component Units	
Governmental Component Unit	Proprietary Type Component Unit
\$ 56,999	\$ 15,578
-	-
8,793	248
-	-
-	-
-	-
-	-
5,793	32,426
125,828	105,115
105,315	344,947
16,454	265,000
303,698	3,349,631
<u>622,880</u>	<u>4,112,945</u>
-	-
4,707	16,164
16,378	1,732
-	-
69,558	15,003
-	-
4,482	15,388
-	15,633
-	659,725
-	-
-	-
5,231	53,417
948,011	5,019,698
-	-
<u>1,048,367</u>	<u>5,796,760</u>
-	-
(633,090)	(1,458,484)
-	-
-	-
-	-
-	-
-	-
-	-
-	-
207,603	(225,331)
<u>\$ (425,487)</u>	<u>\$ (1,683,815)</u>

**CITY OF DOUGLAS, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Fee, Fines and Charges for Services	Operating Grants Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General Government	\$ 3,858,018	\$ 1,699,542	\$ 338,841	\$ 420,923
Public Safety	9,792,922	1,246,153	968,094	119,896
Highways and Streets	1,946,662	-	1,235,743	7,652
Culture and Recreation	1,680,063	94,747	40,282	33,877
Redevelopment and Housing	954,039	-	884,021	-
Interest and Fiscal Charges	478,120	-	-	-
Total Governmental Activities	<u>18,709,824</u>	<u>3,040,442</u>	<u>3,466,981</u>	<u>582,348</u>
Business-Type Activities:				
Water	1,884,943	1,979,308	-	-
Sewer	1,472,735	1,852,495	-	-
Solid Waste	930,769	1,212,089	-	-
Total Business-Type Activities	<u>4,288,447</u>	<u>5,043,892</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 22,998,271</u>	<u>\$ 8,084,334</u>	<u>\$ 3,466,981</u>	<u>\$ 582,348</u>
Component Units:				
Governmental Component Units	\$ 210,479	\$ 56,724	\$ 88,133	\$ -
Proprietary Type Component Units	685,816	554,392	-	-
	<u>\$ 896,295</u>	<u>\$ 611,116</u>	<u>\$ 88,133</u>	<u>\$ -</u>

**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, as Restated

Net Position - Ending

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Governmental Component Unit	Component Unit
\$ (1,398,712)		\$ (1,398,712)		
(7,458,779)		(7,458,779)		
(703,267)		(703,267)		
(1,511,157)		(1,511,157)		
(70,018)		(70,018)		
(478,120)		(478,120)		
<u>(11,620,053)</u>		<u>(11,620,053)</u>		
	\$ 94,365	94,365		
	379,760	379,760		
	<u>281,320</u>	<u>281,320</u>		
	755,445	755,445		
(11,620,053)	<u>755,445</u>	<u>(10,864,608)</u>		
			\$ (65,622)	\$ -
			<u>-</u>	<u>(131,424)</u>
			(65,622)	(131,424)
5,578,165	-	5,578,165	-	-
577,360	-	577,360	-	-
317,610	-	317,610	-	-
2,119,573	-	2,119,573	-	-
1,600,126	-	1,600,126	-	-
776,774	-	776,774	-	-
40,417	-	40,417	-	-
26,489	18,232	44,721	31	438
20,480	-	20,480	-	-
265,826	-	265,826	3,157	21,464
245,316	(245,316)	-	-	-
<u>11,568,136</u>	<u>(227,084)</u>	<u>11,341,052</u>	<u>3,188</u>	<u>21,902</u>
(51,917)	528,361	476,444	(62,434)	(109,522)
<u>(4,101,943)</u>	<u>19,613,022</u>	<u>15,511,079</u>	<u>(363,053)</u>	<u>(1,574,293)</u>
<u>\$ (4,153,860)</u>	<u>\$ 20,141,383</u>	<u>\$ 15,987,523</u>	<u>\$ (425,487)</u>	<u>\$ (1,683,815)</u>

**CITY OF DOUGLAS, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	General Fund	MPC Debt Service Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>				
Cash and Investments	\$ 5,312,587	\$ 7,322	\$ 2,141,000	\$ 7,460,909
Cash with Fiscal Agent	-	470,903	-	470,903
Receivables:				
Accounts Receivable	230,910	-	-	230,910
Taxes Receivable	561,353	-	54,296	615,649
Intergovernmental Receivables	542,826	-	310,180	853,006
Component Unit Long Term Note	659,725	-	-	659,725
Inventory	63,115	-	-	63,115
Prepaid Items	801	-	-	801
Restricted Assets	-	-	17,379	17,379
Total Assets	<u>\$ 7,371,317</u>	<u>\$ 478,225</u>	<u>\$ 2,522,855</u>	<u>\$ 10,372,397</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 183,876	\$ -	\$ 216,017	\$ 399,893
Accrued Wages and Benefits	435,606	-	27,136	462,742
Insurance Claims Payable	95,137	-	4,695	99,832
Interest Payable	-	8,225	-	8,225
Unearned Revenue	90,932	-	-	90,932
Customer Deposits Payable	-	-	17,379	17,379
Matured Debt Principal Payable	-	470,000	-	470,000
Total Liabilities	<u>805,551</u>	<u>478,225</u>	<u>265,227</u>	<u>1,549,003</u>
Deferred Inflows of Resources				
Unavailable Revenue	<u>71,809</u>	<u>-</u>	<u>38,520</u>	<u>110,329</u>
Fund Balances				
Nonspendable	723,641	-	-	723,641
Restricted	156,889	-	1,439,415	1,596,304
Committed	-	-	779,693	779,693
Assigned	-	-	-	-
Unassigned	5,613,427	-	-	5,613,427
Total Fund Balances	<u>6,493,957</u>	<u>-</u>	<u>2,219,108</u>	<u>8,713,065</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances				
	<u>\$ 7,371,317</u>	<u>\$ 478,225</u>	<u>\$ 2,522,855</u>	<u>\$ 10,372,397</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, 2015**

<b>Total Fund Balances for Governmental Funds</b>		<b>\$ 8,713,065</b>
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	\$ 1,100,310	
Construction in Progress	855,924	
Land Improvements	4,761,310	
Streets and Storm Drains	17,661,353	
Buildings and Improvements	15,858,712	
Machinery, Equipment and Vehicles	17,788,911	
Total Capital Assets	<u>58,026,520</u>	
Less: Accumulated Depreciation	<u>(34,735,267)</u>	23,291,253
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.		
		74,036
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.		
		36,293
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore are not reported in the funds.		
Deferred outflows of resources related to pensions		5,532,425
Deferred inflows of resources related to pensions		(1,933,378)
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 and long-term - are reported in the statement of net position.		
Loans Payable	(7,125,000)	
Net Pension Liability	(29,848,027)	
Capital Lease Payable	(1,506,753)	
Compensated Absence Payable	(1,387,774)	(39,867,554)
Total Net Position of Governmental Activities		<u>\$ (4,153,860)</u>

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, 2015**

	General Fund	MPC Debt Service Fund	Nonmajor Governmental Funds	Totals
<b>REVENUES</b>				
Taxes:				
Sales Taxes	\$ 4,993,234	\$ -	\$ 587,270	\$ 5,580,504
Property Taxes	578,705	-	-	578,705
Franchise Taxes	317,610	-	-	317,610
Intergovernmental Revenues	5,621,250	-	2,414,442	8,035,692
Fines and Forfeitures	156,046	-	4,824	160,870
Licenses and Permits	165,004	-	-	165,004
Charges for Services	1,895,749	-	-	1,895,749
Rents and Royalties	818,819	-	-	818,819
Contributions and Donations	136,718	-	-	136,718
Investment Income	10,225	-	16,264	26,489
Other	173,712	-	92,114	265,826
Total Revenues	<u>14,867,072</u>	<u>-</u>	<u>3,114,914</u>	<u>17,981,986</u>
<b>EXPENDITURES</b>				
Current:				
General Government	3,173,332	-	29,986	3,203,318
Public Safety	6,994,669	-	35,341	7,030,010
Highways and Streets	570,913	-	705,475	1,276,388
Culture and Recreation	1,327,427	-	10,150	1,337,577
Redevelopment and Housing	-	-	947,866	947,866
Debt Service:				
Principal Retirement	30,837	470,000	974,093	1,474,930
Interest on Long-Term Debt	3,185	16,451	404,243	423,879
Capital Outlay	216,143	-	1,707,634	1,923,777
Total Expenditures	<u>12,316,506</u>	<u>486,451</u>	<u>4,814,788</u>	<u>17,617,745</u>
Excess (Deficiency) of Revenues Over Expenditures	2,550,566	(486,451)	(1,699,874)	364,241
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	211,004	486,451	1,859,608	2,557,063
Transfers Out	(1,799,396)	-	(512,351)	(2,311,747)
Proceeds from Sale of Capital Assets	20,480	-	-	20,480
Proceeds from Sale of Capital Assets	-	-	-	-
Proceeds from Capital Leases	-	-	-	-
Total Other Financing Sources (Uses)	<u>(1,567,912)</u>	<u>486,451</u>	<u>1,347,257</u>	<u>265,796</u>
Net Change in Fund Balances	982,654	-	(352,617)	630,037
<b>FUND BALANCES</b>				
Beginning of Year	5,511,303	-	2,571,725	8,083,028
End of Year	<u>\$ 6,493,957</u>	<u>\$ -</u>	<u>\$ 2,219,108</u>	<u>\$ 8,713,065</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, 2015**

<b>Net Change in Fund Balances-Total Governmental Funds</b>	<b>\$</b>	<b>630,037</b>
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	\$ 1,924,942	
Depreciation Expense	<u>(2,402,564)</u>	(477,622)
Contributions of capital assets are not current financial resources and are not reflected in the governmental funds.		
		420,923
Loan receivable recorded as revenue in the government-wide statement of net position, but not yet available.		
Intergovernmental Receivables - June 30, 2014	43,407	
Intergovernmental Receivables - June 30, 2015	<u>36,293</u>	(7,114)
Governmental funds report City pension contributions as expenditures when made. However, in the statement of activities pension 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 the investment experience.		
Pension Contributions		1,658,196
Pension Expense		<u>(3,775,227)</u>
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 general obligation bonds and related items is as follows:		
Amortization of Deferred Amount on Refunding	(12,843)	
Amortization of Bond Discount	(1,398)	
Repayment of Long-Term Debt	<u>1,474,930</u>	1,460,689
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, 2014	77,720	
Unavailable Revenue - June 30, 2015	<u>74,036</u>	(3,684)
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).		
Change in Net Position of Governmental Activities		<u>41,885</u>
	<u>\$</u>	<u>(51,917)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Business-Type Activities			
	Water	Sewer	Solid Waste	Totals
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 2,802,950	\$ 870,822	\$ 1,438,248	\$ 5,112,020
Receivables, Net:				
Accounts Receivable	212,536	165,592	111,452	489,580
Total Current Assets	3,015,486	1,036,414	1,549,700	5,601,600
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	138,737	574,036	-	712,773
Capital Assets:				
Non-Depreciable	978	741,112	-	742,090
Depreciable (Net)	7,181,393	12,944,753	334,455	20,460,601
Total Noncurrent Assets	7,321,108	14,259,901	334,455	21,915,464
Total Assets	10,336,594	15,296,315	1,884,155	27,517,064
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	82,135	63,666	56,733	202,534
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	35,985	147,668	12,500	196,153
Accrued Wages and Benefits	21,637	17,076	16,530	55,243
Insurance Claims Payable	6,302	6,328	5,926	18,556
Interest Payable	16,257	34,492	-	50,749
Customer Deposits Payable	15,524	13,847	13,262	42,633
Compensated Absences	49,947	35,795	15,948	101,690
Capital Leases Payable	-	77,338	39,251	116,589
Loans Payable	74,842	426,517	-	501,359
Total Current Liabilities	220,494	759,061	103,417	1,082,972
Noncurrent Liabilities:				
Compensated Absences Payable	11,461	19,014	-	30,475
Capital Leases Payable	-	128,793	81,224	210,017
Loans Payable	1,080,552	3,022,716	-	4,103,268
Net Pension Liability	731,699	567,164	505,402	1,804,265
Total Noncurrent Liabilities	1,823,712	3,737,687	586,626	6,148,025
Total Liabilities	2,044,206	4,496,748	690,043	7,230,997
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	140,810	109,147	97,261	347,218
<b>NET POSITION</b>				
Net Investment in Capital Assets	6,026,977	10,030,501	213,980	16,271,458
Restricted for:				
Debt Service	118,917	574,036	-	692,953
Repair and Replacement	19,820	-	-	19,820
Unrestricted	2,067,999	149,549	939,604	3,157,152
Total Net Position	\$ 8,233,713	\$ 10,754,086	\$ 1,153,584	\$ 20,141,383

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, 2015**

	Business-Type Activities			Totals
	Water	Sewer	Solid Waste	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 1,884,571	\$ 1,833,101	\$ 1,211,989	\$ 4,929,661
<b>OPERATING EXPENSES</b>				
Cost of Sales and Services	1,328,056	846,943	831,963	3,006,962
Insurance Claims	36,278	32,321	34,051	102,650
Depreciation	488,095	518,974	61,351	1,068,420
Total Operating Expenses	<u>1,852,429</u>	<u>1,398,238</u>	<u>927,365</u>	<u>4,178,032</u>
Operating Income	32,142	434,863	284,624	751,629
<b>NONOPERATING REVENUES (EXPENSE)</b>				
Impact Fees	10,500	14,087	-	24,587
Investment Income	8,027	7,098	3,107	18,232
Interest Expense	(32,514)	(74,497)	(3,404)	(110,415)
Miscellaneous Nonoperating Revenues	84,237	5,307	100	89,644
Total Nonoperating Revenues	<u>70,250</u>	<u>(48,005)</u>	<u>(197)</u>	<u>22,048</u>
Income Before Transfers	102,392	386,858	284,427	773,677
Transfers Out	<u>(117,590)</u>	<u>(87,933)</u>	<u>(39,793)</u>	<u>(245,316)</u>
Change in Net Position	(15,198)	298,925	244,634	528,361
Total Net Position - Beginning of Year, as Restated	<u>8,248,911</u>	<u>10,455,161</u>	<u>908,950</u>	<u>19,613,022</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u><u>\$ 8,233,713</u></u>	<u><u>\$ 10,754,086</u></u>	<u><u>\$ 1,153,584</u></u>	<u><u>\$ 20,141,383</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015**

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 1,894,661	\$ 1,831,305	\$ 1,209,198	\$ 4,935,164
Payments to Suppliers	(1,110,191)	(472,925)	(518,818)	(2,101,934)
Payments to Employees	(356,597)	(353,096)	(338,824)	(1,048,517)
Payment for Claims	(38,093)	(35,932)	(36,242)	(110,267)
Other Receipts	98,496	17,879	12,162	128,537
Net Cash Flows Provided by Operating Activities	488,276	987,231	327,476	1,802,983
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers Out	(117,590)	(87,933)	(39,793)	(245,316)
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>				
Impact Fees	10,500	14,087	-	24,587
Purchases of Capital Assets	(35,233)	(94,342)	(22,744)	(152,319)
Principal Paid on Capital Debt	(72,793)	(493,903)	(38,372)	(605,068)
Interest Paid on Capital Debt	(33,538)	(84,509)	(3,404)	(121,451)
Net Cash Flows Used by Capital and Related Financing Activities	(131,064)	(658,667)	(64,520)	(854,251)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income	8,027	7,098	3,107	18,232
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	247,649	247,729	226,270	721,648
Cash and Cash Equivalents - Beginning of Year	2,694,038	1,197,129	1,211,978	5,103,145
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,941,687</u>	<u>\$ 1,444,858</u>	<u>\$ 1,438,248</u>	<u>\$ 5,824,793</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>				
Cash and Cash Equivalents	\$ 2,802,950	\$ 870,822	\$ 1,438,248	\$ 5,112,020
Restricted Cash and Cash Equivalents	138,737	574,036	-	712,773
Total Cash and Cash Equivalents	<u>\$ 2,941,687</u>	<u>\$ 1,444,858</u>	<u>\$ 1,438,248</u>	<u>\$ 5,824,793</u>

(Continued)

**CITY OF DOUGLAS, ARIZONA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015**

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income	\$ 32,142	\$ 434,863	\$ 284,624	\$ 751,629
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	488,095	518,974	61,351	1,068,420
Adjustment for Pension Expense	(2,389)	(1,852)	(1,650)	(5,891)
Miscellaneous Nonoperating Revenues	84,237	5,307	100	89,644
Change in Assets/Liabilities:				
Receivables, Net	10,090	(1,796)	(2,791)	5,503
Accounts Payable	(127,254)	42,211	(19,549)	(104,592)
Accrued Wages and Benefits	85	(184)	(130)	(229)
Insurance Claims Payable	(1,815)	(3,611)	(2,191)	(7,617)
Customer Deposits Payable	14,259	12,572	12,062	38,893
Compensated Absences	(9,174)	(19,253)	(4,350)	(32,777)
Net Cash Provided by Operating Activities	<u>\$ 488,276</u>	<u>\$ 987,231</u>	<u>\$ 327,476</u>	<u>\$ 1,802,983</u>

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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.

During the year ended June 30, 2015, the City adopted Governmental Accounting Standards Board Statement (GASBS) No. 68, *Accounting and Financial Reporting for Pensions*, and GASBS No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, both of which provide financial reporting guidance for reporting pension liabilities and expenses.

**A. Reporting Entity**

The City is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. The governmental discretely presented component unit consists of only Douglas Housing Corporation II and is presented in one column in the government-wide financial statements. The business-type discretely presented component unit consists of only Rancho La Perilla and is presented in one column of the government-wide financial statements. See the descriptions below of each of the blended and discretely presented component units.

*Blended component unit:*

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

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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 units:*

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

**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 Pioneer Village and Rancho La Perilla have been prepared in conformity with the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations" and are available from the Essex Corporation.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**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.

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.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

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

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

*Major Governmental Funds*

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

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.

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, 2015**

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

**2. 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 \$54,403.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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 (Continued)**

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 (\$115,004), State sales tax (\$139,376), auto lieu (\$35,174), federal transit grant (\$54,423), homeland security grant (\$338,713), rehabilitation revolving loans (\$36,293) and other federal and state grants (\$134,023) in the governmental funds and governmental activities column of the government-wide financial statements.

**4. 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 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.

**5. Restricted Assets**

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

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.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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. 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 fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

**7. 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 under GASB 68.

**8. Compensated Absences**

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

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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)**

**9. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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.

**10. 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.

**11. 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, 2015 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 under GASB 68.



**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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. 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.

**13. Fund Balance Classifications**

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

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

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. The committed fund balances are self-imposed limitations approved by the City's Council, 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. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

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

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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 Public Housing Fund during the fiscal year.

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

No supplementary budgetary appropriations were necessary during the year.

**B. Deficit Net Position**

At June 30, 2015, the City reported a deficit net position in the governmental activities of \$4,153,860. The deficit was due to recording the net pension 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 liability will be reduced through future contributions to the plans.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2015 consist of the following:

Deposits:	
Cash on Hand	\$ 2,940
Cash in Bank	7,948,602
Cash on Deposit with County Attorney	351,637
Investments:	
State Treasurer's Investment Pool	4,999,902
Cash on Deposit with Trustee	470,903
Total Cash and Investments	<u>13,773,984</u>
Less Restricted Assets	(730,152)
Less Cash with Fiscal Agent	<u>(470,903)</u>
Cash and Investments - Statement of Net Position	<u><u>\$ 12,572,929</u></u>

**Deposits**

The carrying value of the City's deposits at June 30, 2015 was \$7,948,602 and the bank balance was \$7,846,590. Of the bank balance, \$3,936,223 was covered by federal depository insurance and \$3,910,367 was covered by collateral held by the City's custodial bank in the City's name. The deposits held by the trustee were insured by federal depository insurance or were collateralized by securities held by the pledging financial institution in the trustee's name.

**Investments**

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

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

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

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**A. Assets (Continued)**

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

The City's investments at June 30, 2015 consist of the following:

Investment Type	Amount	Maturity in Years	
		Less than 1	1-2
State Treasurer's Investment Pool 5	\$ 4,303,927	\$ 4,303,927	\$ -
State Treasurer's Investment Pool 500	695,975	-	695,975
	<u>\$ 4,999,902</u>	<u>\$ 4,303,927</u>	<u>\$ 695,975</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 agreement, 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.

Cash and investments of the component unit's at June 30, 2015 consist of:

Deposits:	
Cash on Hand	\$ 100
Cash in Bank	92,347
Investments:	
Funds Held by Mortgage	430,392
Restricted Assets	(450,262)
Total Cash and Cash Equivalents	<u>\$ 72,577</u>

The carrying value of the component unit's deposits at June 30, 2015 was \$92,347 which was entirely covered by federal depository insurance.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**A. Assets (Continued)**

**2. Restricted Assets**

Restricted assets in the Governmental Activities, Water Fund and the Sewer Fund at June 30, 2015 consisted of the following:

	Governmental Activities	Business-Type Activities		Total
		Water Fund	Sewer Fund	
Loan Debt Service Reserve Requirement	\$ -	\$ 138,737	\$ 574,036	\$ 712,773
Customer Deposits	9,666	-	-	9,666
Grantor Reserve Requirement	7,713	-	-	7,713
<b>Total</b>	<b>\$ 17,379</b>	<b>\$ 138,737</b>	<b>\$ 574,036</b>	<b>\$ 730,152</b>

Restricted assets of the discretely presented component units at June 30, 2015 consisted of the following:

Funds Held by Mortgage	\$ 430,392
Tenant Deposits	19,870
<b>Total Restricted Assets of the Component Units</b>	<b>\$ 450,262</b>

**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)	\$ 53,246	\$ -
Unavailable Grant Revenue: (Nonmajor Governmental Funds)	36,293	-
Sales Tax Audit Receivable: (General Fund)	18,563	-
(Nonmajor Governmental Funds)	2,227	-
Unearned Revenue: (General Fund)	-	90,000
Unearned Grant Revenue: (General Fund)	-	932
	<b>\$ 110,329</b>	<b>\$ 90,932</b>

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,100,310	\$ -	\$ -	\$ 1,100,310
Construction in Progress	1,560,083	431,028	(1,135,187)	855,924
Total Capital Assets, Not Being Depreciated	2,660,393	431,028	(1,135,187)	1,956,234
Capital Assets, Being Depreciated:				
Land Improvements	4,728,676	32,634	-	4,761,310
Streets and Storm Drains	16,626,188	1,035,165	-	17,661,353
Buildings and Improvements	15,775,191	83,521	-	15,858,712
Machinery and Equipment	11,235,062	1,361,411	(54,500)	12,541,973
Vehicles	4,709,645	537,293	-	5,246,938
Total Capital Assets, Being Depreciated	53,074,762	3,050,024	(54,500)	56,070,286
Accumulated Depreciation for:				
Land Improvements	(2,636,930)	(191,002)	-	(2,827,932)
Streets and Storm Drains	(10,442,774)	(626,514)	-	(11,069,288)
Buildings and Improvements	(6,227,717)	(538,293)	-	(6,766,010)
Machinery and Equipment	(9,888,296)	(612,434)	54,500	(10,446,230)
Vehicles	(3,191,486)	(434,321)	-	(3,625,807)
Total Accumulated Depreciation	(32,387,203)	(2,402,564)	54,500	(34,735,267)
Total Capital Assets, Being Depreciated, Net	20,687,559	647,460	-	21,335,019
Governmental Activities Capital Assets, Net	<u>\$ 23,347,952</u>	<u>\$ 1,078,488</u>	<u>\$ (1,135,187)</u>	<u>\$ 23,291,253</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General Government	\$ 685,647
Public Safety	634,644
Highways and Streets	684,039
Culture and Recreation	392,061
Redevelopment and Housing	6,173
Total Depreciation Expense, Governmental Activities	<u>\$ 2,402,564</u>

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 810,112	\$ 185,260	\$ (253,282)	\$ 742,090
Capital Assets, Being Depreciated:				
Buildings and Improvements	7,648,482	-	-	7,648,482
Water System	15,677,603	268,804	-	15,946,407
Wastewater System	13,776,242	19,708	-	13,795,950
Machinery, Equipment, and Vehicles	2,910,424	22,746	-	2,933,170
Total Capital Assets, Being Depreciated	40,012,751	311,258	-	40,324,009
Accumulated Depreciation for:				
Buildings and Improvements	(2,744,389)	(169,966)	-	(2,914,355)
Water System	(8,428,973)	(424,794)	-	(8,853,767)
Wastewater System	(5,693,582)	(287,150)	-	(5,980,732)
Machinery, Equipment, and Vehicles	(1,928,044)	(186,510)	-	(2,114,554)
Total Accumulated Depreciation	(18,794,988)	(1,068,420)	-	(19,863,408)
Total Capital Assets, Being Depreciated, Net	21,217,763	(757,162)	-	20,460,601
Business-Type Activities Capital Assets, Net	\$ 22,027,875	\$ (571,902)	\$ (253,282)	\$ 21,202,691

Depreciation expense was charged to functions/programs as follows:

<b>Business-Type Activities:</b>	
Water	\$ 488,095
Sewer	518,974
Solid Waste	61,351
Total Depreciation Expense, Business-Type Activities	<u>\$ 1,068,420</u>

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

Capital asset activity for the governmental and business-type discretely presented component units for the year ended June 30, 2015 were as follows:

<b>Governmental Discretely Presented Component Unit</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets, Not Being Depreciated:				
Land	\$ 16,454	\$ -	\$ -	\$ 16,454
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,110,603	29,677	(2,010)	1,138,270
Furniture and Equipment	26,125	2,326	(3,247)	25,204
Total Capital Assets, Being Depreciated	1,136,728	32,003	(5,257)	1,163,474
Accumulated Depreciation	(819,622)	(45,411)	5,257	(859,776)
Total Capital Assets, Being Depreciated, Net	317,106	(13,408)	-	303,698
Governmental-Type Activities Capital Assets, Net	<u>\$ 333,560</u>	<u>\$ (13,408)</u>	<u>\$ -</u>	<u>\$ 320,152</u>
<b>Business-Type Discretely Presented Component Unit</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
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	(1,734,096)	(130,189)	-	(1,864,285)
Furniture and Equipment	(18,966)	(960)	-	(19,926)
Total Accumulated Depreciation	(1,753,062)	(131,149)	-	(1,884,211)
Total Capital Assets, Being Depreciated, Net	3,480,780	(131,149)	-	3,349,631
Business-Type Activities Capital Assets, Net	<u>\$ 3,745,780</u>	<u>\$ (131,149)</u>	<u>\$ -</u>	<u>\$ 3,614,631</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Pioneer Village	<u>\$ 45,411</u>
Business-type Activities:	
Rancho La Perilla	<u>\$ 131,149</u>



**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**B. Interfund Transfers**

Interfund transfers for the year ended June 30, 2015 consisted of the following:

Transfers Out	Transfers In			Total
	General Fund	MPC Debt Service Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 325,922	\$ 1,473,474	\$ 1,799,396
Nonmajor Governmental Funds	34,153	160,529	317,669	512,351
Water Fund	69,513	-	48,077	117,590
Sewer Fund	74,341	-	13,592	87,933
Solid Waste Fund	32,997	-	6,796	39,793
	<u>\$ 211,004</u>	<u>\$ 486,451</u>	<u>\$ 1,859,608</u>	<u>\$ 2,557,063</u>

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

**C. Obligations Under Capital Leases**

The City has acquired communication equipment, vehicles and equipment, lawn mowers, and golf carts under the provisions of long-term lease agreements classified as capital leases. Accordingly, the principal amount of the assets totaling \$2,470,260 and \$583,553 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	\$ 2,470,260	\$ 583,553
Less: Accumulated Depreciation	(605,548)	(122,780)
Total	<u>\$ 1,864,712</u>	<u>\$ 460,773</u>

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

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

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

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 404,703	\$ 28,038	\$ 116,589	\$ 6,446
2017	387,959	20,525	119,113	3,923
2018	383,905	13,395	90,904	1,344
2019	163,288	7,297	-	-
2020	166,898	3,688	-	-
Total	<u>\$ 1,506,753</u>	<u>\$ 72,943</u>	<u>\$ 326,606</u>	<u>\$ 11,713</u>

**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 this fiscal year. Future minimum lease payments related to the call center lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 647,076
2017	647,076
2018	647,076
2019	623,964
2020	600,852
2021 - 2024	2,102,982
	<u>\$ 5,269,026</u>

The City leases land to various third parties. Annual rental revenues from the lease agreements are recognized in the General Fund. Payments relating to these leases totaled \$148,627. The future minimum lease payments required under the leases at June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 76,289
2017	76,289
2018	76,289
2019	23,792
2020	9,445
Thereafter	56,668
	<u>\$ 318,772</u>

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**E. Long-Term Obligations**

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

The City has pledged future excise taxes and other revenue to repay \$4.2 million in governmental excise tax refunding bonds issued in 2004. Proceeds of the bonds were used to refund and refinance the outstanding excise tax revenue bonds, series 1995 and highways and streets revenue bonds, Series 1996. The bonds are payable from excise taxes, state shared revenues, franchise taxes and fees for license and permits, and were paid off in their entirety in 2015. Principal and interest paid for the current year and total pledged revenues were \$486,451 and \$11,792,995, respectively.

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

Description	Maturity	Interest Rate (%)	Outstanding at June 30, 2015
<b>Governmental Activities</b>			
Loans Payable:			
Greater Arizona Development Authority, Series 2008A; original issue \$3,000,000	8/1/15-28	4.00-5.25%	\$ 2,250,000
Call Center Purchase Agreement; collateralized by the building and equipment acquired with the debt; original issue \$9,000,000	7/31/15-28	4.29-5.63%	<u>4,875,000</u>
Total Governmental Loans Payable			<u>\$ 7,125,000</u>
<b>Business-Type Activities</b>			
Water Infrastructure Finance Authority of Arizona Issued 2009-2010	7/1/15-29	2.00%	\$ 3,449,233
Water Infrastructure Finance Authority of Arizona Issued 2009-2010	7/1/15-27	2.814%	<u>1,155,394</u>
Total Business-Type Loans Payable			<u>\$ 4,604,627</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 percent of pledged revenues. The total principal and interest remaining to be paid on the loan is \$3,014,844. Principal and interest paid for the current year and total excise taxes and shared revenues were \$235,172 and \$10,074,638, respectively.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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 percent 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 6/30/13. The lease of the call center is a 15 year lease with annual payments of \$670,182 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 2023; 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 \$6,797,857. Principal and interest paid for the current year was \$674,680 and the City sales tax and lease revenues were \$9,353,016 and \$669,266, respectively.

The City has three loans through the Water Infrastructure Financing Authority of Arizona (WIFA). The City recently acquired a \$900,000 loan from WIFA for the construction of a solar station at its wastewater plant. The loans are structured where the City draws on the loans as funds are needed. To-date, the City has drawn down \$1.5 million, \$5.1 million and \$ - from the total authorized loan of \$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% percent of net available revenue. The total principal and interest remaining to be paid on the loan is \$5,112,371. Principal and interest paid for the current year and total pledged revenues were \$589,544 and \$596,261.

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, 2015**

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

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

Changes in long-term obligations for the year ended June 30, 2015 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
<b>Governmental Activities:</b>					
Loans Payable	\$ 7,725,000	\$ -	\$ (600,000)	\$ 7,125,000	\$ 505,000
Revenue Bonds	470,000	-	(470,000)	-	-
Discount	(1,398)	-	1,398	-	-
Total Bonds and Loans	<u>8,193,602</u>	<u>-</u>	<u>(1,068,602)</u>	<u>7,125,000</u>	<u>505,000</u>
<b>Other Liabilities:</b>					
Capital Leases	1,911,683	-	(404,930)	1,506,753	404,703
Compensated Absences	1,429,659	647,074	(688,959)	1,387,774	708,544
Total Governmental Activities	<u>\$ 11,534,944</u>	<u>\$ 647,074</u>	<u>\$ (2,162,491)</u>	<u>\$ 10,019,527</u>	<u>\$ 1,618,247</u>
<b>Business-Type Activities:</b>					
Loans Payable	\$ 5,095,574	\$ -	\$ (490,947)	\$ 4,604,627	\$ 501,359
<b>Other Liabilities:</b>					
Capital Lease	440,727	-	(114,121)	326,606	116,589
Compensated Absences	164,942	73,515	(106,292)	132,165	101,690
Total Business-Type Activities	<u>\$ 5,701,243</u>	<u>\$ 73,515</u>	<u>\$ (711,360)</u>	<u>\$ 5,063,398</u>	<u>\$ 719,638</u>
<b>Governmental Component Units:</b>					
Notes Payable	<u>\$ 953,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 953,242</u>	<u>\$ 5,231</u>
<b>Business-Type Component Units:</b>					
Notes Payable	<u>\$ 5,124,415</u>	<u>\$ -</u>	<u>\$ (51,300)</u>	<u>\$ 5,073,115</u>	<u>\$ 53,417</u>

Debt service requirements on long-term debt at June 30, 2015 are as follows:

Years	Primary Government				Component Units	
	Governmental Activities		Business-Type Activities		Activities	Activities
	Principal	Interest	Principal	Interest	Principal	Principal
2016	\$ 505,000	\$ 376,539	\$ 501,359	\$ 98,597	\$ 5,231	\$ 53,417
2017	510,000	349,375	511,995	87,961	-	55,621
2018	520,000	321,938	522,862	77,034	-	57,916
2019	525,000	294,106	533,963	65,993	-	60,306
2020	530,000	267,127	545,304	54,652	-	62,794
2021-2025	2,765,000	902,408	1,989,144	123,507	-	627,700
2026-2030	1,770,000	176,208	-	-	-	-
2031-2035	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-
2041-2045	-	-	-	-	948,011	4,155,361
Totals	<u>\$ 7,125,000</u>	<u>\$ 2,687,701</u>	<u>\$ 4,604,627</u>	<u>\$ 507,744</u>	<u>\$ 953,242</u>	<u>\$ 5,073,115</u>

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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	MPC Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventory	\$ 63,115	\$ -	\$ -	\$ 63,115
Prepaid Items	801	-	-	801
Due from Component Unit	659,725	-	-	659,725
Total Nonspendable	<u>723,641</u>	<u>-</u>	<u>-</u>	<u>723,641</u>
Restricted:				
Firefighters Injured in Line of Duty	136,889	-	-	136,889
Transit - Making the Connection Program	20,000	-	-	20,000
Federal and State Grant Programs	-	-	337,013	337,013
Court Administration	-	-	49,680	49,680
Law Enforcement Operations	-	-	253,770	253,770
Highways and Streets by A.R.S. 28-6533	-	-	427,569	427,569
Housing and Redevelopment	-	-	371,383	371,383
Total Restricted	<u>156,889</u>	<u>-</u>	<u>1,439,415</u>	<u>1,596,304</u>
Committed for Capital Projects	-	-	779,693	779,693
Unassigned:	<u>5,613,427</u>	<u>-</u>	<u>-</u>	<u>5,613,427</u>
Total Fund Balances	<u>\$ 6,493,957</u>	<u>\$ -</u>	<u>\$ 2,219,108</u>	<u>\$ 8,713,065</u>

**G. Change in Accounting Principle**

During the year ended June 30, 2015, the City of Douglas, Arizona adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Subsequent to the Measurement Date- an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the June 30, 2014, net position of the governmental activities, business-type activities and enterprise funds as follows:

	Net Position as Previously Stated	Cumulative Affect of Application of GASB 68 Net Pension Liability	Cumulative Affect of Application of GASB 71 Deferred Outflow of Resources for Town Contributions Made During 2013-14	Net Position As Restated
Governmental Activities	\$ 20,030,006	\$ (25,835,739)	\$ 1,703,790	\$ (4,101,943)
Business Type Activities	21,567,862	(2,072,453)	117,613	19,613,022
Water	9,041,674	(840,460)	47,697	8,248,911
Sewer	11,069,658	(651,468)	36,971	10,455,161
Solid Waste	1,456,530	(580,525)	32,945	908,950

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**G. Change in Accounting Principle (Continued)**

During the year ended June 30, 2015, Douglas Housing Corporation I (Casa de Esperanza) was sold to a private entity. Casa de Esperanza was previously disclosed as a discretely presented governmental component unit; however, as a result of the transfer of ownership, Casa de Esperanza no longer met the definition of a component unit. The following summary reconciles the beginning net position of the governmental discretely presented component unit to the prior year audited financial statements:

	Net Position as Previously Stated	Elimination of Casa de Esperanza	Net Position As Restated
Discretely Presented Governmental Component Unit	<u>\$ (1,001,351)</u>	<u>\$ 638,298</u>	<u>\$ (363,053)</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.

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 in all funds. The City allocates the cost of claims by charging a premium to each fund based on a percentage of each funds estimated current-year payroll. Claim expenditures 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.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**A. Risk Management (Continued)**

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, 2015, the self-insured benefit claims payable, including amounts incurred, but not yet reported totaled \$118,388.

As of June 30, 2015 and 2014, unpaid claims were as follows:

	2015	2014
Beginning unpaid claims	\$ 165,651	\$ 116,356
Claims incurred and changes in estimates	678,890	942,570
Payments made	(726,153)	(893,275)
Ending unpaid claims	\$ 118,388	\$ 165,651

**B. Contingent Liabilities**

**Lawsuits**

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

**C. Commitments**

The City has three committed projects that will be funded through the Water Infrastructure Authority of Arizona (WIFA) in the amount of \$9.0 million, \$1.5 million and \$900,000. The projects are for wastewater, water and solar field installation at the wastewater treatment facility respectively. As of June 30, 2015, the City had no construction commitments related to either project, but spent and drew down \$6.6 million; the WIFA funds, negotiated as a loan, have an available balance in the amount of \$4.8 million. Annual principal and semi-annual interest payment will be due through 2029 on the outstanding loan balance.

The City has contractual commitments related to the solar station and phase II of the WWTP improvements at June 30, 2015. The City had spent \$178,097 on these projects and had remaining contractual commitments with contractors of \$430,999 as of June 30, 2015.



**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. 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, 2015, 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	\$ 29,848,027	\$ 1,804,265	\$ 31,652,292
Deferred Outflows of Resources	5,532,425	202,534	5,734,959
Deferred Inflows of Resources	1,933,378	347,218	2,280,596
Pension Expense	3,775,227	104,944	3,880,171

The City reported accrued payroll and employee benefits of \$35,868 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2015. Also, the City reported \$1,658,196 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](http://www.azasrs.gov).

**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, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. 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, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.60 percent (10.89 percent for retirement, 0.59 percent for the health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) 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, 2015, were \$449,025. The City's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

<u>Year Ending June 30,</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2015	\$ 24,327	\$ 4,948
2014	24,546	9,818
2013	27,912	10,306

During the fiscal year ended June 30, 2015, the City paid for ASRS pension and OPEB contributions as follows: 66 percent from the General Fund, 10 percent from nonmajor governmental funds, 10 percent from the Water Fund, 8 percent from the Sewer Fund and 6 percent from the Solid Waste Fund.

**Pension Liability** – At June 30, 2015, the City reported a liability of \$7,309,573 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. 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, 2013, to the measurement date of June 30, 2014.

The City's reported liability at June 30, 2015, decreased by \$1,086,502 from the City's prior year liability of \$8,396,075 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 2014 pension contributions. The City's proportion measured as of June 30, 2014, was 0.049400 percent, which was a decrease of 0.00111 from its proportion measured as of June 30, 2013.

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources** – For the year ended June 30, 2015 the City recognized pension expense for ASRS of \$425,158. At June 30, 2015, 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	\$ 371,494	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,278,219
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	128,454
City's contributions subsequent to the measurement date	449,025	-
Total	\$ 820,519	\$ 1,406,673

The \$449,025 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, 2016. 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
2016	\$ (213,885)
2017	(213,885)
2018	(287,854)
2019	(319,555)

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. 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, 2013
Actuarial Roll Forward Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	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, 2013 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 8.79 percent 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 weighing 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	63%	7.03%
Fixed Income	25%	3.20%
Real Estate	8%	4.75%
Commodities	4%	4.50%
Total	<u>100%</u>	

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. 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 percent, 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 percent) or 1 percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City’s proportionate share of the net pension liability	\$ 9,238,926	\$ 7,309,573	\$ 6,262,803

**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 and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-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](http://www.psprs.com).

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. 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:

<b>PSPRS</b> Retirement and Disability	Initial Membership Date	
	Before	On or After
Years of Service and Age Required to Receive Benefit	20 Years any Age 15 Years Age 62	25 Years and Age 52.5
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 based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

**Employees Covered by Benefit Terms** – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

	<u>PSPRS Police</u>	<u>PSPRS Firefighters</u>
Inactive Employees or Beneficiaries		
Currently Receiving Benefits	28	23
Inactive Employees Entitled to but Not Yet Receiving Benefits	7	7
Active Employees	<u>29</u>	<u>22</u>
Total	<u>64</u>	<u>52</u>

**Contributions and Annual OPEB Cost** – 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, 2015, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<u>PSPRS Police</u>	<u>PSPRS Firefighters</u>
Active Members - Pension	11.05%	11.05%
City		
Pension	39.22%	43.91%
Health Insurance Premium Benefit	1.46%	1.22%



**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

**Contributions and Annual OPEB Cost (Continued)**

For the agent plans, the City's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	<u>PSPRS Police</u>	<u>PSPRS Firefighters</u>
Pension		
Contributions Made	\$ 740,315	\$ 579,692
Health Insurance Premium Benefit		
Annual OPEB Cost	32,639	18,775
Contributions Made	32,639	18,775

During the fiscal year 2015, the City paid for PSPRS pension and OPEB contributions 100 percent from the General Fund.

**Pension Liability** – At June 30, 2015, the City reported the following net pension liabilities:

	<u>Net Pension Liability</u>
PSPRS Police	\$ 13,593,042
PSPRS Firefighters	10,749,677

The net pension liabilities were measured as of June 30, 2014, 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, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

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

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.85%
Projected Salary Increases	4.0%-8.0%
Inflation	4.0%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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:

<b>PSPRS</b>	Target	Long-Term
Asset Class	Allocation	Expected Real Rate of Return
Short Term Investments	2%	3.25%
Absolute Return	4%	6.75%
Risk Parity	4%	6.04%
Fixed Income	7%	4.75%
Real Assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real Estate	11%	6.50%
Credit Opportunities	13%	8.00%
Non-U.S. Equity	14%	8.63%
U.S. Equity	16%	7.60%
Total	100%	

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

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

	PSPRS Police	PSPRS Firefighters
Discount Rates	7.85%	7.85%

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.

**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:

<b>PSPRS - Police</b>	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance - June 30, 2014	\$ 17,025,775	\$ 6,006,698	\$ 11,019,077
Changes for the Year:			
Service Cost	397,560	-	397,560
Interest on the Total Pension Liability	1,299,915	-	1,299,915
Changes of Benefit Terms	572,866	-	572,866
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(586,401)	-	(586,401)
Changes of Assumptions or Other Inputs	2,630,528	-	2,630,528
Contributions - Employer	-	731,085	(731,085)
Contributions - Employee	-	201,922	(201,922)
Net Investment Income	-	814,052	(814,052)
Benefit Payments, Including Refunds of Employee Contributions	(1,330,257)	(1,330,257)	-
Administrative Expenses	-	(6,556)	6,556
Other Changes	-	-	-
Net Changes	2,984,211	410,246	2,573,965
Balance - June 30, 2015	\$ 20,009,986	\$ 6,416,944	\$ 13,593,042

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

**Changes in the Agent Plans Net Pension Liability (Continued)**

<b>PSPRS - Firefighters</b>	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2014	\$ 11,901,240	\$ 3,408,200	\$ 8,493,040
Changes for the Year:			
Service Cost	288,434	-	288,434
Interest on the Total Pension Liability	909,525	-	909,525
Changes of Benefit Terms	444,603	-	444,603
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	36,351	-	36,351
Changes of Assumptions or Other Inputs	1,830,655	-	1,830,655
Contributions - Employer	-	613,837	(613,837)
Contributions - Employee	-	146,888	(146,888)
Net Investment Income	-	473,107	(473,107)
Benefit Payments, Including Refunds of Employee Contributions	(918,315)	(918,315)	-
Administrative Expenses	-	(3,810)	3,810
Other Changes	-	22,909	(22,909)
Net Changes	<u>2,591,253</u>	<u>334,616</u>	<u>2,256,637</u>
Balances as of June 30, 2015	<u>\$ 14,492,493</u>	<u>\$ 3,742,816</u>	<u>\$ 10,749,677</u>

**Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate –**

The following table presents the City's net pension liabilities (assets) calculated using the discount rates noted above, 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	6.85%	7.85%	8.85%
Net Pension Liability (Asset)	\$ 15,987,037	\$ 13,593,042	\$ 11,602,175
PSPRS Firefighters			
Rate	6.85%	7.85%	8.85%
Net Pension Liability (Asset)	\$ 12,370,885	\$ 10,749,677	\$ 9,387,952

**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, 2015, the City recognized \$2,026,701 and \$1,428,312 in pension expenses for PSPRS Police and PSPRS Firefighters, respectively:

**CITY OF DOUGLAS, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

**Pension Deferred Outflows/Inflows of Resources** – At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PSPRS - Police</b>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 444,611
Changes of assumptions or other inputs	1,994,474	-
Net difference between projected and actual earnings on pension plan investments	-	271,514
City contributions subsequent to the measurement date	740,315	-
<b>Total</b>	<u><u>\$ 2,734,789</u></u>	<u><u>\$ 716,125</u></u>

<b>PSPRS - Firefighters</b>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,152	\$ -
Changes of assumptions or other inputs	1,568,807	-
Net difference between projected and actual earnings on pension plan investments	-	157,798
City contributions subsequent to the measurement date	579,692	-
<b>Total</b>	<u><u>\$ 2,179,651</u></u>	<u><u>\$ 157,798</u></u>

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, 2016. 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>	<u>PSPRS Police</u>	<u>PSPRS Firefighters</u>
2016	\$ 426,386	\$ 227,598
2017	426,386	227,598
2018	426,386	227,598
2019	(809)	227,598
2020	-	267,047
Thereafter	-	264,722

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

**Agent Plan OPEB Actuarial Assumptions** – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as understood by the City and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements, are as follows:

**PSPRS - OPEB Contribution Requirements**

Actuarial Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.5% - 8.5%
Wage Growth	4.50%

**CITY OF DOUGLAS, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Retirement Plans (Continued)**

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

**Agent Plan OPEB Trend Information** – The following table presents the annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2015	\$ 32,639	100.00%	\$ -
2014	28,439	100.00	-
2013	30,515	100.00	-
PSPRS Firefighters			
2015	\$ 18,775	100.00%	\$ -
2014	17,815	100.00	-
2013	19,203	100.00	-

**Agent Plan OPEB Funded Status** – The funded status of the health insurance premium benefit plan as of the most recent valuation date, June 30, 2014, is as follows:.

	PSPRS Police	PSPRS Firefighters
Actuarial Value of Assets (a)	\$ 557,306	\$ 403,836
Actuarial Accrued Liability (b)	372,417	203,884
Unfunded Actuarial Accrued Liability (Funding Excess) (b) - (a)	(184,889)	(199,952)
Funded Ratio (a) / (b)	149.65%	198.07%
Annual Covered Payroll (c)	1,865,210	1,273,232
Unfunded Actuarial Accrued Liability (Funding Excess) as a Percentage of Covered Payroll (b) - (a) / (c)	-9.91%	-15.70%

The funded status of the all the PSPRS health insurance premium benefit plans in the June 30, 2014, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

**PSPRS - OPEB Funded Status**

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.00%

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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  
JUNE 30, 2015**

<b>Arizona State Retirement System</b>	Reporting Year (Measurement Date)
	<u>2015</u> <u>(2014)</u>
City's Proportion of the Net Pension Liability	0.049400%
City's Proportionate Share of the Net Pension Liability	\$ 7,309,573
City's Covered-Employee Payroll	\$ 4,015,976
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered -Employee Payroll	182.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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  
JUNE 30, 2015**

**PSPRS Police**

	Reporting Year (Measurement Date)
	2015 (2014)
Total Pension Liability	
Service Cost	\$ 397,560
Interest on the Total Pension Liability	1,299,915
Changes of Benefit Terms	572,866
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(586,401)
Changes of Assumptions or Other Inputs	2,630,528
Benefit Payments, Including Refunds of Employee Contributions	(1,330,257)
Net Change in Total Pension Liability	2,984,211
Total Pension Liability - Beginning	17,025,775
Total Pension Liability - Ending (a)	20,009,986
 Plan Fiduciary Net Position	
Contributions - Employer	731,085
Contributions - Employee	201,922
Net Investment Income	814,052
Benefit Payments, Including Refunds of Employee Contributions	(1,330,257)
Administrative Expenses	(6,556)
Other Changes	-
Net Change in Plan Fiduciary Net Position	410,246
Plan Fiduciary Net Position - Beginning	6,006,698
Plan Fiduciary Net Position - Ending (b)	6,416,944
 City's Net Pension Liability (Asset) - Ending (a) - (b)	\$ 13,593,042
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	32.07%
 Covered-employee Payroll	\$ 1,865,210
 City's Net Pension Liability (Asset) as a Percentage of Covered- Employee Payroll	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  
JUNE 30, 2015**

<b>PSPRS Fire</b>	Reporting Year (Measurement Date)
	<u>2015</u> <u>(2014)</u>
Total Pension Liability	
Service Cost	\$ 288,434
Interest on the Total Pension Liability	909,525
Changes of Benefit Terms	444,603
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	36,351
Changes of Assumptions or Other Inputs	1,830,655
Benefit Payments, Including Refunds of Employee Contributions	<u>(918,315)</u>
Net Change in Total Pension Liability	2,591,253
Total Pension Liability - Beginning	<u>11,901,240</u>
Total Pension Liability - Ending (a)	<u>14,492,493</u>
 Plan Fiduciary Net Position	
Contributions - Employer	613,837
Contributions - Employee	146,888
Net Investment Income	473,107
Benefit Payments, Including Refunds of Employee Contributions	(918,315)
Administrative Expenses	(3,810)
Other Changes	<u>22,909</u>
Net Change in Plan Fiduciary Net Position	334,616
Plan Fiduciary Net Position - Beginning	<u>3,408,200</u>
Plan Fiduciary Net Position - Ending (b)	<u>3,742,816</u>
 City's Net Pension Liability (Asset) - Ending (a) - (b)	 <u><u>\$ 10,749,677</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 25.83%
 Covered-employee Payroll	 \$ 1,273,232
 City's Net Pension Liability (Asset) as a Percentage of Covered- Employee Payroll	 844.28%

See accompanying notes to pension schedules.

**CITY OF DOUGLAS, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
SCHEDULE OF CITY PENSION CONTRIBUTIONS  
JUNE 30, 2015**

**Arizona State Retirement System**

	Reporting Fiscal Year	
	2015	2014
Statutorily Required Contribution	\$ 449,025	\$ 476,481
City's Contribution in Relation to the Statutorily Required Contribution	449,025	476,481
City's Contribution Deficiency (Excess)	\$ -	\$ -
City's Covered-Employee Payroll	\$ 4,108,769	\$ 4,015,976
City's Contributions as a Percentage of Covered- Employee Payroll	10.93%	11.86%

**PSPRS Police**

	Reporting Fiscal Year	
	2015	2014
Actuarially Determined Contribution	\$ 740,315	\$ 731,085
City's Contribution in Relation to the Actuarially Determined Contribution	740,315	731,085
City's Contribution Deficiency (Excess)	\$ -	\$ -
City's Covered-Employee Payroll	\$ 1,887,596	\$ 1,865,210
City's Contributions as a Percentage of Covered- Employee Payroll	39.22%	39.20%

**PSPRS Fire**

	Reporting Fiscal Year	
	2015	2014
Actuarially Determined Contribution	\$ 579,692	\$ 613,837
City's Contribution in Relation to the Actuarially Determined Contribution	579,692	613,837
City's Contribution Deficiency (Excess)	\$ -	\$ -
City's Covered-Employee Payroll	\$ 1,320,182	\$ 1,273,232
City's Contributions as a Percentage of Covered- Employee Payroll	43.91%	48.21%

See accompanying notes to pension schedules.

**CITY OF DOUGLAS, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
NOTES TO PENSION SCHEDULES  
JUNE 30, 2015**

**NOTE 1 ACTUARIALY 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 for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period as of the 2013 Actuarial Valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected Salary Increases	In the 2013 actuarial valuation, projected salary increases decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS
Wage Growth	In the 2013 actuarial valuation, wage growth was 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**

Information prior to the measurement date (June 30, 2014) was not available

**CITY OF DOUGLAS, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
YEAR ENDED JUNE 30, 2015**

**Health Insurance Premium Benefits**

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funding Excess) as a Percentage of Covered Payroll
<b>PSPRS Police</b>						
2014	\$ 557,306	\$ 372,417	\$ (184,889)	149.7%	\$ 1,865,210	-9.9%
2013	-	383,172	383,172	0.0	2,047,135	18.7
2012	-	357,260	357,260	0.0	1,939,472	18.4
<b>PSPRS Fire</b>						
2014	\$ 403,836	\$ 203,884	\$ (199,952)	198.1%	\$ 1,273,232	-15.7%
2013	-	215,366	215,366	0.0	1,409,268	15.3
2012	-	223,089	223,089	0.0	1,292,729	17.3

See accompanying notes to schedule of agent OPEB plans' funding progress.



**CITY OF DOUGLAS, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
NOTES TO SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1    FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS**

Beginning in Fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's pension fund to the new health insurance fund.

**CITY OF DOUGLAS, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2015**

	Original and Final Budget	Actual	Variance With Final Budget
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>			
Taxes:			
Sales Taxes	\$ 5,164,980	\$ 4,993,234	\$ (171,746)
Property Taxes	610,209	578,705	(31,504)
Franchise Taxes	323,000	317,610	(5,390)
Intergovernmental Revenues	6,464,865	5,621,250	(843,615)
Fines and Forfeitures	252,500	156,046	(96,454)
Licenses and Permits	179,250	165,004	(14,246)
Charges for Services	1,439,363	1,895,749	456,386
Rents and Royalties	813,310	818,819	5,509
Contributions and Donations	-	136,718	136,718
Investment Income	6,000	10,225	4,225
Other	54,000	173,712	119,712
Total Revenues	<u>15,307,477</u>	<u>14,867,072</u>	<u>(440,405)</u>
<b>EXPENDITURES</b>			
Current:			
General Government:			
Administration	506,445	504,944	1,501
Finance	588,639	586,615	2,024
Personnel	511,762	444,038	67,724
General Government	623,601	183,642	439,959
Management Information Systems	397,367	379,418	17,949
Parking Lot	995	995	-
Transit	591,524	384,335	207,189
City Magistrate	76,723	73,112	3,611
Cemetery	158,126	153,197	4,929
Golf Course	100,000	289,883	(189,883)
Economic Development	2,000	2,000	-
Airport	136,338	130,297	6,041
Call Center	64,226	40,856	23,370
Total General Government	<u>3,757,746</u>	<u>3,173,332</u>	<u>584,414</u>
Public Safety:			
Police	4,899,657	4,249,091	650,566
Fire	1,368,394	1,360,932	7,462
Emergency Medical Services	1,388,703	1,384,646	4,057
Total Public Safety	<u>7,656,754</u>	<u>6,994,669</u>	<u>662,085</u>
Highways and Streets:			
Public Works	746,796	570,913	175,883

(Continued)

See accompanying Notes to Budgetary Comparison Schedule.

**CITY OF DOUGLAS, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2015**

(Concluded)	Original and Final Budget	Actual	Variance With Final Budget
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>EXPENDITURES (CONTINUED)</b>			
Culture and Recreation:			
Parks	\$ 569,158	\$ 485,303	\$ 83,855
Recreation	162,985	82,117	80,868
Library	406,023	383,766	22,257
Aquatics	315,044	311,035	4,009
Visitor Center	70,331	65,206	5,125
Total Culture and Recreation	<u>1,523,541</u>	<u>1,327,427</u>	<u>196,114</u>
Debt Service:			
Principal Retirement	-	30,837	(30,837)
Interest on Long-Term Debt	-	3,185	(3,185)
Total Debt Service	<u>-</u>	<u>34,022</u>	<u>(34,022)</u>
Capital Outlay	<u>472,746</u>	<u>216,143</u>	<u>256,603</u>
Total Expenditures	<u>14,157,583</u>	<u>12,316,506</u>	<u>1,841,077</u>
Excess (Deficiency) of Revenues Over Expenditures	1,149,894	2,550,566	1,400,672
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	260,481	211,004	(49,477)
Transfers Out	(1,935,165)	(1,799,396)	135,769
Proceeds from Sale of Capital Assets	510,000	20,480	(489,520)
Proceeds from Capital Leases	75,000	-	(75,000)
Total Other Financing Sources (Uses)	<u>(1,089,684)</u>	<u>(1,567,912)</u>	<u>(478,228)</u>
Net Change in Fund Balance	60,210	982,654	922,444
<b>FUND BALANCE</b>			
Beginning of Year	<u>4,544,106</u>	<u>5,511,303</u>	<u>967,197</u>
End of Year	<u>\$ 4,604,316</u>	<u>\$ 6,493,957</u>	<u>\$ 1,889,641</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, 2015**

**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</u> <u>Overexpenditure</u>
General Fund:	
Golf Course	\$ 189,883
Debt Service	34,022
Police Grant Fund:	
Capital Outlay	84,446
Debt Service Fund:	
Interest	30,528

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 the City’s grants.

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

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

*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, 2015**

	Special Revenue			
	HURF	Grants	Police Grants	JCEF Restricted Court
<b>ASSETS</b>				
Cash and Investments	\$ 349,682	\$ 274,625	\$ 253,770	\$ 50,138
Receivables				
Taxes Receivable	-	-	-	-
Intergovernmental Receivable	115,004	195,176	-	-
Restricted Assets	-	-	-	-
Total Assets	\$ 464,686	\$ 469,801	\$ 253,770	\$ 50,138
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 18,226	\$ 96,495	\$ -	\$ 458
Accrued Wages and Benefits	14,196	-	-	-
Insurance Claims Payable	4,695	-	-	-
Customer Deposits Payable	-	-	-	-
Total Liabilities	37,117	96,495	-	458
Deferred Inflows of Resources				
Unavailable Revenue	-	36,293	-	-
Fund Balances				
Restricted	427,569	337,013	253,770	49,680
Committed	-	-	-	-
Total Fund Balances	427,569	337,013	253,770	49,680
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 464,686	\$ 469,801	\$ 253,770	\$ 50,138



Special Revenue

<u>Public Housing</u>	<u>Total Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 397,013	\$ 1,325,228	\$ 815,772	\$ -	\$ 2,141,000
-	-	54,296	-	54,296
-	310,180	-	-	310,180
17,379	17,379	-	-	17,379
<u>\$ 414,392</u>	<u>\$ 1,652,787</u>	<u>\$ 870,068</u>	<u>\$ -</u>	<u>\$ 2,522,855</u>
\$ 12,690	\$ 127,869	\$ 88,148	\$ -	\$ 216,017
12,940	27,136	-	-	27,136
-	4,695	-	-	4,695
17,379	17,379	-	-	17,379
<u>43,009</u>	<u>177,079</u>	<u>88,148</u>	<u>-</u>	<u>265,227</u>
<u>-</u>	<u>36,293</u>	<u>2,227</u>	<u>-</u>	<u>38,520</u>
371,383	1,439,415	-	-	1,439,415
-	-	779,693	-	779,693
<u>371,383</u>	<u>1,439,415</u>	<u>779,693</u>	<u>-</u>	<u>2,219,108</u>
<u>\$ 414,392</u>	<u>\$ 1,652,787</u>	<u>\$ 870,068</u>	<u>\$ -</u>	<u>\$ 2,522,855</u>

**CITY OF DOUGLAS, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCES  
YEAR ENDED JUNE 30, 2015**

	Special Revenue			
	HURF	Grants	Police Grants	JCEF Restricted Court
<b>REVENUES</b>				
Taxes				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	1,235,743	195,810	99,878	-
Fines and Forfeitures	-	-	-	4,824
Investment Income	-	38	2,928	-
Other	35,337	-	-	-
Total Revenues	<u>1,271,080</u>	<u>195,848</u>	<u>102,806</u>	<u>4,824</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	13,608	-	16,378
Public Safety	-	1,663	33,678	-
Highways and Streets	705,475	-	-	-
Culture and Recreation	-	10,150	-	-
Redevelopment and Housing	-	-	-	-
Debt Service				
Principal Retirement	-	-	-	-
Interest on Long-Term Debt	-	-	-	-
Capital Outlay	14,545	173,575	184,446	-
Total Expenditures	<u>720,020</u>	<u>198,996</u>	<u>218,124</u>	<u>16,378</u>
Excess (Deficiency) of Revenues Over Expenditures	551,060	(3,148)	(115,318)	(11,554)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	16,410	-	-
Transfers Out	(208,274)	-	-	-
Total Other Financing Sources (Uses)	<u>(208,274)</u>	<u>16,410</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	342,786	13,262	(115,318)	(11,554)
<b>FUND BALANCES</b>				
Beginning of Year	84,783	323,751	369,088	61,234
End of Year	<u>\$ 427,569</u>	<u>\$ 337,013</u>	<u>\$ 253,770</u>	<u>\$ 49,680</u>

Special Revenue

<u>Public Housing</u>	<u>Total Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 587,270	\$ -	\$ 587,270
883,011	2,414,442	-	-	2,414,442
-	4,824	-	-	4,824
119	3,085	13,179	-	16,264
56,777	92,114	-	-	92,114
<u>939,907</u>	<u>2,514,465</u>	<u>600,449</u>	<u>-</u>	<u>3,114,914</u>
-	29,986	-	-	29,986
-	35,341	-	-	35,341
-	705,475	-	-	705,475
-	10,150	-	-	10,150
947,866	947,866	-	-	947,866
-	-	-	974,093	974,093
-	-	-	404,243	404,243
-	372,566	1,335,068	-	1,707,634
<u>947,866</u>	<u>2,101,384</u>	<u>1,335,068</u>	<u>1,378,336</u>	<u>4,814,788</u>
(7,959)	413,081	(734,619)	(1,378,336)	(1,699,874)
-	16,410	481,075	1,362,123	1,859,608
-	(208,274)	-	(304,077)	(512,351)
-	(191,864)	481,075	1,058,046	1,347,257
(7,959)	221,217	(253,544)	(320,290)	(352,617)
379,342	1,218,198	1,033,237	320,290	2,571,725
<u>\$ 371,383</u>	<u>\$ 1,439,415</u>	<u>\$ 779,693</u>	<u>\$ -</u>	<u>\$ 2,219,108</u>

**CITY OF DOUGLAS, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
MPC DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal Retirement	\$ 470,000	\$ 470,000	\$ -
Interest and Fiscal Charges	16,451	16,451	-
Total Expenditures	<u>486,451</u>	<u>486,451</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	(486,451)	(486,451)	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	<u>486,451</u>	<u>486,451</u>	<u>-</u>
Net Change in Fund Balance	-	-	-
<b>FUND BALANCE</b>			
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF DOUGLAS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HURF FUND**  
**YEAR ENDED JUNE 30, 2015**

	Original and Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 1,234,351	\$ 1,235,743	\$ 1,392
Other	35,000	35,337	337
Total Revenues	<u>1,269,351</u>	<u>1,271,080</u>	<u>1,729</u>
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	1,045,245	705,475	339,770
Capital Outlay	<u>15,000</u>	<u>14,545</u>	<u>455</u>
Total Expenditures	<u>1,060,245</u>	<u>720,020</u>	<u>340,225</u>
Excess (Deficiency) of Revenues Over Expenditures	209,106	551,060	341,954
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	<u>(209,106)</u>	<u>(208,274)</u>	<u>832</u>
Net Change in Fund Balance	-	342,786	342,786
<b>FUND BALANCE</b>			
Beginning of Year	-	84,783	84,783
End of Year	<u>\$ -</u>	<u>\$ 427,569</u>	<u>\$ 427,569</u>

**CITY OF DOUGLAS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GRANTS FUND**  
**YEAR ENDED JUNE 30, 2015**

	Original and Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 4,135,037	\$ 195,810	\$ (3,939,227)
Investment Income	-	38	38
Total Revenues	4,135,037	195,848	(3,939,189)
<b>EXPENDITURES</b>			
Current:			
General Government	25,313	13,608	11,705
Public Safety	5,500	1,663	3,837
Highways and Streets	304,000	-	304,000
Culture and Recreation	31,000	10,150	20,850
Capital Outlay	3,927,695	173,575	3,754,120
Total Expenditures	4,293,508	198,996	4,094,512
Excess (Deficiency) of Revenues Over Expenditures	(158,471)	(3,148)	155,323
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	94,715	16,410	(78,305)
Net Change in Fund Balance	(63,756)	13,262	77,018
<b>FUND BALANCE</b>			
Beginning of Year	-	323,751	323,751
End of Year	\$ (63,756)	\$ 337,013	\$ 400,769

**CITY OF DOUGLAS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**POLICE GRANTS FUND**  
**YEAR ENDED JUNE 30, 2015**

	Original and Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 158,000	\$ 99,878	\$ (58,122)
Investment Income	-	2,928	2,928
Total Revenues	<u>158,000</u>	<u>102,806</u>	<u>(55,194)</u>
<b>EXPENDITURES</b>			
Current			
Public Safety	52,000	33,678	18,322
Capital Outlay	<u>100,000</u>	<u>184,446</u>	<u>(84,446)</u>
Total Expenditures	<u>152,000</u>	<u>218,124</u>	<u>(66,124)</u>
Excess (Deficiency) of Revenues Over Expenditures	6,000	(115,318)	(121,318)
<b>FUND BALANCE</b>			
Beginning of Year	-	369,088	369,088
End of Year	<u>\$ -</u>	<u>\$ 253,770</u>	<u>\$ 253,770</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, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
Fines and Forfeits	\$ 8,150	\$ 4,824	\$ (3,326)
<b>EXPENDITURES</b>			
Current:			
General Government	<u>100,840</u>	<u>16,378</u>	<u>84,462</u>
Excess (Deficiency) of Revenues Over Expenditures	(92,690)	(11,554)	81,136
<b>FUND BALANCE</b>			
Beginning of Year	-	61,234	61,234
End of Year	<u><u>\$ (55,690)</u></u>	<u><u>\$ 49,680</u></u>	<u><u>\$ 105,370</u></u>



**CITY OF DOUGLAS, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2015**

	Original and Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Taxes	\$ 550,000	\$ 587,270	\$ 37,270
Investment Income	-	13,179	13,179
Total Revenues	<u>550,000</u>	<u>600,449</u>	<u>50,449</u>
<b>EXPENDITURES</b>			
Capital Outlay	<u>1,697,000</u>	<u>1,335,068</u>	<u>361,932</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,147,000)	(734,619)	412,381
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	<u>63,000</u>	<u>481,075</u>	<u>418,075</u>
Net Change in Fund Balance	(1,084,000)	(253,544)	830,456
<b>FUND BALANCE</b>			
Beginning of Year	-	1,033,237	-
End of Year	<u><u>\$ (1,084,000)</u></u>	<u><u>\$ 779,693</u></u>	<u><u>\$ 830,456</u></u>

**CITY OF DOUGLAS, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>EXPENDITURES</b>			
Debt Service:			
Principal Retirement	\$ 940,520	\$ 934,093	\$ 6,427
Interest on Long-Term Debt	413,715	444,243	(30,528)
Total Expenditures	<u>1,354,235</u>	<u>1,378,336</u>	<u>(24,101)</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,354,235)	(1,378,336)	(24,101)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,354,235	1,362,123	7,888
Transfers Out	<u>-</u>	<u>(304,077)</u>	<u>(304,077)</u>
Total Other Financing Sources (Uses)	<u>1,354,235</u>	<u>1,058,046</u>	<u>(296,189)</u>
Net Change in Fund Balance	-	(320,290)	(320,290)
<b>FUND BALANCE</b>			
Beginning of Year	-	320,290	320,290
End of Year	<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			
	2006	2007	2008	2009
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 6,617,585	\$ 14,111,791	\$ 13,509,453	\$ 12,376,658
Restricted	3,008,022	2,756,736	2,939,323	3,634,763
Unrestricted	3,586,626	3,951,726	3,491,020	5,438,330
Total Governmental Activities Net Position	<u>\$ 13,212,233</u>	<u>\$ 20,820,253</u>	<u>\$ 19,939,796</u>	<u>\$ 21,449,751</u>
<b>Business-Type Activities:</b>				
Net Investment in Capital Assets	\$ 11,052,102	\$ 11,744,198	\$ 12,314,881	\$ 15,535,124
Restricted	-	-	-	-
Unrestricted	2,010,602	1,586,749	1,815,909	1,006,658
Total Business-Type Activities Net Position	<u>\$ 13,062,704</u>	<u>\$ 13,330,947</u>	<u>\$ 14,130,790</u>	<u>\$ 16,541,782</u>
<b>Primary Government:</b>				
Net Investment in Capital Assets	\$ 17,669,687	\$ 25,855,989	\$ 25,824,334	\$ 27,911,782
Restricted	3,008,022	2,756,736	2,939,323	3,634,763
Unrestricted	5,597,228	5,538,475	5,306,929	6,444,988
Total Primary Government Net Position	<u>\$ 26,274,937</u>	<u>\$ 34,151,200</u>	<u>\$ 34,070,586</u>	<u>\$ 37,991,533</u>

Source: The City's Finance Department.

Fiscal Year

2010	2011	2012	2013	2014	2015
\$ 13,775,501	\$ 15,847,448	\$ 20,735,227	\$ 20,087,841	\$ 13,255,510	\$ 14,659,500
477,084	719,796	871,510	1,234,695	1,261,605	1,632,597
7,049,956	3,938,127	3,923,990	3,991,132	5,512,891	(20,445,957)
\$ 21,302,541	\$ 20,505,371	\$ 25,530,727	\$ 25,313,668	\$ 20,030,006	\$ (4,153,860)
\$ 15,872,761	\$ 16,048,928	\$ 15,921,451	\$ 16,866,077	\$ 16,491,574	\$ 16,271,458
-	-	-	443,520	568,237	712,773
1,205,402	2,100,001	3,880,161	3,685,177	4,508,051	3,157,152
\$ 17,078,163	\$ 18,148,929	\$ 19,801,612	\$ 20,994,774	\$ 21,567,862	\$ 20,141,383
\$ 29,648,262	\$ 31,896,376	\$ 36,656,678	\$ 36,953,918	\$ 29,747,084	\$ 30,930,958
477,084	719,796	871,510	1,678,215	1,829,842	2,345,370
8,255,358	6,038,128	7,804,151	7,676,309	10,020,942	(17,288,805)
\$ 38,380,704	\$ 38,654,300	\$ 45,332,339	\$ 46,308,442	\$ 41,597,868	\$ 15,987,523

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

	Fiscal Year			
	2006	2007	2008	2009
<b>EXPENSES</b>				
Governmental Activities:				
General Government	\$ 3,406,989	\$ 3,725,063	\$ 4,340,737	\$ 3,999,501
Public Safety	5,720,526	6,043,744	6,348,866	6,604,306
Highways and Streets	2,938,401	2,271,480	1,760,251	2,702,979
Culture and Recreation	1,771,149	1,983,227	2,189,769	2,074,291
Redevelopment and Housing	281,392	25,159	132,857	497,600
Interest on Long-Term Debt	165,418	159,577	180,077	727,564
Total Governmental Activities	<u>14,283,875</u>	<u>14,208,250</u>	<u>14,952,557</u>	<u>16,606,241</u>
Business-Type Activities:				
Water	1,774,516	1,838,462	1,455,706	1,344,052
Sewer	861,899	938,588	952,579	1,385,910
Solid Waste	842,263	872,341	891,003	707,042
Total Business-Type Activities	<u>3,478,678</u>	<u>3,649,391</u>	<u>3,299,288</u>	<u>3,437,004</u>
 Total Primary Government Expenses	 <u>\$ 17,762,553</u>	 <u>\$ 17,857,641</u>	 <u>\$ 18,251,845</u>	 <u>\$ 20,043,245</u>
<b>PROGRAM REVENUES</b>				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 1,359,062	\$ 1,031,216	\$ 939,208	\$ 1,387,975
Public Safety	586,562	591,610	642,820	760,669
Highways and Streets	3,256	62	2,834	-
Culture and Recreation	104,169	102,689	97,949	98,174
Operating Grants and Contributions	2,326,620	2,428,909	2,293,564	1,818,551
Capital Grants and Contributions	555,531	651,377	589,152	1,765,876
Total Governmental Activities	<u>4,935,200</u>	<u>4,805,863</u>	<u>4,565,527</u>	<u>5,831,245</u>
Business-Type Activities:				
Charges for Services:				
Water	1,597,155	1,618,744	1,749,040	1,782,320
Sewer	911,694	916,597	924,045	909,842
Solid Waste	643,107	667,241	668,023	816,038
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	86,803	580,433	110,274	2,373,486
Total Business-Type Activities	<u>3,238,759</u>	<u>3,783,015</u>	<u>3,451,382</u>	<u>5,881,686</u>
 Total Primary Government Program Revenues	 <u>\$ 8,173,959</u>	 <u>\$ 8,588,878</u>	 <u>\$ 8,016,909</u>	 <u>\$ 11,712,931</u>

Source: The City's Finance Department.

Fiscal Year

2010	2011	2012	2013	2014	2015
\$ 4,639,733	\$ 5,121,084	\$ 4,840,153	\$ 4,989,484	\$ 4,499,732	\$ 3,858,018
6,715,219	6,700,135	7,186,954	7,799,983	8,050,797	9,792,922
2,970,829	2,773,973	2,555,331	2,605,395	2,394,792	1,946,662
1,986,674	1,936,579	1,827,388	1,868,116	1,965,397	1,680,063
53,973	51,599	-	1,041,957	1,064,489	954,039
760,128	704,510	664,519	579,592	530,417	478,120
<u>17,126,556</u>	<u>17,287,880</u>	<u>17,074,345</u>	<u>18,884,527</u>	<u>18,505,624</u>	<u>18,709,824</u>
1,261,985	1,367,914	1,698,669	1,666,863	1,839,897	1,884,943
1,337,193	1,320,648	1,313,976	1,310,421	1,538,514	1,472,735
716,047	755,546	765,647	785,788	956,297	930,769
<u>3,315,225</u>	<u>3,444,108</u>	<u>3,778,292</u>	<u>3,763,072</u>	<u>4,334,708</u>	<u>4,288,447</u>
<u>\$ 20,441,781</u>	<u>\$ 20,731,988</u>	<u>\$ 20,852,637</u>	<u>\$ 22,647,599</u>	<u>\$ 22,840,332</u>	<u>\$ 22,998,271</u>
\$ 1,766,509	\$ 1,728,090	\$ 2,035,725	\$ 1,825,479	\$ 1,890,264	\$ 1,699,542
669,040	972,724	924,788	895,111	1,069,174	1,246,153
-	-	-	-	-	-
90,033	173,836	73,255	89,531	136,056	94,747
2,128,442	2,303,776	2,193,829	3,340,827	3,751,156	3,466,981
902,228	951,180	5,622,718	1,000,170	423,034	582,348
<u>5,556,252</u>	<u>6,129,606</u>	<u>10,850,315</u>	<u>7,151,118</u>	<u>7,269,684</u>	<u>7,089,771</u>
1,870,916	1,965,519	2,000,402	2,025,752	2,070,331	1,979,308
1,042,152	1,703,223	1,796,248	1,835,771	1,880,405	1,852,495
1,056,305	1,203,563	1,237,449	1,205,675	1,202,806	1,212,089
-	-	592,435	8,196	1,320	-
-	-	274,140	19,578	-	-
<u>3,969,373</u>	<u>4,872,305</u>	<u>5,900,674</u>	<u>5,094,972</u>	<u>5,154,862</u>	<u>5,043,892</u>
<u>\$ 9,525,625</u>	<u>\$ 11,001,911</u>	<u>\$ 16,750,989</u>	<u>\$ 12,246,090</u>	<u>\$ 12,424,546</u>	<u>\$ 12,133,663</u>

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

(Concluded)	Fiscal Year			
	2006	2007	2008	2009
<b>NET (EXPENSE)/REVENUE</b>				
Governmental Activities	\$ (9,348,675)	\$ (9,402,387)	\$ (10,387,030)	\$ (10,774,996)
Business-Type Activities	(239,919)	133,624	152,094	2,444,682
Total Primary Government Net Expense	\$ (9,588,594)	\$ (9,268,763)	\$ (10,234,936)	\$ (8,330,314)
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 4,740,475	\$ 5,006,857	\$ 5,095,143	\$ 6,151,531
Property Taxes	448,571	465,726	462,232	532,028
Franchise Taxes	261,809	322,308	349,444	341,702
Unrestricted Grants and Contributions	-	-	49,612	18,467
State Revenue Sharing	1,765,690	2,002,854	2,448,141	2,608,244
State Sales Tax Revenue Sharing	1,729,948	1,634,497	1,580,288	1,368,088
Auto Lieu Tax Revenue Sharing	791,931	789,900	845,030	793,358
Gain on Sale of Capital Assets	-	-	-	-
Investment Income	229,305	311,744	280,685	16,212
Other	1,802	1,119	1,697	322,889
Special Item	-	-	-	-
Transfers	118,235	63,387	(323,514)	132,432
Total Governmental Activities	10,087,766	10,598,392	10,788,758	12,284,951
Business-Type Activities:				
Sales Tax	91,380	91,380	224,968	77,114
Investment Income (Loss)	88,960	106,626	99,267	21,628
Transfers	(118,235)	(63,387)	323,514	(132,432)
Total Business-Type Activities	62,105	134,619	647,749	(33,690)
Total Primary Government	\$ 10,149,871	\$ 10,733,011	\$ 11,436,507	\$ 12,251,261
<b>CHANGE IN NET POSITION</b>				
Governmental Activities	\$ 739,091	\$ 1,196,005	\$ 401,728	\$ 1,509,955
Business-Type Activities	(177,814)	268,243	799,843	2,410,992
Total Primary Government	\$ 561,277	\$ 1,464,248	\$ 1,201,571	\$ 3,920,947

Source: The City's Finance Department.



Fiscal Year

2010	2011	2012	2013	2014	2015
\$ (11,570,304)	\$ (11,158,274)	\$ (6,224,030)	\$ (11,733,409)	\$ (11,235,940)	\$ (11,620,053)
654,148	1,428,197	2,122,382	1,331,900	820,154	755,445
<u>\$ (10,916,156)</u>	<u>\$ (9,730,077)</u>	<u>\$ (4,101,648)</u>	<u>\$ (10,401,509)</u>	<u>\$ (10,415,786)</u>	<u>\$ (10,864,608)</u>
\$ 5,808,108	\$ 5,953,998	\$ 5,825,402	\$ 5,364,312	\$ 5,533,351	\$ 5,578,165
531,489	545,995	533,742	563,698	578,759	577,360
351,635	337,029	334,074	314,080	311,019	317,610
30,274	39,082	42,590	70,074	41,950	40,417
2,245,322	1,687,895	1,466,716	1,775,125	1,976,038	2,119,573
1,261,862	1,316,667	1,357,922	1,419,048	1,545,589	1,600,126
732,787	762,824	803,452	757,402	736,085	776,774
-	-	6,769	-	-	20,480
107,495	67,493	44,626	39,423	30,607	26,489
238,124	258,705	356,342	596,739	281,915	265,826
-	-	-	-	(5,352,178)	-
115,998	358,411	477,751	162,208	269,143	245,316
<u>11,423,094</u>	<u>11,328,099</u>	<u>11,249,386</u>	<u>11,062,109</u>	<u>5,952,278</u>	<u>11,568,136</u>
-	-	-	-	-	-
(1,769)	980	8,052	23,470	22,077	18,232
(115,998)	(358,411)	(477,751)	(162,208)	(269,143)	(245,316)
<u>(117,767)</u>	<u>(357,431)</u>	<u>(469,699)</u>	<u>(138,738)</u>	<u>(247,066)</u>	<u>(227,084)</u>
<u>\$ 11,305,327</u>	<u>\$ 10,970,668</u>	<u>\$ 10,779,687</u>	<u>\$ 10,923,371</u>	<u>\$ 5,705,212</u>	<u>\$ 11,341,052</u>
\$ (147,210)	\$ 169,825	\$ 5,025,356	\$ (671,300)	\$ (5,283,662)	\$ (51,917)
536,381	1,070,766	1,652,683	1,193,162	573,088	528,361
<u>\$ 389,171</u>	<u>\$ 1,240,591</u>	<u>\$ 6,678,039</u>	<u>\$ 521,862</u>	<u>\$ (4,710,574)</u>	<u>\$ 476,444</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>
2006	\$ 4,740,475	\$ 448,571	\$ 261,809	\$ 5,450,855
2007	5,006,857	465,726	322,308	5,794,891
2008	5,095,143	462,232	349,444	5,906,819
2009	6,228,645	532,028	341,702	7,102,375
2010	5,808,108	531,489	351,635	6,691,232
2011	5,953,998	545,995	337,029	6,837,022
2012	5,825,402	533,742	334,074	6,693,218
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

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				
	2006	2007	2008	2009	2010
General Fund:					
Reserved	\$ -	\$ 5,878	\$ 78,239	\$ 68,239	\$ -
Unreserved	3,788,373	4,076,080	3,735,584	3,962,160	4,174,438
Non-spendable					
Restricted					
Unassigned					
Total General Fund	<u>\$ 3,788,373</u>	<u>\$ 4,081,958</u>	<u>\$ 3,813,823</u>	<u>\$ 4,030,399</u>	<u>\$ 4,174,438</u>
All Other Governmental Funds:					
Reserved	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 15,453
Unreserved, Reported in:					
Special Revenue Funds	2,597,332	2,643,920	4,854,098	5,335,420	4,065,860
Capital Projects Funds	-	3,143	(68,512)	(7,499)	-
Debt Service Funds	300	-	-	-	-
Restricted					
Committed					
Assigned					
Unassigned					
Total All Other Governmental Funds	<u>\$ 2,607,632</u>	<u>\$ 2,657,063</u>	<u>\$ 4,795,586</u>	<u>\$ 5,337,921</u>	<u>\$ 4,081,313</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				
2011	2012	2013	2014	2015
\$ 58,493	\$ 652,189	\$ 686,488	\$ 720,416	\$ 723,641
-	-	-	-	156,889
4,683,978	4,108,952	4,260,979	4,790,887	5,613,427
<u>\$ 4,742,471</u>	<u>\$ 4,761,141</u>	<u>\$ 4,947,467</u>	<u>\$ 5,511,303</u>	<u>\$ 6,493,957</u>
\$ 2,220,530	\$ 871,510	\$ 1,174,505	\$ 1,218,198	\$ 1,439,415
-	-	-	1,033,237	779,693
-	228,340	224,190	320,290	-
(29,857)	-	-	-	-
<u>\$ 2,190,673</u>	<u>\$ 1,099,850</u>	<u>\$ 1,398,695</u>	<u>\$ 2,571,725</u>	<u>\$ 2,219,108</u>

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

	Fiscal Year			
	2006	2007	2008	2009
<b>REVENUES</b>				
Taxes	\$ 5,464,419	\$ 5,782,276	\$ 5,914,743	\$ 7,012,223
Intergovernmental	7,169,720	7,507,537	7,805,787	8,372,584
Fines and Forfeitures	185,754	199,420	141,232	195,644
Licenses and Permits	262,858	270,278	169,697	126,224
Charges for Services	1,040,529	1,012,858	1,059,989	1,386,022
Rents and Royalties	45,000	45,000	36,000	538,928
Contributions and Donations	-	-	-	-
Investment Income	229,305	311,744	280,685	16,212
Other	661,749	324,140	307,449	322,889
Total Revenues	<u>15,059,334</u>	<u>15,453,253</u>	<u>15,715,582</u>	<u>17,970,726</u>
<b>EXPENDITURES</b>				
General Government	3,477,225	3,801,423	5,169,854	13,462,021
Public Safety	5,764,769	5,992,153	6,078,350	6,579,669
Highways and Streets	3,166,478	2,551,227	2,413,444	2,626,696
Culture and Recreation	1,767,630	2,266,214	1,863,014	1,750,997
Redevelopment and Housing	281,392	25,159	132,857	497,600
Capital Outlay	38,999	-	896,225	817,482
Debt Service				
Principal Retirement	413,349	418,837	429,669	656,965
Interest on Long-Term Debt	124,452	118,611	133,267	686,598
Total Expenditures	<u>15,034,294</u>	<u>15,173,624</u>	<u>17,116,680</u>	<u>27,078,028</u>
Excess of Revenues				
Over (Under) Expenditures	25,040	279,629	(1,401,098)	(9,107,302)
<b>OTHER FINANCING SOURCES</b>				
<b>(USES)</b>				
Transfers In	1,374,466	1,380,037	1,553,137	1,020,458
Transfers Out	(1,256,231)	(1,316,650)	(1,876,651)	(888,026)
Issuance of Long-Term Debt	-	-	3,000,000	9,000,000
Proceeds from Capital Leases	-	-	595,000	595,000
Proceeds from Sale of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>118,235</u>	<u>63,387</u>	<u>3,271,486</u>	<u>9,727,432</u>
Net Change in Fund Balance	<u>\$ 143,275</u>	<u>\$ 343,016</u>	<u>\$ 1,870,388</u>	<u>\$ 620,130</u>
Debt Service as a Percentage of Noncapital Expenditures	3.59%	3.54%	4.05%	9.80%

Source: The City's Finance Department.

Fiscal Year

2010	2011	2012	2013	2014	2015
\$ 6,689,354	\$ 6,831,876	\$ 6,707,653	\$ 6,234,848	\$ 6,399,692	\$ 6,476,819
7,184,648	7,083,337	6,783,653	8,031,863	8,455,635	8,035,692
189,333	201,361	319,294	273,475	311,448	160,870
192,309	172,602	196,385	162,571	201,227	165,004
1,410,391	1,745,359	1,759,653	1,605,657	1,763,797	1,895,749
733,549	755,328	758,436	768,418	819,022	818,819
-	-	-	-	-	136,718
107,495	67,493	44,626	39,423	30,607	26,489
238,124	258,705	356,342	596,739	281,915	265,826
<u>16,745,203</u>	<u>17,116,061</u>	<u>16,926,042</u>	<u>17,712,994</u>	<u>18,263,343</u>	<u>17,981,986</u>
3,961,316	3,910,726	3,555,255	3,469,997	3,407,238	3,203,318
6,554,551	6,275,426	6,709,042	7,139,134	7,295,712	7,030,010
2,660,654	1,975,991	2,093,297	1,779,871	1,685,298	1,276,388
1,513,127	1,409,501	1,361,590	1,407,089	1,513,927	1,337,577
53,973	51,599	-	1,035,816	1,058,347	947,866
728,862	2,007,704	2,620,504	2,007,665	1,806,890	1,923,777
2,228,723	1,611,006	1,636,402	1,627,585	1,464,848	1,474,930
719,162	663,544	623,553	551,097	501,922	423,879
<u>18,420,368</u>	<u>17,905,497</u>	<u>18,599,643</u>	<u>19,018,254</u>	<u>18,734,182</u>	<u>17,617,745</u>
(1,675,165)	(789,436)	(1,673,601)	(1,305,260)	(470,839)	364,241
1,303,871	2,837,907	2,923,356	2,480,730	2,354,892	2,557,063
(1,002,494)	(2,479,496)	(2,445,605)	(2,318,522)	(2,085,749)	(2,311,747)
400,000	-	-	-	-	-
-	75,413	71,676	1,205,911	1,041,474	-
-	-	52,021	-	897,088	20,480
<u>701,377</u>	<u>433,824</u>	<u>601,448</u>	<u>1,368,119</u>	<u>2,207,705</u>	<u>265,796</u>
<u>\$ (973,788)</u>	<u>\$ (355,612)</u>	<u>\$ (1,072,153)</u>	<u>\$ 62,859</u>	<u>\$ 1,736,866</u>	<u>\$ 630,037</u>
18.09%	14.02%	14.27%	12.65%	11.68%	12.10%

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

Sales Category:	Fiscal Year			
	2006	2007	2008	2009
Mining	\$ 499,539	\$ 466,247	\$ 510,450	\$ 2,318,215
Communications and Utilities	10,008,146	15,039,614	23,876,918	22,195,363
Transportation & Warehousing	47,034	40,313	15,283	48,456
Construction	9,952,326	8,593,952	7,578,438	15,965,933
Manufacturing	3,246,085	3,375,254	4,144,993	3,945,094
Wholesale Trade	4,063,304	3,994,393	4,093,177	3,884,491
Retail Trade	141,390,374	145,310,162	146,386,134	144,710,942
Finance and Insurance	94,754	84,995	194,035	93,629
Real Estate, Rental and Leases	7,666,144	6,656,980	5,664,318	6,249,386
Restaurants and Bars	12,864,527	12,923,634	12,932,385	12,500,240
Accommodations	2,286,598	2,600,819	2,277,339	2,363,017
Public Administration	130,215	108,890	100,106	294,021
Services	1,785,624	2,714,689	3,342,416	3,242,519
Arts & Entertainment	23,100	8,285	-	56,562
Other	2,393,080	2,532,122	3,121,725	2,921,447
<b>Total</b>	<b>\$ 196,450,850</b>	<b>\$ 204,450,349</b>	<b>\$ 214,237,717</b>	<b>\$ 220,789,315</b>
City Sales Tax Rate	2.50%	2.50%	2.50%	2.50%

Source: Arizona Department of Revenue.



Fiscal Year

2010	2011	2012	2013	2014	2015
\$ 2,318,215	\$ 301,452	\$ 6,606	\$ 4,715	\$ 2,626	\$ 2,891
22,195,363	23,550,249	21,998,591	20,996,222	20,874,694	20,725,169
48,456	66,060	36,614	34,024	7,558	32,657
15,965,933	19,963,998	18,615,619	4,980,458	7,161,065	10,778,758
3,945,094	986,650	-	-	-	-
3,884,491	1,226,017	-	-	-	-
144,710,942	147,664,164	136,449,566	137,243,931	138,881,604	141,407,356
93,629	33,753	-	-	-	-
6,249,386	8,690,896	8,369,967	7,812,435	8,037,675	8,143,356
12,500,240	14,153,836	15,215,328	14,682,935	14,404,604	14,634,276
2,363,017	3,652,951	4,552,670	3,855,249	3,792,273	2,848,778
294,021	-	-	-	-	-
3,242,519	1,018,073	1,224,696	1,152,749	1,385,854	1,102,206
56,562	410,600	758,552	642,019	477,238	377,338
2,921,447	2,599,103	276,830	196,727	173,041	262,025
<u>\$ 220,789,315</u>	<u>\$ 224,317,802</u>	<u>\$ 207,505,039</u>	<u>\$ 191,601,464</u>	<u>\$ 195,198,232</u>	<u>\$ 200,314,810</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>
2006	2.50 %	6.10 %
2007	2.50	6.10
2008	2.50	6.10
2009	2.80	6.10
2010	2.80	6.10
2011	2.80	7.10
2012	2.80	7.10
2013	2.80	6.10
2014	2.80	6.10
2015	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				
2006	\$ 41,500	\$ 4,385	\$ 4,466	\$ 41,419	10.70	\$ 448,500	9.235
2007	54,948	2,925	5,980	51,893	8.70	459,832	11.285
2008	55,520	1,506	4,205	52,821	8.87	462,040	11.432
2009	58,804	4,848	6,625	57,027	10.55	470,911	12.110
2010	58,950	4,728	7,328	56,350	13.07	478,320	11.781
2011	62,801	4,254	9,278	57,777	8.23	509,351	11.343
2012	61,660	3,936	9,408	56,188	8.36	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

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	
2006	1.05	2.92	1.79	4.94	10.70	1.58	0.51	12.79
2007	0.99	2.87	1.74	3.10	8.70	1.72	0.40	10.82
2008	1.02	2.68	1.66	3.51	8.87	1.78	0.40	11.05
2009	1.00	2.64	1.61	5.30	10.55	0.96	0.40	11.91
2010	0.98	2.63	1.60	7.86	13.07	1.07	0.34	14.48
2011	0.98	2.63	1.67	2.95	8.23	0.87	0.45	9.55
2012	1.05	2.63	1.73	2.95	8.36	0.53	0.55	9.44
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

Source: The Cochise County Treasurer.

**CITY OF DOUGLAS, ARIZONA  
 PRINCIPAL PROPERTY TAXPAYERS  
 JUNE 30, 2015 AND 2006  
 (UNAUDITED)**

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart	\$ 2,065,785	1	4.09 %	\$ 2,935,318	1	7.43 %
Arizona Public Service	1,834,006	2	3.63	1,692,246	2	4.28
Phelps Dodge Corporation	722,946	3	1.43	582,015	7	1.56
DHD LLC	587,115	4	1.16	-	-	-
Southwest Gas Corporation	457,857	5	0.91	-	-	-
SFP Pool Five Shopping Centers	439,357	6	0.87	749,882	5	1.90
BH Properties LLC	418,100	7	0.83	-	-	-
Qwest Corporation	380,343	8	0.75	-	-	-
UIRC-GSA V Douglas AZ LLC	369,273	9	0.73	1,013,067	3	2.56
B-Y 90 Fifth Street LLC	346,715	10	0.69	-	-	-
Safeway Inc	-	-	-	769,505	4	1.95
FAE Holdings 356216F LLC	-	-	-	638,704	6	1.62
MT Development LLC	-	-	-	582,000	8	1.47
J C Penny Co Inc	-	-	-	514,720	9	1.30
	<u>\$ 7,621,497</u>		15.10 %	<u>\$ 9,477,457</u>		22.02 %

Source: The Cochise County Assessor's Office.

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2006	\$ 442,229	\$ 411,452	93.04 %	\$ 30,777	\$ 442,229	100.00 %
2007	468,748	423,146	90.27	45,602	468,748	100.00
2008	485,584	440,446	90.70	42,194	482,640	99.39
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	-	515,897	91.19

Source: The Cochise County Treasurer.

Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
\$ -	- %
-	-
2,944	0.61
2,198	0.40
2,353	0.43
2,789	0.50
3,544	0.66
4,193	0.76
4,977	0.88
49,813	8.81

**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			
2006	\$ 3,735,000	\$ -	\$ 623,828	\$ -	\$ 314,761	\$ 4,673,589	1.99 %	\$ 268
2007	3,370,000	-	483,879	-	198,842	4,052,721	1.57	220
2008	2,995,000	3,000,000	947,738	-	109,353	7,052,091	2.73	371
2009	2,605,000	12,000,000	1,275,773	-	61,716	15,942,489	5.65	862
2010	2,205,000	10,890,000	957,050	3,239,489	31,626	17,323,165	5.62	864
2011	1,790,000	10,025,000	701,457	5,857,703	-	18,374,160	6.24	913
2012	1,365,000	9,155,000	431,731	5,928,449	-	16,880,180	6.44	854
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	775

Source: The City's Finance Department.



**CITY OF DOUGLAS, ARIZONA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**JUNE 30, 2015**  
**(UNAUDITED)**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<b>Debt Repaid with Property Taxes</b>			
Cochise County	\$ 111,573	5.01%	\$ 5,589
Cochise County Community College District	20,115,000	5.01%	1,007,560
Douglas Unified School District No. 27	7,299,964	100.00%	7,299,964
Subtotal, Overlapping Debt			<u>8,313,113</u>
City of Douglas, Arizona direct debt	8,631,753	100.00%	8,631,753
Total Direct and Overlapping Debt			<u><u>\$ 16,944,866</u></u>

Source: Cochise County Treasurer's Office.

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

	Fiscal Year				
	2006	2007	2008	2009	2010
20% Debt Limit	\$ 8,283,788	\$ 9,938,245	\$ 10,378,721	\$ 10,890,226	\$ 11,240,800
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 8,283,788</u>	<u>\$ 9,938,245</u>	<u>\$ 10,378,721</u>	<u>\$ 10,890,226</u>	<u>\$ 11,240,800</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	-	-	-	-	-

	Fiscal Year				
	2006	2007	2008	2009	2010
6% Debt Limit	\$ 2,485,137	\$ 2,981,474	\$ 3,113,616	\$ 3,267,068	\$ 3,372,240
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 2,485,137</u>	<u>\$ 2,981,474</u>	<u>\$ 3,113,616</u>	<u>\$ 3,267,068</u>	<u>\$ 3,372,240</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				
2011	2012	2013	2014	2015
\$ 11,387,094	\$ 11,237,561	\$ 10,978,476	\$ 10,679,957	\$ 10,095,268
-	-	-	-	-
<u>\$ 11,387,094</u>	<u>\$ 11,237,561</u>	<u>\$ 10,978,476</u>	<u>\$ 10,679,957</u>	<u>\$ 10,095,268</u>

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Fiscal Year				
2011	2012	2013	2014	2015
\$ 3,416,128	\$ 3,371,268	\$ 3,293,543	\$ 3,203,987	\$ 3,028,580
-	-	-	-	-
<u>\$ 3,416,128</u>	<u>\$ 3,371,268</u>	<u>\$ 3,293,543</u>	<u>\$ 3,203,987</u>	<u>\$ 3,028,580</u>

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**CITY OF DOUGLAS, ARIZONA**  
**CALCULATION OF LEGAL DEBT MARGIN**  
**JUNE 30, 2015**  
**(UNAUDITED)**

Net Secondary Assessed Value		<u>\$ 50,476,341</u>
Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds		
<hr/>		
Debt Limit - 20% of Net Secondary Assessed Value		10,095,268
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ -	
Less: Amount Set Aside for Repayment of Debt	-	
Net Debt Applicable to Limit	<u>-</u>	<u>-</u>
20% Legal Debt Margin		<u>10,095,268</u>
All Other General Obligation Bonds		
<hr/>		
Debt Limit - 6% of Net Secondary Assessed Value		3,028,580
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>3,028,580</u>
Total Legal Debt Margin		<u>\$ 13,123,849</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)**

Fiscal Year	Revenue Bonds						
	Pledged Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	
2006	\$ 11,102,447	\$ -	\$ 3,796,816	\$ 360,000	\$ 111,472	2354.85 %	
2007	11,573,296	-	4,012,867	365,000	104,838	2463.25	
2008	11,942,651	-	4,067,101	375,000	97,238	2528.94	
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	

Source: The City of Douglas' internal records.

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

GADA Loan

Fiscal Year	Pledged Revenue	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses					
2006	\$ -	\$ -		\$ -	\$ -	\$ -	N/A
2007	-	-		-	-	-	N/A
2008	9,968,602	-		9,968,602	-	24,369	40906.90%
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%

Call Center Loan

Fiscal Year	City Sales Tax and Lease Revenue	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses					
2006	\$ -	\$ -		\$ -	\$ -	\$ -	N/A
2007	-	-		-	-	-	N/A
2008	-	-		-	-	-	N/A
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%

WIFA Loan

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

**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>
2006	17,468	\$ 235,241,556	\$ 13,467	30.50	6.8 %
2007	18,411	258,453,618	14,038	30.50	6.3
2008	18,996	277,987,464	14,634	30.50	8.6
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

Source: Arizona Department of Economic Security



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

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Arizona Department of Corrections	615	1	12.37 %	651	1	10.83 %
Douglas Unified School District	492	2	9.89	541	2	9.00
Advance Call Center Technologies	248	3	4.99	-	-	-
City of Douglas	183	4	3.68	222	6	3.69
Cochise College	165	5	3.32	223	5	3.71
Chiricahua Community Health Center	116	6	2.33	-	-	-
Cochise Private Industry Council	90	7	1.81	-	-	-
Cochise County	48	8	0.97	59	10	0.98
Copper Queen Community Hospital	37	9	0.74	-	-	-
Homeland Security: Board Patrol	-	-	-	471	3	7.83
Wal-Mart Stores Inc.	-	-	-	339	4	5.64
Homeland Security: Field Operations	-	-	-	112	7	1.86
Southeast Arizona Medical Center	-	-	-	98	8	1.63
Basha's	-	-	-	71	9	1.18
	<u>1,994</u>		40.10 %	<u>2,787</u>		46.35 %

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

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

Function	Full-Time Equivalent Employees									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Management Services:										
Administration	5.0	7.0	7.0	5.0	5.0	5.0	5.0	5.0	4.5	4.5
Human resources	3.0	4.0	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0
Court	1.0	2.5	2.5	2.5	2.0	2.0	1.5	1.5	1.5	1.5
MIS	2.0	2.0	3.0	3.0	4.0	4.5	3.5	3.0	4.0	4.0
Finance	4.0	5.5	6.5	6.0	6.0	9.0	8.5	8.5	9.0	9.0
Economic Development	1.0	1.0	1.0	1.0	-	-	-	-	-	-
Visitor Parking Center	-	4.5	4.5	3.5	3.0	3.5	3.5	1.0	1.0	1.0
Total Mgmt Services	<u>16.0</u>	<u>26.5</u>	<u>28.0</u>	<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>
Housing	4.0	4.0	4.0	5.0	5.0	7.5	8.5	6.5	6.5	3.5
Police										
Officers	35.0	29.0	31.0	37.0	34.0	32.0	32.0	32.0	31.0	31.0
Civilians	13.0	15.0	16.0	14.0	14.0	14.0	14.0	15.0	11.5	13.0
Total Police	<u>48.0</u>	<u>44.0</u>	<u>47.0</u>	<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>
Fire										
Firefighters and Officers	21.0	26.0	24.0	25.0	25.0	25.0	23.0	24.0	23.0	25.0
Civilians	2.0	2.0	2.0	1.0	1.0	1.5	1.5	2.0	2.0	2.0
Total Fire	<u>23.0</u>	<u>28.0</u>	<u>26.0</u>	<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>
Public Works										
Engineering (PW Adm)	2.0	4.0	4.0	6.0	4.0	3.5	4.0	2.0	2.0	1.0
Planning & Zoning	2.0	2.0	3.0	2.0	2.0	2.0	2.0	1.0	2.0	2.0
Construction	4.0	4.0	4.0	4.0	6.0	7.0	6.0	6.0	5.0	5.0
Refuse Collections	8.0	10.0	7.0	5.0	6.0	6.0	5.0	7.0	8.0	9.0
Mechanics	4.0	4.0	4.0	4.0	4.0	3.0	2.0	2.5	3.0	3.0
Streets	10.0	12.0	11.0	8.0	7.0	7.0	6.0	8.0	7.0	5.0
Street Maintenance	5.0	5.0	4.0	4.0	4.0	4.0	4.0	-	-	-
Airport	-	-	-	-	-	-	-	1.0	1.0	1.0
Water Field	7.0	10.0	9.0	8.0	6.0	7.0	7.0	7.5	7.5	7.5
Water CIP	1.0	6.0	8.0	7.0	6.0	4.0	4.0	2.0	2.0	2.0
Water Billing	4.0	4.0	4.0	4.0	4.0	-	-	-	-	-
Wastewater	7.0	7.0	8.0	7.0	7.0	6.0	5.0	5.5	5.5	5.5
Total Public Works	<u>54.0</u>	<u>68.0</u>	<u>66.0</u>	<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>
Parks and Recreation										
Comm Dev Admin	2.0	3.0	3.0	2.0	1.0	1.0	1.0	1.0	-	-
Aquatics	3.0	16.0	13.5	11.5	11.0	11.5	10.5	12.5	12.0	10.5
Cemetery	4.0	4.0	4.0	2.0	2.0	1.0	2.0	3.0	3.0	2.0
Parks	9.0	9.0	10.0	10.0	10.0	10.5	9.5	8.5	9.0	9.0
Recreation	1.0	7.0	8.5	4.5	5.0	5.5	6.5	5.5	5.5	6.5
Golf Course	1.0	3.5	5.5	8.0	8.0	10.5	9.5	7.5	5.5	2.5
Library	5.0	8.0	7.5	7.0	8.0	8.0	7.0	6.5	6.5	8.0
Transit	-	-	-	-	-	-	-	5.5	6.5	6.0
Total P&R	<u>25.0</u>	<u>50.5</u>	<u>52.0</u>	<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>
Total	<u>170.0</u>	<u>221.0</u>	<u>223.0</u>	<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>

Source: The City of Douglas' internal records.

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

Function	Fiscal Year				
	2006	2007	2008	2009	2010
General Government					
Building Permits Issued	258	262	338	354	305
Building Inspection Conducted	1,085	1,100	858	400	344
Police					
Physical Arrests	1,725	1,615	1,475	1,917	1,795
Parking Violations	1,640	1,919	1,562	648	646
Traffic Violations	4,134	4,590	3,814	4,569	4,300
Fire					
Emergency Responses	2,540	2,336	2,200	2,030	2,312
Fires Extinguished	17	187	201	216	198
Inspections	122	62	80	80	101
Refuse Collection					
Refuse Collections (Tons/Day)	17.0	23.9	30.0	30.0	16.3
Recyclables Collected (Tons/Day)	1.0	0.5	0.5	0.5	-
Other Public Works					
Street Resurfacing (Miles)	-	1.0	1.4	1.5	2.1
Potholes Repaired	175	143	152	195	680
Parks and Recreation					
Athletic Field Permits Issued	40	120	117	120	119
Community Center Admissions	9,724	16,535	14,660	9,071	10,036
Aquatic Center Admissions	21,852	26,990	28,369	36,761	31,408
Library					
Volumes in Collection	49,141	52,824	56,961	60,856	59,649
Total Volumes Borrowed	94,147	83,018	94,955	85,595	86,098
Water					
New Connections	-	60	28	68	10
Water Main Breaks	7	8	18	5	2
Average Daily Consumption (Thousands of Gallons)	3,167,934	2,579,831	3,660,000	2,638,660	3,662,519
Peak Daily Consumption (Thousands of Gallons)	-	4,385,713	5,380,000	3,613,013	148,101,000
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	2.6	1.8	2.1	1.6	1.5

Source: The City of Douglas' internal records.

Fiscal Year

2011	2012	2013	2014	2015
198	221	264	202	188
305	778	695	704	229
1,564	554	1,332	1,348	1,164
745	545	252	183	158
4,211	3,888	4,158	3,220	2,981
2,829	2,437	2,459	2,560	2,900
61	55	231	457	52
150	200	161	367	261
23.5	26.5	27.5	22.9	33.4
-	-	-	-	-
1.0	0.5	2.1	0.8	6.0
1,360	2,100	1,600	1,763	2,385
122	125	93	83	105
11,021	8,812	10,199	16,051	7,954
14,808	21,301	16,685	17,792	14,674
57,684	56,715	47,157	59,033	53,887
74,141	63,180	61,256	64,843	53,181
16	10	11	11	5
9	8	12	7	8
3,500,000	3,177,000	3,216,045	3,321,000	2,971,544
5,023,000	4,725,000	4,716,136	4,384,000	3,984,848
1.7	1.7	2.0	2.1	1.9

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

Function	Fiscal Year				
	2006	2007	2008	2009	2010
Police					
Stations	1	1	1	1	1
Patrol Units	25	21	20	27	22
Fire Stations	1	1	1	1	1
Refuse Collection					
Collection Trucks	4	5	5	5	5
Other Public Works					
Streets (Miles)	110	110	110	110	112
Streetlights	2,693	2,693	2,693	2,693	2,693
Traffic Signals	13	13	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)	81	81	83	83	84
Fire hydrants	445	445	526	526	535
Storage Capacity (Thousands of Gallons)	500,900	500,900	500,900	500,900	500,900
Wastewater					
Sanitary Sewers (Miles)	75	75	78	78	80
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				
2011	2012	2013	2014	2015
1	1	1	1	1
21	23	22	21	23
1	1	1	1	1
5	5	4	4	4
110	110	110	110	110
2,693	2,693	2,693	2,693	2,693
14	14	14	14	14
92	92	92	92	92
5	5	5	5	5
6	6	6	6	6
13	13	13	13	13
2	2	2	2	2
1	1	1	1	1
100	100	100	100	100
540	545	458	560	567
500,900	500,900	500,900	500,900	590,000
85	85	86	86	86
9	9	9	9	9
2,000,000	2,000,000	2,000,000	2,000,000	2,000,000

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