

CITY OF DOUGLAS, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

Dr. Michael Gomez
Mayor

Councilmembers

Robert Fernandez

Margaret Morales

Mitchel Lindemann

Ray Shelton

Ivan Huish

Rudy Quinonez

Curtis Shook
City Manager

Prepared by:
Finance Department

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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THE CITY OF DOUGLAS

425 10TH STREET, DOUGLAS, ARIZONA 85607
Telephone (520) 805-4484 Fax (520) 805-5511

FINANCE DEPARTMENT

November 18, 2011

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

The Arizona Auditor General Office requires all local government entities to file a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with the generally accepted auditing standards by a licensed certified public accounting firm with their office by October 31st or by February 28th of each year if an automatic extension is requested. Pursuant of that requirement, we hereby issue the comprehensive annual financial report of the City of Douglas, Arizona for the fiscal year ended June 30, 2011.

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 LarsonAllen 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, 2011 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion of City of Douglas's financial statements for the Fiscal-Year-Ended June 30, 2011, 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. 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 and cultural events. In addition to general government activities, the City of Douglas, Arizona reports three governmental components units: Douglas Housing Authority, Casa de Esperanza, and 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 20,122 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 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.

Major Initiatives

The partnership between the City and Advanced Call Center Technologies (ACT) is going strong. ACT has created 350 jobs since 2008 in Douglas and projects adding 150 more by March 2012.

In FY 2010, we welcomed the construction of a new Best Western Hotel, which continues to impact our community. The hotel is three stories with 64 room occupancy and boasts a current occupancy rate of 85% to 100%. The City also saw the construction of a new Carl's Jr. and Little Caesars restaurant in the heart of the 5th Street and Pan American business district.

Part of the Downtown Revitalization efforts by Mayor and Council, the Government Plaza, is another economic development project that's in the works. The City has partnered with Cochise County for the remodeling and reconstruction of the old Phelps Dodge building located in the heart of downtown that will provide a variety of governmental services including County Court, County Health Department, County Planning and Zoning, Sheriff's Office, administration offices, a Douglas Museum and even a cafeteria. The City is providing approximately \$2.3 million from a \$3 million dollar loan acquired from the Greater Arizona Development Authority (GADA), being used for the acquisition of the building, parking lot and for contracted architectural and remodeling of the building. Cochise County will in turn provide \$4 million for the construction and remodeling of the building. The City is using the remaining \$700,000 from the GADA loan to remodel City Hall.

The City completed Phase I of the Waste Water Treatment Plant Expansion Project. The City borrowed \$9 million from WIFA for the construction/expansion of the Waste Water Treatment Plant. The WWTP will add approximately 600,000 gallons of treatment per day to its already 2,000,000 existing treatment capacity. Phase II is set to commence in late FY 2012 or early FY 2013. The Water Fund also completed the construction of a new Well (Well #16) that will provide 1.2 million gallons per day into its current production. The City also completed the drilling of Well #17 and will finish equipping the well by mid to late FY 2012.

In October 2010, the City became a non-program City and began self-administration of local sales/use tax collections. Under direction of the Council, the Finance department was reorganized in order to fit the sales/use tax collection function. An account clerk for the court was allocated half time in Finance and all cashiers were trained to receive and process sales/use tax returns. Accordingly, the City created a Finance Manager position assigned to the management duties of the new sales/use tax program. The City also invested \$35,000 in sales tax collection software that was implemented within its existing Incode financial software. At the end of the fiscal year the City saw improvements in collections and was able to exercise greater control and issue sales/use tax audits when necessary.

The City was awarded a grant from the Arizona Department of Transportation as part of the American Recovery and Reinvestment Act (ARRA) for the extension of the Paseo de la Amistad Park. The extension of the park picks up on 3rd Street, extending all the way to the port of entry. The park included the construction of two bridges, lighting, sidewalk and landscaping. In addition, the City also received two more ARRA grants; \$200,000 was awarded to purchase five new Chevy Tahoes for police operations and an additional \$200,000 to fund an energy audit for the City's wells and the purchase of energy efficient equipment and lighting for areas of public safety concern. The Fire Department received a total of \$158,343 in federal awards from difference agencies that allowed the purchase of Hazmat equipment, wildfire gear and training.

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

Upcoming Year

The City expects the completion of the Government Plaza by April 2012. Foot traffic of approximately 200 to 300 per hour is projected. The City also expects to finish the paving of 3rd Street along Wal-Mart by the middle of November 2011. Construction will route southbound to Mexico traffic into 3rd Street instead of using 5th Street and Pan American, which will cause accessibility issues into businesses on the south side of 5th Street.

The City lost a Safeway grocery store, a major economic contributor, as it closed its doors in July. Initial analysis shows that the majority of Safeway's customers will continue shopping in Douglas and only a small portion from the surrounding Douglas area (10% predicted) may seek other alternatives outside our City.

With the recent sale of land in October 2011 to Copper Queen Hospital, the City hopes to see an expansion in medical services in the community sometime in the near future.

Long-Term Financial Planning

With encouraging signs in the economy, the City projects and is hopeful, that state shared revenues will begin to make a comeback in fiscal year 2013. Compared to 2008 levels, the City of Douglas has lost approximately \$4.1 million in state shared revenues through fiscal year 2012. This has made it difficult for the City to maintain properly funded capital replacement programs. With higher revenue projections and maintaining low operation budgets, the City will address vehicle and equipment needs and establish a replacement program for various General Fund departments. With recent rate increases on all three enterprise funds (water, sewer and sanitation) the funds are now self sufficient. Some future Capital Improvement projects and equipment are projected to be funded through pay-as-you-go programs. Finally, the City is currently researching costs and funding sources for the repaving of Douglas streets.

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 30th, 2010. 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 LarsonAllen LLP for their assistance in this process.

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

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,



Curtis A. Shook
City Manager



Luis Pedroza
Interim Finance Director

**CITY OF DOUGLAS, ARIZONA
LIST OF PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2011**

ELECTED OFFICIALS

Mayor	Dr. Michael Gomez
Councilmember	Margaret Morales
Councilmember	Mitchell Lindemann
Councilmember	Robert Fernandez
Councilmember	Ray Shelton
Councilmember	Ivan Huish
Councilmember	Rudy Quinonez

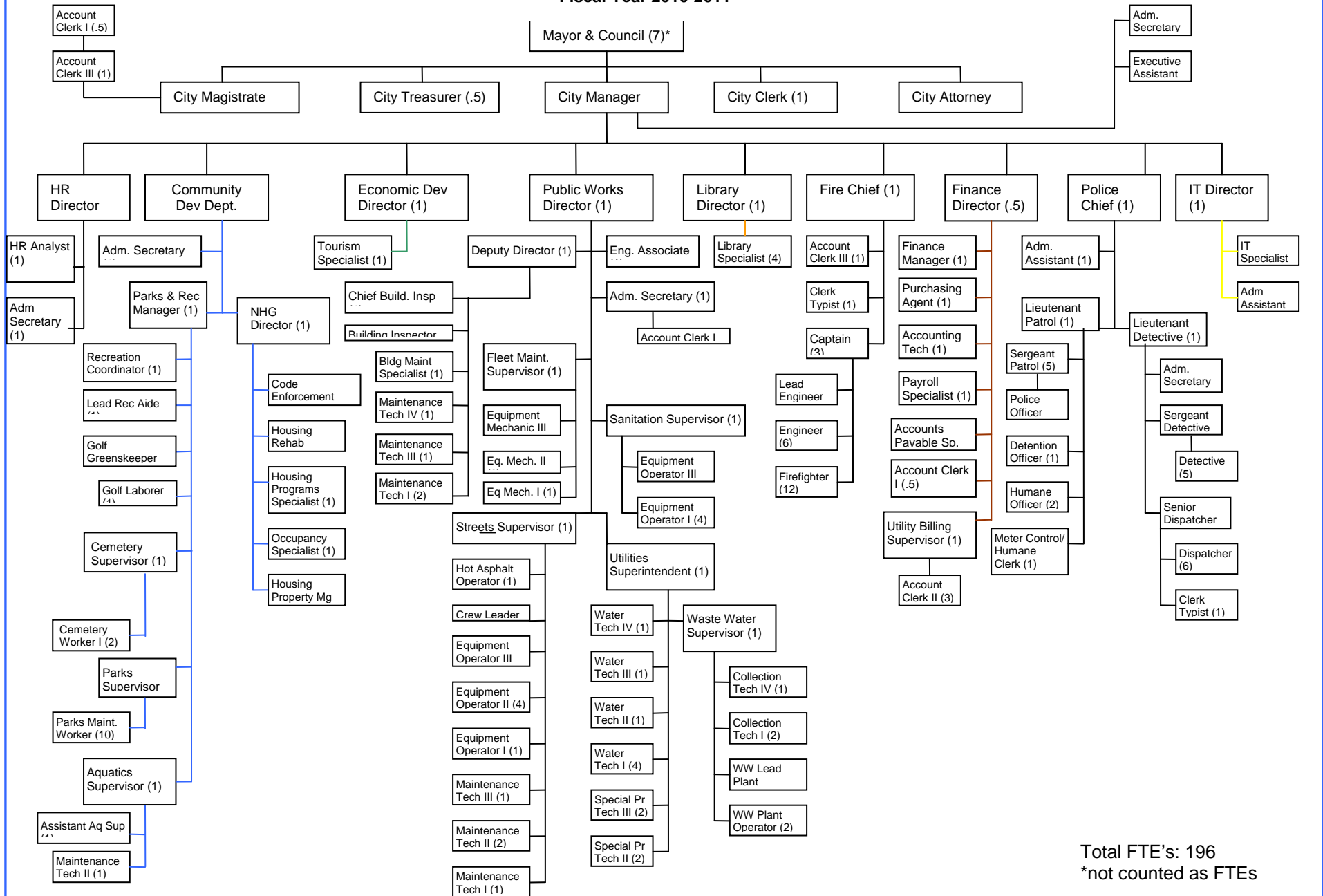
APPOINTED OFFICIALS

City Manager	Curtis A. Shook
City Clerk	Brenda Aguilar
City Attorney	Juan Pablo Flores
City Treasurer	Vacant
City Magistrate	Alma Vildosola

DEPARTMENT DIRECTORS

Interim Finance Director	Luis Pedroza
Interim Public Works Deputy Director	Lauren Ortega
Human Resources	Ana Urquijo
Information Technology	Andrew Dym
Economic Development	Vacant
Police Chief	Alberto Melis
Fire Chief	Mario Novoa
Librarian	Vacant
Neighborhoods Housing and Grants Director	Christina Gomez

City of Douglas Organizational Chart Fiscal Year 2010-2011



Total FTE's: 196
*not counted as FTEs

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Egan

Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 I (Casa de Esperanza), Douglas Housing Corporation II (Pioneer Village) and the Douglas Community Housing Corporation (Rancho La Parilla Apartments). The Douglas Housing Corporation I and II are presented as Governmental Component Units and those assets comprise 49% and 31% of the total Governmental Component Unit assets, 18% and 7% of total operating revenues and a negative 269% and 132% of total net assets of the Governmental Component Unit revenues, respectively. Rancho La Parilla 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 on the financial statements, insofar as it relates to the amounts included for the Governmental Component Units 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Douglas, Arizona, as of June 30, 2011, and the respective changes in financial position and cash flows, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2011 on our consideration of the City's internal control over financial reporting and 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011, which represents a change in accounting principle.

The management's discussion and analysis on pages 11 – 22, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 68, and the General Fund Budget and Actual Statement on pages 69 – 70, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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 express no opinion on them.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
November 18, 2011

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information presented in the financial statements.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the City at the close of the most recent fiscal year exceed liabilities by \$39.6 million (net assets). Of this amount, \$7.0 million is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- ◆ Total net assets increased by \$1.24 million during the fiscal year.
- ◆ As of June 30, 2011, the City's governmental funds reported a combined ending fund balance of \$7.9 million. Of this amount, 71% is unassigned fund balance and available for spending at the government's discretion.
- ◆ At the close of the current fiscal year, unassigned fund balance for the General Fund was \$5.7 million or 44% of the total General Fund expenditures of \$12.8 million.
- ◆ The City drew down \$2.7 million of an authorized \$10.5 million in loans financed by the Water Infrastructure Authority of Arizona.

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 assets presents information on all of the City's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, 2011**

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 four legally separate non-profit corporations - three governmental component units and one proprietary component unit. The governmental units consist of Douglas Housing Authority, Douglas Housing Corporation I - Casa de Esperanza Apartments and Douglas Housing Corporation II - Pioneer Village providing HUD subsidized housing. The proprietary 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 these entities (with the exception of Douglas Housing Authority in which a separate report was not prepared) 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.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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.

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; a budget for the Nonmajor Debt Service and Capital Projects Funds is not adopted.

- ◆ *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 37 - 67 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 progress in funding its obligation to provide pension benefits to its employees and the budgetary schedule of the General Fund. Required supplementary information may be found on pages 68 – 72 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 Assets

As noted earlier, net assets may serve as useful indicators of a government's financial position. For the City of Douglas, Arizona, assets exceeded liabilities by \$39.6 million.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

The largest portion of the City's net assets (81%) 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.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current and Other Assets	\$ 9,187,706	\$ 9,781,691	\$ 2,468,017	\$ 1,802,668	\$ 11,655,723	\$ 11,584,359
Capital Assets:						
Non-depreciable	3,720,121	3,463,842	1,288,123	5,768,701	5,008,244	9,232,543
Depreciable (net)	23,382,470	24,635,488	20,618,508	13,375,175	44,000,978	38,010,663
Total Assets	<u>36,290,297</u>	<u>37,881,021</u>	<u>24,374,648</u>	<u>20,946,544</u>	<u>60,664,945</u>	<u>58,827,565</u>
LIABILITIES						
Current and Other Liabilities	1,106,594	1,315,729	212,764	484,628	1,319,358	1,800,357
Non-Current Liabilities:						
Due Within One Year	2,182,855	1,233,175	567,602	151,802	2,750,457	1,384,977
Due in More Than One Year	11,528,482	14,029,576	5,445,353	3,231,951	16,973,835	17,261,527
Total Liabilities	<u>14,817,931</u>	<u>16,578,480</u>	<u>6,225,719</u>	<u>3,868,381</u>	<u>21,043,650</u>	<u>20,446,861</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	15,847,448	13,775,501	16,048,928	15,872,761	31,896,376	29,648,262
Restricted	719,796	477,084	-	-	719,796	477,084
Unrestricted	4,905,122	7,049,956	2,100,001	1,205,402	7,005,123	8,255,358
Total Net Assets	<u>\$ 21,472,366</u>	<u>\$ 21,302,541</u>	<u>\$ 18,148,929</u>	<u>\$ 17,078,163</u>	<u>\$ 39,621,295</u>	<u>\$ 38,380,704</u>

As of June 30, 2011 the City of Douglas, Arizona was able to report positive balances in all categories of net assets. As previously discussed, approximately 81% of the resources are invested in capital assets, net of related debt. Another 2% of the resources are subject to external restrictions on how they may be used. The remaining unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets increased approximately \$1.2 million over the prior fiscal year. Net assets invested in capital assets, net of related debt increased \$2.3 million due to the net effect of a reduction in current year debt outstanding used to acquire the assets, current year depreciation and current year additions. Current year debt payments (including deferred amounts on refundings and discount) were approximately \$1.7 million (including payments on capital leases). The City drew down \$2.7 million for water and sewer improvements.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Changes in Net Assets

As described above, the City's net assets overall increased by \$1.2 million during the current fiscal year. The increase in the governmental activities and business-type activities are discussed on the following pages.

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

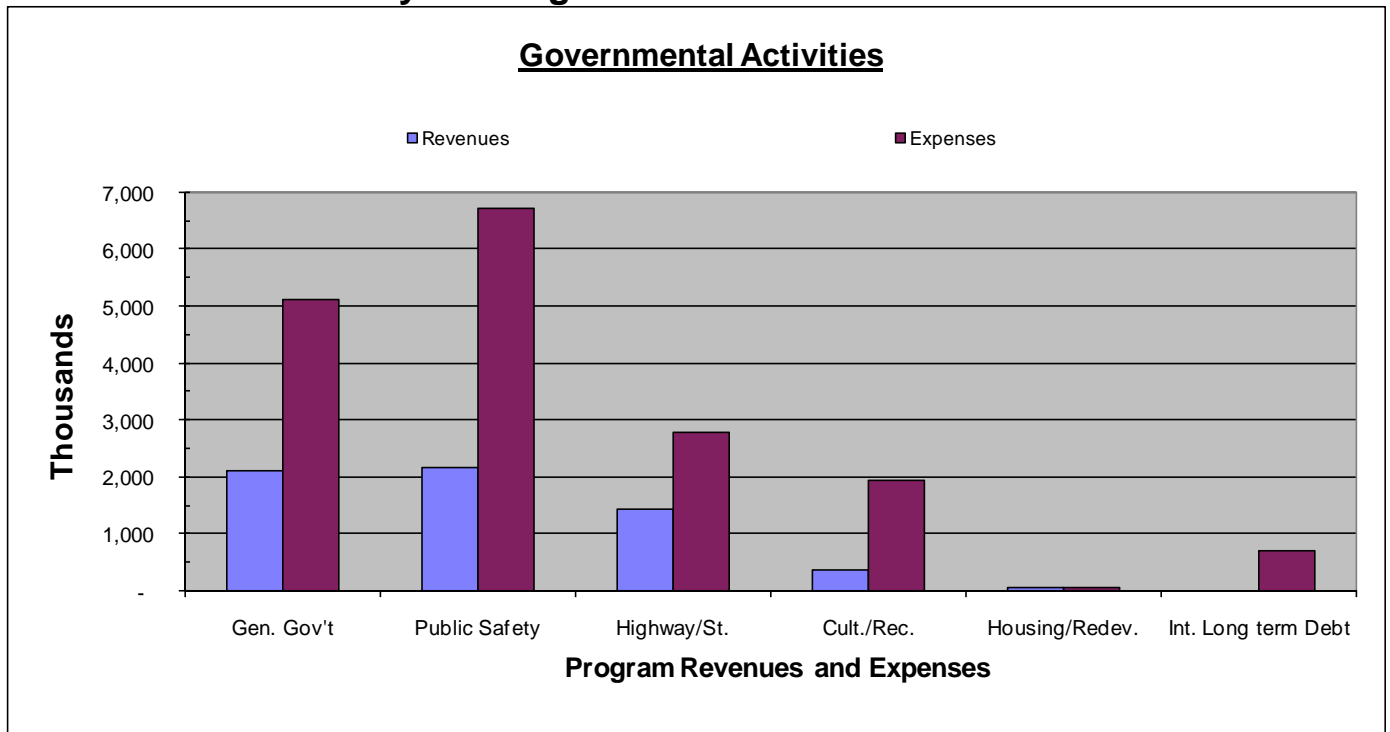
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 2,874,650	\$ 2,525,582	\$ 4,872,305	\$ 3,969,373	\$ 7,746,955	\$ 6,494,955
Operating Grants and Contributions	2,303,776	2,128,442	-	-	2,303,776	2,128,442
Capital Grants and Contributions	951,180	902,228	-	-	951,180	902,228
General Revenues:						
Property Taxes	545,995	531,489	-	-	545,995	531,489
Local Taxes	6,291,027	6,159,743	-	-	6,291,027	6,159,743
State Shared Revenues	3,767,386	4,239,971	-	-	3,767,386	4,239,971
Grants and Contributions Not Restricted to Specific Programs	39,082	30,274	-	-	39,082	30,274
Investment Earnings (Loss)	67,493	107,495	980	(1,769)	68,473	105,726
Other	258,705	238,124	-	-	258,705	238,124
Total Revenues	17,099,294	16,863,348	4,873,285	3,967,604	21,972,579	20,830,952
EXPENSES						
General Government	5,121,084	4,639,733	-	-	5,121,084	4,639,733
Public Safety	6,700,135	6,715,219	-	-	6,700,135	6,715,219
Highways and Streets	2,773,973	2,970,829	-	-	2,773,973	2,970,829
Culture and Recreation	1,936,579	1,986,674	-	-	1,936,579	1,986,674
Redevelopment and Housing	51,599	53,973	-	-	51,599	53,973
Interest on Long-Term Debt	704,510	760,128	-	-	704,510	760,128
Water	-	-	1,367,914	1,261,985	1,367,914	1,261,985
Sewer	-	-	1,320,648	1,337,193	1,320,648	1,337,193
Solid Waste	-	-	755,546	716,047	755,546	716,047
Total Expenses	17,287,880	17,126,556	3,444,108	3,315,225	20,731,988	20,441,781
CHANGE IN NET ASSETS BEFORE TRANSFERS	(188,586)	(263,208)	1,429,177	652,379	1,240,591	389,171
Transfers	358,411	115,998	(358,411)	(115,998)	-	-
CHANGE IN NET ASSETS	169,825	(147,210)	1,070,766	536,381	1,240,591	389,171
Net Assets - Beginning of Year	21,302,541	21,449,751	17,078,163	16,541,782	38,380,704	37,991,533
NET ASSETS - END OF YEAR	\$ 21,472,366	\$ 21,302,541	\$ 18,148,929	\$ 17,078,163	\$ 39,621,295	\$ 38,380,704

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Governmental Activities – Governmental activities increased the City's net assets by \$0.17 million. Key factors of the overall decrease in net assets are as follows:

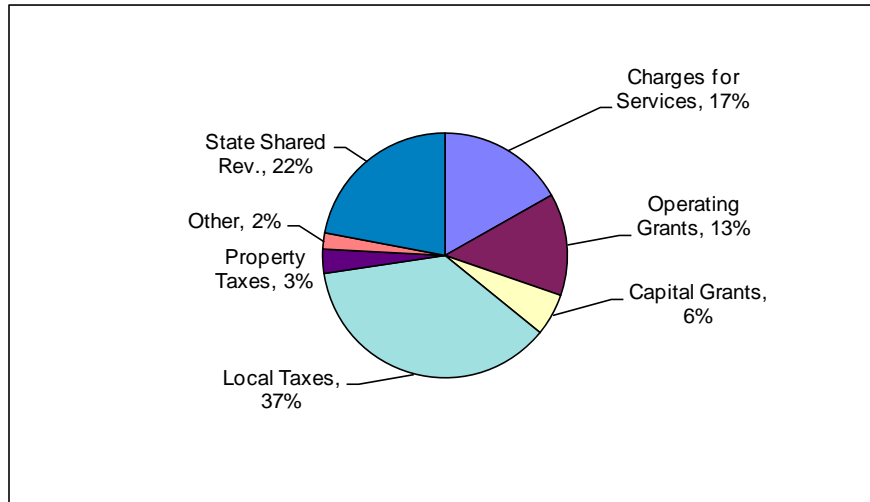
- ◆ Fees, fines and charges for services increased over the prior fiscal year (13.8%). The increase was largely due to an increase in ambulance charge rates.
- ◆ Operating grants and contributions increased 8% over the prior fiscal year. The increase was the result of an overall increase in all grants (public safety, highways and streets and redevelopment and housing). The increase did not have a significant impact on net assets as most grants are reimbursement grants and therefore revenues are accrued in the period in which the expense occurred.
- ◆ State shared revenues and local tax revenues decreased 11% due to decreased consumer spending. Those revenues are expected to decrease in the upcoming fiscal year as well due to the downturn in the economy.
- ◆ Investment income decreased 37% during the fiscal 2009/10 due to a decline in interest rates.
- ◆ Expenses remained relatively unchanged over the prior fiscal year, with the exception of an increase in general government expenses in the amount of \$481,351 and a decrease in highways and streets in the amount of \$196,856. The increase in the general government expenses was due to start-up costs for the restaurant that the City began operating in October 2010. The City also invested in the maintenance of the golf course greens and established proper maintenance regiments. Highways and streets expenses decreased due to continuous decreases in HURF state shared revenue, resulting in a reduction in funds available for continued maintenance.

City of Douglas – Fiscal Year 2010/11



**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

**City of Douglas Revenue by Source
Governmental Activities Fiscal Year 2010/11**



The charts on the previous page and 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 (39%), followed by General Government (30%), Highway/Streets (16%), Culture/Recreation (11%), and the remaining 4% attributable to Redevelopment and Housing and Interest. General revenues such as property taxes, state shared revenues, and sales tax 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 are by far the largest source of funds (37%) followed by state shared revenues (22%) as illustrated in the above chart.

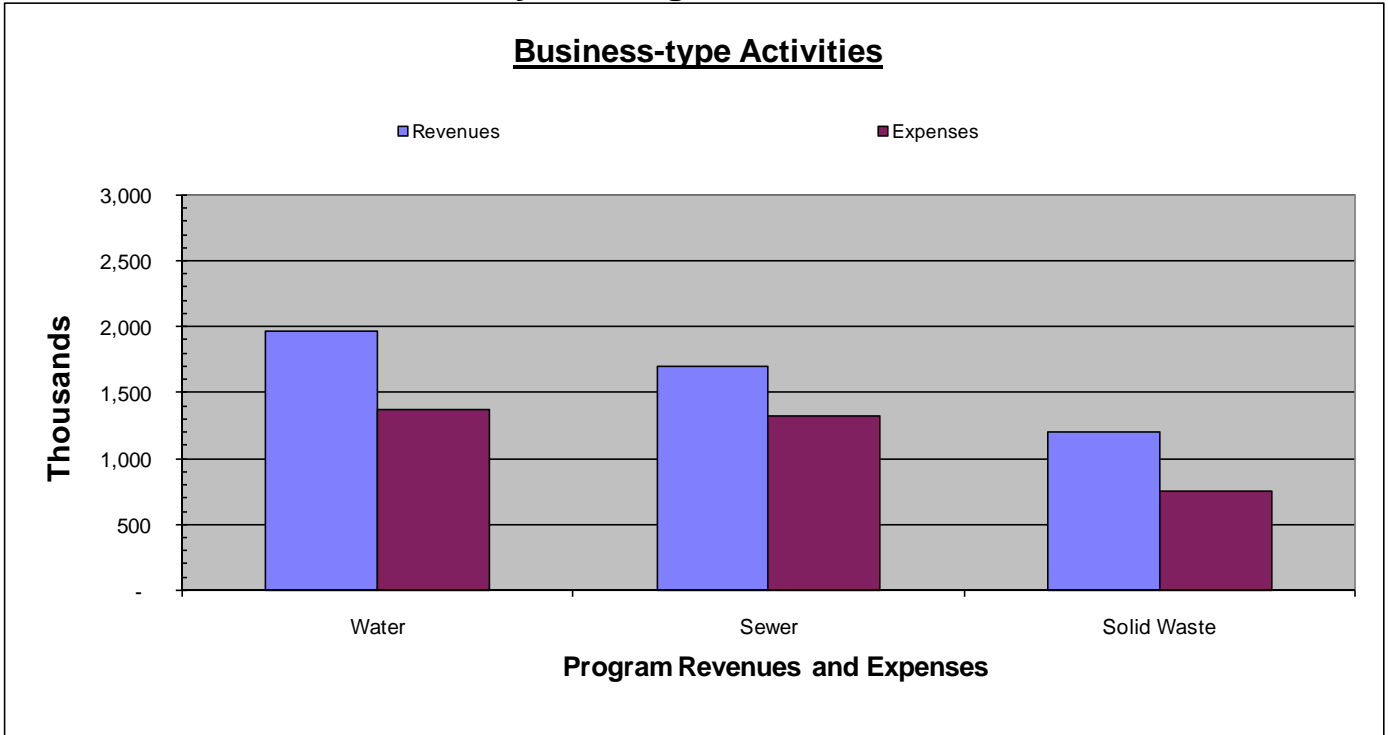
Business-Type Activities – Business-type activities increased the City's net assets by \$1.1 million.

The most significant factor accounting for the increase was a \$0.9 million increase in charges for services, offset by an increase in current year expenses of \$0.1 million and a transfer to the governmental funds for \$0.3 million to allocate administrative overhead costs incurred by the governmental funds. The increase in service fees included a \$0.65 million increase in annual revenue from rate increases in sewer service fees (\$7 increase), \$0.14 million increase in annual revenue from water service fees, and \$0.15 million increase in annual revenue from rate increases in solid waste service fees (\$1.50 increase).

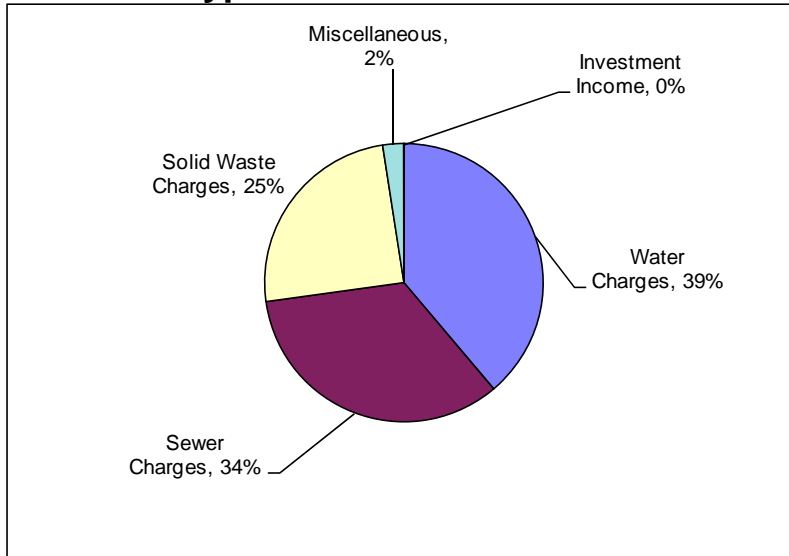
Water, Sewer and Solid Waste reported operating income due to an increase in its rates. Through a fee structure analysis and Mayor and Council actions to increase rates in the sewer and solid waste funds, the enterprise funds are on their way to becoming self-sufficient. In prior years, the utilities have relied on subsidies from the General Fund for operations.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

City of Douglas 2010/11



**City of Douglas Revenue by Source
Business-type Activities Fiscal Year 2010/11**



**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

As shown in the charts on the previous page, the largest of the City's business-type activities are water and sewer utilities. Sewer Fund expenses were just over \$1.3 million, with Water expenses at approximately the same level followed by Solid Waste at approximately \$0.7 million. For this fiscal year, the change in net assets in the Sewer Fund was a positive \$0.3 million while changes in net assets in the Water Fund was a positive \$0.5 million and the Solid Waste Fund was a positive \$0.2 million. The positive change in net assets in the Enterprise Funds was due to the City increasing rates to cover operating costs.

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 \$7.9 million, a decrease of \$0.4 million from the prior year. This decrease is primarily due to the investment the City made to the Golf Course restaurant, in which it made improvements to the building and for business start-up costs such as equipment, inventory, training, and other related costs.

Revenues for governmental funds overall totaled approximately \$17.1 million for the fiscal year ended June 30, 2011 which represents an increase of 2% or approximately \$0.4 million from the prior fiscal year. The increase was largely the result of the City becoming a non-program City, thus breaking away from the Arizona Department of Revenue (ADOR) collecting the City's sales/use taxes. As a result, the first month of the fiscal year included sales and use tax collections from its own collections and adjustments from ADOR. Average monthly sales tax collections totaled \$345,000 per month. Expenditures for governmental functions totaled \$17.9 million a decrease of 3% (\$0.5 million) from the prior fiscal year. The decrease was largely due to a reduction in Streets expenditures (less state funding) and a reduction in personnel costs (due to attrition), but mainly call center debt principal reduction which the City had recorded two principal payments the prior 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 \$5.7 million. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. Unassigned General Fund balance represents 44.2% of the total General Fund expenditures of \$12.8 million.

The fund balance in the City's General Fund decreased by \$0.5 million. Revenues of the General Fund were significantly increased in the current fiscal year (up \$2.2 million from the prior year) due to the reclassification of the Special Project Fund in light of GASB 54 reporting. The reclassification brought to the General Fund some Special Projects revenue such as .5% sales tax used for GF capital purchases and the call center rent revenue. Additionally, the City experienced an increase in sales tax collections, as previously discussed. Fund balance decreased because of the City's investment in the golf course restaurant as explained above.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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, blended component unit. The debt is repaid through transfers from the HURF Fund and the General Fund.

The Nonmajor Governmental Funds increased \$0.1 million largely due to a decrease in principal and interest debt service payments compared to the prior 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 assets for the Water Fund were \$1.7 million, Sewer a deficit \$0.2 million, and Solid Waste \$0.6 million. The total increase in net assets for the enterprise funds was \$1.1 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Actual revenues were greater than the budget by \$279 thousand and actual expenditures were greater than budgeted by \$201 thousand dollars. The actual revenues were greater than budgeted largely due to an increase in ambulance transport revenue, as rates were increased from \$512 to \$900 during the year. Expenses were greater than budgeted because of the City's unforeseen investment in the Golf Course restaurant. Several departments reported overexpenditures as a result of the City not revising the budget in the current fiscal year. Most years, the City revises the budget during the year to reflect a more accurate reflection of budgetary comparisons. Although the legal level of budgetary control is at the departmental level in the General Fund, the City Council monitors the General Fund as a whole as the City Manager has the authority to make transfers between departments of 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, 2011 amount to \$49 million (net of accumulated depreciation). Capital assets include land and improvements, infrastructure, buildings and improvements, machinery equipment, and vehicles, and construction in progress.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and Improvements	\$ 3,706,757	\$ 3,268,122	\$ -	\$ -	\$ 3,706,757	\$ 3,268,122
Streets and Storm Drains	6,087,619	6,607,447	-	-	6,087,619	6,607,447
Buildings and Improvements	9,474,080	9,853,729	5,422,083	574,612	14,896,163	10,428,341
Water System	-	-	5,727,922	4,607,003	5,727,922	4,607,003
Wastewater System	-	-	8,710,484	7,290,197	8,710,484	7,290,197
Machinery, Equipment and Vehicles	5,224,576	6,016,752	758,019	903,363	5,982,595	6,920,115
Construction In Progress	2,609,559	2,353,280	1,288,123	5,768,701	3,897,682	8,121,981
Total Capital Assets	\$ 27,102,591	\$ 28,099,330	\$ 21,906,631	\$ 19,143,876	\$ 49,009,222	\$ 47,243,206

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

Governmental Activities

- ◆ The City completed the Paseo Amistad land improvement project. The completed project totaled \$594,634, including \$352,166 in current year costs.
- ◆ The City continued construction on the government plaza and city hall renovations. Total current year costs of \$341,772 are included in construction in progress.
- ◆ Purchased \$199,879 in vehicles for public safety.
- ◆ Acquired approximately \$295,000 in equipment for public safety.
- ◆ Acquired approximately \$127,000 in equipment for the golf course and library.

Business-type Activities

- ◆ Completion of phase I of the wastewater treatment plant building in the amount of \$4.9 million, including \$1.9 million in current year costs.
- ◆ Completion of phase I of the wastewater treatment plant system and Bonita intercept at 3rd street in the amount of \$1.7 million, including \$500,000 in current year costs.
- ◆ Completion of a well in the amount of \$982,105, including \$446,969 in current year costs.

For government-wide financial statement purposes, capital assets were depreciated from acquisition date to the end of the current fiscal year. 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 49 - 52 of this report.

Debt Administration

At the end of the fiscal year, the City of Douglas, Arizona had total long-term obligations outstanding of \$19.8 million. The City drew down \$2.7 million from an available \$10.5 million loan financed by the Water Infrastructure Authority of Arizona for water and wastewater improvements during the current fiscal year. The current year increase was the result of the issuance offset by the repayment of other debt.

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, 2011 is \$3,416,128 in the 6% capacity and \$11,387,094 in the 20% capacity.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

**Table A-4
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Loans Payable	\$ 10,025,000	\$ 10,890,000	\$ 5,857,703	\$ 3,239,489	\$ 15,882,703	\$ 14,129,489
Revenue Bonds	1,790,000	2,205,000	-	-	1,790,000	2,205,000
Capital Lease	701,457	957,050	-	31,626	701,457	988,676
Compensated Absences	1,294,606	1,338,922	155,252	112,638	1,449,858	1,451,560
Total Outstanding Debt	<u>\$ 13,811,063</u>	<u>\$ 15,390,972</u>	<u>\$ 6,012,955</u>	<u>\$ 3,383,753</u>	<u>\$ 19,824,018</u>	<u>\$ 18,774,725</u>

Additional information on the City's debt can be found in Note 3.E. on pages 55 - 59.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered when preparing the 2011-12 budget:

- ◆ A conservative economic forecast and limited revenue growth.
- ◆ Continued investment in the City's basic infrastructure and public facilities combined with a careful analysis of operating costs.
- ◆ An emphasis on a "pay-as-you-go" approach to funding water and wastewater capital investments.
- ◆ Sustained funding of General Fund and Enterprise contingency/reserve funds to ensure that the City will be able to provide basic services during economic downturns or major emergencies.
- ◆ Increased contributions for Arizona State Retirement and increased health care insurance rates.

Both Water and Sewer rates increased in the 2005 fiscal year by five dollars per month for each service. This increase was part of a "pay-as-you-go" capital improvement plan implemented in September 1999 with the five dollar increase to each service over a five year period (August 2004). This capital improvement surcharge allows for much needed improvement to aging infrastructure as well as funding provided from the Water Infrastructure Finance Authority of Arizona. The solid waste fund also enacted an increase on January 2009 of 5 dollars to current residential rates and additional increases in 2010 and 2011 of \$3.50 and \$1.50 respectively. Also, increases in sewer rates were implemented to cover necessary capital improvements which include the repayment of \$9 million to the Water Infrastructure Finance Authority for the expansion of the waste water treatment plan. Residential inside of city limits rates increased in July 2010 by \$7 dollars.

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

BASIC FINANCIAL STATEMENTS

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 5,423,445	\$ 2,113,157	\$ 7,536,602
Receivables, Net:			
Accounts Receivable	184,382	508,433	692,815
Taxes Receivable	547,609	-	547,609
Intergovernmental Receivables	1,195,268	-	1,195,268
Due from Component Unit	1,581,293	-	1,581,293
Internal Balances	153,573	(153,573)	-
Inventories	58,493	-	58,493
Prepaid Items	-	-	-
Deferred Charges	43,643	-	43,643
Restricted Assets	-	-	-
Capital Assets:			
Non-Depreciable	3,720,121	1,288,123	5,008,244
Depreciable (net)	23,382,470	20,618,508	44,000,978
Total Assets	<u>36,290,297</u>	<u>24,374,648</u>	<u>60,664,945</u>
LIABILITIES			
Accounts Payable	347,287	117,409	464,696
Accrued Wages and Benefits	299,346	35,135	334,481
Interest Payable	35,238	60,220	95,458
Intergovernmental Payable	8,791	-	8,791
Customer Deposits Payable	-	-	-
Unearned Revenue	932	-	932
Due to Primary Government	-	-	-
Prepaid Rents	-	-	-
Matured Debt Principal Payable	415,000	-	415,000
Noncurrent Liabilities			
Due Within One Year	2,182,855	567,602	2,750,457
Due in More Than One Year	11,528,482	5,445,353	16,973,835
Total Liabilities	<u>14,817,931</u>	<u>6,225,719</u>	<u>21,043,650</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	15,847,448	16,048,928	31,896,376
Restricted for:			
General Government	210,401	-	210,401
Public Safety	9,885	-	9,885
Highways and Streets	338,524	-	338,524
Redevelopment and Housing	160,986	-	160,986
Unrestricted	4,905,122	2,100,001	7,005,123
Total Net Assets	<u>\$ 21,472,366</u>	<u>\$ 18,148,929</u>	<u>\$ 39,621,295</u>

See accompanying Notes to Basic Financial Statements.

Component Unit	
Governmental Component Units	Proprietary Type Component Units
\$ 608,603	\$ 7,323
71,251	1,346
-	-
-	-
-	-
-	-
19,940	16,123
280,799	387,964
356,566	97,994
91,149	265,000
<u>1,247,776</u>	<u>3,865,568</u>
2,676,084	4,641,318
26,533	28,802
37,246	2,433
71,300	22,472
-	20,382
26,432	18,040
-	-
10,971	1,570,322
-	8,022
-	-
17,453	48,700
<u>2,641,352</u>	<u>4,204,745</u>
<u>2,831,287</u>	<u>5,923,918</u>
(1,319,880)	(1,693,199)
-	-
-	-
-	-
1,164,677	410,599
-	-
<u>\$ (155,203)</u>	<u>\$ (1,282,600)</u>

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 5,121,084	\$ 1,728,090	\$ 140,236	\$ 242,240
Public Safety	6,700,135	972,724	889,699	298,526
Highways and Streets	2,773,973	-	1,227,579	205,591
Culture and Recreation	1,936,579	173,836	46,262	149,186
Redevelopment and Housing	51,599	-	-	55,637
Interest and Fiscal Charges	704,510	-	-	-
Total Governmental Activities	17,287,880	2,874,650	2,303,776	951,180
Business-Type Activities:				
Water	1,367,914	1,965,519	-	-
Sewer	1,320,648	1,703,223	-	-
Solid Waste	755,546	1,203,563	-	-
Total Business-Type Activities	3,444,108	4,872,305	-	-
Total Primary Government	\$ 20,731,988	\$ 7,746,955	\$ 2,303,776	\$ 951,180
Component Units:				
Governmental Component Units	\$ 1,852,782	\$ 133,139	\$ 1,741,888	\$ -
Proprietary Type Component Units	852,515	610,270	-	-
	\$ 2,705,297	\$ 743,409	\$ 1,741,888	\$ -

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 (Loss)
Other
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Governmental Component Units	Proprietary Type Component Units
\$ (3,010,518)	\$ -	\$ (3,010,518)		
(4,539,186)	-	(4,539,186)		
(1,340,803)	-	(1,340,803)		
(1,567,295)	-	(1,567,295)		
4,038	-	4,038		
(704,510)	-	(704,510)		
(11,158,274)	-	(11,158,274)		
-	597,605	597,605		
-	382,575	382,575		
-	448,017	448,017		
-	1,428,197	1,428,197		
(11,158,274)	1,428,197	(9,730,077)		
			\$ 22,245	\$ -
			-	(242,245)
			22,245	(242,245)
5,953,998	-	5,953,998	-	-
545,995	-	545,995	-	-
337,029	-	337,029	-	-
1,687,895	-	1,687,895	-	-
1,316,667	-	1,316,667	-	-
762,824	-	762,824	-	-
39,082	-	39,082	-	-
67,493	980	68,473	904	111
258,705	-	258,705	27,173	11,420
358,411	(358,411)	-	-	-
11,328,099	(357,431)	10,970,668	28,077	11,531
169,825	1,070,766	1,240,591	50,322	(230,714)
21,302,541	17,078,163	38,380,704	(205,525)	(1,051,886)
\$ 21,472,366	\$ 18,148,929	\$ 39,621,295	\$ (155,203)	\$ (1,282,600)

**CITY OF DOUGLAS, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	MPC Debt Service	Nonmajor Governmental
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Investments	\$ 2,952,345	\$ 450,238	\$ 2,020,862
Receivables:			
Accounts Receivable	163,435	-	20,947
Taxes Receivable	498,059	-	49,550
Intergovernmental Receivables	571,765	-	623,503
Due from Component Unit	1,581,293	-	-
Due from Other Funds	510,411	-	-
Inventory	58,493	-	-
Restricted Assets	-	-	-
Total Assets	<u>\$ 6,335,801</u>	<u>\$ 450,238</u>	<u>\$ 2,714,862</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 272,489	\$ -	\$ 74,798
Accrued Wages and Benefits	282,647	-	16,699
Interest Payable	-	35,238	-
Intergovernmental Payable	8,791	-	-
Due to Other Funds	-	-	356,838
Deferred Revenue	62,408	-	75,854
Customer Deposits Payable	-	-	-
Matured Debt Principal Payable	-	415,000	-
Total Liabilities	<u>626,335</u>	<u>450,238</u>	<u>524,189</u>
 Fund Balance:			
Nonspendable	58,493	-	-
Restricted	-	-	2,220,530
Unassigned	5,650,973	-	(29,857)
Total Fund Balance	<u>5,709,466</u>	<u>-</u>	<u>2,190,673</u>
 Total Liabilities and Balance	<u>\$ 6,335,801</u>	<u>\$ 450,238</u>	<u>\$ 2,714,862</u>

See accompanying Notes to Basic Financial Statements.

Totals	Component Unit Douglas Housing Authority
\$ 5,423,445	\$ 473,410
184,382	38,689
547,609	-
1,195,268	-
1,581,293	-
510,411	-
58,493	-
-	15,518
<u>\$ 9,500,901</u>	<u>\$ 527,617</u>

\$ 347,287	\$ 14,222
299,346	19,174
35,238	-
8,791	10,971
356,838	-
138,262	-
-	15,518
415,000	-
<u>1,600,762</u>	<u>59,885</u>

58,493	-
2,220,530	467,732
5,621,116	-
<u>7,900,139</u>	<u>467,732</u>
<u>\$ 9,500,901</u>	<u>\$ 527,617</u>

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**CITY OF DOUGLAS, ARIZONA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

Total Fund Balances for Governmental Funds \$ 7,900,139

Total net assets reported for governmental activities in the statement of net assets 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	\$ 1,110,562	
Construction in Progress	2,609,559	
Land Improvements	4,673,188	
Streets and Storm Drains	14,740,044	
Buildings and Improvements	14,119,394	
Machinery, Equipment and Vehicles	<u>13,465,081</u>	
Total Capital Assets	50,717,828	
Less: Accumulated Depreciation	<u>(23,615,237)</u>	27,102,591

Some of the City's property taxes and special assessments 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 deferred revenue in the governmental funds. 61,476

Some loans receivable through the City's housing rehabilitation program are recorded as a receivable and deferred revenue in the City's Governmental Fund financial statements, but are recognized as revenue in the government-wide financial statements. 75,854

Bond issuance costs are reported as expenditures in the governmental funds and are shown net of accumulated amortization on the statement of net assets. 43,643

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of Net Assets.

Loans Payable	(10,025,000)	
Revenue Bonds	(1,790,000)	
Deferred Amount on Refunding	89,922	
Deferred Amount on Discount	9,804	
Capital Lease Payable	(701,457)	
Compensated Absence Payable	<u>(1,294,606)</u>	<u>(13,711,337)</u>

Total Net Assets of Governmental Activities \$ 21,472,366

CITY OF DOUGLAS, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>MPC Debt Service</u>	<u>Nonmajor Governmental</u>
REVENUES			
Taxes:			
Sales Taxes	\$ 5,248,345	\$ -	\$ 705,653
Property Taxes	540,849	-	-
Franchise Taxes	337,029	-	-
Intergovernmental Revenues	4,718,379	-	2,364,958
Fines and Forfeits	194,320	-	7,041
Licenses and Permits	172,602	-	-
Charges for Services	1,745,359	-	-
Rents and Royalties	755,328	-	-
Investment Income (Loss)	58,170	-	9,323
Other	195,034	-	63,671
Total Revenues	<u>13,965,415</u>	<u>-</u>	<u>3,150,646</u>
EXPENDITURES			
Current:			
General Government	3,814,143	-	96,583
Public Safety	6,170,385	-	105,041
Highways and Streets	992,519	-	983,472
Culture and Recreation	1,383,387	-	26,114
Redevelopment and Housing	-	-	51,599
Debt Service:			
Principal Retirement	23,560	415,000	1,172,446
Interest on Long-Term Debt	1,270	71,077	591,197
Capital Outlay	392,809	-	1,614,895
Total Expenditures	<u>12,778,073</u>	<u>486,077</u>	<u>4,641,347</u>
Excess (Deficiency) of Revenues Over Expenditures	1,187,342	(486,077)	(1,490,701)
OTHER FINANCING SOURCES (USES)			
Transfers In	437,324	486,077	1,914,506
Transfers Out	(2,173,878)	-	(305,618)
Proceeds from Capital Leases	75,413	-	-
Total Other Financing Sources (Uses)	<u>(1,661,141)</u>	<u>486,077</u>	<u>1,608,888</u>
Net Change in Fund Balance	(473,799)	-	118,187
FUND BALANCE			
Beginning of Year, Restated	<u>6,183,265</u>	<u>-</u>	<u>2,072,486</u>
End of Year	<u>\$ 5,709,466</u>	<u>\$ -</u>	<u>\$ 2,190,673</u>

See accompanying Notes to Basic Financial Statements.

<u>Totals</u>	<u>Component Unit Douglas Housing Authority</u>
\$ 5,953,998	\$ -
540,849	-
337,029	-
7,083,337	1,362,968
201,361	-
172,602	-
1,745,359	36,240
755,328	-
67,493	183
258,705	12,371
<u>17,116,061</u>	<u>1,411,762</u>
3,910,726	-
6,275,426	-
1,975,991	-
1,409,501	-
51,599	1,288,087
1,611,006	-
663,544	-
2,007,704	-
<u>17,905,497</u>	<u>1,288,087</u>
(789,436)	123,675
2,837,907	-
(2,479,496)	-
75,413	-
<u>433,824</u>	<u>-</u>
(355,612)	123,675
<u>8,255,751</u>	<u>344,057</u>
<u>\$ 7,900,139</u>	<u>\$ 467,732</u>

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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, 2011

Net Change in Fund Balances-Total Governmental Funds \$ (355,612)

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	\$ 1,687,108	
Depreciation Expense	<u>(2,683,847)</u>	(996,739)

Loan receivable recorded as revenue in the government-wide statement of net assets, but not yet available.

Intergovernmental Receivables - June 30, 2010	97,767	
Intergovernmental Receivables - June 30, 2011	<u>75,854</u>	(21,913)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest and bond issuance 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 and issuance costs are amortized over the life of the bonds, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Issuance of Long-Term Debt	(75,413)	
Amortization of Deferred Amounts on the Refunding	(25,693)	
Amortization of Deferred Amount on the Discount	(2,802)	
Repayment of Long-Term Debt	1,611,006	
Amortization of Issuance Costs	<u>(12,471)</u>	1,494,627

Delinquent and deferred property 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 are deferred in the governmental funds.

Deferred Revenue - June 30, 2010	56,330	
Deferred Revenue - June 30, 2011	<u>61,476</u>	5,146

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).

44,316

Change in Net Assets of Governmental Activities \$ 169,825

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	Business-Type Activities			
	Water	Sewer	Solid Waste	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,594,762	\$ -	\$ 518,395	\$ 2,113,157
Receivables, Net:				
Accounts Receivable	228,275	162,861	117,297	508,433
Total Current Assets	<u>1,823,037</u>	<u>162,861</u>	<u>635,692</u>	<u>2,621,590</u>
Noncurrent Assets:				
Capital Assets:				
Non-Depreciable	880,067	408,056	-	1,288,123
Depreciable (Net)	6,258,930	14,215,553	144,025	20,618,508
Total Noncurrent Assets	<u>7,138,997</u>	<u>14,623,609</u>	<u>144,025</u>	<u>21,906,631</u>
Total Assets	<u>8,962,034</u>	<u>14,786,470</u>	<u>779,717</u>	<u>24,528,221</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	47,163	39,635	30,611	117,409
Accrued Wages and Benefits	12,712	13,315	9,108	35,135
Due to Other Funds	-	153,573	-	153,573
Interest Payable	11,256	48,964	-	60,220
Compensated Absences	40,831	49,367	16,390	106,588
Loans Payable	66,978	394,036	-	461,014
Total Current Liabilities	<u>178,940</u>	<u>698,890</u>	<u>56,109</u>	<u>933,939</u>
Noncurrent Liabilities:				
Compensated Absences Payable	13,130	22,862	12,672	48,664
Loans Payable	733,001	4,663,688	-	5,396,689
Total Noncurrent Liabilities	<u>746,131</u>	<u>4,686,550</u>	<u>12,672</u>	<u>5,445,353</u>
Total Liabilities	<u>925,071</u>	<u>5,385,440</u>	<u>68,781</u>	<u>6,379,292</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,339,018	9,565,885	144,025	16,048,928
Unrestricted	1,697,945	(164,855)	566,911	2,100,001
Total Net Assets	<u>\$ 8,036,963</u>	<u>\$ 9,401,030</u>	<u>\$ 710,936</u>	<u>\$ 18,148,929</u>

See accompanying Notes to Basic Financial Statements.

CITY OF DOUGLAS, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business-Type Activities			Totals
	Water	Sewer	Solid Waste	
OPERATING REVENUES				
Charges for Services	\$ 1,888,565	\$ 1,652,431	\$ 1,203,481	\$ 4,744,477
OPERATING EXPENSES				
Cost of Sales and Services	1,040,900	1,003,695	701,973	2,746,568
Depreciation	327,014	316,953	52,372	696,339
Total Operating Expenses	<u>1,367,914</u>	<u>1,320,648</u>	<u>754,345</u>	<u>3,442,907</u>
Operating Income (Loss)	520,651	331,783	449,136	1,301,570
NONOPERATING REVENUES (EXPENSE)				
Impact Fees	31,982	47,499	-	79,481
Investment Income (Loss)	1,113	(70)	(63)	980
Interest Expense	-	-	(1,201)	(1,201)
Miscellaneous Nonoperating Revenues	44,972	3,293	82	48,347
Total Nonoperating Revenues (Expenses)	<u>78,067</u>	<u>50,722</u>	<u>(1,182)</u>	<u>127,607</u>
Income (Loss) Before Contributions and Transfers	598,718	382,505	447,954	1,429,177
Transfers Out	<u>(63,811)</u>	<u>(68,069)</u>	<u>(226,531)</u>	<u>(358,411)</u>
Change in Net Assets	534,907	314,436	221,423	1,070,766
Total Net Assets - Beginning of Year	<u>7,502,056</u>	<u>9,086,594</u>	<u>489,513</u>	<u>17,078,163</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 8,036,963</u></u>	<u><u>\$ 9,401,030</u></u>	<u><u>\$ 710,936</u></u>	<u><u>\$ 18,148,929</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 1,884,822	\$ 1,605,915	\$ 1,200,156	\$ 4,690,893
Payments to Suppliers	(731,201)	(498,853)	(385,636)	(1,615,690)
Payments to Employees	(370,664)	(735,643)	(301,416)	(1,407,723)
Other Receipts (Expenses)	44,972	3,293	82	48,347
Net Cash Flows from Operating Activities	<u>827,929</u>	<u>374,712</u>	<u>513,186</u>	<u>1,715,827</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Received from (Paid to) Other Funds for Interfund Borrowing	-	(502,539)	-	(502,539)
Transfers Out	(63,811)	(68,069)	(226,531)	(358,411)
Net Cash Flows from Noncapital Financing Activities	<u>(63,811)</u>	<u>(570,608)</u>	<u>(226,531)</u>	<u>(860,950)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES				
Impact Fees	31,982	47,499	-	79,481
Purchases of Capital Assets	(860,009)	(2,495,624)	-	(3,355,633)
Issuance of Long-Term Debt	-	2,683,359	-	2,683,359
Principal Paid on Capital Debt	(65,145)	-	(31,626)	(96,771)
Interest Paid on Capital Debt	(16,598)	(39,268)	(1,201)	(57,067)
Net Cash Flows from Capital and Related Financing Activities	<u>(909,770)</u>	<u>195,966</u>	<u>(32,827)</u>	<u>(746,631)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income (Loss)	<u>1,113</u>	<u>(70)</u>	<u>(63)</u>	<u>980</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(144,539)</u>	<u>-</u>	<u>253,765</u>	<u>109,226</u>
Cash and Cash Equivalents - Beginning of Year	<u>1,739,301</u>	<u>-</u>	<u>264,630</u>	<u>2,003,931</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,594,762</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 518,395</u></u>	<u><u>\$ 2,113,157</u></u>

(Continued)

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

	Business-type Activities - Enterprise Fund			
	Water	Sewer	Solid Waste	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	\$ 520,651	\$ 331,783	\$ 449,136	\$ 1,301,570
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	327,014	316,953	52,372	696,339
Miscellaneous Nonoperating Revenues	44,972	3,293	82	48,347
Change in Assets/Liabilities:				
Receivables, Net	(3,743)	(46,516)	(3,325)	(53,584)
Accounts Payable	(64,595)	(220,818)	2,767	(282,646)
Accrued Wages and Benefits	(1,383)	(34,449)	(981)	(36,813)
Compensated Absences	5,013	24,466	13,135	42,614
Net Cash Provided (Used) for Operating Activities	<u>\$ 827,929</u>	<u>\$ 374,712</u>	<u>\$ 513,186</u>	<u>\$ 1,715,827</u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Douglas, Arizona (City) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

For the year ended June 30, 2011, the City implemented the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds and clarifies existing governmental fund type definitions.

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 component units are combined into one column in the government-wide financial statements and are presented as combining statements following the notes to the financial statements. The business-type 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, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely presented component units:

Douglas Housing Authority – The Douglas Housing Authority is a public benefit corporation created by the City to eliminate the financial burden on the City to provide subsidized public housing in accordance with federal legislation. The Mayor 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, 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.

Douglas Housing Corporation I (Casa De Esperanza Apartments) – The Douglas Housing Corporation I 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 fifty units for families 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 I may be obtained at the offices of the corporation.

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.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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 Casa de Esperanza, Pioneer Village and Rancho La Parilla 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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Funds.

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

The City reports the following major governmental funds:

Major Governmental Funds

General Fund

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.

MPC Debt Service Fund

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

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary funds:

Major Proprietary Funds

Water Fund

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

Sewer Fund

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

Solid Waste Fund

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets 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 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. Receivables

All trade and property taxes receivables are shown net of an allowance for uncollectibles. All revenues of governmental activities were considered collectible and therefore there was no provision, the business-type activities reported an allowance of \$27,110.

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 state shared revenues and federal and state grants.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Short-Term Interfund Receivables/Payables

During the course of operations, individual funds within the City's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

5. 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 expenditures at the time of purchase in the governmental funds and are expensed 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.

6. Restricted Assets

The City's component units also record restrictions on certain assets for replacement reserves, residual receipts and funds with the escrow agent for requirements set forth by the holder of the mortgage notes payable.

7. 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 \$1,000 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.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Capital Assets (Continued)

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and improvements	30 Years
Improvements other than buildings	6 to 50 Years
Wastewater system	6 to 50 Years
Water system	6 to 50 Years
Infrastructure	6 to 50 Years
Furniture, machinery and equipment	3 to 6 Years
Vehicles	5 to 7 Years

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.

9. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and 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 reported as deferred charges and amortized over the term of the related debt.

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.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

10. Net Assets

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the City. Unrestricted net assets are the remaining net assets not included in the previous two categories.

11. 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, which 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. 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 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 the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred, it is the City's policy to use restricted fund balance first, then committed, assigned and unassigned resources, as available and applicable.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Equity

A deficit fund balance in the amount of \$29,857 was reported in the Highway User Revenue Fund. Funds were received following the fiscal year-end to cover the deficit in the HURF Fund.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2011 consist of the following:

Deposits:	
Cash on Hand	\$ 2,986
Cash in Bank	5,364,930
Cash on Deposit with County Attorney	102,925
Investments:	
State Treasurer's Investment Pool	1,615,523
Cash on Deposit with Trustee	450,238
Total Cash and Investments	<u>\$ 7,536,602</u>

Deposits

The carrying value of the City's deposits at June 30, 2011 was \$5,364,930 and the bank balance was \$5,793,138. Of the bank balance, \$3,151,615 was covered by federal depository insurance, \$208,688 was covered by collateral held by the City's custodial bank in the City's name, and \$2,432,835 was uninsured and uncollateralized. 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.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Interest Rate Risk – In accordance with the City’s investment policy, the City manages its exposure to declines in fair value by limiting the City’s investment portfolio to maturities of less than one year.

The City’s investments at June 30, 2011 consist of the following:

Investment Type	Amount	Interest - Risk: Maturity in Years		
		Less than 1	1-2	2-3
State Treasurer's Investment Pool 5	\$ 1,615,523	\$ 1,615,523	\$ -	\$ -

Concentration of Credit Risk – The City does not have a formal investment policy regarding the concentration of credit risk. However, 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 does not have a formal investment policy regarding custodial credit risk.

Credit Risk – The City does not have a policy related to 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, 2011 consist of the following:

Deposits:	
Cash on Hand	\$ 100
Cash in Bank	660,298
Investments:	
Funds Held by Mortgage	410,088
Restricted Assets	(454,560)
Total Cash and Cash Equivalents	<u>\$ 615,926</u>

The carrying value of the component unit’s deposits at June 30, 2011 was \$660,298 which was entirely covered by federal depository insurance.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Restricted Assets

Restricted assets of the discretely presented component units at June 30, 2011 consisted of the following:

Funds Held by Mortgage	\$	410,088
Tenant Deposits		44,472
Total Restricted Assets of the Component Units	\$	<u>454,560</u>

3. Receivables

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes Receivable: (General Fund)	\$ 61,476	\$ -
Unavailable Grant Revenue: (Nonmajor Governmental Funds)	75,854	-
Unearned Grant Revenue: (General Fund)	-	932
	<u>\$ 137,330</u>	<u>\$ 932</u>

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,110,562	\$ -	\$ -	\$ 1,110,562
Construction in Progress	2,353,280	850,913	(594,634)	2,609,559
Total Capital Assets, Not Being Depreciated	3,463,842	850,913	(594,634)	3,720,121
Capital Assets, Being Depreciated:				
Land Improvements	4,078,554	594,634	-	4,673,188
Streets and Storm Drains	14,697,707	42,337	-	14,740,044
Buildings and Improvements	14,042,541	76,853	-	14,119,394
Machinery and Equipment	9,994,812	517,126	-	10,511,938
Vehicles	2,753,264	199,879	-	2,953,143
Total Capital Assets, Being Depreciated	45,566,878	1,430,829	-	46,997,707
Accumulated Depreciation for:				
Land Improvements	(1,920,994)	(155,999)	-	(2,076,993)
Streets and Storm Drains	(8,090,260)	(562,165)	-	(8,652,425)
Buildings and Improvements	(4,188,812)	(456,502)	-	(4,645,314)
Machinery and Equipment	(4,782,644)	(1,302,433)	-	(6,085,077)
Vehicles	(1,948,680)	(206,748)	-	(2,155,428)
Total Accumulated Depreciation	(20,931,390)	(2,683,847)	-	(23,615,237)
Total Capital Assets, Being Depreciated, Net	24,635,488	(1,253,018)	-	23,382,470
Governmental Activities Capital Assets, Net	<u>\$ 28,099,330</u>	<u>\$ (402,105)</u>	<u>\$ (594,634)</u>	<u>\$ 27,102,591</u>

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 5,768,701	\$ 3,459,094	\$ (7,939,672)	\$ 1,288,123
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,770,729	4,911,682	-	7,682,411
Water System	10,978,041	1,367,845	-	12,345,886
Wastewater System	11,916,867	1,660,145	-	13,577,012
Machinery, Equipment, and Vehicles	2,907,531	-	-	2,907,531
Total Capital Assets, Being Depreciated	28,573,168	7,939,672	-	36,512,840
Accumulated Depreciation for:				
Buildings and Improvements	(2,196,117)	(64,211)	-	(2,260,328)
Water System	(6,371,038)	(246,926)	-	(6,617,964)
Wastewater System	(4,626,670)	(239,858)	-	(4,866,528)
Machinery, Equipment, and Vehicles	(2,004,168)	(145,344)	-	(2,149,512)
Total Accumulated Depreciation	(15,197,993)	(696,339)	-	(15,894,332)
Total Capital Assets, Being Depreciated, Net	13,375,175	7,243,333	-	20,618,508
Business-Type Activities Capital Assets, Net	<u>\$ 19,143,876</u>	<u>\$ 10,702,427</u>	<u>\$ (7,939,672)</u>	<u>\$ 21,906,631</u>

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

The activity for the governmental component units for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 91,149	\$ -	\$ -	\$ 91,149
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,442,671	13,241	-	3,455,912
Furniture and Equipment	178,741	10,607	-	189,348
Total Capital Assets, Being Depreciated	3,621,412	23,848	-	3,645,260
Accumulated Depreciation for:				
Accumulated Depreciation	(2,266,640)	(130,844)	-	(2,397,484)
Total Capital Assets, Being Depreciated, Net	1,354,772	(106,996)	-	1,247,776
Business-Type Activities				
Capital Assets, Net	<u>\$ 1,445,921</u>	<u>\$ (106,996)</u>	<u>\$ -</u>	<u>\$ 1,338,925</u>

The activity for the business-type component units for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	24,021	-	-	24,021
Total Capital Assets, Being Depreciated	5,231,585	-	-	5,231,585
Accumulated Depreciation for:				
Buildings and Improvements	(1,213,340)	(130,189)	-	(1,343,529)
Furniture and Equipment	(21,470)	(1,018)	-	(22,488)
Total Accumulated Depreciation	(1,234,810)	(131,207)	-	(1,366,017)
Total Capital Assets, Being Depreciated, Net	3,996,775	(131,207)	-	3,865,568
Business-Type Activities				
Capital Assets, Net	<u>\$ 4,261,775</u>	<u>\$ (131,207)</u>	<u>\$ -</u>	<u>\$ 4,130,568</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental Activities:

General Government	\$ 1,221,855
Public Safety	410,749
Highways and Streets	626,690
Culture and Recreation	424,553
Total Depreciation Expense, Governmental Activities	<u><u>\$ 2,683,847</u></u>

Business-Type Activities:

Water	\$ 327,014
Sewer	316,953
Solid Waste	52,372
Total Depreciation Expense, Business-Type Activities	<u><u>\$ 696,339</u></u>

Component Units

Governmental Activities:

Casa de Esperanza	\$ 91,965
Pioneer Village	38,879
Total Depreciation Expense - Governmental Activities	<u><u>\$ 130,844</u></u>

Business-type Activities:

Rancho La Perilla	<u><u>\$ 131,207</u></u>
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CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers

As of June 30, 2011 interfund receivable and payables were as follows:

Due From	Due To
	General Fund
Nonmajor Governmental Funds	\$ 356,838
Sewer Fund	153,573
	\$ 510,411

The above interfund receivables and payables were recorded to cover a cash deficit at year-end. Funds were received subsequent to June 30, 2011 to cover the deficit.

Interfund transfers for the year ended June 30, 2011 consisted of the following:

Transfers Out	Transfers In			Total
	General Fund	MPC Debt Service Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 272,467	\$ 1,901,411	\$ 2,173,878
Nonmajor Governmental Funds	92,008	213,610	-	305,618
Water Fund	54,288	-	9,523	63,811
Sewer Fund	66,481	-	1,588	68,069
Solid Waste Fund	224,547	-	1,984	226,531
	\$ 437,324	\$ 486,077	\$ 1,914,506	\$ 2,837,907

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 fire equipment, communication equipment, three trucks, a refuse vehicle, meter readers, lawn mowers, and a bursting machine under the provisions of long-term lease agreements classified as capital leases. Accordingly, the principal amount of the assets totaling \$1,992,613 and \$143,500 are capitalized in the Governmental Activities and Business-type Activities, respectively.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Capital Leases (Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Buildings and Improvements	\$ 505,000	\$ -
Furniture, Equipment and Vehicles	1,487,613	143,500
Less: Accumulated Depreciation	(850,917)	(129,240)
Total	\$ 1,141,696	\$ 14,260

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

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2011, were as follows:

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2012	314,909	24,282
2013	282,027	12,392
2014	80,392	2,718
2015	15,934	765
2016	8,195	155
Total	\$ 701,457	\$ 40,312

D. Call Center 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 \$715,478 during this fiscal year. Future minimum lease payments related to the call center lease are as follows:

Year Ended June 30,	Amount
2012	\$ 693,288
2013	693,288
2014	670,182
2015	647,076
2016	647,076
2017 - 2021	3,119,820
2022 - 2024	1,502,130
	\$ 7,972,860

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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 of Douglas, Arizona reports the following outstanding bonds:

<u>Description</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2011</u>
Revenue Bonds			
Municipal Property Corporation Excise Tax Refunding Bond, Series 2004; original issue \$4,165,000	7/1/11-15	2.00-3.50%	<u>\$ 1,790,000</u>

The City has pledged future excise taxes 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 solely from excise taxes and are payable through 2015. Annual principal and interest payments on the bonds are expected to require approximately 12 percent of excise tax revenues recorded in the HURF and Debt Service Funds. The total principal and interest remaining to be paid on the bonds is \$1,943,218. Principal and interest paid for the current year and total excise taxes were \$486,077 and \$5,953,998, respectively.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

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

<u>Description</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2011</u>
Governmental Activities			
Loans Payable:			
Greater Arizona Development Authority, Series 2008A; original issue \$3,000,000	8/1/11-28	4.00-5.25%	\$ 2,720,000
The Industrial Development Authority of the City of Douglas, Arizona. Series 2008A; original issue \$3,000,000	7/1/11-14	0%	240,000
Call Center Purchase Agreement; collateralized by the building and equipment acquired with the debt; original issue \$9,000,000	7/31/11-28	4.29-5.63%	<u>7,065,000</u>
Total Governmental Loans Payable			<u>\$ 10,025,000</u>
Business-Type Activities			
Water Infrastructure Finance Authority of Arizona Issued 2009-2010	7/1/11-29	2.00%	\$ 5,057,724
Water Infrastructure Finance Authority of Arizona Issued 2009-2010	7/1/11-27	2.814%	<u>799,979</u>
Total Business-Type Loans Payable			<u>\$ 5,857,703</u>

The City has pledged future state shared revenue tax, state shared sales tax, City sales tax, 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 development 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 less than 3 percent of pledged revenues. The total principal and interest remaining to be paid on the loan is \$3,943,519. Principal and interest paid for the current year and total excise taxes were \$238,638 and \$9,274,436.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

In 2009, the City issued loans totaling \$9,000,000 for the acquisition and construction of a call center. The loan is payable from a 0.3 percent City sales tax, plus unused lease revenues received on the lease agreement with a third party. The lease of the call center is a 13 year lease with annual payments of \$693,288 plus taxes and utilities. The lease revenues are to be used for maintenance and operations costs, then for payment of the debt. Annual principal and interest payments on the loans are expected to require more than 100 percent of the committed sales tax and 83 percent of the lease revenues through the fiscal year 2014. For fiscal years 2015 through 2029, the annual principal and interest payments on the loans are expected to require 95 percent of the City sales tax in 2015, declining each year to 53 percent in 2029. The call center lease agreement expires fiscal year 2023; however, the City does not anticipate using any lease revenue to fund the debt service payments after fiscal year 2014. The total principal and interest remaining to be paid on the loan is \$9,991,964. Principal and interest paid for the current year and the City sales tax and lease revenues were \$1,106,325 and \$1,298,050.

The City issued loans totaling \$.8 million and \$5.1 million 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 2025. 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 \$6,340,741. Principal and interest paid for the current year and total pledged revenues were \$168,606 and \$824,432.

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, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
Loans Payable	\$ 10,890,000	\$ -	\$ (865,000)	\$ 10,025,000	\$ 890,000
Revenue Bonds	2,205,000	-	(415,000)	1,790,000	425,000
Deferred Amounts:					
On refunding	(115,615)	-	25,693	(89,922)	-
Discount	(12,606)	-	2,802	(9,804)	-
Total Bonds and Loans	12,966,779	-	(1,251,505)	11,715,274	1,315,000
Other Liabilities:					
Capital Leases	957,050	75,413	(331,006)	701,457	314,909
Compensated Absences	1,338,922	539,591	(583,907)	1,294,606	552,946
Total Governmental Activities	<u>\$ 15,262,751</u>	<u>\$ 615,004</u>	<u>\$ (2,166,418)</u>	<u>\$ 13,711,337</u>	<u>\$ 2,182,855</u>
Business-Type Activities:					
Loans Payable	\$ 3,239,489	\$ 2,683,359	\$ (65,145)	\$ 5,857,703	\$ 461,014
Other Liabilities:					
Capital Lease	31,626	-	(31,626)	-	-
Compensated Absences	112,638	98,679	(56,065)	155,252	106,588
Total Business-Type Activities	<u>\$ 3,383,753</u>	<u>\$ 2,782,038</u>	<u>\$ (152,836)</u>	<u>\$ 6,012,955</u>	<u>\$ 567,602</u>
Governmental Component Units:					
Notes Payable	<u>\$ 2,712,190</u>	<u>\$ -</u>	<u>\$ (53,385)</u>	<u>\$ 2,658,805</u>	<u>\$ 17,453</u>
Business-Type Component Units:					
Notes Payable	<u>\$ 4,299,161</u>	<u>\$ -</u>	<u>\$ (45,716)</u>	<u>\$ 4,253,445</u>	<u>\$ 48,700</u>

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2011 are as follows:

Years	Primary Government				Component Units	
	Governmental Activities		Business-Type Activities		Governmental Activities	Business-type Activities
	Principal	Interest	Principal	Interest	Principal	Principal
2012	\$ 1,315,000	\$ 535,759	\$ 461,014	\$ 42,749	\$ 17,453	\$ 48,700
2013	1,375,000	486,858	470,780	55,995	13,516	51,879
2014	1,030,000	444,403	480,756	55,040	13,992	55,266
2015	970,000	402,092	490,947	50,998	12,708	58,873
2016	505,000	358,487	501,359	46,859	13,525	62,716
2017-2021	2,625,000	1,379,349	2,671,014	168,637	-	-
2022-2026	2,805,000	654,882	781,833	62,761	-	-
2027-2030	1,190,000	41,871	-	-	-	-
2031-2035	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-
2041-2042	-	-	-	-	-	-
Thereafter					2,587,611	3,976,011
Totals	<u>\$ 11,815,000</u>	<u>\$ 4,303,701</u>	<u>\$ 5,857,703</u>	<u>\$ 483,039</u>	<u>\$ 2,658,805</u>	<u>\$ 4,253,445</u>

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	\$ 58,493	\$ -	\$ -	\$ 58,493
Restricted:				
Capital Projects	-	-	1,576,588	1,576,588
Federal and State Programs	-	-	211,434	211,434
Public Safety Programs	-	-	9,885	9,885
Local Transportation	-	-	338,524	338,524
Court Administration	-	-	84,099	84,099
Unassigned:	<u>5,650,973</u>	<u>-</u>	<u>(29,857)</u>	<u>5,621,116</u>
Total Fund Balance	<u>\$ 5,709,466</u>	<u>\$ -</u>	<u>\$ 2,190,673</u>	<u>\$ 7,900,139</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Change in Accounting Principle

As a result of the implementation of GASB Statement No. 54, the City reclassified several of its governmental funds for financial reporting purposes. Fund balances at the beginning of the year were restated as follows:

	<u>General Fund</u>	<u>MPC Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance, July 1, 2010 as Previously Stated	\$ 4,174,438	\$ -	\$ 4,081,313	\$ 8,255,751
Funds reclassified due to GASB Statement No. 54	<u>2,008,827</u>	<u>-</u>	<u>(2,008,827)</u>	<u>-</u>
Fund Balance, July 1, 2010 as Restated	<u>\$ 6,183,265</u>	<u>\$ -</u>	<u>\$ 2,072,486</u>	<u>\$ 8,255,751</u>

The City's Special Project Special Revenue fund was eliminated as a result of implementing the requirements of GASB Statement No. 54. The elimination of the Special Projects Fund was recorded by moving \$2,008,827 and \$1,954,291 of Special Projects fund balance to the General Fund and Capital Projects Funds, respectively. This resulted in the General Fund and Capital Projects Fund, fund balance being restated by \$2,008,827 and \$1,954,291, respectively.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Component Units Condensed Financial Information

The City includes within its reporting entity three governmental component units and one business-type component unit. Separately issued financial statements for Rancho La Perilla (the business-type component unit) have been prepared in conformity with the Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-for-Profit Organizations" and are available from the City. Summary financial information for the three governmental component units is presented below:

	Douglas Housing Authority	Casa De Esperanza	Pioneer Village	Totals
Condensed Statement of Net Assets				
Assets:				
Current Assets:				
Cash and Equivalents	\$ 473,410	\$ 107,042	\$ 28,151	\$ 608,603
Accounts Receivable	38,689	24,375	8,187	71,251
Prepaid Items	-	12,255	7,685	19,940
Deferred Charges	-	99,543	181,256	280,799
Restricted Assets	15,518	162,475	178,573	356,566
Capital Assets				
Non-depreciable	-	74,695	16,454	91,149
Depreciable (Net)	-	839,784	407,992	1,247,776
Total Assets	<u>527,617</u>	<u>1,320,169</u>	<u>828,298</u>	<u>2,676,084</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	14,222	11,688	623	26,533
Accrued Wages and Benefits	19,174	12,928	5,144	37,246
Interest Payable	-	25,441	45,859	71,300
Customer Deposits Payable	15,518	6,715	4,199	26,432
Due to Primary Government	10,971	-	-	10,971
Notes Payable	-	14,094	3,359	17,453
Noncurrent Liabilities:				
Notes Payable	-	1,667,234	974,118	2,641,352
Total Liabilities	<u>59,885</u>	<u>1,738,100</u>	<u>1,033,302</u>	<u>2,831,287</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	-	(766,849)	(553,031)	(1,319,880)
Restricted for Redevelopment and Housing	467,732	348,918	348,027	1,164,677
Total Net Assets	<u>\$ 467,732</u>	<u>\$ (417,931)</u>	<u>\$ (205,004)</u>	<u>\$ (155,203)</u>

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Component Units Condensed Financial Information (Continued)

	Douglas Housing Authority	Casa De Esperanza	Pioneer Village	Totals
Condensed Statement of Activities				
Expenses:				
Current:				
Redevelopment and Housing	\$ 1,288,087	\$ 232,980	\$ 119,336	\$ 1,640,403
Depreciation	-	91,965	38,879	130,844
Debt Service:				
Interest on Long-Term Debt	-	56,566	24,969	81,535
Total Expenses	<u>1,288,087</u>	<u>381,511</u>	<u>183,184</u>	<u>1,852,782</u>
Program Revenues:				
Operating Grants and				
Contributions	1,362,968	285,370	93,550	1,741,888
Charges for Services	36,240	49,947	46,952	133,139
Total Program Revenues	<u>1,399,208</u>	<u>335,317</u>	<u>140,502</u>	<u>1,875,027</u>
Net Program (Expense)	111,121	(46,194)	(42,682)	22,245
General Revenues:				
Investment Income	183	261	460	904
Other	12,371	11,118	3,684	27,173
Total General Revenues	<u>12,554</u>	<u>11,379</u>	<u>4,144</u>	<u>28,077</u>
Change in Net Assets	123,675	(34,815)	(38,538)	50,322
Net Assets, Beginning of Year	<u>344,057</u>	<u>(383,116)</u>	<u>(166,466)</u>	<u>(205,525)</u>
Net Assets, End of Year	<u>\$ 467,732</u>	<u>\$ (417,931)</u>	<u>\$ (205,004)</u>	<u>\$ (155,203)</u>

The deficits reported in Casa de Esperanza and Pioneer Village in the investment in capital assets, net of related debt on the previous page and above was due to the entities debt exceeding the investment in capital assets.

Separately issued financial statements for Casa de Esperanza and Pioneer Village 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. Separately issued financial statements for the Douglas Housing Authority were not prepared.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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 (Travelers), 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.

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.

Subsequent to June 30, 2011, the City entered into a settlement agreement related to on-going litigation related to a civil matter. The settlement agreement releases either party of any continued litigation. Under the settlement agreement, the City is required to pay \$350,000; however, the party receiving payment has credit the City \$23,100 under the settlement agreement for sewer development fees. The settlement is structured such that the remaining \$326,900 on the \$350,000 settlement will be paid by the City in installments; the first installment of \$75,000 was paid on October 27, 2011 and three annual payments of \$70,000 will be made on October 27th through 2014 and the final payment will be due on October 27, 2015. There will be no interest on the settlement amount or the unpaid balance.

C. Commitments

The City has two committed projects that will be funded through the Water Infrastructure Authority of Arizona (WIFA) in the amount of \$1.5 million and \$4.5 million. The projects are for drinkwater and wastewater, respectively. As of June 30, 2011, the City had no construction commitments related to either project, but spent and drew down \$5.9 million; the WIFA funds, negotiated as a loan, are available in the amount of \$0.6 million and \$3.0 million. Annual principal and semi-annual interest payment will be due through 2027 when the City begins to draw upon the loan.

The City entered into a loan agreement in the amount of \$400,000 to fund the acquisition of the Hidden Treasurers RV Park. The City has not drawn on the available \$400,000; however, principal and interest will be due on any outstanding balance drawn by the City.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans

Arizona State Retirement System

Plan Descriptions

The City of Douglas, Arizona contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the City of Douglas, Arizona's contribution rates. For the year ended June 30, 2011, active plan members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.60 percent for retirement, and 0.25 percent for long-term disability) of the members' annual covered payroll and the City of Douglas, Arizona was required by statute to contribute at the actuarially determined rate of 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 percent for long-term disability) of the members' annual covered payroll. The City's contributions to the ASRS for the years ended June 30, 2011, 2010, and 2009, which were equal to 100 percent of the required contributions for each year, were as follows:

<u>Year Ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2011	\$ 396,381	\$ 25,956	\$ 10,998
2010	387,508	50,559	24,078
2009	436,760	56,985	27,466

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS)

Plan Description

The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 1020 E. Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

Funding Policy

Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The City is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 29.85 and 35.23 percent of annual covered payroll for Police and Fire, respectively.

Annual Pension Cost

During the year ended June 30, 2011 the most recent actuarial valuation, the City of Douglas, Arizona's annual pension cost of \$472,674 for police and \$411,893 for fire was equal to the City of Douglas, Arizona's required and actual contributions.

The required contribution was determined as part of the June 30, 2010 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability related to the PSPRS plan and related OPEB health insurance subsidy include (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 6.5% (including inflation at 5.0%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan for police was 55.3 percent funded and the plan for fire was 49.9 percent funded. The actuarial accrued liability for benefits was \$13.6 million and \$10.1 million for police and fire, respectively; and the actuarial value of assets was \$7.5 million and \$5.0 million, respectively; resulting in an unfunded actuarial accrued liability (UAAL) of \$6.1 million and \$5.1 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) for police and fire was \$1.8 million and \$1.2 million, and the ratio of the UAAL to the covered payroll was 335.2 percent and 435.6 percent, respectively.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Funded Status and Funding Progress (Continued)

As of June 30, 2011, the OPEB plan for police and fire was 0.0 percent funded. The actuarial accrued liability for benefits was \$0.3 million and \$0.2 million for police and fire, respectively; and the actuarial value of assets was \$0.0 million for police and fire; resulting in an unfunded actuarial accrued liability (UAAL) of \$0.3 million and \$0.2 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) for police and fire was \$1.8 million and \$1.2 million, and the ratio of the UAAL to the covered payroll was 17.7 percent and 19.0 percent, respectively.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial value of the City of Douglas, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The City of Douglas, Arizona's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 20 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

Three-Year Trend Information

Police

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2009	\$ 412,857	100%	\$ -
2010	448,358	100%	-
2011	472,674	100%	-
Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	OPEB Benefit Obligation
2009	\$ 25,298	100%	\$ -
2010	31,981	100%	-
2011	32,868	100%	-

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Funded Status and Funding Progress (Continued)

Three-Year Trend Information			
Fire			
Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2009	\$ 422,254	100%	\$ -
2010	359,844	100%	-
2011	411,893	100%	-
Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	OPEB Benefit Obligation
2009	\$ 20,678	100%	\$ -
2010	18,740	100%	-
2011	20,045	100%	-

Additional historical trend information for the City's PSPRS is disclosed on page 68. Historical trend information is presented in order for the reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

Douglas Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
2008	\$ 6,930,015	\$ 11,283,869	61.4%	\$ (4,353,854)	\$ 1,542,544	282.3%
2009	7,443,158	12,447,256	59.8	(5,004,098)	1,641,897	304.8
2010	7,498,002	13,570,575	55.3	(6,072,573)	1,811,688	335.2

Other Post Employment Benefits (Health Insurance Subsidy)

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
2008	\$ -	\$ 344,850	0.0%	\$ (344,850)	\$ 1,542,544	22.4%
2009	-	325,382	0.0	(325,382)	1,641,897	19.8
2010	-	320,514	0.0	(320,514)	1,811,688	17.7

Douglas Fire

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
2008	\$ 5,042,492	\$ 9,359,112	53.9%	\$ (4,316,620)	\$ 1,168,259	369.5%
2009	5,067,134	9,857,596	51.4	(4,790,462)	1,169,246	409.7
2010	5,036,495	10,098,073	49.9	(5,061,578)	1,161,906	435.6

Other Post Employment Benefits (Health Insurance Subsidy)

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
2008	\$ -	\$ 309,059	0.0%	\$ (309,059)	\$ 1,168,259	26.5%
2009	-	214,858	0.0	(214,858)	1,169,246	18.4
2010	-	221,080	0.0	(221,080)	1,161,906	19.0

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**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
REVENUES			
Taxes:			
Sales Taxes	\$ 4,645,000	\$ 4,202,946	\$ (442,054)
Property Taxes	515,000	540,849	25,849
Franchise Taxes	350,000	337,029	(12,971)
Intergovernmental Revenues	4,264,840	4,718,379	453,539
Fines and Forfeits	211,765	194,320	(17,445)
Licenses and Permits	138,500	172,602	34,102
Charges for Services	1,432,480	1,644,076	211,596
Rents and Royalties	37,550	39,850	2,300
Investment Income (Loss)	15,000	3,507	(11,493)
Other	159,345	195,004	35,659
Total Revenues	<u>11,769,480</u>	<u>12,048,562</u>	<u>279,082</u>
EXPENDITURES			
Current:			
General Government:			
Administration	449,025	474,073	(25,048)
Finance	554,656	575,635	(20,979)
Personnel	645,044	491,235	153,809
General Government	300,890	355,249	(54,359)
Management Information Systems	586,477	625,408	(38,931)
Parking Lot	41,713	42,520	(807)
City Magistrate	88,184	74,120	14,064
Cemetery	113,699	107,447	6,252
Community Development	123,383	81,168	42,215
Golf Course	348,183	593,333	(245,150)
Economic Development	35,000	51,824	(16,824)
Airport	111,680	180,731	(69,051)
Total General Government	<u>3,397,934</u>	<u>3,652,743</u>	<u>(254,809)</u>
Public Safety:			
Police	3,967,837	4,053,153	(85,316)
Fire	1,068,235	1,057,274	10,961
Emergency Medical Services	1,044,552	1,059,958	(15,406)
Total Public Safety	<u>6,080,624</u>	<u>6,170,385</u>	<u>(89,761)</u>
Highways and Streets:			
Public Works	980,759	992,519	(11,760)

(Continued)

**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

(Concluded)	Original and Final Budget	Actual	Variance With Final Budget
EXPENDITURES (CONTINUED)			
Culture and Recreation:			
Parks	\$ 602,089	\$ 557,624	\$ 44,465
Recreation	141,798	114,821	26,977
Library	377,522	343,377	34,145
Aquatics	263,734	258,801	4,933
Visitor Center	60,890	57,409	3,481
Total Culture and Recreation	<u>1,446,033</u>	<u>1,332,032</u>	<u>114,001</u>
Debt Service:			
Principal Retirement	108,323	23,560	84,763
Interest on Long-Term Debt	1,270	1,270	-
Capital Outlay	<u>349,569</u>	<u>392,809</u>	<u>(43,240)</u>
Total Expenditures	<u>12,364,512</u>	<u>12,565,318</u>	<u>(200,806)</u>
Excess (Deficiency) of Revenues Over Expenditures	(595,032)	(516,756)	78,276
OTHER FINANCING SOURCES (USES)			
Transfers In	658,914	544,539	(114,375)
Transfers Out	(468,612)	(827,598)	(358,986)
Issuance of Long-Term Debt	-	75,413	75,413
Total Other Financing Sources (Uses)	<u>190,302</u>	<u>(207,646)</u>	<u>(397,948)</u>
Net Change in Fund Balance	(404,730)	(724,402)	(319,672)
FUND BALANCE			
Beginning of Year	-	4,174,438	4,174,438
End of Year	<u>\$ (404,730)</u>	<u>\$ 3,450,036</u>	<u>\$ 3,854,766</u>

See accompanying Notes to Budgetary Comparison Schedule.

CITY OF DOUGLAS, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2011

NOTE 1 BASIS OF ACCOUNTING

The General Fund budgetary comparison schedule is prepared on a budgetary basis of accounting. See Note 3 for a reconciliation of the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures and Changes in Fund Balances.

NOTE 2 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 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 and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures. No budget was appropriated for the MPC Debt Service 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.

CITY OF DOUGLAS, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2011

NOTE 3 BUDGETARY COMPARISON SCHEDULE RECONCILIATION

For external reporting purposes, the General Fund includes revenues, expenditures, other financing sources, and uses and fund balances of other internally maintained funds. The General Fund, however, is budgeted based on the internally maintained General Fund. Therefore the following reconciliation is necessary to reconcile the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures and Changes in Fund Balances.

	Statement of Revenues Expenditures and Changes in Fund Balances	Adjustments	Budgetary Comparison Schedule - General Fund
Revenues	\$ 13,965,415	\$ (1,916,853)	\$ 12,048,562
Expenditures	12,778,073	(212,755)	12,565,318
Excess (Deficiency) of Revenues Over Expenditures	1,187,342	(1,704,098)	(516,756)
Other Financing Sources and (Uses)	(1,661,141)	1,453,495	(207,646)
Net Change in Fund Balance	(473,799)	(250,603)	(724,402)
Fund Balance, Beginning of Year (As Restated)	6,183,265	(2,008,827)	4,174,438
Fund Balance, End of Year	<u>\$ 5,709,466</u>	<u>\$ (2,259,430)</u>	<u>\$ 3,450,036</u>

NOTE 4 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the following funds:

	Amount of Overexpenditure
General Fund:	
Administration	\$ 25,048
Finance	20,979
General Government	54,359
Management Information Systems	38,931
Parking Lot	807
Golf Course	245,150
Economic Development	16,824
Airport	69,051
Police	85,316
Emergency Medical Services	15,406
Public Works	11,760
Capital Outlay	43,240
Nonmajor Governmental Funds	
JCEF Fund	482

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.

Local Transportation Assistance Fund (LTAF) – accounts for the City’s share of state lottery funds. Expenditures are restricted to transportation. Ten percent of revenues received may be used for culture and recreation with a match from other non-governmental sources.

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

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, 2011**

	Special Revenue			
	HURF	Grants	Police Grants	LTAF
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 338,524
Receivables				
Accounts Receivable	-	20,947	-	-
Taxes Receivable	-	-	-	-
Intergovernmental Receivable	107,949	502,827	10,746	-
Total Assets	\$ 107,949	\$ 523,774	\$ 10,746	\$ 338,524
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 13,561	\$ 38,725	\$ 861	\$ -
Accrued Wages and Benefits	16,699	-	-	-
Due to Other Funds	107,546	197,761	-	-
Deferred Revenue	-	75,854	-	-
Total Liabilities	137,806	312,340	861	-
Fund Balance:				
Restricted	-	211,434	9,885	338,524
Unassigned	(29,857)	-	-	-
Total Fund Balance	(29,857)	211,434	9,885	338,524
Total Liabilities and Fund Balance	\$ 107,949	\$ 523,774	\$ 10,746	\$ 338,524

<u>Special Revenue</u>				
<u>JCEF Restricted Court</u>	<u>Total Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 86,802	\$ 425,326	\$ 1,595,536	\$ -	\$ 2,020,862
-	20,947	-	-	20,947
-	-	-	49,550	49,550
-	621,522	-	1,981	623,503
<u>\$ 86,802</u>	<u>\$ 1,067,795</u>	<u>\$ 1,595,536</u>	<u>\$ 51,531</u>	<u>\$ 2,714,862</u>
\$ 2,703	\$ 55,850	\$ 18,948	\$ -	\$ 74,798
-	16,699	-	-	16,699
-	305,307	-	51,531	356,838
-	75,854	-	-	75,854
<u>2,703</u>	<u>453,710</u>	<u>18,948</u>	<u>51,531</u>	<u>524,189</u>
84,099	643,942	1,576,588	-	2,220,530
-	(29,857)	-	-	(29,857)
<u>84,099</u>	<u>614,085</u>	<u>1,576,588</u>	<u>-</u>	<u>2,190,673</u>
<u>\$ 86,802</u>	<u>\$ 1,067,795</u>	<u>\$ 1,595,536</u>	<u>\$ 51,531</u>	<u>\$ 2,714,862</u>

**CITY OF DOUGLAS, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES
YEAR ENDED JUNE 30, 2011**

	Special Revenue			
	HURF	Grants	Police Grants	LTAF
REVENUES				
Taxes				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	1,227,579	1,021,616	101,505	14,258
Fines and Forfeitures	-	-	-	-
Investment Income	-	2,215	763	-
Other	63,671	-	-	-
Total Revenues	<u>1,291,250</u>	<u>1,023,831</u>	<u>102,268</u>	<u>14,258</u>
EXPENDITURES				
Current				
General Government	-	86,601	-	-
Public Safety	-	4,319	100,722	-
Highways and Streets	955,472	-	-	28,000
Culture and Recreation	-	26,114	-	-
Redevelopment and Housing	-	51,599	-	-
Debt Service				
Principal Retirement	8,745	-	-	-
Interest on Long-Term Debt	778	-	-	-
Capital Outlay	257,289	973,558	-	-
Total Expenditures	<u>1,222,284</u>	<u>1,142,191</u>	<u>100,722</u>	<u>28,000</u>
Excess (Deficiency) of Revenues Over Expenditures	68,966	(118,360)	1,546	(13,742)
OTHER FINANCING SOURCES (USES)				
Transfers In	201,213	257,153	407,673	-
Transfers Out	(255,210)	(50,408)	-	-
Total Other Financing Sources (Uses)	<u>(53,997)</u>	<u>206,745</u>	<u>407,673</u>	<u>-</u>
Net Change in Fund Balances	14,969	88,385	409,219	(13,742)
FUND BALANCE				
Beginning of Year, Restated	(44,826)	123,049	(399,334)	352,266
End of Year	<u>\$ (29,857)</u>	<u>\$ 211,434</u>	<u>\$ 9,885</u>	<u>\$ 338,524</u>

<u>Special Revenue</u>				
<u>JCEF Restricted Court</u>	<u>Total Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 705,653	\$ 705,653
-	2,364,958	-	-	2,364,958
7,041	7,041	-	-	7,041
-	2,978	6,345	-	9,323
-	63,671	-	-	63,671
<u>7,041</u>	<u>2,438,648</u>	<u>6,345</u>	<u>705,653</u>	<u>3,150,646</u>
9,982	96,583	-	-	96,583
-	105,041	-	-	105,041
-	983,472	-	-	983,472
-	26,114	-	-	26,114
-	51,599	-	-	51,599
-	8,745	-	1,163,701	1,172,446
-	778	-	590,419	591,197
-	1,230,847	384,048	-	1,614,895
<u>9,982</u>	<u>2,503,179</u>	<u>384,048</u>	<u>1,754,120</u>	<u>4,641,347</u>
(2,941)	(64,531)	(377,703)	(1,048,467)	(1,490,701)
-	866,039	-	1,048,467	1,914,506
-	(305,618)	-	-	(305,618)
<u>-</u>	<u>560,421</u>	<u>-</u>	<u>1,048,467</u>	<u>1,608,888</u>
(2,941)	495,890	(377,703)	-	118,187
87,040	118,195	1,954,291	-	2,072,486
<u>\$ 84,099</u>	<u>\$ 614,085</u>	<u>\$ 1,576,588</u>	<u>\$ -</u>	<u>\$ 2,190,673</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
HURF FUND
YEAR ENDED JUNE 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Intergovernmental Revenues	\$ 1,245,350	\$ 1,227,579	\$ (17,771)
Other	<u>30,000</u>	<u>63,671</u>	<u>33,671</u>
Total Revenues	1,275,350	1,291,250	15,900
EXPENDITURES			
Current:			
Highways and Streets	1,001,684	955,472	46,212
Debt Service:			
Principal Retirement	31,472	8,745	22,727
Interest on Long-Term Debt	778	778	-
Capital Outlay	<u>210,601</u>	<u>257,289</u>	<u>46,688</u>
Total Expenditures	<u>1,244,535</u>	<u>1,222,284</u>	<u>115,627</u>
Excess (Deficiency) of Revenues Over Expenditures	30,815	68,966	38,151
OTHER FINANCING SOURCES (USES)			
Transfers In	170,000	201,213	31,213
Transfers Out	<u>(200,815)</u>	<u>(255,210)</u>	<u>(54,395)</u>
Total Other Financing Sources (Uses)	<u>(30,815)</u>	<u>(53,997)</u>	<u>(23,182)</u>
Net Change in Fund Balance	-	14,969	14,969
FUND BALANCE			
Beginning of Year	-	(44,826)	(44,826)
End of Year	<u>\$ -</u>	<u>\$ (29,857)</u>	<u>\$ (29,857)</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GRANTS FUND
YEAR ENDED JUNE 30, 2011

	Original and Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental Revenues	\$ 3,856,097	\$ 1,021,616	\$ (2,834,481)
Investment Income	-	2,215	2,215
Total Revenues	<u>3,856,097</u>	<u>1,023,831</u>	<u>(2,832,266)</u>
EXPENDITURES			
Current:			
General Government	28,911	86,601	(57,690)
Public Safety	8,500	4,319	4,181
Highways and Streets	744,413	-	744,413
Culture and Recreation	1,000	26,114	(25,114)
Redevelopment and Housing	87,270	51,599	35,671
Capital Outlay	2,986,003	973,558	(2,012,445)
Total Expenditures	<u>3,856,097</u>	<u>1,142,191</u>	<u>2,713,906</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(118,360)	(118,360)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	257,153	257,153
Transfers Out	-	(50,408)	(50,408)
Total Other Financing Sources (Uses)	<u>-</u>	<u>206,745</u>	<u>206,745</u>
Net Change in Fund Balance	-	88,385	88,385
FUND BALANCE			
Beginning of Year	-	123,049	123,049
End of Year	<u>\$ -</u>	<u>\$ 211,434</u>	<u>\$ 211,434</u>

**CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
POLICE GRANTS FUND
YEAR ENDED JUNE 30, 2011**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Intergovernmental Revenues	\$ 160,000	\$ 101,505	\$ (58,495)
Investment Income	-	763	763
Total Revenues	<u>160,000</u>	<u>102,268</u>	<u>(57,732)</u>
EXPENDITURES			
Current			
Public Safety	<u>160,000</u>	<u>100,722</u>	<u>59,278</u>
Excess (Deficiency) of Revenues Over Expenditures	-	1,546	1,546
Other Finance Sources (Uses)			
Transfers In	<u>-</u>	<u>407,673</u>	<u>407,673</u>
Net Change in Fund Balance	-	409,219	409,219
FUND BALANCE			
Beginning of Year	-	(399,334)	(399,334)
End of Year	<u>\$ -</u>	<u>\$ 9,885</u>	<u>\$ 9,885</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
LTAFF FUND
YEAR ENDED JUNE 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Intergovernmental Revenues	\$ -	\$ 14,258	\$ 14,258
EXPENDITURES			
Current:			
Highways and Streets	<u>28,000</u>	<u>28,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	(28,000)	(13,742)	14,258
FUND BALANCE			
Beginning of Year	-	352,266	352,266
End of Year	<u>\$ (28,000)</u>	<u>\$ 338,524</u>	<u>\$ 366,524</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
JCEF FUND
YEAR ENDED JUNE 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Fines and Forfeits	\$ 9,500	\$ 7,041	\$ (2,459)
EXPENDITURES			
Current:			
General Government	<u>9,500</u>	<u>9,982</u>	<u>(482)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(2,941)	(2,941)
FUND BALANCE			
Beginning of Year	-	87,040	87,040
End of Year	<u>\$ -</u>	<u>\$ 84,099</u>	<u>\$ 84,099</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 ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2003	2004	2005	2006
Governmental Activities:				
Invested in Capital Assets, Net of				
Related Debt	\$ 2,222,567	\$ 4,663,850	\$ 5,862,693	\$ 6,617,585
Restricted	2,231,109	2,762,253	3,233,910	3,008,022
Unrestricted	<u>1,751,785</u>	<u>3,445,457</u>	<u>3,376,539</u>	<u>3,586,626</u>
Total Governmental Activities				
Net Assets	<u>\$ 6,205,461</u>	<u>\$ 10,871,560</u>	<u>\$ 12,473,142</u>	<u>\$ 13,212,233</u>
Business-Type Activities:				
Invested in Capital Assets, Net of				
Related Debt	\$ 11,730,762	\$ 11,497,904	\$ 11,354,586	\$ 11,052,102
Unrestricted	<u>1,497,359</u>	<u>1,910,464</u>	<u>1,885,932</u>	<u>2,010,602</u>
Total Business-Type Activities				
Net Assets	<u>\$ 13,228,121</u>	<u>\$ 13,408,368</u>	<u>\$ 13,240,518</u>	<u>\$ 13,062,704</u>
Primary Government:				
Invested in Capital Assets, Net of				
Related Debt	\$ 13,953,329	\$ 16,161,754	\$ 17,217,279	\$ 17,669,687
Restricted	2,231,109	2,762,253	3,233,910	3,008,022
Unrestricted	<u>3,249,144</u>	<u>5,355,921</u>	<u>5,262,471</u>	<u>5,597,228</u>
Total Primary Government				
Net Assets	<u>\$ 19,433,582</u>	<u>\$ 24,279,928</u>	<u>\$ 25,713,660</u>	<u>\$ 26,274,937</u>

Source: The City's Finance Department.

Note: 2003 was the City's first year to prepare government-wide financial statements.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 14,111,791	\$ 13,509,453	\$ 12,376,658	\$ 13,775,501	\$ 15,847,448
2,756,736	2,939,323	3,634,763	477,084	719,796
<u>3,951,726</u>	<u>3,491,020</u>	<u>5,438,330</u>	<u>7,049,956</u>	<u>4,905,122</u>
<u>\$ 20,820,253</u>	<u>\$ 19,939,796</u>	<u>\$ 21,449,751</u>	<u>\$ 21,302,541</u>	<u>\$ 21,472,366</u>
\$ 11,744,198	\$ 12,314,881	\$ 15,535,124	\$ 15,872,761	\$ 16,048,928
1,586,749	1,815,909	1,006,658	1,205,402	2,100,001
<u>\$ 13,330,947</u>	<u>\$ 14,130,790</u>	<u>\$ 16,541,782</u>	<u>\$ 17,078,163</u>	<u>\$ 18,148,929</u>
\$ 25,855,989	\$ 25,824,334	\$ 27,911,782	\$ 29,648,262	\$ 31,896,376
2,756,736	2,939,323	3,634,763	477,084	719,796
5,538,475	5,306,929	6,444,988	8,255,358	7,005,123
<u>\$ 34,151,200</u>	<u>\$ 34,070,586</u>	<u>\$ 37,991,533</u>	<u>\$ 38,380,704</u>	<u>\$ 39,621,295</u>

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

	Fiscal Year			
	2003	2004	2005	2006
EXPENSES				
Governmental Activities:				
General Government	\$ 2,174,349	\$ 2,446,006	\$ 2,989,561	\$ 3,406,989
Public Safety	4,371,219	4,840,034	4,985,627	5,720,526
Highways and Streets	1,761,503	1,794,385	2,144,672	2,938,401
Culture and Recreation	1,342,237	1,676,356	1,792,405	1,771,149
Redevelopment and Housing	123,297	202,831	20,744	281,392
Interest on Long-Term Debt	283,444	227,622	186,596	165,418
Total Governmental Activities	<u>10,056,049</u>	<u>11,187,234</u>	<u>12,119,605</u>	<u>14,283,875</u>
Business-Type Activities:				
Water	1,598,625	1,649,980	1,758,738	1,774,516
Sewer	935,498	808,261	902,247	861,899
Solid Waste	718,440	659,918	814,419	842,263
Total Business-Type Activities	<u>3,252,563</u>	<u>3,118,159</u>	<u>3,475,404</u>	<u>3,478,678</u>
Total Primary Government Expenses	<u>\$ 13,308,612</u>	<u>\$ 14,305,393</u>	<u>\$ 15,595,009</u>	<u>\$ 17,762,553</u>
PROGRAM REVENUES				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 579,567	\$ 1,636,724	\$ 1,334,218	\$ 1,359,062
Public Safety	405,047	598,003	556,022	586,562
Highways and Streets	60,978	-	2,750	3,256
Culture and Recreation	48,130	104,814	157,660	104,169
Operating Grants and Contributions	1,978,386	2,628,305	1,826,751	2,326,620
Capital Grants and Contributions	570,302	1,982,658	809,180	555,531
Total Governmental Activities	<u>3,642,410</u>	<u>6,950,504</u>	<u>4,686,581</u>	<u>4,935,200</u>
Business-Type Activities:				
Charges for Services:				
Water	1,496,424	1,673,639	1,586,261	1,597,155
Sewer	797,768	912,736	903,830	911,694
Solid Waste	662,747	662,740	673,965	643,107
Capital Grants and Contributions	-	-	-	86,803
Total Business-Type Activities	<u>2,956,939</u>	<u>3,249,115</u>	<u>3,164,056</u>	<u>3,238,759</u>
Total Primary Government	<u>\$ 6,599,349</u>	<u>\$ 10,199,619</u>	<u>\$ 7,850,637</u>	<u>\$ 8,173,959</u>

Source: The City's Finance Department.

Note: 2003 was the City's first year to prepare government-wide financial statements.

Fiscal Year

2007	2008	2009	2010	2011
\$ 3,725,063	\$ 4,340,737	\$ 3,999,501	\$ 4,639,733	\$ 5,121,084
6,043,744	6,348,866	6,604,306	6,715,219	6,700,135
2,271,480	1,760,251	2,702,979	2,970,829	2,773,973
1,983,227	2,189,769	2,074,291	1,986,674	1,936,579
25,159	132,857	497,600	53,973	51,599
159,577	180,077	727,564	760,128	704,510
<u>14,208,250</u>	<u>14,952,557</u>	<u>16,606,241</u>	<u>17,126,556</u>	<u>17,287,880</u>
1,838,462	1,455,706	1,344,052	1,261,985	1,367,914
938,588	952,579	1,385,910	1,337,193	1,320,648
872,341	891,003	707,042	716,047	755,546
<u>3,649,391</u>	<u>3,299,288</u>	<u>3,437,004</u>	<u>3,315,225</u>	<u>3,444,108</u>
<u>\$ 17,857,641</u>	<u>\$ 18,251,845</u>	<u>\$ 20,043,245</u>	<u>\$ 20,441,781</u>	<u>\$ 20,731,988</u>
\$ 1,031,216	\$ 939,208	\$ 1,387,975	\$ 1,766,509	\$ 1,728,090
591,610	642,820	760,669	669,040	972,724
62	2,834	-	-	-
102,689	97,949	98,174	90,033	173,836
2,428,909	2,293,564	1,818,551	2,128,442	2,303,776
651,377	589,152	1,765,876	902,228	951,180
<u>4,805,863</u>	<u>4,565,527</u>	<u>5,831,245</u>	<u>5,556,252</u>	<u>6,129,606</u>
1,618,744	1,749,040	1,782,320	1,870,916	1,965,519
916,597	924,045	909,842	1,042,152	1,703,223
667,241	668,023	816,038	1,056,305	1,203,563
580,433	110,274	2,373,486	-	-
<u>3,783,015</u>	<u>3,451,382</u>	<u>5,881,686</u>	<u>3,969,373</u>	<u>4,872,305</u>
<u>\$ 8,588,878</u>	<u>\$ 8,016,909</u>	<u>\$ 11,712,931</u>	<u>\$ 9,525,625</u>	<u>\$ 11,001,911</u>

CITY OF DOUGLAS, ARIZONA
CHANGES IN NET ASSETS (CONTINUED)
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2003	2004	2005	2006
(Concluded)				
NET (EXPENSE)/REVENUE				
Governmental Activities	\$ (6,413,639)	\$ (4,236,730)	\$ (7,433,024)	\$ (9,348,675)
Business-Type Activities	(295,624)	130,956	(311,348)	(239,919)
Total Primary Government Net Expense	<u>\$ (6,709,263)</u>	<u>\$ (4,105,774)</u>	<u>\$ (7,744,372)</u>	<u>\$ (9,588,594)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 4,038,242	\$ 4,432,493	\$ 4,390,874	\$ 4,740,475
Property Taxes	386,952	369,912	410,706	448,571
Franchise Taxes	260,267	242,164	253,182	261,809
Unrestricted Grants and Contributions	2,759,997	2,901,935	3,089,912	-
State Revenue Sharing	-	-	-	1,765,690
State Sales Tax Revenue Sharing	-	-	-	1,729,948
Auto Lieu Tax Revenue Sharing	-	-	-	791,931
Payments in Lieu of Taxes	635,636	685,970	713,727	-
Loss on Sale of Capital Assets	(115,214)	-	-	-
Investment Income (Loss)	(31,955)	202,299	170,524	229,305
Other	1,729	992	25	1,802
Transfers	73,960	67,064	5,656	118,235
Total Governmental Activities	<u>8,009,614</u>	<u>8,902,829</u>	<u>9,034,606</u>	<u>10,087,766</u>
Business-Type Activities:				
Sales Tax	84,480	91,380	98,995	91,380
Investment Income (Loss)	(21,770)	24,975	50,159	88,960
Transfers	(73,960)	(67,064)	(5,656)	(118,235)
Total Business-Type Activities	<u>(11,250)</u>	<u>49,291</u>	<u>143,498</u>	<u>62,105</u>
Total Primary Government	<u>\$ 7,998,364</u>	<u>\$ 8,952,120</u>	<u>\$ 9,178,104</u>	<u>\$ 10,149,871</u>
CHANGE IN NET ASSETS				
Governmental Activities	\$ 1,595,975	\$ 4,666,099	\$ 1,601,582	\$ 739,091
Business-Type Activities	(306,874)	180,247	(167,850)	(177,814)
Total Primary Government	<u>\$ 1,289,101</u>	<u>\$ 4,846,346</u>	<u>\$ 1,433,732</u>	<u>\$ 561,277</u>

Fiscal Year

2007	2008	2009	2010	2011
\$ (9,402,387)	\$ (10,387,030)	\$ (10,774,996)	\$ (11,570,304)	\$ (11,158,274)
133,624	152,094	2,444,682	654,148	1,428,197
<u>\$ (9,268,763)</u>	<u>\$ (10,234,936)</u>	<u>\$ (8,330,314)</u>	<u>\$ (10,916,156)</u>	<u>\$ (9,730,077)</u>
\$ 5,006,857	\$ 5,095,143	\$ 6,151,531	\$ 5,808,108	\$ 5,953,998
465,726	462,232	532,028	531,489	545,995
322,308	349,444	341,702	351,635	337,029
-	49,612	18,467	30,274	39,082
2,002,854	2,448,141	2,608,244	2,245,322	1,687,895
1,634,497	1,580,288	1,368,088	1,261,862	1,316,667
789,900	845,030	793,358	732,787	762,824
-	-	-	-	-
-	-	-	-	-
311,744	280,685	16,212	107,495	67,493
1,119	1,697	322,889	238,124	258,705
63,387	(323,514)	132,432	115,998	358,411
<u>10,598,392</u>	<u>10,788,758</u>	<u>12,284,951</u>	<u>11,423,094</u>	<u>11,328,099</u>
91,380	224,968	77,114	-	-
106,626	99,267	21,628	(1,769)	980
(63,387)	323,514	(132,432)	(115,998)	(358,411)
<u>134,619</u>	<u>647,749</u>	<u>(33,690)</u>	<u>(117,767)</u>	<u>(357,431)</u>
<u>\$ 10,733,011</u>	<u>\$ 11,436,507</u>	<u>\$ 12,251,261</u>	<u>\$ 11,305,327</u>	<u>\$ 10,970,668</u>
\$ 1,196,005	\$ 401,728	\$ 1,509,955	\$ (147,210)	\$ 169,825
268,243	799,843	2,410,992	536,381	1,070,766
<u>\$ 1,464,248</u>	<u>\$ 1,201,571</u>	<u>\$ 3,920,947</u>	<u>\$ 389,171</u>	<u>\$ 1,240,591</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>
2002	\$ 4,100,575	\$ 369,841	\$ 376,194	\$ 4,846,610
2003	4,038,242	370,411	260,267	4,668,920
2004	4,432,493	330,022	242,164	5,004,679
2005	4,390,874	416,850	253,182	5,060,906
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

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				
	2002	2003	2004	2005	2006
General Fund:					
Reserved	\$ -	\$ 207	\$ 60,472	\$ 1,285	\$ -
Unreserved	2,143,925	2,272,689	3,035,409	3,328,604	3,788,373
Non-spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>2,143,925</u>	<u>2,272,896</u>	<u>3,095,881</u>	<u>3,329,889</u>	<u>3,788,373</u>
All Other Governmental Funds:					
Reserved	\$ -	\$ 10,000	\$ 14,780	\$ 10,000	\$ 10,000
Unreserved, Reported in:					
Special Revenue Funds	1,879,015	2,199,864	2,733,028	2,897,657	2,597,332
Capital Projects Funds	16,230	13,893	14,445	15,184	-
Debt Service Funds	-	-	-	-	300
Non-spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 1,895,245</u>	<u>\$ 2,223,757</u>	<u>\$ 2,762,253</u>	<u>\$ 2,922,841</u>	<u>\$ 2,607,632</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				
2007	2008	2009	2010	2011
\$ 5,878	\$ 78,239	\$ 68,239	\$ 68,239	\$ -
4,076,080	3,735,584	3,962,160	3,962,160	-
-	-	-	-	58,493
-	-	-	-	-
-	-	-	-	5,650,973
<u>4,081,958</u>	<u>3,813,823</u>	<u>4,030,399</u>	<u>4,030,399</u>	<u>5,709,466</u>
\$ 10,000	\$ 10,000	\$ 10,000	\$ 15,453	\$ -
2,643,920	4,854,098	5,335,420	4,065,860	-
3,143	(68,512)	(7,499)	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	2,220,530
-	-	-	-	-
-	-	-	-	(29,857)
<u>\$ 2,657,063</u>	<u>\$ 4,795,586</u>	<u>\$ 5,337,921</u>	<u>\$ 4,081,313</u>	<u>\$ 2,190,673</u>

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

	Fiscal Year				
	2002	2003	2004	2005	2006
REVENUES					
Taxes	\$ 4,846,610	\$ 4,668,920	\$ 5,004,679	\$ 5,060,906	\$ 5,464,419
Intergovernmental	5,663,708	5,944,321	6,773,955	6,439,570	7,169,720
Fines and Forfeitures	579,443	171,725	177,795	206,150	185,754
Licenses and Permits	163,918	164,255	318,126	223,484	262,858
Charges for Services	493,080	563,409	834,821	972,483	1,040,529
Rents and Royalties	-	-	-	-	45,000
Special Assessments	97,653	-	15,600	18,000	-
Investment Income (Loss)	136,604	(31,955)	202,299	170,524	229,305
Other	341,030	196,062	262,423	681,111	661,749
Total Revenues	12,322,046	11,676,737	13,589,698	13,772,228	15,059,334
EXPENDITURES					
General Government	2,720,582	2,221,633	2,381,289	3,579,484	3,477,225
Public Safety	4,608,191	4,479,468	5,047,690	4,989,254	5,764,769
Highways and Streets	2,629,823	2,471,570	2,135,963	2,700,498	3,166,478
Culture and Recreation	1,701,768	1,733,215	1,486,634	1,671,445	1,767,630
Redevelopment and Housing	-	123,297	202,831	20,744	281,392
Capital Outlay	250,692	177,751	489,038	-	38,999
Debt Service					
Principal Retirement	230,000	273,081	304,083	390,742	413,349
Interest on Long-Term Debt	264,346	262,649	207,138	145,630	124,452
Insurance Costs	-	-	137,176	-	-
Total Expenditures	12,405,402	11,742,664	12,391,842	13,497,797	15,034,294
Excess of Revenues Over (Under) Expenditures	(83,356)	(65,927)	1,197,856	274,431	25,040
OTHER FINANCING SOURCES (USES)					
Transfers In	917,824	858,865	833,301	1,161,277	1,374,466
Transfers Out	(828,925)	(784,905)	(766,237)	(1,155,621)	(1,256,231)
Issuance of Refunding Debt	-	-	4,134,181	-	-
Issuance of Long-Term Debt	-	-	-	-	-
Payment to Refunded Debt					
Escrow agent	-	-	(4,037,620)	-	-
Proceeds from Capital Leases	550,133	449,450	-	114,509	-
Other	55,605	-	-	-	-
Total Other Financing Sources (Uses)	694,637	523,410	163,625	120,165	118,235
Net Change in Fund Balance	\$ 611,281	\$ 457,483	\$ 1,361,481	\$ 394,596	\$ 143,275
Debt Service as a Percentage of Noncapital Expenditures	4.07%	4.63%	5.45%	3.97%	3.59%

Source: The City's Finance Department.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 5,782,276	\$ 5,914,743	\$ 7,012,223	\$ 6,689,354	\$ 6,831,876
7,507,537	7,805,787	8,372,584	7,184,648	7,083,337
199,420	141,232	195,644	189,333	201,361
270,278	169,697	126,224	192,309	172,602
1,012,858	1,059,989	1,386,022	1,410,391	1,745,359
45,000	36,000	538,928	733,549	755,328
-	-	-	-	-
311,744	280,685	16,212	107,495	67,493
324,140	307,449	322,889	238,124	258,705
<u>15,453,253</u>	<u>15,715,582</u>	<u>17,970,726</u>	<u>16,745,203</u>	<u>17,116,061</u>
3,801,423	5,169,854	13,462,021	3,961,316	3,910,726
5,992,153	6,078,350	6,579,669	6,554,551	6,275,426
2,551,227	2,413,444	2,626,696	2,660,654	1,975,991
2,266,214	1,863,014	1,750,997	1,513,127	1,409,501
25,159	132,857	497,600	53,973	51,599
-	896,225	817,482	728,862	2,007,704
418,837	429,669	656,965	2,228,723	1,611,006
118,611	133,267	686,598	719,162	663,544
-	-	-	-	-
<u>15,173,624</u>	<u>17,116,680</u>	<u>27,078,028</u>	<u>18,420,368</u>	<u>17,905,497</u>
279,629	(1,401,098)	(9,107,302)	(1,675,165)	(789,436)
1,380,037	1,553,137	1,020,458	1,303,871	2,837,907
(1,316,650)	(1,876,651)	(888,026)	(1,002,494)	(2,479,496)
-	-	-	-	-
-	3,000,000	9,000,000	400,000	-
-	-	-	-	-
-	595,000	595,000	-	75,413
-	-	-	-	-
<u>63,387</u>	<u>3,271,486</u>	<u>9,727,432</u>	<u>701,377</u>	<u>433,824</u>
<u>\$ 343,016</u>	<u>\$ 1,870,388</u>	<u>\$ 620,130</u>	<u>\$ (973,788)</u>	<u>\$ (355,612)</u>
3.54%	4.05%	9.80%	18.09%	12.71%

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

Sales Category:	Fiscal Year			
	2003	2004	2005	2006
Mining	\$ 528,965	\$ 505,885	\$ 788,852	\$ 499,539
Communications and Utilities	9,397,466	9,284,375	9,522,557	10,008,146
Transportation & Warehousing	191,785	144,228	118,643	47,034
Construction	7,809,960	17,584,695	5,509,385	9,952,326
Manufacturing	816,481	3,070,108	3,669,492	3,246,085
Wholesale Trade	2,432,668	4,388,768	3,853,589	4,063,304
Retail Trade	120,612,404	120,347,438	133,948,362	141,390,374
Finance and Insurance	181,505	211,112	105,986	94,754
Real Estate, Rental and Leases	4,356,126	5,319,960	5,231,069	7,666,144
Restaurants and Bars	11,281,768	12,705,315	11,927,045	12,864,527
Accommodations	2,133,543	2,237,920	1,971,777	2,286,598
Public Administration	-	626	241,021	130,215
Services	3,912,560	2,571,763	1,851,152	1,785,624
Arts & Entertainment	-	8,912	15,673	23,100
Other	754,200	2,432,757	2,417,236	2,393,080
Total	<u>\$ 164,409,431</u>	<u>\$ 180,813,862</u>	<u>\$ 181,171,839</u>	<u>\$ 196,450,850</u>
City Sales Tax Rate	2.50%	2.50%	2.50%	2.50%

Source: Arizona Department of Revenue.

Note: Information prior to 2003 was not available.

Fiscal Year

2007	2008	2009	2010	2011
\$ 466,247	\$ 510,450	\$ 2,318,215	\$ 2,318,215	\$ 301,452
15,039,614	23,876,918	22,195,363	22,195,363	23,550,249
40,313	15,283	48,456	48,456	66,060
8,593,952	7,578,438	15,965,933	15,965,933	19,963,998
3,375,254	4,144,993	3,945,094	3,945,094	986,650
3,994,393	4,093,177	3,884,491	3,884,491	1,226,017
145,310,162	146,386,134	144,710,942	144,710,942	147,664,164
84,995	194,035	93,629	93,629	33,753
6,656,980	5,664,318	6,249,386	6,249,386	8,690,896
12,923,634	12,932,385	12,500,240	12,500,240	14,153,836
2,600,819	2,277,339	2,363,017	2,363,017	3,652,951
108,890	100,106	294,021	294,021	-
2,714,689	3,342,416	3,242,519	3,242,519	1,018,073
8,285	-	56,562	56,562	410,600
2,532,122	3,121,725	2,921,447	2,921,447	2,599,103
<u>\$ 204,450,349</u>	<u>\$ 214,237,717</u>	<u>\$ 220,789,315</u>	<u>\$ 220,789,315</u>	<u>\$ 224,317,802</u>
2.50%	2.50%	2.50%	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>
2002	2.50 %	6.10 %
2003	2.50	6.10
2004	2.50	6.10
2005	2.50	6.10
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

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				
2002	\$ 33,537	\$ 4,438	\$ 3,925	\$ 34,050	11.23	\$ 38,877	87.584%
2003	34,586	4,770	3,921	35,435	11.21	39,795	89.044
2004	37,278	3,473	4,207	36,544	11.20	37,213	98.202
2005	39,514	5,087	4,443	40,158	11.15	41,419	96.956
2006	41,500	4,385	4,466	41,419	10.70	45,885	90.267
2007	54,948	2,925	5,980	51,893	8.70	57,522	90.214
2008	55,520	1,506	4,205	52,821	8.87	63,614	83.034
2009	54,903	1,448	1,899	54,452	10.55	58,250	93.480
2010	63,201	1,508	8,505	56,204	13.07	73,214	76.767
2011	56,935	1,774	3,130	55,579	8.23	54,431	102.109

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	
2002	1.09	3.43	1.74	4.97	11.23	2.56	0.51	14.30
2003	1.09	3.43	1.79	4.90	11.21	2.30	0.51	14.02
2004	1.09	3.39	1.79	4.93	11.20	1.90	0.51	13.61
2005	1.09	2.94	1.79	5.33	11.15	0.83	0.51	12.49
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

Source: The Cochise County Treasurer.

**CITY OF DOUGLAS, ARIZONA
 PRINCIPAL PROPERTY TAXPAYERS
 JUNE 30, 2011 AND 2004
 (UNAUDITED)**

Taxpayer	2011			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart	\$ 2,940,968	1	5.17 %	\$ 1,136,367	3	3.05 %
Arizona Public Service	1,831,924	2	3.22	1,540,039	2	4.13
Safeway Inc.	669,770	3	1.18	810,682	4	2.18
DHD LLC	645,874	4	1.13	-	-	-
Phelps Dodge Corporation	612,035	5	1.07	290,846	-	0.78
Qwest Corporation	524,562	6	0.92	-	-	-
SFP Pool Five Shopping Center	480,861	7	0.84	-	-	-
FAE Holdings 356216R, LLC	452,000	8	0.79	-	-	-
Southwest Gas Corporation	435,529	9	0.76	-	-	-
Douglas Customs LLC	400,000	10	0.70	1,564,949	1	4.20
J C Penney Co Inc	-	-	-	332,394	6	0.89
Borane Ronald J and Rona JT Rev T	-	-	-	454,017	5	1.22
	<u>\$ 8,993,523</u>		15.80 %	<u>\$ 6,129,294</u>		16.45 %

Source: The Cochise County Assessor's Office

Note: 2004 used as 2002 information was not available.

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
2002	\$ 359,044	\$ 324,722	90.44 %	\$ 34,206	\$ 358,928	99.97 %
2003	372,024	333,408	89.62	37,864	371,272	99.80
2004	387,160	359,258	92.79	27,100	386,358	99.79
2005	399,279	242,065	60.63	156,423	398,488	99.80
2006	442,229	411,452	93.04	29,834	441,286	99.79
2007	468,748	423,146	90.27	44,129	467,275	99.69
2008	485,584	440,446	90.70	42,918	483,364	99.54
2009	542,878	489,507	90.17	48,079	537,586	99.03
2010	546,719	477,007	87.25	61,753	538,760	98.54
2011	555,804	504,613	90.79	-	504,613	90.79

Source: The Cochise County Treasurer.

Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
\$ 116	0.03 %
752	0.20
802	0.21
791	0.20
943	0.21
1,473	0.31
2,220	0.46
5,292	0.97
7,959	1.46
51,191	9.21

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			
2002	\$ 4,530,000	\$ -	\$ 575,186	\$ -	\$ 305,626	\$ 5,410,812	3.22 %	\$ 329
2003	4,285,000	-	925,407	-	254,777	5,465,184	3.22	330
2004	4,435,000	-	785,356	-	341,697	5,562,053	2.93	327
2005	4,095,000	-	771,477	-	258,035	5,124,512	2.31	298
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

Source: The City's Finance Department.

CITY OF DOUGLAS, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2011
(UNAUDITED)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Cochise County	\$ 4,550,000	5.42%	\$ 246,761
Cochise County Community College District	24,775,000	5.42%	1,343,627
Douglas Unified School District No. 27	7,400,000	100.00%	<u>7,400,000</u>
Subtotal, Overlapping Debt			8,990,388
City of Douglas, Arizona direct debt	18,374,160	100.00%	<u>18,374,160</u>
Total Direct and Overlapping Debt			<u><u>\$ 27,364,548</u></u>

Source: Cochise County Treasurer's Office.

(1) Proportion applicable to the City of Douglas, Arizona, is computed on the ratio of secondary assessed valuation for 2010-11.

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

	Fiscal Year				
	2002	2003	2004	2005	2006
20% Debt Limit	\$ 6,640,262	\$ 6,987,807	\$ 7,173,258	\$ 7,442,536	\$ 8,283,788
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 6,640,262</u>	<u>\$ 6,987,807</u>	<u>\$ 7,173,258</u>	<u>\$ 7,442,536</u>	<u>\$ 8,283,788</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	-	-	-	-	-

	Fiscal Year				
	2002	2003	2004	2005	2006
6% Debt Limit	\$ 1,992,079	\$ 2,096,342	\$ 2,151,977	\$ 2,232,761	\$ 2,485,137
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 1,992,079</u>	<u>\$ 2,096,342</u>	<u>\$ 2,151,977</u>	<u>\$ 2,232,761</u>	<u>\$ 2,485,137</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				
2007	2008	2009	2010	2011
\$ 9,938,245	\$ 10,378,721	\$ 10,890,226	\$ 11,240,800	\$ 11,387,094
-	-	-	-	-
<u>\$ 9,938,245</u>	<u>\$ 10,378,721</u>	<u>\$ 10,890,226</u>	<u>\$ 11,240,800</u>	<u>\$ 11,387,094</u>

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Fiscal Year				
2007	2008	2009	2010	2011
\$ 2,981,474	\$ 3,113,616	\$ 3,267,068	\$ 3,372,240	\$ 3,416,128
-	-	-	-	-
<u>\$ 2,981,474</u>	<u>\$ 3,113,616</u>	<u>\$ 3,267,068</u>	<u>\$ 3,372,240</u>	<u>\$ 3,416,128</u>

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CITY OF DOUGLAS, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2011
(UNAUDITED)

Net Secondary Assessed Value		\$ 56,935,469
Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds		
Debt Limit - 20% of Net Secondary Assessed Value		\$ 11,387,094
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ -	
Less: Amount Set Aside for Repayment of Debt	-	
Net Debt Applicable to Limit	-	-
20% Legal Debt Margin		\$ 11,387,094
All Other General Obligation Bonds		
Debt Limit - 6% of Net Secondary Assessed Value		\$ 3,416,128
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ -	
Less: Amount Set Aside for Repayment of Debt	-	
Net Debt Applicable to Limit	-	-
All Other General Obligation Bonds debt Margin		\$ 3,416,128
Total Legal Debt Margin		\$ 14,803,222

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						Coverage
	Excise Tax	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest		
2002	\$ 3,469,897	\$ -	\$ 3,469,897	\$ 155,000	\$ 173,718	1055.58 %	
2003	3,236,937	-	3,236,937	165,000	166,435	976.64	
2004	3,552,034	-	3,552,034	175,000	135,204	1145.06	
2005	3,518,881	-	3,518,881	250,000	122,136	945.59	
2006	3,796,816	-	3,796,816	360,000	111,472	805.31	
2007	4,012,867	-	4,012,867	365,000	104,838	854.10	
2008	4,067,101	-	4,067,101	375,000	97,238	861.24	
2009	5,095,143	-	5,095,143	390,000	97,237	1045.72	
2010	5,808,108	-	5,808,108	400,000	80,476	1208.82	
2011	5,953,998	-	5,953,998	415,000	71,077	1208.82	

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	Excise Tax	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2002	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
2003	-	-	-	-	-	N/A
2004	-	-	-	-	-	N/A
2005	-	-	-	-	-	N/A
2006	-	-	-	-	-	N/A
2007	-	-	-	-	-	N/A
2008	10,217,630	-	10,217,630	-	24,369	41928.80%
2009	11,456,914	-	11,456,914	-	147,935	7744.56%
2010	9,545,898	-	9,545,898	170,000	142,812	3051.64%
2011	9,274,436	-	9,274,436	110,000	128,638	3886.40%

Call Center Loan						
Fiscal Year	City Sales Tax and Lease Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2002	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
2003	-	-	-	-	-	N/A
2004	-	-	-	-	-	N/A
2005	-	-	-	-	-	N/A
2006	-	-	-	-	-	N/A
2007	-	-	-	-	-	N/A
2008	-	-	-	-	-	N/A
2009	483,499	-	483,499	-	239,925	201.52%
2010	704,620	-	704,620	1,260,000	451,849	41.16%
2011	1,421,131	123,081	1,298,050	675,000	431,325	117.33%

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

**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>
2002	16,441	\$ 168,224,312	\$ 10,232	30.50	9.1 %
2003	16,585	169,697,720	10,232	30.50	8.8
2004	17,035	190,042,460	11,156	30.50	7.7
2005	17,195	222,142,205	12,919	30.50	7.6
2006	17,468	235,241,556	13,467	30.50	7.2
2007	18,411	258,453,618	14,038	30.50	6.8
2008	18,996	277,987,464	14,634	30.50	6.8
2009	18,500	282,199,000	15,254	31.00	9.1
2010	20,061	308,277,387	15,367	31.10	9.2
2011	20,122	294,364,738	14,629	32.20	13.1

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

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

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Arizona Department of Corrections	661	1	10.23 %	659	1	11.85 %
Douglas Unified School District	538	2	8.32	561	2	10.09
Advance Call Center Technologies	319	3	4.94	-	-	-
Wal-Mart Stores, Inc.	300	4	4.64	245	4	4.41
Cochise College	215	5	3.33	164	6	2.95
City of Douglas	205	6	3.17	234	5	4.21
Southeast Arizona Medical Center	134	7	2.07	160	7	2.88
Basha's Inc.	70	8	1.08	120	8	2.16
Cochise County	64	9	0.99	65	11	1.17
La Sola Rehab	59	10	0.91	-	-	-
Homeland Security: U.S. Border	-	-	-	510	3	9.17
Homeland Security: U.S. Customs	-	-	-	106	8	1.91
Infinia at Douglas	-	-	-	61	10	1.10
Safeway	-	-	-	160	7	2.88
	<u>2,565</u>		39.68 %	<u>3,045</u>		54.76 %

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Management Services:										
Administration	4	4	5	5	5	7	7	5	5	5
Human resources	3	3	3	3	3	4	4	4	3	3
Court	2	2	2	2	1	3	3	3	2	2
MIS	2	2	2	2	2	2	3	3	3	4
Finance	4	4	3	3	4	6	7	6	6	6
Economic Development	-	-	1	-	1	1	1	1	-	-
Visitor Parking Center	-	-	-	-	-	5	5	4	-	4
Building (Housing)	5	4	4	4	4	4	4	5	4	8
Police										
Officers	32	31	30	32	35	29	31	37	34	32
Civilians	11	13	14	13	13	15	16	14	14	14
Fire										
Firefighters and Officers	24	21	22	22	21	26	24	25	23	25
Civilians	2	2	2	2	2	2	2	1	1	1
Public Works										
Engineering (PW Adm)	4	4	2	2	2	4	4	6	4	4
Refuse Collections	8	7	8	7	8	10	7	5	4	6
Mechanics	4	3	4	5	4	4	4	4	4	3
Streets	11	10	10	10	10	12	11	8	6	7
Street Maintenance	9	8	4	5	5	5	4	4	4	4
Parks and Recreation										
Comm Dev Admin	1	2	2	2	2	3	3	2	1	1
Planning & Zoning	2	2	2	2	2	2	3	2	2	2
Aquatics	2	2	3	3	3	16	14	12	2	11
Construction	-	-	4	4	4	4	4	4	4	6
Cemetery	4	4	4	4	4	4	4	2	2	1
Parks	7	8	9	10	9	9	10	10	10	11
Recreation	2	1	2	2	1	7	9	5	1	6
Golf Course	1	1	1	1	1	4	6	8	-	11
Library	5	5	5	5	5	8	8	7	5	8
Water										
Field	8	8	7	7	7	10	9	8	4	7
CIP	3	3	3	3	1	6	8	7	4	4
Billing	4	4	4	4	4	4	4	4	4	3
Wastewater	5	5	6	5	7	7	8	7	7	6
Total	169	163	168	169	170	223	227	213	163	205

Source: The City of Douglas's Internal Records.

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

Function	Fiscal Year				
	2002	2003	2004	2005	2006
General Government					
Building Permits Issued	32	63	60	48	258
Building Inspection Conducted	600	800	1,000	1,440	1,085
Police					
Physical Arrests	1,728	1,765	1,657	1,804	1,725
Parking Violations	2,174	1,606	1,463	2,208	1,640
Traffic Violations	4,935	3,522	4,051	3,283	4,134
Fire					
Emergency Responses	2,202	2,305	2,565	2,670	2,540
Fires Extinguished	210	178	219	289	17
Inspections	100	115	68	105	122
Refuse Collection					
Refuse Collections (Tons/Day)	16.0	16.0	18.0	17.0	17.0
Recyclables Collected (Tons/Day)	1.0	1.0	1.0	1.0	1.0
Other Public Works					
Street Resurfacing (Miles)	-	-	-	-	-
Potholes Repaired	-	-	-	273	175
Parks and Recreation					
Athletic Field Permits Issued	-	-	25	26	40
Community Center Admissions	4,501	11,490	7,610	13,743	9,724
Aquatic Center Admissions	-	-	10,178	11,925	21,852
Library					
Volumes in Collection	37,871	39,912	41,517	47,302	49,141
Total Volumes Borrowed	67,410	72,302	71,833	91,623	94,147
Water					
New Connections	-	-	-	-	-
Water Main Breaks	2	2	9	6	7
Average Daily Consumption (Thousands of Gallons)	1,845,038	1,601,153	6,852,381	2,602,839	3,167,934
Peak Daily Consumption (Thousands of Gallons)	-	-	-	-	-
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	2.4	2.8	3.1	2.8	2.6

Source: The City of Douglas

Fiscal Year				
2007	2008	2009	2010	2011
262	338	354	305	198
1,100	858	400	344	305
1,615	1,475	1,917	1,795	1,564
1,919	1,562	648	646	745
4,590	3,814	4,569	4,300	4,211
2,336	2,200	2,030	2,312	2,829
187	201	216	198	61
62	80	80	101	150
23.9	30.0	30.0	16.3	23.5
0.5	0.5	0.5	-	-
1.0	1.4	1.5	2.1	1.0
143	152	195	680	1,360
120	117	120	119	122
16,535	14,660	9,071	10,036	11,021
26,990	28,369	36,761	31,408	14,808
52,824	56,961	60,856	59,649	57,684
83,018	94,955	85,595	86,098	74,141
60	28	68	10	16
8	18	5	2	9
2,579,831	3,660,000	2,638,660	3,662,519	3,500,000
4,385,713	5,380,000	3,613,013	148,101,000	5,023,000
1.8	2.1	1.6	1.5	1.7

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

Function	Fiscal Year				
	2002	2003	2004	2005	2006
Police					
Stations	1	1	1	1	1
Patrol Units	-	-	-	-	25
Fire Stations	1	1	1	1	1
Refuse Collection					
Collection Trucks	-	-	-	-	4
Other Public Works					
Streets (Miles)	79	79	79	95	110
Streetlights	1,840	1,840	1,959	2,083	1,192
Traffic Signals	-	-	-	-	13
Parks and Recreation					
Acreage	42	42	42	62	92
Playgrounds	-	-	-	-	5
Baseball and Softball Diamonds	-	-	-	-	6
Soccer/Football Fields	-	-	-	-	13
Aquatic Centers	2	2	2	2	2
Community Centers	1	1	1	1	1
Water					
Water Mains (Miles)	65	65	65	80	81
Fire hydrants	338	338	338	338	445
Storage Capacity (Thousands of Gallons)	500,900	500,900	500,900	500,900	500,900
Wastewater					
Sanitary Sewers (Miles)	69	69	69	75	75
Storm Sewers (Miles)	2	2	2	2	2
Maximum Treatment Capacity (Thousands of Gallons)	1,800,000	1,800,000	1,800,000	2,000,000	2,000,000

Source: The City of Douglas's Internal Records

Fiscal Year				
2007	2008	2009	2010	2011
1	1	1	1	1
21	20	27	22	21
1	1	1	1	1
5	5	5	5	5
110	110	110	112	110
1,192	1,194	1,194	1,194	1,194
13	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
81	83	83	84	100
445	526	526	535	540
500,900	500,900	500,900	500,900	500,900
75	78	78	80	85
2	2	2	2	2
2,000,000	2,000,000	2,000,000	2,000,000	2,000,000