

CITY OF DOUGLAS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2012

**CITY OF DOUGLAS, ARIZONA
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YEAR ENDED JUNE 30, 2012**

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INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

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

We have audited the accompanying Annual Expenditure Limitation Report of the City of Douglas, Arizona, for the year ended June 30, 2012. This report is the responsibility of the City of Douglas, Arizona's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Annual Expenditure Limitation Report of the City of Douglas, Arizona, for the year ended June 30, 2012, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

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

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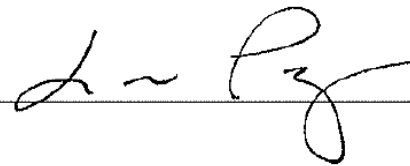
Phoenix, Arizona
November 29, 2012

**CITY OF DOUGLAS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2012**

1.	Economic Estimates Commission expenditure limitation (including voter-approved permanent base adjustment November 2007)	\$ 65,046,131	
2.	Voter approved alternative expenditure limitation	-	
3.	Enter applicable amount from Line 1 or Line 2		<u>\$ 65,046,131</u>
4.	Amount subject to the expenditure limitation (total amount from Part II, Line C)	17,352,176	
5.	Board-authorized expenditures necessitated by a disaster not declared by the Governor [Article IX, §20(20)(a), Arizona Constitution]	-	
6.	Board-authorized expenditures necessitated by a disaster not declared by the Governor [Article IX, §20(20)(b), Arizona Constitution]	-	
7.	Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year [Article IX, §20(2)(c), Arizona Constitution]	-	
8.	Subtotal	<u>17,352,176</u>	
9.	Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters [Article IX, §20(2)(b), Arizona Constitution]	-	
10.	Total adjusted amount subject to the expenditure limitation		<u>17,352,176</u>
11.	Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation.)		<u><u>\$ 47,693,955</u></u>

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

Signature of Chief Fiscal Officer:



Name and Title: Luis Pedroza, Finance Manager

Telephone Number: (520) 417-7319

Date: November 29, 2012

See accompanying notes to report.

**CITY OF DOUGLAS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2012**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation Line D	\$ 18,043,510	\$ 3,837,090	\$ -	\$ -	\$ 21,880,600
B. Less exclusions claimed:					
1 Bond proceeds	-	-	-	-	-
Debt service requirements on bonded indebtedness	-	-	-	-	-
Debt service requirements on other long-term obligations	1,775,498	587,197	-	-	2,362,695
2 Dividends, interest and gains on sale of investment securities	-	-	-	-	-
3 Trustee or custodian	-	-	-	-	-
4 Grants and aid from the federal government	1,267,355	517,111	-	-	1,784,466
5 Grants, aid, contributions or gifts from private agency, organization or individual	-	-	-	-	-
6 Amounts received from the state	381,263	-	-	-	381,263
7 Quasi-external interfund transactions (town sewer fees a/c 10- 41-217, 10-55-217)	-	-	-	-	-
8 Amounts accumulated for purchase of land, purchase or construction of buildings or improvements	-	-	-	-	-
9 Highway user revenues in excess FY 1979-80	-	-	-	-	-
10 Contracts with other political subdivisions	-	-	-	-	-
11 Refunds, reimbursements and other recoveries	-	-	-	-	-
12 Voter approved exclusions not identified above	-	-	-	-	-
13 Prior years carryforward	-	-	-	-	-
14 Total exclusions claimed	<u>3,424,116</u>	<u>1,104,308</u>	<u>-</u>	<u>-</u>	<u>4,528,424</u>
C. Amounts subject to the expenditure limitation	<u>\$ 14,619,394</u>	<u>\$ 2,732,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,352,176</u>

See accompanying notes to report.

**CITY OF DOUGLAS, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2012**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total Expenditures within the fund-based financial statements	\$ 18,599,643	\$ 3,778,292	\$ -	\$ -	\$ 22,377,935
B. Subtract:					
1 Items not requiring use of working capital					
Depreciation	-	897,749	-	-	897,749
Loss on disposal of capital assets	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Claims incurred but not reported	-	-	-	-	-
Landfill Closure	-	-	-	-	-
2 Expenditures of separate legal entities established under ARS	484,457	-	-	-	484,457
3 Present value of net minimum capital leases or long-term debt	71,676	-	-	-	71,676
4 Charges for services paid to Internal Service Funds	-	-	-	-	-
5 Involuntary court judgments	-	-	-	-	-
6 Total subtractions	<u>556,133</u>	<u>897,749</u>	<u>-</u>	<u>-</u>	<u>1,453,882</u>
C. Additions:					
1 Principal payments on long-term debt	-	461,014	-	-	461,014
2 Acquisition of capital assets	-	495,533	-	-	495,533
3 Claims paid in the current year but reported as expenses	-	-	-	-	-
4 Landfill closure as expended in previous years	-	-	-	-	-
5 Total additions	<u>-</u>	<u>956,547</u>	<u>-</u>	<u>-</u>	<u>956,547</u>
D. Amounts reported on Part II Line A	<u>\$ 18,043,510</u>	<u>\$ 3,837,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,880,600</u>

See accompanying notes to report.

**CITY OF DOUGLAS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 EXPENDITURES OF SEPARATE LEGAL ENTITIES, ESTABLISHED UNDER ARIZONA REVISED STATUTES

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

NOTE 3 DEBT SERVICE REQUIREMENTS ON OTHER LONG-TERM OBLIGATIONS

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

	Governmental Funds		
	Principal	Interest	Total
Greater Arizona Development Authority	\$ 110,000	\$ 123,775	\$ 233,775
Industrial Development Authority Loan	60,000	-	60,000
Call Center Loan	700,000	391,310	1,091,310
Capital Leases	341,402	49,011	390,413
	\$ 1,211,402	\$ 564,096	\$ 1,775,498
	Enterprise Funds		
	Principal	Interest	Total
Water Infrastructure Finance Authority of Arizona	\$ 461,014	\$ 126,183	\$ 587,197
	\$ 461,014	\$ 126,183	\$ 587,197

**CITY OF DOUGLAS, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2012**

NOTE 4 GRANTS AND AID FROM THE FEDERAL GOVERNMENT

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

	Governmental Funds	Enterprise Funds
U.S. Customs Southbound	\$ 25,264	\$ -
Organized Crime Drug Enforcement	15,694	-
Community Development Block Grant	243,003	-
Home Investment Program	167,168	-
ARRA Edward Byrne Memorial Grant	15,923	-
RICO Funds	108,647	-
State and Community Highway Safety	20,177	-
ARRA Energy Efficiency Grant	138,061	-
ARRA State Fiscal Stabilization Fund	20,121	-
U.S. Department of Homeland Security	513,297	-
Transition Assistance for Water and Wastewater Improvements	-	517,111
	\$ 1,267,355	\$ 517,111

NOTE 5 AMOUNTS RECEIVED FROM THE STATE

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

	Governmental Funds
Gang Enforcement Grant	\$ 123,725
Arizona Auto Theft Authority	1,140
Arizona Department of Transportation	256,398
	\$ 381,263