



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

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CITY OF DOUGLAS, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019

Robert Uribe
Mayor

Councilmembers

Margaret Morales

Mitch Lindemann

Donald Huish

Ray Shelton

Cesar Soto

Jose Grijalva

Jerene Watson
City Manager

Prepared by:
Finance Department

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**CITY OF DOUGLAS, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019**

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL	1
LIST OF PRINCIPAL OFFICIALS	8
GFOA CERTIFICATE OF ACHIEVEMENT	10

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	11
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	14
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	25
STATEMENT OF ACTIVITIES	27
BALANCE SHEET – GOVERNMENTAL FUNDS	29
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	30
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	31
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES IN THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	32
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	33
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION – PROPRIETARY FUNDS	34
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	35
NOTES TO BASIC FINANCIAL STATEMENTS	37
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION/OPEB (ASSET)/LIABILITY – COST SHARING PENSION PLANS	77
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION/OPEB (ASSET)/LIABILITY AND RELATED RATIOS – AGENT PENSION PLANS	79
SCHEDULE OF CITY PENSION/OPEB CONTRIBUTIONS	85
NOTES TO PENSION SCHEDULES	89
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	91
NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	93

**CITY OF DOUGLAS, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2019**

FINANCIAL SECTION (CONTINUED)

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET	94
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES	96
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – HURF FUND	98
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GRANTS FUND	99
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – POLICE GRANTS FUND	100
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – LTAF FUND	101
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND	102
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – DEBT SERVICE FUND	103

STATISTICAL SECTION (UNAUDITED)

FINANCIAL TRENDS

NET POSITION BY COMPONENT	104
CHANGES IN NET POSITION	106
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE	110
FUND BALANCES OF GOVERNMENTAL FUNDS	111
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS	113

REVENUE CAPACITY

TAXABLE SALES BY CATEGORY	115
DIRECT AND OVERLAPPING SALES TAX RATES	117
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY	118
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS	119
PRINCIPAL PROPERTY TAXPAYERS	120
PROPERTY TAX LEVIES AND COLLECTIONS	121

**CITY OF DOUGLAS, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

STATISTICAL SECTION (UNAUDITED) (CONTINUED)

DEBT CAPACITY

RATIOS OF OUTSTANDING DEBT BY TYPE	123
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT	124
LEGAL DEBT MARGIN INFORMATION	125
CALCULATION OF LEGAL DEBT MARGIN	127
PLEGGED-REVENUE COVERAGE	128

DEMOGRAPHIC AND ECONOMIC INFORMATION

DEMOGRAPHIC AND ECONOMIC STATISTICS	130
PRINCIPAL EMPLOYERS	131

OPERATING INFORMATION

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION	132
OPERATING INDICATORS BY FUNCTION	133
CAPITAL ASSETS STATISTICS BY FUNCTION	135

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INTRODUCTORY SECTION

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**CITY MANAGER'S OFFICE
MANAGEMENT SERVICES/FINANCE DEPARTMENT
425 10TH STREET, DOUGLAS, ARIZONA 85607
Telephone (520) 417-7333 Fax (520) 417-7162**

February 28, 2020

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

Requirements & Statements of Fact

The Arizona Auditor General Office requires all local government entities to file a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP). Audits are done in accordance with the generally accepted auditing standards by a licensed certified public accounting firm by October 31st, or by March 31st 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, 2019. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Profile of the City

The City of Douglas is located in Southeastern Arizona 117 miles southeast of Tucson on the U.S./Mexico border. Although it has a population of 16,453 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. Sitting at the Mexican border, Douglas considers itself a town without boundaries; seeing its history and its future through a bi-national lens.

Our two cities share an interdependent economy and culture. In 2018¹, 28,000 trucks, 1.72 million cars, 848,000 pedestrians crossed northbound totaling 3.9 million people. The same year there was a total value of imports/exports of \$1.7 billion with silver, insulated cable & wire, copper wire, live cattle and vehicle parts comprising the top five commodity imports.² The top exports are petroleum and other gaseous hydrocarbons, cotton and yarn, parts for electrical supplies, rubber tires, and scrap metals³.

Similar to ecosystems in the surrounding Sonoran & Chiricahua Deserts, the culture of Douglas is a blended one; as seen in its multi-cultural architecture, Church Square (a unique intersection containing four different churches on each corner), and the 1st International Airport of the Americas.

¹ US Department of Transportation, Bureau of Transportation Statistics

² US TradeNumbers.com

³ US TradeNumbers.com

With family at its core, Douglas is a community deeply rooted in traditional values. Douglas' strength of family translates through the fiber of the education and entrepreneurial systems in the region. In 2019 Douglas boasted three A+ Schools, one elementary and two Charter Schools. A WalletHub analysis of Cochise College ranks it first among Arizona community colleges in 2019 and in the top 3 in the nation, equipping many transferring students to the world-renowned University of Arizona. WalletHub also featured Douglas as 'One of the Best Places in America for Millennial Start-Ups' in 2015. Even visitors have the opportunity to learn its mining and ranching history at Slaughter Ranch, the Visitor's Center and historic Gadsden Hotel built in the heyday of the copper mining and smelter operations of Phelps-Dodge.

Government Structure

The Douglas City government is comprised of a Mayor and six Councilmembers, 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. Councilmembers are elected by registered voters from their respective Wards. The Mayor and Councilmembers have equal voting power to create, pass, or change local laws, ordinances, and resolutions that govern the City. The Mayor Pro Temp, or Vice Mayor, 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 chief administrative officer (CAO) of the City government, the City Manager is responsible for Council relations, Community relations and Employee relations which includes the hiring, training 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

Currently the City's economy is primarily based on the commercial exchange with Mexico. The Douglas / Agua Prieta connection is very strong with the coordinated efforts of both local governments working for the expansion of the existing port and development of a new commercial port of entry. The City's major employers consist of governmental entities such as Customs and Border Protection, Arizona State Prison Complex, Douglas Unified School District, Cochise College and the City of Douglas. Private and major employers in our City include Advanced Call Center Technologies and Wal-Mart Stores. According to the Arizona Office of Economic Opportunity the City's unemployment rate at the end of June 2019 was at 5.3%, which is above the national and state unemployment rates of 3.7% and 4.3% respectively.

With the new federal Opportunity Zone legislation with Arizona one of the first states to be awarded the designation by the Department of the Treasury, economic focus on Douglas has picked up both inside our city limits and on surrounding lands. In various stages of job creation is the expansion of Northrup Grumman's drone program which sits in a Foreign Trade Zone at Bisbee-Douglas International Airport, the siting of an international textile manufacturing company, and a prospective new housing development, among other investments.

Major Initiatives

1. The City Mayor and Council continue to pursue the development of a new commercial port of entry with the assistance of our congressional and state leaders, stakeholders and port advisors. The existing port of entry lacks the processing capacity for the existing demand. The current infrastructure is also inefficient to process commercial trucks. By building a new commercial port at a separate location outside of the city-center congestion, commercial trucks can more securely cross their products. At the same time personal vehicular and pedestrian traffic can be streamlined in the existing port once commercial operations are moved.

The City elected and appointed leaders, staff and its partners, along with the assistance of its binational consultant, have made great strides in the development of a new port as well as bringing much needed security improvements and modernization to the existing port. A federally funded feasibility study was concluded in 2019 revealed the inadequacies suspected in the existing port and also recommends to the federal government a two-port solution. The next steps are to continue advocacy efforts to include the design and construction of a new port in the federal government capital improvements plan and budget, projected for the 2022 federal budget. Most importantly, in the execution of this project, the City has garnered support throughout the region supporting a two-port solution that included the Mexican government, our County and State government, local business groups and of course our Mayor and City Council.

In order to bring a commercial port of entry the City understands that it must also bring infrastructure such as connector roads, utilities and telecommunications to this undeveloped area. The City is pursuing various opportunities to fund these needs and also has begun annexation efforts to bring the areas west of our City into our corporate limits in order to encompass the new commercial port of entry proposed location.

2. The City entered Year 3 of its Streets Improvement Projects. This year the City completed 11 different street projects for a total investment of \$513,015. Additionally, at the end of the fiscal year on 6/30/19 had \$769,680 in street improvements pending completion.

3. Our Wastewater Treatment Plant Expansion is nearing completion and the newly expanded plant is expected to be fully operational in February 2020. With a \$7,475,697 in grant funding assistance from the NADBank and a \$5,000,000 loan from WIFA, the City will increase its treatment capacity from 2.0 MGD to 2.6MGD.

4. The Water Department began an Automated Meter Infrastructure (AMI) project replacing all city water meters with automatic-read meters that will alleviate staff from this monthly manual process, provide more efficient and correct readings and help to provide better customer service in the form of informing customers of their consumption with the data now available with AMI. The total cost for the project was \$1,500,000, but the City was able to secure a \$750,000 grant and \$750,000 loan from WIFA.

5. Street lighting became more efficient through an LED conversion completed in March 2019 with 1,279 street lights replaced. Various City parks, City Hall, the Aquatic Center, Police station, Fire station, Visitor Center, Airport, Golf Course and the Public Works barn were retrofitted with LED lighting as well.

6. Another citywide project was the IT Network Infrastructure that continues as the City invested \$550,591 in FY 18/19 for software/hardware for modernization of our City network as well as equipment in various sites that include a new computer replacement program, audio/video equipment and a new phone system. The project will finalize deployment next fiscal year and budgeted to spend \$408,784.

7. Through funding from our CDBG five-year grant program, the City installed a new all-inclusive playground at Veteran's Memorial Park. The playground is designed for kids of all abilities and is one of two GameTime.com national demonstration sites in the state. The cost of the playground was \$132,175 with planning for additional improvements underway for FY 19/20.

Upcoming Year

Key initiatives set the stage for the upcoming year.

1. On April 10, 2019 the Mayor and City Council held a Council retreat to set the vision and goals of the City, adopting one of the City's guiding documents, the ***City's Strategic Plan***, which focuses on five key focus areas:

- Increase Collaboration
- Expand Community Communication
- Promoting Douglas
- Strengthen Trade and Commerce
- Advance Infrastructure Development & Improvement.

The Mayor and Council set specific definitions and adopted goals within each focus area with an Action Plan. By the Mayor and Council adopting this plan, the City aligned our budget to address the priorities and objectives within the Strategic Plan—the what and how we get there.

In doing so, the City needed to create revenue capacity within its existing revenue sources that also included addressing an employee compensation pay scale that had seriously eroded to the detriment of delivering services. The efforts to get balance back to employee compensation focused on the following: (1) bringing below-market wages towards market incrementally; (2) restore key positions that had been cut due to downward revenues over a number of years; (3) adjust step and longevity pay; (4) recognizing expertise and skill-building through incentive pay to seek higher levels of training through certifications; and, (5) appropriately scaling the wage gap between minimum wage and the lowest three employee classifications.

2. The Mayor and Council adopted a 1 cent sales tax and 2 cent bed tax increase that addressed infused funding into community projects, small equipment and capital improvements, the rebalancing of our workforce and compensation for a total annual cost of \$865,540. Staff also developed a five-year capital improvement plan as part of the budget, funding \$452,585 in general government small capital items. Other major capital improvement projects include streets preservation of \$435,000, finalizing our AMI program at \$200,000 and beginning the Bay Acres sewer project.

3. Annexation efforts are under study to gain population that could enhance additional federal, state and local revenues and position the City in a marketable position to attract more business and commerce. These include three areas: the Colonia known as Bay Acres abutting the northeast City limits, the land between the City to the new commercial port of entry west to the James Ranch Rd. alignment, and the unincorporated area of Pirtleville abutting the western edge of the City.

4. The Bay Acres sewer project will begin in early 2020 with the help of a USDA grant in the amount of \$6,883,056 and with a newly expanded wastewater treatment plant in the horizon, the City will be able to connect and take on additional treatment from the Bay Acres community.

5. Additional planning is also underway for a new transit facility for the Douglas Rides public transportation division for the City. We were awarded a \$60,000 grant from FTA and will begin the site selection and environmental process in 2020. The transit app that we developed may also be an opportunity to help other rural or small transit agencies that can benefit from the use of the application as we have. The app was developed by the City in partnership with a private app developer and is able to electronically track ridership data and bus information which is essential for ADOT reporting requirements.

Long-Term Financial Planning

With the establishment of written financial policies, the City has set financial goals and measures. We established reserve levels and are currently meeting all required levels at this time. The GF fund balance reserve requirement is 30% of revenues and we are currently exceeding that at 47%. We are also meeting 45 days of expense operations reserve, the 10% of average revenues for the past six years, capital (pay-as-you-go) reserve and debt reserve of one year of general government debt service obligations.

Sales tax rebounded this year with a 14% or \$685,863 increase over last year. However, we continue to monitor long delays at the border as well as valuation of the peso against the dollar that can potentially affect sales from our visitors from Mexico.

We are concerned about the state of our public safety retirement plan. Although new laws passed that would place new hires in a more sustainable retirement plan, our current beneficiaries are seriously underfunded. Our current unfunded liability is at 69% for police and 68% for fire as of June 30, 2019. With this in mind, the City is prepared to undertake all challenges and impact the essential services to our citizens as little as possible and is determined to preserve our valuable workforce.

Our enterprise funds continue to be stable due to the rate increases passed in 2009 by Mayor and Council. The City is seeking new ways to make these funds more efficient through the use of new technology in the hopes of keeping rates stable and funding capital needs without the need for new debt.

FURTHER EXPLANATION ABOUT THE AUDIT AND THIS REPORT

The following report consists of management's representations concerning the finances of the City of Douglas, Arizona. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report.

To provide a reasonable basis for making these representations, management of the City of Douglas, Arizona has established a comprehensive internal control framework that is designed both to protect the government assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of City of Douglas' financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Douglas' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

The financial statements contained within have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Douglas, Arizona for the Fiscal-Year-Ended June 30, 2019 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion of City of Douglas' financial statements for the Fiscal-Year-Ended June 30, 2019, and that they are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

The City of Douglas, Arizona is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Information related to this single audit, including the schedule of federal awards, findings and questioned costs and auditors' reports on the internal control structure and compliance for each major federal program required by the Uniform Guidance are included in the single audit report which is available for review at the City of Douglas, Arizona offices..

This report includes all funds of the City of Douglas, Arizona. The City provides a full range of services that includes police and fire protection, emergency medical services, transit service, water, sewer and sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities including an aquatic center, library, visitor center and cultural events.

In addition to general government activities, the City of Douglas, Arizona reports one business-type discretely presented component unit Rancho La Perilla Apartments. Additionally, the City reports the golf course Municipal Property Corporation as a blended component unit of the City, since the City has established a separate municipal property corporation for the management of the golf course.

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, 2018. 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

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

Acknowledgement

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

Finally, we extend heartfelt thanks to the Douglas Mayor and City Councilmembers 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,



Jerene Wilson
City Manager



Luis Pedroza
Finance Director/City Treasurer

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**CITY OF DOUGLAS, ARIZONA
LIST OF PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2019**

ELECTED OFFICIALS

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

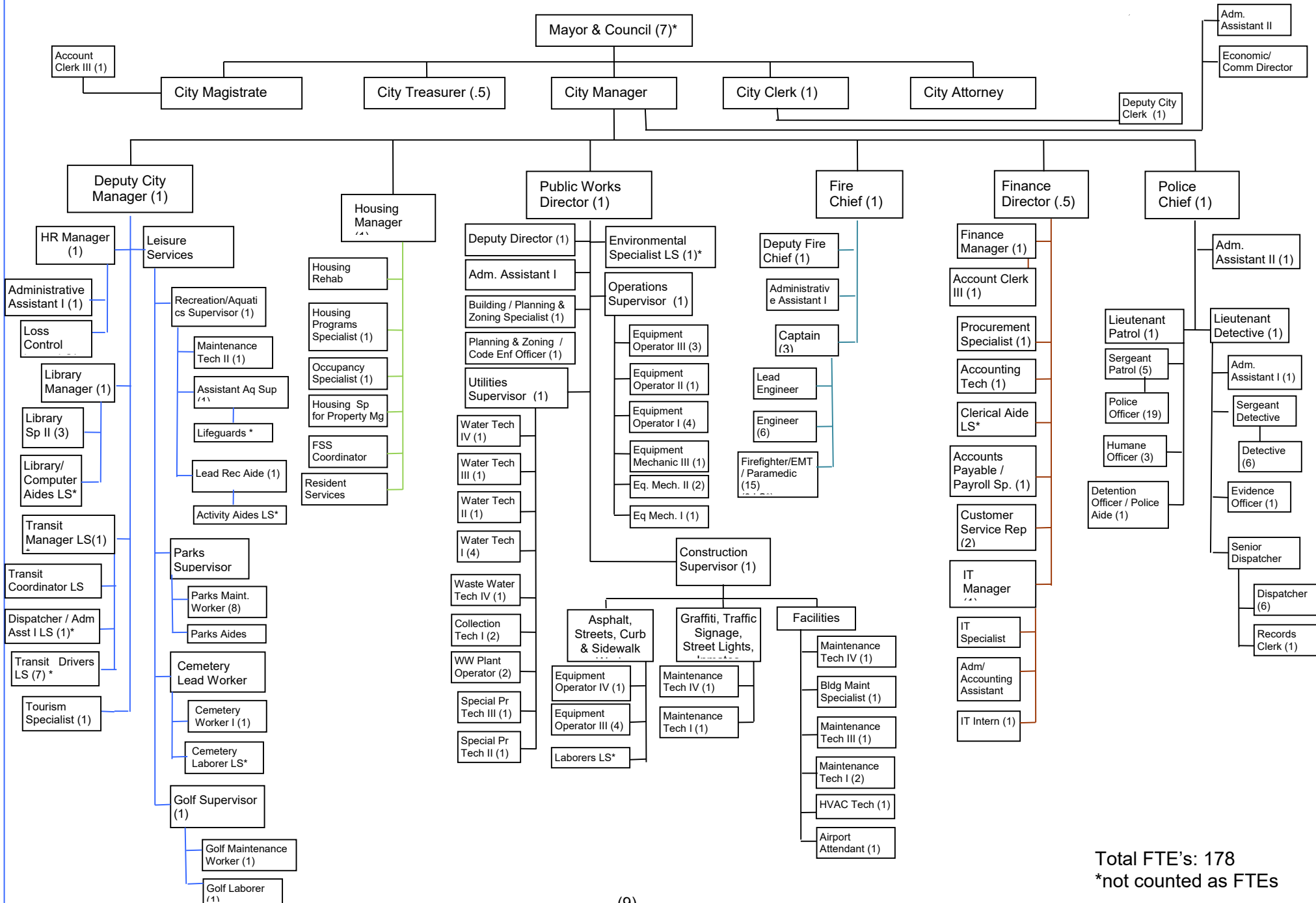
APPOINTED OFFICIALS

City Manager	Jerene Watson
Acting City Clerk	Alma Andrade
City Attorney	Juan Pablo Flores
City Treasurer	Luis Pedroza
City Magistrate	Alma Vildosola

DEPARTMENT DIRECTORS

Deputy City Manager	Dawn Prince
Management Services Director	Luis Pedroza
Public Works Director	Vacant
Police Chief	Kraig Fullen
Fire Chief	Kevin Lomeli

City of Douglas Organizational Chart Fiscal Year 2018-2019



Total FTE's: 178
*not counted as FTEs



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Douglas
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Douglas, Arizona (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Douglas Community Housing Corporation (Rancho La Perilla Apartments). Rancho La Perilla comprises 100% of the assets and operating revenues reported in the Proprietary Component Unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Proprietary Component Unit, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Douglas, Arizona as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, and the General Fund Budget and Actual Statement as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020, on our consideration of the City of Douglas, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Douglas, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Douglas, Arizona's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
February 28, 2020

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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, 2019. We encourage readers to consider the information presented here in conjunction with additional information presented in the financial statements.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the City at the close of the most recent fiscal year exceed liabilities and deferred inflows of resources by \$27.0 million (net position). Unrestricted net position is a deficit \$19.7 million due to the recognition of the City's net pension and OPEB liability and related pension inflows and outflows.
- ◆ Total net position increased by \$6.6 million during the fiscal year.
- ◆ As of June 30, 2019, the City's governmental funds reported a combined ending fund balance of \$7.9 million. Of this amount, 58% 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 \$4.6 million or 32.7% of the total General Fund expenditures of \$14.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are separated into three component sections:

1. Government-wide financial statements.
2. Fund financial statements and schedules.
3. Notes to basic financial statements.

In addition to the basic financial statements, this report also includes other supplementary information.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the City's financial position is improving or deteriorating.

The statement of activities presents data showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years, such as revenue from uncollected taxes or expenses from earned but unused vacation and sick leave.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Both of the government-wide financial statements distinguish City functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from those functions that intend to recover all or a significant portion of their costs from user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (police, fire and emergency medical services), highways and streets, culture and recreation, and redevelopment and housing. The business-type activities of the City include water, sewer, and solid waste.

The government-wide financial statements include not only the City (known as the primary government), but also a legally separate non-profit corporation - proprietary component unit. The proprietary component unit is the Douglas Municipal Housing Corporation market rate apartment complex known as Rancho La Perilla. Although legally separate from the City, the component unit is discretely presented because of its financial relationship to the City.

Separate financial statements for Rancho La Parilla may be obtained at the City's Finance Department at 425 Tenth Street, Douglas, Arizona 85607.

The government-wide financial statements may be found on pages 25 - 28 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the City funds can be divided into two categories: governmental funds and proprietary funds.

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

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

The City of Douglas, Arizona maintains 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 Debt Service Fund, which are considered to be major funds. Data from the other seven funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of the combining statements elsewhere in this report.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

The City of Douglas, Arizona adopts an annual appropriated budget for its General Fund by department. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The City adopts a budget by fund for all Special Revenue Funds with the exception of the Golf Course MPC and Public Housing Funds.

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

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

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements may be found on pages 37 - 76 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's pension and other postemployment benefit plans and the budgetary schedule of the General Fund. Required supplementary information may be found on pages 77 – 93 of this report.

Combining Statements

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

Comparative data is presented on the following pages for both the governmental activities and the business-type activities along with an analysis of significant variances between the current and prior year.

Net Position

As noted earlier, net position may serve as useful indicators of a government's financial position. For the City of Douglas, Arizona, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27.0 million.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and Other Assets	\$ 9,312,962	\$ 11,598,079	\$ 9,193,940	\$ 8,988,708	\$ 18,506,902	\$ 20,586,787
Capital Assets:						
Non-Depreciable	2,520,959	1,547,847	13,894,153	3,291,853	16,415,112	4,839,700
Depreciable (Net)	20,258,645	20,499,385	18,519,378	19,460,696	38,778,023	39,960,081
Total Assets	32,092,566	33,645,311	41,607,471	31,741,257	73,700,037	65,386,568
DEFERRED OUTFLOWS	5,819,334	6,631,149	235,868	227,608	6,055,202	6,858,757
LIABILITIES						
Current and Other Liabilities	856,836	1,288,183	1,243,918	396,111	2,100,754	1,684,294
Non-Current Liabilities:						
Due Within One Year	1,354,863	1,479,258	707,636	447,313	2,062,499	1,926,571
Due in More Than One Year	38,446,129	40,546,857	8,179,003	6,118,635	46,625,132	46,665,492
Total Liabilities	40,657,828	43,314,298	10,130,557	6,962,059	50,788,385	50,276,357
DEFERRED INFLOWS	1,762,107	1,680,401	209,185	137,915	1,971,292	1,818,316
NET POSITION						
Net Investment in Capital Assets	18,049,988	15,840,000	25,363,178	18,044,782	43,413,166	33,884,782
Restricted	2,603,663	2,521,494	722,154	628,579	3,325,817	3,150,073
Unrestricted	(25,161,686)	(23,079,733)	5,418,265	6,195,530	(19,743,421)	(16,884,203)
Total Net Position	\$ (4,508,035)	\$ (4,718,239)	\$ 31,503,597	\$ 24,868,891	\$ 26,995,562	\$ 20,150,652

The largest portion of the City's net position (161%) reflects its investment in capital assets (e.g. land, buildings, and equipment), less any debt used to acquire those assets. The City uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources since the assets themselves cannot be liquidated for these liabilities.

As of June 30, 2019 the City of Douglas, Arizona reported \$43.4 million as the net investment in capital assets. Another \$3.3 million of the resources are subject to external restrictions on how they may be used. Unrestricted net position is a deficit \$19.7 million due to the recognition of the City's net pension and OPEB liability.

The City's net position increased approximately \$6.8 million over the prior fiscal year. Net investment in capital assets increased \$9.5 million due to the net effect of a reduction in current year debt outstanding used to acquire the assets, current year depreciation, current year capital additions and contributions and the sale of capital assets. Current year debt payments were approximately \$3.4 million (including payments on capital leases). A portion of the increase was due capital acquired through a loan. A portion of the loan (\$0.9 million) was drawn subsequent to year end and will be reflected as a reduction of the net investment in capital assets in the next fiscal year.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Changes in Net Position

As described above, the City's net position overall increased by \$6.8 million during the current fiscal year. The change in the governmental activities and business-type activities are discussed on the following pages.

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

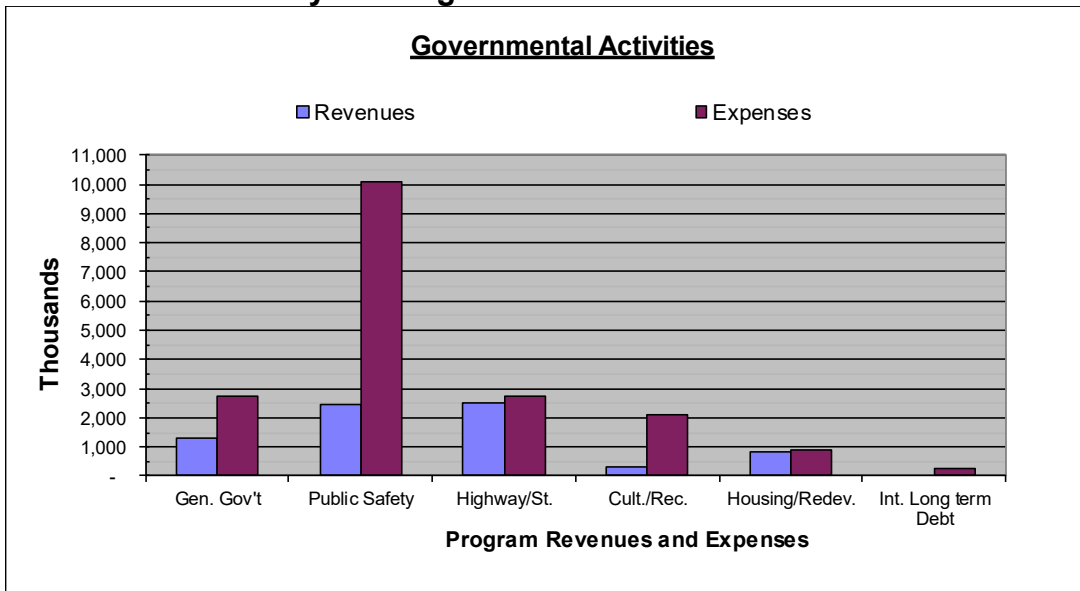
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 3,012,666	\$ 3,074,860	\$ 5,115,785	\$ 5,142,014	\$ 8,128,451	\$ 8,216,874
Operating Grants and Contributions	3,821,410	4,184,057	-	-	3,821,410	4,184,057
Capital Grants and Contributions	657,443	474,578	6,068,651	2,064,313	6,726,094	2,538,891
General Revenues:						
Property Taxes	609,312	587,260	-	-	609,312	587,260
Local Taxes	5,816,651	5,480,960	-	-	5,816,651	5,480,960
State Shared Revenues	4,430,490	4,503,715	-	-	4,430,490	4,503,715
Grants and Contributions Not Restricted to Specific Programs	41,672	38,510	-	-	41,672	38,510
Investment Income	208,885	136,960	100,631	69,068	309,516	206,028
Gain on Sale of Asset	101,517	-	-	-	101,517	-
Other	262,463	82,176	-	-	262,463	82,176
Total Revenues	18,962,509	18,563,076	11,285,067	7,275,395	30,247,576	25,838,471
EXPENSES						
General Government	2,748,212	2,910,916	-	-	2,748,212	2,910,916
Public Safety	10,108,483	11,269,994	-	-	10,108,483	11,269,994
Highways and Streets	2,746,780	2,929,910	-	-	2,746,780	2,929,910
Culture and Recreation	2,086,493	2,107,161	-	-	2,086,493	2,107,161
Redevelopment and Housing	919,628	985,896	-	-	919,628	985,896
Interest on Long-Term Debt	277,654	351,121	-	-	277,654	351,121
Water	-	-	1,905,224	1,798,870	1,905,224	1,798,870
Sewer	-	-	1,505,490	1,434,055	1,505,490	1,434,055
Solid Waste	-	-	1,104,702	1,066,948	1,104,702	1,066,948
Total Expenses	18,887,250	20,554,998	4,515,416	4,299,873	23,402,666	24,854,871
CHANGE IN NET POSITION BEFORE TRANSFERS						
	75,259	(1,991,922)	6,769,651	2,975,522	6,844,910	983,600
Transfers	134,945	182,899	(134,945)	(182,899)	-	-
CHANGE IN NET POSITION	210,204	(1,809,023)	6,634,706	2,792,623	6,844,910	983,600
Net Position - Beginning of Year	(4,718,239)	(2,909,216)	24,868,891	22,076,268	20,150,652	19,167,052
NET POSITION - END OF YEAR	\$ (4,508,035)	\$ (4,718,239)	\$ 31,503,597	\$ 24,868,891	\$ 26,995,562	\$ 20,150,652

Governmental Activities – Governmental activities increased the City's net position by \$0.2 million. Key factors of the overall increase in net position are as follows:

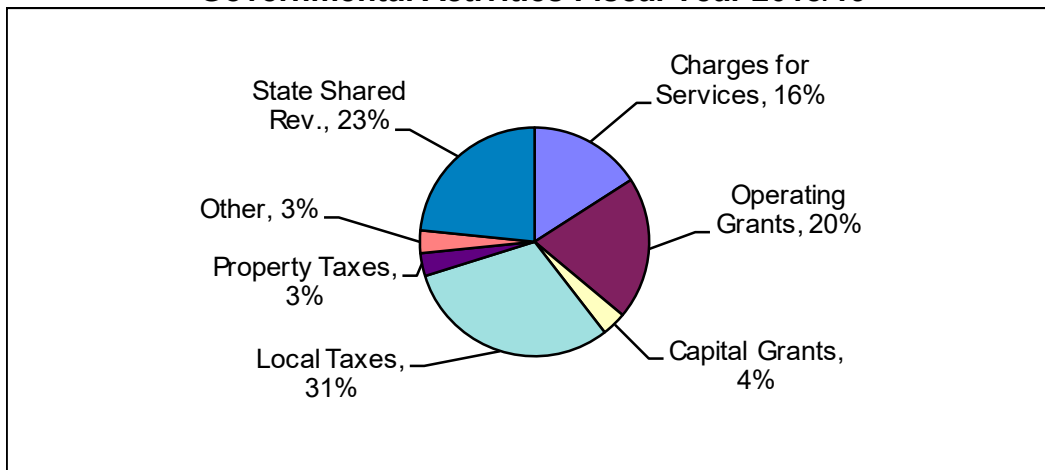
- ◆ Increase in local taxes compared to last year in the amount of \$0.4 million, offset by a decrease in state shared revenues (\$0.1 million). The net increase was not significant, but signifies an uptick in the local economy.
- ◆ The increase in the gain on sale of assets is due to the net proceeds from the sale of vacant lot and a portion of the call center parking lot.
- ◆ Public Safety expenses decreased \$1.2 million due to a prior year distribution of pension funds recorded in the government-wide financial statements for a refund of excess pension contributions.
- ◆ Other income increase \$0.2 million due to interest received from LaParilla, fuel excise tax refunds, fire insurance premiums and an APS rebate.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

City of Douglas – Fiscal Year 2018/19



**City of Douglas Revenue by Source
Governmental Activities Fiscal Year 2018/19**



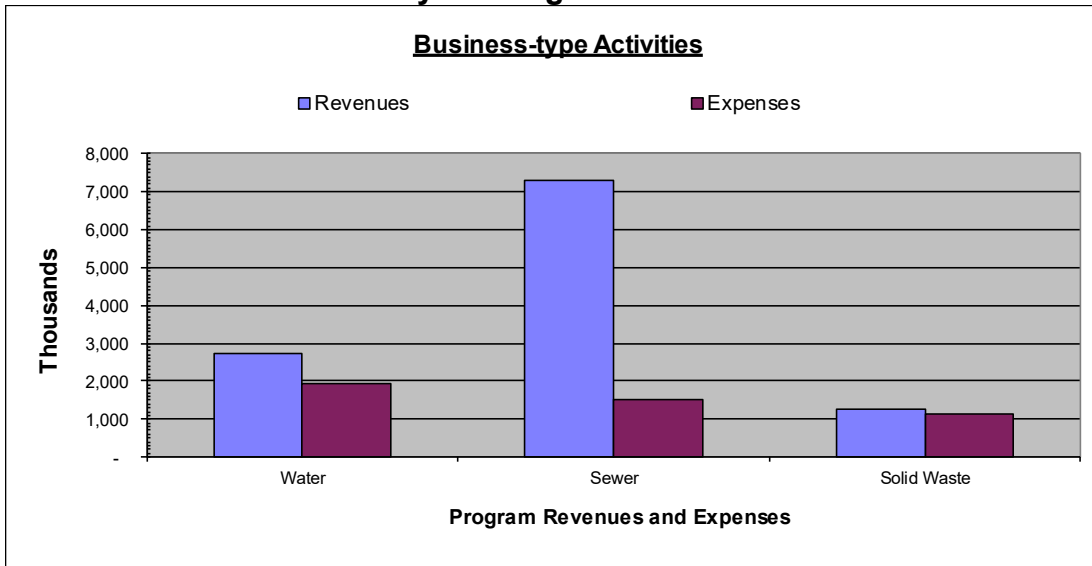
The charts above illustrate the City's governmental expenses and revenues by function and the City's revenues by source. As shown, Public Safety (police, fire, and emergency medical services) is the largest function in expenses (54%), followed by General Government (15%), Highway/Streets (15%), Culture/Recreation (11%), Redevelopment and Housing (5%) and the remaining attributable to Interest. General revenues such as property taxes, state shared revenues, and sales taxes are not shown by program but are effectively used to support program activities of the City as a whole.

For governmental activities as a whole, sales tax revenues is the largest source of funds (31%) followed by state shared revenues (23%) as illustrated in the chart above.

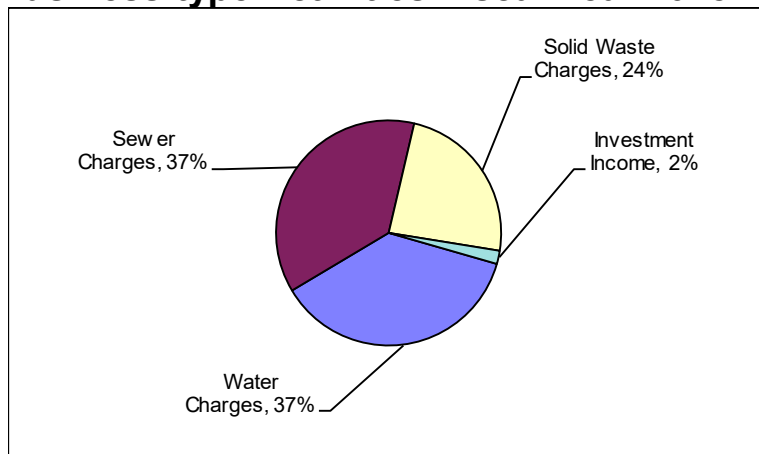
**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Business-Type Activities – Business-type activities increased the City's net position by \$6.6 million. The increase in net position was primarily the result of \$6.1 million received in capital grants and contributions. These capital grants and contributions were used to fund water and sewer capital projects; therefore, the revenues are recognized in net position, while the related capital is capitalized and depreciated over their useful life.

City of Douglas 2018/19



**City of Douglas Revenue by Source
Business-type Activities Fiscal Year 2018/19**



As shown in the chart above, the largest of the City's business-type activities are water and sewer utilities. Sewer Fund operating expenses were \$1.5 million, with Water operating expenses at \$1.9 million, followed by Solid Waste at approximately \$1.1 million. For this fiscal year, the change in net position in the Sewer Fund was a positive \$5.7 million while the change in net position in the Water Fund was a positive \$0.7 million and the Solid Waste Fund was a positive \$0.1 million. The positive change in net position in the Enterprise Funds was largely due to capital grants. Revenues are budgeted to exceed expenses as the utility rate includes a capital replacement component.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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 \$2.1 million from the prior year.

Revenues for governmental funds overall totaled approximately \$18.9 million for the fiscal year ended June 30, 2019 which represents an increase of 3.9% from the prior fiscal year. This increase is primarily due to an increase in local sales tax (\$0.3 million), offset by a decrease in state shared revenues (\$0.1 million), and an increase in investment income due to more cash on hand and improved returns.

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 \$4.6 million. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. Unassigned General Fund balance represents 32.7% of the total General Fund expenditures of \$14.0 million.

The fund balance of the City's General Fund decreased \$1.2 million. Revenues remained comparable to the prior year with a slight increase in expenditures due to the increased cost of providing services and other inflationary costs. The City also transferred an additional 1.8 million to the debt service fund to early retire the GADA loan. The transfer was funded through advances to the general fund from the City's enterprise funds.

The Debt Service Fund accounts for principal and interest on outstanding debt of the City that is not specifically attributable to a specific fund. The debt service payments are funded through transfers from the general fund; therefore, the net change in fund balance was zero.

The Nonmajor Governmental Funds decrease of \$1.0 million was due to the use of restricted and committed fund balances in the capital projects fund for various City capital projects and improvements.

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

At the end of the fiscal year, unrestricted net position for the Water Fund was \$3.5 million, Sewer \$1.1 million, and Solid Waste \$0.7 million. The total increase in net position for the enterprise funds was \$6.6 million largely due to capital grants received for water and sewer capital improvements and revenues exceeding expenses as the utility rate includes a capital replacement component. Expenses increased in all proprietary funds due to an increase in costs associated with services provided. Each of the enterprise funds continue to operate at a positive net income (user charges continue to exceed the cost of providing those services).

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Actual revenues were less than the budget by \$0.5 million and actual expenditures were less than budget by \$1.2 million. The actual revenues were less than budget largely due to intergovernmental revenues, and charges for services not coming in as projected.

The City exceeded the expenditures budget in the Administration, Cemetery, Community Development, Airport, Fire, Emergency Medical Services, Recreation, and Debt Service expenditures. The Fire and Emergency Medical Services deficit was largely due to additional overtime expenses required for emergency room transports. The Administrative deficit was largely due to personnel costs that were larger than expected. The Debt Service had a deficit due to principal and interest on the new capital lease.

The legal level of budgetary control is at the departmental level in the General Fund; however, the City Council monitors the General Fund as a whole and the City Manager has the authority to make budget transfers between departments in the General Fund. The City maintains reserves for any expenditures in excess of the total General Fund budget. The reserves are monitored by City Council and the City Manager.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2019 amount to \$55.2 million (net of accumulated depreciation). Capital assets include land and improvements, infrastructure, buildings and improvements, machinery equipment, and vehicles, and construction in progress.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and Land Improvements	\$ 2,878,573	\$ 3,089,007	\$ -	\$ -	\$ 2,878,573	\$ 3,089,007
Streets and Storm Drains	8,342,754	8,663,650	-	-	8,342,754	8,663,650
Buildings and Improvements	7,609,089	7,221,759	4,319,808	4,498,410	11,928,897	11,720,169
Water System	-	-	5,430,788	5,897,751	5,430,788	5,897,751
Wastewater System	-	-	7,586,722	7,896,775	7,586,722	7,896,775
Machinery, Equipment and Vehicles	2,471,320	2,590,279	1,182,060	1,167,760	3,653,380	3,758,039
Construction In Progress	1,477,868	482,537	13,894,153	3,291,853	15,372,021	3,774,390
Total Capital Assets	\$ 22,779,604	\$ 22,047,232	\$ 32,413,531	\$ 22,752,549	\$ 55,193,135	\$ 44,799,781

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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

Governmental Activities

- ◆ Use of lease proceeds for LED conversion for \$895,000.
- ◆ IT network infrastructure for \$484,000.
- ◆ Playground equipment for \$132,175.
- ◆ SCBA equipment for \$293,000.
- ◆ 42 passenger bus for \$154,000.
- ◆ Completion of the airport perimeter fencing phase II for \$163,000.

Business-type Activities

- ◆ Continued construction on the wastewater treatment plant phase II construction for \$9.0 million.
- ◆ AMI water meter system for \$1.4 million.
- ◆ New Refuse Truck for \$281,000.

For government-wide financial statement purposes, capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures. Additional information on the City of Douglas, Arizona's capital assets may be found in the Notes to the Basic Financial Statements in note 3.A.4. on pages 51 - 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 \$12.3 million. The current year increase was the net result of required principal due on outstanding debt, offset by additional capital leases for vehicles and additional loans through the Water Infrastructure Finance Authority of Arizona.

The City used available cash to retire the GADA loan. Total principal paid in the current year to retire the loan was \$1.8 million.

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, 2019 is \$3.2 million in the 6% capacity and \$10.6 million in the 20% capacity.

**Table A-4
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Loans Payable	\$ 3,375,000	\$ 5,590,000	\$ 6,971,835	\$ 4,609,499	\$ 10,346,835	\$ 10,199,499
Capital Lease	1,871,380	1,512,561	78,518	98,268	1,949,898	1,610,829
Total Outstanding Debt	<u>\$ 5,246,380</u>	<u>\$ 7,102,561</u>	<u>\$ 7,050,353</u>	<u>\$ 4,707,767</u>	<u>\$ 12,296,733</u>	<u>\$ 11,810,328</u>

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

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered when preparing the 2019-20 budgets:

- A 1 cent sales/use tax increase and a 2 cent bed tax increase effective September 1, 2019 forecasting \$1,750,000 in additional sales tax to fund an employee compensation package, new and existing unfunded positions and capital improvements.
- Implement a Downtown Revitalization Plan and invest \$62,000 in Downtown beautification improvements.
- Finalize the Wastewater Treatment Plant Expansion Project and begin the Bay Acres Sewer Project set to connect 350 homes into our system.
- Begin three annexation efforts projects beginning in the Bay Acres and surrounding area, Pirtleville and surrounding area and area west of Douglas up to the proposed Port of Entry site at James Ranch Road.

The City continues making strides to bring a second port of entry to Douglas. A two-port solution has been recommended for the City, with the second port being dedicated for commercial traffic at a proposed location 4 miles west of Douglas. The City is poised to donate City owned land at the site to the Federal Government for this project. The Federal government has allotted \$175 million in its 5 year plan, funding our project in 2022. The City continues to work with a binational consultant that advocates efforts on both sides of the border and continue to push the importance of this project in hopes of getting the funding pushed to 2021.

With ongoing efforts on the port, we are receiving interest from private business in the new port as well as taking advantage of various opportunity zones in the City and surrounding areas. The Mayor and Council are pursuing these opportunities with goals of bringing more jobs and growth in our community. The condition of our streets continues to be of great importance and concern. The Mayor and Council is advocating the need for more HURF funding to the State legislature and are also exploring the idea of issuing a streets bond. The City budgeted funding from the HURF fund for efforts in preserving streets and addressing major issues. For FY 19/20 the City allocated \$435,000 for the streets preservation program. Finally, the Mayor and Council approved the hiring of a Marketing & Tourism Specialist to market the City as a safe place to visit and a family-oriented community where we enjoy a pleasant climate and great place to live and raise a family.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in the government's finances. If you have any questions about this report or need additional financial information, contact:

City of Douglas
Finance Department
425 Tenth Street
Douglas, Arizona 85607
520-417-7333

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BASIC FINANCIAL STATEMENT

CITY OF DOUGLAS, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Investments	\$ 7,352,273	\$ 6,138,748	\$ 13,491,021
Receivables, Net:			
Accounts Receivable	444,743	508,593	953,336
Taxes Receivable	872,406	-	872,406
Intergovernmental Receivables	677,169	-	677,169
Due from Component Unit	801,502	-	801,502
Internal Balances	(1,757,408)	1,757,408	-
Inventories	46,773	-	46,773
Prepaid Items	8,253	-	8,253
Other Assets	-	-	-
Restricted Assets	573,132	789,191	1,362,323
Net OPEB Asset	294,119	-	294,119
Capital Assets:			
Non-Depreciable	2,520,959	13,894,153	16,415,112
Depreciable (Net)	20,258,645	18,519,378	38,778,023
Total Assets	<u>32,092,566</u>	<u>41,607,471</u>	<u>73,700,037</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	5,748,142	235,868	5,984,010
OPEB Related	71,192	-	71,192
	<u>5,819,334</u>	<u>235,868</u>	<u>6,055,202</u>
LIABILITIES			
Accounts Payable	229,655	1,079,421	1,309,076
Accrued Wages and Benefits	311,594	12,710	324,304
Insurance Claims Payable	145,851	-	145,851
Interest Payable	-	54,632	54,632
Customer Deposits Payable	40,304	97,155	137,459
Unearned Revenue	129,432	-	129,432
Due to Primary Government	-	-	-
Noncurrent Liabilities			
Due Within One Year	1,354,863	707,636	2,062,499
Due in More Than One Year			
Loans and Other Long-Term Debt	5,281,045	6,456,949	11,737,994
Net Pension Liability	33,141,801	1,722,054	34,863,855
Net OPEB Liability	23,283	-	23,283
Total Liabilities	<u>40,657,828</u>	<u>10,130,557</u>	<u>50,788,385</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	1,595,399	209,185	1,804,584
OPEB Related	166,708	-	166,708
	<u>1,762,107</u>	<u>209,185</u>	<u>1,971,292</u>
NET POSITION			
Net Investment in Capital Assets	18,049,988	25,363,178	43,413,166
Restricted for:			
Firefighters Injured in Line of Duty	142,887	-	142,887
Transit - Making the Connection Program	20,000	-	20,000
Other Federal and State Grants	138,148	-	138,148
Public Safety	202,641	-	202,641
Highways, Streets and Local Transportation	1,256,559	-	1,256,559
Redevelopment and Housing	549,309	-	549,309
Other Postemployment Benefits	294,119	-	294,119
Debt Service	-	537,988	537,988
Repair and Replacement	-	184,166	184,166
Unrestricted	(25,161,686)	5,418,265	(19,743,421)
Total Net Position	<u>\$ (4,508,035)</u>	<u>\$ 31,503,597</u>	<u>\$ 26,995,562</u>

See accompanying Notes to Basic Financial Statements.

Component Unit	Proprietary Type	Component Unit
\$	2,595	
	534	
	-	
	-	
	-	
	-	
	18,876	
	24,376	
	398,960	
	-	
	265,000	
	2,825,815	
	<u>3,536,156</u>	
	-	
	-	
	-	
	33,683	
	1,453	
	-	
	14,236	
	24,345	
	4,283	
	801,502	
	62,794	
	4,689,387	
	-	
	-	
	<u>5,631,683</u>	
	-	
	-	
	-	
	(1,661,366)	
	-	
	-	
	-	
	-	
	-	
	-	
	-	
	-	
	(434,161)	
\$	<u>(2,095,527)</u>	

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		
		Fee, Fines and Charges for Services	Operating Grants Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 2,748,212	\$ 1,232,733	\$ 18,700	\$ 50,000
Public Safety	10,108,483	1,470,386	703,671	306,197
Highways and Streets	2,746,780	33,198	2,236,580	261,540
Culture and Recreation	2,086,493	276,349	4,895	39,706
Redevelopment and Housing	919,628	-	857,564	-
Interest and Fiscal Charges	277,654	-	-	-
Total Governmental Activities	18,887,250	3,012,666	3,821,410	657,443
Business-Type Activities:				
Water	1,905,224	1,930,573	-	750,000
Sewer	1,505,490	1,941,762	-	5,318,651
Solid Waste	1,104,702	1,243,450	-	-
Total Business-Type Activities	4,515,416	5,115,785	-	6,068,651
Total Primary Government	\$ 23,402,666	\$ 8,128,451	\$ 3,821,410	\$ 6,726,094
Component Units:				
Proprietary Type Component Units	\$ 700,785	\$ 604,774	\$ -	\$ -

General Revenues

Taxes:

 Sales Taxes

 Property Taxes

 Franchise Taxes

State Revenue Sharing

State Sales Tax Revenue Sharing

Auto Lieu Tax Revenue Sharing

Grants and Contributions not Restricted

Investment Income

Gain on Sale of Asset

Other

Transfers

 Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Proprietary Type Component Unit
\$ (1,446,779)		\$ (1,446,779)	
(7,628,229)		(7,628,229)	
(215,462)		(215,462)	
(1,765,543)		(1,765,543)	
(62,064)		(62,064)	
(277,654)		(277,654)	
<u>(11,395,731)</u>		<u>(11,395,731)</u>	
	\$ 775,349	775,349	
	5,754,923	5,754,923	
	138,748	138,748	
	<u>6,669,020</u>	<u>6,669,020</u>	
(11,395,731)	6,669,020	(4,726,711)	
			<u>(96,011)</u>
5,497,780	-	5,497,780	-
609,312	-	609,312	-
318,871	-	318,871	-
1,957,579	-	1,957,579	-
1,624,359	-	1,624,359	-
848,552	-	848,552	-
41,672	-	41,672	-
208,885	100,631	309,516	-
101,517	-	101,517	-
262,463	-	262,463	34,498
134,945	(134,945)	-	-
<u>11,605,935</u>	<u>(34,314)</u>	<u>11,571,621</u>	<u>34,498</u>
210,204	6,634,706	6,844,910	(61,513)
(4,718,239)	24,868,891	20,150,652	(2,034,014)
<u>\$ (4,508,035)</u>	<u>\$ 31,503,597</u>	<u>\$ 26,995,562</u>	<u>\$ (2,095,527)</u>

**CITY OF DOUGLAS, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and Investments	\$ 4,849,695	\$ -	\$ 2,051,735	\$ 6,901,430
Receivables:				
Accounts Receivable	417,024	-	3,907	420,931
Taxes Receivable	872,406	-	-	872,406
Intergovernmental Receivables	306,906	-	370,263	677,169
Due from Component Unit	801,502	-	-	801,502
Inventory	46,773	-	-	46,773
Prepaid Items	6,973	-	1,280	8,253
Advance To Other Funds	24,225	-	-	24,225
Restricted Assets	516,764	-	56,368	573,132
Total Assets	<u>\$ 7,842,268</u>	<u>\$ -</u>	<u>\$ 2,483,553</u>	<u>\$ 10,325,821</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 140,273	\$ -	\$ 87,120	\$ 227,393
Accrued Wages and Benefits	287,541	-	24,053	311,594
Unearned Revenue	90,932	-	38,500	129,432
Customer Deposits Payable	-	-	40,304	40,304
Advances From Other Funds	1,640,000	-	24,225	1,664,225
Total Liabilities	<u>2,158,746</u>	<u>-</u>	<u>214,202</u>	<u>2,372,948</u>
Deferred Inflows of Resources				
Unavailable Revenue	54,409	-	7,094	61,503
Fund Balances				
Nonspendable	879,473	-	-	879,473
Restricted	162,887	-	2,139,563	2,302,450
Committed	-	-	153,896	153,896
Unassigned	4,586,753	-	(31,202)	4,555,551
Total Fund Balances	<u>5,629,113</u>	<u>-</u>	<u>2,262,257</u>	<u>7,891,370</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,842,268</u>	<u>\$ -</u>	<u>\$ 2,483,553</u>	<u>\$ 10,325,821</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Balances for Governmental Funds		\$ 7,891,370
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.		
Those assets consist of:		
Land	\$ 1,043,091	
Construction in Progress	1,477,868	
Land Improvements	5,491,699	
Streets and Storm Drains	22,552,187	
Buildings and Improvements	15,969,427	
Machinery, Equipment and Vehicles	20,138,316	
Total Capital Assets	66,672,588	
Less: Accumulated Depreciation	(43,892,984)	22,779,604
Some of the City's property taxes and sales taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		
		54,409
Some loans receivable through the City's housing rehabilitation program are recorded as a receivable and unavailable revenue in the City's Governmental Fund financial statements, but are recognized as revenue in the governmental-wide financial statements		
		7,094
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore are not reported in the funds.		
Deferred outflows of resources related to pensions		5,748,142
Deferred inflows of resources related to pensions		(1,595,399)
Deferred outflows of resources related to OPEB		71,192
Deferred inflows of resources related to OPEB		(166,708)
Long-term liabilities that pertain to governmental funds, including bonds payable and net pension liabilities, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.		
Loans Payable	(3,375,000)	
Net Pension Liability	(33,141,801)	
Net OPEB Asset (Liability)	270,836	
Capital Lease Payable	(1,871,380)	
Compensated Absence Payable	(1,389,528)	(39,506,873)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		
Internal Service Fund Net Position	326,542	
Less: Amount Attributed to the Business-Type Activities	(117,408)	209,134
Total Net Position of Governmental Activities		\$ (4,508,035)

See accompanying Notes to Basic Financial Statements.

CITY OF DOUGLAS, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes:				
Sales Taxes	\$ 5,516,756	\$ 6	\$ 47	\$ 5,516,809
Property Taxes	604,252	-	-	604,252
Franchise Taxes	318,871	-	-	318,871
Intergovernmental Revenues	5,107,677	-	3,850,692	8,958,369
Fines and Forfeitures	24,331	-	-	24,331
Licenses and Permits	163,967	-	-	163,967
Charges for Services	1,866,516	-	221,712	2,088,228
Rents and Royalties	736,140	-	-	736,140
Investment Income	186,636	-	22,249	208,885
Other	169,900	-	92,563	262,463
Total Revenues	<u>14,695,046</u>	<u>6</u>	<u>4,187,263</u>	<u>18,882,315</u>
EXPENDITURES				
Current:				
General Government	2,565,876	-	-	2,565,876
Public Safety	8,728,694	-	327,269	9,055,963
Highways and Streets	544,863	-	2,446,219	2,991,082
Culture and Recreation	1,497,842	-	213,561	1,711,403
Redevelopment and Housing	-	-	919,628	919,628
Debt Service:				
Principal Retirement	57,772	2,774,417	22,488	2,854,677
Interest on Long-Term Debt	6,790	270,805	59	277,654
Capital Outlay	616,335	-	1,294,020	1,910,355
Total Expenditures	<u>14,018,172</u>	<u>3,045,222</u>	<u>5,223,244</u>	<u>22,286,638</u>
Excess (Deficiency) of Revenues Over Expenditures	676,874	(3,045,216)	(1,035,981)	(3,404,323)
OTHER FINANCING SOURCES (USES)				
Transfers In	132,905	3,045,216	100,665	3,278,786
Transfers Out	(3,059,624)	-	(84,217)	(3,143,841)
Proceeds from Sale of Capital Assets	129,486	-	-	129,486
Issuance of Capital Leases	959,375	-	39,121	998,496
Total Other Financing Sources (Uses)	<u>(1,837,858)</u>	<u>3,045,216</u>	<u>55,569</u>	<u>1,262,927</u>
Net Change in Fund Balances	(1,160,984)	-	(980,412)	(2,141,396)
FUND BALANCES				
Beginning of Year	6,790,097	-	3,242,669	10,032,766
End of Year	<u>\$ 5,629,113</u>	<u>\$ -</u>	<u>\$ 2,262,257</u>	<u>\$ 7,891,370</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCES IN THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances-Total Governmental Funds		\$ (2,141,396)
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	\$ 3,386,952	
Depreciation Expense	<u>(2,626,611)</u>	760,341
The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds only report a gain for proceeds received on the sale of capital assets, but do not report a loss on the disposal of capital assets.		
		(27,969)
Loan receivable recorded as revenue in the government-wide statement of net position, but not yet available.		
Intergovernmental Receivables - June 30, 2018	14,448	
Intergovernmental Receivables - June 30, 2019	<u>7,094</u>	(7,354)
Governmental funds report City pension and OPEB contributions as expenditures when made. However, in the statement of activities pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions and OPEB, and the investment experience.		
Pension Contributions		2,692,749
Pension Expense		(3,145,711)
Net OPEB Contributions and Expense		40,907
The governmental funds report the issuance of bonds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest costs are recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
Proceeds from Capital Leases	(998,496)	
Repayment of Long-Term Debt	<u>2,854,677</u>	1,856,181
Delinquent property taxes and sales taxes receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, reported as unavailable in the governmental funds.		
Unavailable Revenue - June 30, 2018	68,378	
Unavailable Revenue - June 30, 2019	<u>54,409</u>	(13,969)
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).		
		(34,169)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service fund is reported with governmental activities.		
Net Income of the Internal Service Fund	271,388	
Less: Amount Attributable to the Business-Type Activities	<u>(40,794)</u>	230,594
Change in Net Position of Governmental Activities		<u>\$ 210,204</u>

See accompanying Notes to Basic Financial Statements.

CITY OF DOUGLAS, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-Type Activities			Totals	Governmental Activities Internal Service Fund
	Water	Sewer	Nonmajor Solid Waste		
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 3,340,369	\$ 1,972,660	\$ 825,719	\$ 6,138,748	\$ 450,843
Receivables, Net:					
Accounts Receivable	212,917	180,653	115,023	508,593	23,812
Total Current Assets	<u>3,553,286</u>	<u>2,153,313</u>	<u>940,742</u>	<u>6,647,341</u>	<u>474,655</u>
Noncurrent Assets:					
Advances to Other Funds	911,040	454,278	274,682	1,640,000	-
Restricted Cash and Cash Equivalents	233,852	555,339	-	789,191	-
Capital Assets:					
Non-Depreciable	1,556,157	12,337,996	-	13,894,153	-
Depreciable (Net)	5,533,360	12,099,885	886,133	18,519,378	-
Total Noncurrent Assets	<u>8,234,409</u>	<u>25,447,498</u>	<u>1,160,815</u>	<u>34,842,722</u>	<u>-</u>
Total Assets	<u>11,787,695</u>	<u>27,600,811</u>	<u>2,101,557</u>	<u>41,490,063</u>	<u>474,655</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	111,248	63,441	61,179	235,868	-
LIABILITIES					
Current Liabilities:					
Accounts Payable	104,445	938,345	36,631	1,079,421	2,262
Accrued Wages and Benefits	9,939	1,369	1,402	12,710	-
Insurance Claims Payable	-	-	-	-	145,851
Interest Payable	11,863	42,769	-	54,632	-
Customer Deposits Payable	35,656	31,381	30,118	97,155	-
Compensated Absences	58,984	5,393	23,583	87,960	-
Capital Leases Payable	16,525	4,131	-	20,656	-
Loans Payable	127,602	471,418	-	599,020	-
Total Current Liabilities	<u>365,014</u>	<u>1,494,806</u>	<u>91,734</u>	<u>1,951,554</u>	<u>148,113</u>
Noncurrent Liabilities:					
Compensated Absences Payable	-	26,272	-	26,272	-
Capital Leases Payable	46,290	11,572	-	57,862	-
Loans Payable	1,231,284	5,141,531	-	6,372,815	-
Net Pension Liability	812,213	463,178	446,663	1,722,054	-
Total Noncurrent Liabilities	<u>2,089,787</u>	<u>5,642,553</u>	<u>446,663</u>	<u>8,179,003</u>	<u>-</u>
Total Liabilities	<u>2,454,801</u>	<u>7,137,359</u>	<u>538,397</u>	<u>10,130,557</u>	<u>148,113</u>
DEFERRED INFLOWS OF RESOURCES					
Pension Related	98,663	56,264	54,258	209,185	-
NET POSITION					
Net Investment in Capital Assets	5,667,816	18,809,229	886,133	25,363,178	-
Restricted for:					
Debt Service	99,098	438,890	-	537,988	-
Repair and Replacement	99,098	85,068	-	184,166	-
Unrestricted	<u>3,479,467</u>	<u>1,137,442</u>	<u>683,948</u>	<u>5,300,857</u>	<u>326,542</u>
Total Net Position	<u>\$ 9,345,479</u>	<u>\$ 20,470,629</u>	<u>\$ 1,570,081</u>	<u>31,386,189</u>	<u>\$ 326,542</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				117,408	
Net position of business-type activities				<u>\$ 31,503,597</u>	

See accompanying Notes to Basic Financial Statements.

CITY OF DOUGLAS, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

	Business-Type Activities				Governmental Activities
	Water	Sewer	Nonmajor Solid Waste	Totals	Internal Service Fund
OPERATING REVENUES					
Charges for Services	\$ 1,884,687	\$ 1,879,676	\$ 1,242,867	\$ 5,007,230	\$ 1,216,294
OPERATING EXPENSES					
Cost of Sales and Services	1,393,752	859,537	892,039	3,145,328	-
Insurance Claims, Premiums and Administration	-	-	-	-	950,135
Depreciation	495,186	576,783	227,823	1,299,792	-
Total Operating Expenses	<u>1,888,938</u>	<u>1,436,320</u>	<u>1,119,862</u>	<u>4,445,120</u>	<u>950,135</u>
Operating Income	(4,251)	443,356	123,005	562,110	266,159
NONOPERATING REVENUES (EXPENSE)					
Impact Fees	5,056	24,098	-	29,154	-
Investment Income	38,517	52,909	9,205	100,631	5,229
Interest Expense	(31,369)	(79,721)	-	(111,090)	-
Miscellaneous Nonoperating Revenues	40,830	37,988	583	79,401	-
Total Nonoperating Revenues	<u>53,034</u>	<u>35,274</u>	<u>9,788</u>	<u>98,096</u>	<u>5,229</u>
Income Before Transfers	48,783	478,630	132,793	660,206	271,388
Capital Contributions	750,000	5,318,651	-	6,068,651	-
Transfers Out	<u>(66,058)</u>	<u>(51,199)</u>	<u>(17,688)</u>	<u>(134,945)</u>	<u>-</u>
Change in Net Position	732,725	5,746,082	115,105	6,593,912	271,388
Total Net Position - Beginning of Year	<u>8,612,754</u>	<u>14,724,547</u>	<u>1,454,976</u>		<u>55,154</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 9,345,479</u>	<u>\$ 20,470,629</u>	<u>\$ 1,570,081</u>		<u>\$ 326,542</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				40,794	
Change in net position of business-type activities				<u>\$ 6,634,706</u>	

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Sewer	Nonmajor Solid Waste	Totals	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 1,896,079	\$ 1,945,889	\$ 1,237,151	\$ 5,079,119	\$ 1,192,482
Payments to Suppliers	(703,038)	(168,700)	(616,285)	(1,488,023)	(912,144)
Payments to Employees	(455,863)	(352,321)	(312,492)	(1,120,676)	-
Payment for Contributions to Internal Service	(56,520)	(56,520)	(56,520)	(169,560)	-
Customer Deposits	808	711	683	2,202	-
Other Receipts	40,830	37,988	583	79,401	-
Net Cash Flows Provided (Used) by Operating Financing Activities	722,296	1,407,047	253,120	2,382,463	280,338
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash Received Paid to Other Funds for Interfund Borrowing	(911,040)	(454,278)	(274,682)	(1,640,000)	-
Transfers Out	(66,058)	(51,199)	(17,688)	(134,945)	-
Net Cash Flows Provided (Used) by Noncapital Financing Activities	(977,098)	(505,477)	(292,370)	(1,774,945)	-
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES					
Capital Contributions	750,000	5,318,651	-	6,068,651	-
Impact Fees	5,056	24,098	-	29,154	-
Purchases of Capital Assets	(1,579,515)	(8,560,062)	(304,389)	(10,443,966)	-
Issuance of Long-Term Debt	515,734	2,390,158	-	2,905,892	-
Principal Paid on Capital Debt	(97,138)	(466,168)	-	(563,306)	-
Interest Paid on Capital Debt	(32,514)	(75,733)	-	(108,247)	-
Net Cash Flows Used by Capital and Related Financing Activities	(438,377)	(1,369,056)	(304,389)	(2,111,822)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Income	38,517	52,909	9,205	100,631	5,229
NET CHANGE IN CASH AND CASH EQUIVALENTS					
	(654,662)	(414,577)	(334,434)	(1,403,673)	285,567
Cash and Cash Equivalents - Beginning of Year	4,228,883	2,942,576	1,160,153	8,331,612	165,276
CASH AND CASH EQUIVALENTS - END OF YEAR					
	<u>\$ 3,574,221</u>	<u>\$ 2,527,999</u>	<u>\$ 825,719</u>	<u>\$ 6,927,939</u>	<u>\$ 450,843</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION					
Cash and Cash Equivalents	\$ 3,340,369	\$ 1,972,660	\$ 825,719	\$ 6,138,748	\$ 450,843
Restricted Cash and Cash Equivalents	233,852	555,339	-	789,191	-
Total Cash and Cash Equivalents	<u>\$ 3,574,221</u>	<u>\$ 2,527,999</u>	<u>\$ 825,719</u>	<u>\$ 6,927,939</u>	<u>\$ 450,843</u>

(Continued)

See accompanying Notes to Basic Financial Statements.

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Sewer	Nonmajor Solid Waste	Totals	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (4,251)	\$ 443,356	\$ 123,005	\$ 562,110	\$ 266,159
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	495,186	576,783	227,823	1,299,792	-
Miscellaneous Nonoperating Revenues	40,830	37,988	583	79,401	-
Change in Assets/Liabilities:					
Receivables, Net	11,392	66,213	(5,716)	71,889	(23,812)
Deferred Outflows of Resources	(17,643)	(3,179)	12,562	(8,260)	-
Accounts Payable	50,299	272,664	1,719	324,682	2,262
Accrued Wages and Benefits	1,040	185	47	1,272	-
Insurance Claims Payable	-	-	-	-	35,729
Customer Deposits Payable	808	711	683	2,202	-
Compensated Absences	6,824	(9,426)	505	(2,097)	-
Net Pension Liability	95,866	2,003	(117,667)	(19,798)	-
Deferred Inflows of Resources	41,945	19,749	9,576	71,270	-
Net Cash Flows Provided (Used) by Operating Financing Activities	\$ 722,296	\$ 1,407,047	\$ 253,120	\$ 2,382,463	\$ 280,338

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NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the year ended June 30, 2019, the financial statements include the impact of Governmental Accounting Standards Board Statement (GASBS) Number 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

A. Reporting Entity

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

Blended component units:

Douglas Public Facility Municipal Property Corporation – The Douglas Public Facility Municipal Property Corporation's (DMPC) board of directors consists of six members which are appointed by the Douglas City Council. The DMPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the City in the management of the Douglas Golf Course. The DMPC operates the day-to-day operations of the golf course and receives subsidies from the City to operate. All capital assets and related debt are held by the City. The DMPC provides a service directly to the City by providing management of day-to-day operations. All related receivables and payables between the City and the DMPC have been eliminated. Separate financial statements for the Douglas Public Facility Property Municipal Property Corporation are not prepared.

Douglas Housing Authority – The Douglas Housing Authority (Authority) is a public benefit corporation created by the City to provide subsidized public housing in accordance with federal legislation. The City Council acts as the governing body of the Authority and as such employs executives, authorizes contracts of subsidy with the U.S. Department of Housing and Urban Development pursuant to the latter agency's regulations and statutory authorizations, and causes the corporation to construct, own and operate public housing facilities within the boundaries of the City. The financial liability of the housing agency is essentially supported by the operating and debt service subsidies received under contract from the federal government, although services or cash subsidies may be, and from time to time, are received from the City as well. Separate financial statements for the Douglas Housing Authority are not prepared.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely presented component unit:

Douglas Community Housing Corporation (Rancho La Perilla Apartments) – The Douglas Community Housing Corporation is a nonprofit 501(c)(3) corporation created by the City to eliminate the financial burden on the City to provide financing for the construction and operation of apartments. The City Council appoints members of the Governing Board; they, in turn, elect a chairman. The Governing Board employs executives, authorizes contracts, and causes the corporation to construct and operate an apartment complex of 80 units. The Community Housing Corporation has appointed a management corporation to promote the apartments and manage the daily activities of the apartments. The financial liability of the Corporation is solely dependent upon the rental revenue received from the tenants. Financial statements of the Douglas Community Housing Corporation may be obtained at the offices of the corporation.

Separately issued financial statements for Rancho La Perilla have been prepared in conformity with the Financial Accounting Standards Board (FASB) Accounting Standards Codification and are available from the Essex Corporation.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. The effect of interfund activity has been removed from these statements except for interfund services provided and used, which are not eliminated in the consolidation. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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, 2019

NOTE 2 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

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

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

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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:

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

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

The City also report one nonmajor proprietary fund, the *Solid Waste Fund* which accounts for the costs to operate, construct and finance the City's solid waste operations.

Additionally, the City reports the following fund types:

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges for services. Operating expenses for the proprietary funds include the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, for governmental activities it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable bond covenants.

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

1. Deposits and Investments

The primary government and component unit cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. The City Council-approved investment policy authorizes the City to invest in obligations of the U.S. government which do not exceed three years in maturity and are guaranteed by the U.S. Treasury; Certificates of Deposit or other deposits in FDIC insured banks; obligations of FNMA and FHMA which mature the next business day; repurchase agreements of less than \$5,000 which mature on the next business day; and the Local Government Investment Pools managed by the State Treasurer. Additionally, the trustee of the City's employee retirement plan holds certain City funds in a money market mutual fund.

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. No comparable oversight is provided for the County Treasurer's investment pool and that pool's structure does not provide for shares.

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

2. Accounts and Property Tax Receivables

All trade and property taxes receivables are shown net of an allowance for uncollectible accounts. All revenues of governmental activities were considered collectible and therefore there was no provision. The business-type activities reported an allowance of \$11,053.

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.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Intergovernmental Receivables

Intergovernmental receivables include amounts due from other government agencies and include Highway User Revenue fuel tax (\$129,322), State sales tax (\$53,327), auto lieu (\$34,136), federal and local transit grants (\$172,320), homeland security grant (\$138,928), rehabilitation revolving loans (\$7,354), and other federal and state grants (\$141,782) in the governmental funds and governmental activities column of the government-wide financial statements.

4. Due From Component Unit

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

5. Interfund Receivables and Payables

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

6. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as an expenditure in the governmental funds and as an expense in the governmental activities, business-type activities and proprietary funds when the resources are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaids are expensed when the benefit is received.

7. Restricted Assets

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

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

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Upon implementation of GASB Statement No. 34, all phase I and II governments were required to report infrastructure assets acquired by the government since 1980. The City reports all infrastructure acquired since 1980, as well as pre-1980 infrastructure assets acquired or constructed by the City and report those assets at cost, if available, or the estimated fair value of the asset at the time of acquisition or construction.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

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

9. Deferred Outflows of Resources

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

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for compensated absences are only recorded in the governmental funds to the extent they will be paid with current financial resources for employee resignations or retirement.

11. Pensions and Other Post-Retirement Benefits

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

12. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statements of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Deferred Inflows of Resources

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the City as of June 30, 2019 or within 60 days of fiscal year-end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

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

14. Net Position

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

15. Fund Balance Classifications

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

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

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

15. Fund Balance Classifications (Continued)

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. The committed fund balances are self-imposed limitations approved by the City's Council, through formal resolution. The City Council is the highest level of decision-making authority within the City and the formal commitment must occur prior to fiscal year end. Only the City Council can remove or change the constraints placed on committed fund balances through formal council action. Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council, through formal resolution, has authorized the City Manager to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in other classifications. The general fund is the only fund that reports a positive unassigned fund balance and deficits in fund balances of the other governmental funds are reported as unassigned.

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1, to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management and legal purposes, the City Council adopts a budget by department for the General Fund and in total by other funds. The City Manager, subject to City Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Debt Service and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures. No budget was appropriated for the Golf Course MPC and Public Housing Funds during the fiscal year.

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

No supplementary budgetary appropriations were necessary during the year.

B. Deficit Net Position

At June 30, 2019, the City reported a deficit net position in the governmental activities of \$4,508,035. The deficit was due to recording the net pension and OPEB liability for the City's proportionate share of the Arizona State Retirement System and the Public Safety Retirement Plan. The City does not anticipate recovering the deficit in the near-term; however, the unfunded pension and OPEB liability will be reduced through future contributions to the plans.

The Golf Course MPC nonmajor governmental fund reported a deficit fund balance of \$31,202. The deficit is expected to be recovered through operations and General Fund subsidies.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2019 consist of the following:

Deposits:	
Cash on Hand	\$ 3,800
Cash in Bank	1,268,607
Cash on Deposit with County Attorney	290,934
Unspent Capital Lease Proceeds	516,764
Investments:	
State Treasurer's Investment Pool	12,773,239
Total Cash and Investments	<u>14,853,344</u>
Less Restricted Assets	<u>(1,362,323)</u>
Cash and Investments - Statement of Net Position	<u><u>\$ 13,491,021</u></u>

Deposits

The carrying value of the City's deposits at June 30, 2019 was \$1,268,607 and the bank balance was \$1,801,198. Of the bank balance, \$255,580 was covered by federal depository insurance, \$1,545,618 was uninsured and covered by collateral held by the City's custodial bank in the City's name and cash on deposit with the county attorney was insured by federal depository insurance or was uninsured and collateralized by securities held by the pledging financial institution in the trustee's name.

Investments

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

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

The City's investments at June 30, 2019 consist of the following:

Investment Type	Amount	Maturity in Years	
		Less than 1	1-2
State Treasurer's Investment Pool 5	\$ 12,026,656	\$ 12,026,656	\$ -
State Treasurer's Investment Pool 500	746,583	-	746,583
	<u>\$ 12,773,239</u>	<u>\$ 12,026,656</u>	<u>\$ 746,583</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Concentration of Credit Risk – The City invests in funds authorized by Arizona state law and currently only invests in the State Treasurer Investment Pool.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy limits investments to 1) the State of Arizona Local Government Investment Pool; 2) U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations; 3) obligations of the Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or any federal farm credit bank, federal land bank or federal home loan bank notes or bonds. In addition to limitations imposed by Arizona statute, City funds shall not be invested in reverse repurchase agreements, callable agency securities, or derivative type investments.

Credit Risk –The City’s deposits and investments consist of insured or collateralized deposits and investments in U.S. Government Securities, U.S. Treasury Notes and the State Treasurer’s Investment Pool. The City’s investment in the State Treasurer’s investment pool did not receive a credit quality rating from a national rating agency.

Cash and investments of the component unit’s at June 30, 2019 consist of:

Deposits:	
Cash in Bank	\$ 2,595
Investments:	
Funds Held by Mortgage	398,960
Restricted Assets	<u>(398,960)</u>
Total Cash and Cash Equivalents	<u><u>\$ 2,595</u></u>

The carrying value of the component unit’s deposits at June 30, 2019 was \$2,595 which was entirely covered by federal depository insurance.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Restricted Assets

Restricted assets in the Governmental Activities, Water Fund and the Sewer Fund at June 30, 2019 consisted of the following:

	Governmental Activities	Business-Type Activities		Total
		Water Fund	Sewer Fund	
Loan Debt Service Reserve Requirement	\$ -	\$ 198,196	\$ 523,958	\$ 722,154
Housing Restricted Cash and Investments	56,368	35,656	31,381	123,405
Unspent Capital Lease Proceeds	516,764	-	-	516,764
Total	<u>\$ 573,132</u>	<u>\$ 233,852</u>	<u>\$ 555,339</u>	<u>\$ 1,362,323</u>

Restricted assets of the discretely presented component units at June 30, 2019 consisted of the following:

Funds Held by Mortgage	<u>\$ 398,960</u>
------------------------	-------------------

3. Receivables

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes Receivable: (General Fund)	\$ 54,409	\$ -
Unavailable Grant Revenue: (Nonmajor Governmental Funds)	7,094	-
Unearned Revenue: (General Fund)	-	90,932
(Nonmajor Governmental Funds)	-	38,500
	<u>\$ 61,503</u>	<u>\$ 129,432</u>

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,065,310	\$ -	\$ (22,219)	\$ 1,043,091
Construction in Progress	482,537	1,296,164	(300,833)	1,477,868
Total Capital Assets, Not Being Depreciated	1,547,847	1,296,164	(323,052)	2,520,959
Capital Assets, Being Depreciated:				
Land Improvements	5,454,246	50,000	(12,547)	5,491,699
Streets and Storm Drains	22,039,172	513,015	-	22,552,187
Buildings and Improvements	15,027,666	941,761	-	15,969,427
Machinery and Equipment	13,185,643	630,987	(109,300)	13,707,330
Vehicles	6,241,313	255,858	(66,185)	6,430,986
Total Capital Assets, Being Depreciated	61,948,040	2,391,621	(188,032)	64,151,629
Accumulated Depreciation for:				
Land Improvements	(3,430,549)	(232,465)	6,797	(3,656,217)
Streets and Storm Drains	(13,375,522)	(833,911)	-	(14,209,433)
Buildings and Improvements	(7,805,907)	(554,431)	-	(8,360,338)
Machinery and Equipment	(11,908,014)	(486,355)	109,300	(12,285,069)
Vehicles	(4,928,663)	(519,449)	66,185	(5,381,927)
Total Accumulated Depreciation	(41,448,655)	(2,626,611)	182,282	(43,892,984)
Total Capital Assets, Being Depreciated, Net	20,499,385	(234,990)	(5,750)	20,258,645
Governmental Activities Capital Assets, Net	<u>\$ 22,047,232</u>	<u>\$ 1,061,174</u>	<u>\$ (328,802)</u>	<u>\$ 22,779,604</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 692,596
Public Safety	558,427
Highways and Streets	919,418
Culture and Recreation	456,170
Total Depreciation Expense, Governmental Activities	<u>\$ 2,626,611</u>

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 3,291,853	\$ 10,602,300	\$ -	\$ 13,894,153
Capital Assets, Being Depreciated:				
Buildings and Improvements	7,936,170	-	-	7,936,170
Water System	16,118,082	-	-	16,118,082
Wastewater System	14,854,592	\$30,728	-	14,885,320
Machinery, Equipment, and Vehicles	3,783,650	327,746	-	4,111,396
Total Capital Assets, Being Depreciated	42,692,494	358,474	-	43,050,968
Accumulated Depreciation for:				
Buildings and Improvements	(3,437,760)	(178,602)	-	(3,616,362)
Water System	(10,220,331)	(466,963)	-	(10,687,294)
Wastewater System	(6,957,817)	(340,781)	-	(7,298,598)
Machinery, Equipment, and Vehicles	(2,615,890)	(313,446)	-	(2,929,336)
Total Accumulated Depreciation	(23,231,798)	(1,299,792)	-	(24,531,590)
Total Capital Assets, Being Depreciated, Net	19,460,696	(941,318)	-	18,519,378
Business-Type Activities Capital Assets, Net	<u>\$ 22,752,549</u>	<u>\$ 9,660,982</u>	<u>\$ -</u>	<u>\$ 32,413,531</u>

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities:	
Water	\$ 495,186
Sewer	576,783
Solid Waste	<u>227,823</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 1,299,792</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

Capital asset activity for the business-type discretely presented component units for the year ended June 30, 2019 were as follows:

Business-Type Discretely Presented Component Unit	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 265,000	\$ -	\$ -	\$ 265,000
Capital Assets, Being Depreciated:				
Buildings and Improvements	5,207,564	-	-	5,207,564
Furniture and Equipment	26,278	-	-	26,278
Total Capital Assets, Being Depreciated	5,233,842	-	-	5,233,842
Accumulated Depreciation for:				
Buildings and Improvements	(2,254,849)	(130,186)	-	(2,385,035)
Furniture and Equipment	(22,234)	(758)	-	(22,992)
Total Accumulated Depreciation	(2,277,083)	(130,944)	-	(2,408,027)
Total Capital Assets, Being Depreciated, Net	2,956,759	(130,944)	-	2,825,815
Business-Type Activities Capital Assets, Net	<u>\$ 3,221,759</u>	<u>\$ (130,944)</u>	<u>\$ -</u>	<u>\$ 3,090,815</u>

Depreciation expense was charged to functions/programs as follows:

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

B. Interfund Receivables, Payables and Transfers

As of June 30, 2019, the City had the following long-term interfund loans outstanding.

Advance From	Advance To		Total
	General Fund	Nonmajor Governmental	
General Fund	\$ -	\$ 24,225	\$ 24,225
Water Fund	911,040	-	911,040
Sewer Fund	454,278	-	454,278
Solid Waste Fund	274,682	-	274,682
	<u>\$ 1,640,000</u>	<u>\$ 24,225</u>	<u>\$ 1,664,225</u>

The General Fund loan is the result of the Nonmajor Golf Course MPC Fund requiring a cash flow loan for operating expenses. The repayment of the loan is to be funded through operating activities.

The advances from the Water, Sewer and Sanitation Funds to the General Fund were made to fund the early repayment of the GADA loan.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2019 consisted of the following:

Transfers Out	Transfers In			Total
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 2,958,959	\$ 100,665	\$ 3,059,624
Nonmajor Governmental Funds	25,366	58,851	-	84,217
Water Fund	45,589	20,469	-	66,058
Sewer Fund	46,730	4,469	-	51,199
Solid Waste Fund	15,220	2,468	-	17,688
	<u>\$ 132,905</u>	<u>\$ 3,045,216</u>	<u>\$ 100,665</u>	<u>\$ 3,278,786</u>

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

C. Obligations Under Capital Leases

The City acquired furniture, equipment and vehicles under the provisions of long-term lease agreements classified as capital leases. Accordingly, the principal amount of the assets totaling \$2,943,840 and \$106,637 are capitalized as governmental activities and business-type activities, respectively.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Furniture, Equipment and Vehicles	\$ 2,943,840	\$ 106,637
Less: Accumulated Depreciation	(1,195,590)	(29,286)
Unspent Capital Lease Proceeds	516,764	-
Total	<u>\$ 2,265,014</u>	<u>\$ 77,351</u>

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

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Capital Leases (Continued)

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 331,080	\$ 64,268	\$ 20,656	\$ 3,111
2021	334,480	52,920	21,605	2,162
2022	326,204	41,413	22,598	1,169
2023	281,331	30,089	13,659	206
2024	189,180	20,141	-	-
2025-2028	409,105	37,200	-	-
Total	<u>\$ 1,871,380</u>	<u>\$ 246,031</u>	<u>\$ 78,518</u>	<u>\$ 6,648</u>

D. Lease Revenue

During fiscal year 2009, the City established a lease agreement for the City's new call center. Revenue related to this lease totaled \$646,154 during the current fiscal year. Future minimum lease payments related to the call center lease are as follows:

Year Ending June 30,	Amount
2020	\$ 600,852
2021	600,852
2022	600,852
2023	600,852
2024	300,426
	<u>\$ 2,703,834</u>

The City leases land to various third parties. Annual rental revenues from the lease agreements are recognized in the General Fund. Payments on the leases totaled \$40,431. The future minimum lease payments required under the leases at June 30, 2019 are as follows:

Year Ending June 30,	Amount
2020	\$ 6,120
2021	6,120
2022	6,120
2023	6,120
2024	6,120
Thereafter	48,600
	<u>\$ 79,200</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations

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

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

Description	Maturity	Interest Rate (%)	Outstanding at June 30, 2019
Governmental Activities			
Call Center Purchase Agreement; collateralized by the building and equipment acquired with the debt; original issue \$9,000,000	7/31/19-28	4.29-5.63%	<u>\$ 3,375,000</u>
Business-Type Activities			
Water Infrastructure Finance Authority of Arizona Issued 2009-2010; Authorized Loan \$9,000,000	7/1/19-29	2.00%	\$ 2,677,286
Water Infrastructure Finance Authority of Arizona Issued 2015-2016; Authorized Loan \$900,000	7/1/19-34	2.00%	753,546
Water Infrastructure Finance Authority of Arizona Issued 2009-2010; Authorized Loan \$1,500,000	7/1/19-27	2.814%	843,177
Water Infrastructure Finance Authority of Arizona Issued 2018-2019; Authorized Loan \$750,000	7/1/19-33	1.808%	515,734
Water Infrastructure Finance Authority of Arizona Issued 2016-2017; Authorized Loan \$5,000,000	7/1/19-37	1.890%	<u>2,182,092</u>
Total Business-Type Loans Payable			<u>\$ 6,971,835</u>

The City has pledged future state shared revenue and City excise taxes, transaction privilege tax and other miscellaneous revenues to repay \$3.0 million in GADA loans, Series 2008A. Proceeds of the loan provided financing for the Regional Service Center project, including the purchase and renovation of buildings, land purchase, and upgrades and renovations to the existing City Hall. The City used available cash from the Water, Sewer and Solid Waste Funds to early retire the outstanding principal payable due on the GADA loan. Cash was advanced from the Water, Sewer, and Solid Waste Funds to the General Fund to retire the debt.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

In 2009, the City issued two loans totaling \$9,000,000 for the acquisition and construction of a call center. The IT loan for \$2,400,000 is payable from a 0.3% City sales tax, and the building loan for \$6,600,000 is payable from lease revenues received on the lease agreement with a third-party. The IT Loan was paid in full on June 30, 2013. The lease of the call center is a direct borrowing 15-year lease with annual payments of \$600,852 plus property expenses. The lease revenues are to be used for payment of the debt, then for maintenance and operations costs. Annual principal and interest payments on the loans are expected to exceed revenue by 21%. The call center lease agreement expires fiscal year 2024; however, the City anticipates extending the lease agreement to cover the loan obligation period. The total principal and interest remaining to be paid on the loan is \$4,537,056. Principal and interest paid for the current year was \$589,057 and the City sales tax and lease revenues were \$7,722,556 and \$646,154, respectively.

The City has five loans through the Water Infrastructure Financing Authority of Arizona (WIFA). In June 2017, the City acquired a \$3,000,000 loan from WIFA for the expansion and rehabilitation of its wastewater treatment plant. The loans are structured where the City draws on the loans as funds are needed. To-date, the City has drawn down \$2.6 million, \$1.5 million, \$5.4 million, \$900,000 and \$516,000 from the total authorized loan of \$5.0 million, \$1.5 million, \$9.0 million, \$900,000 and \$750,000, respectively, for the acquisition and construction of water and sewer facilities and improvements. The loans are payable from water and sewer charges for services through the fiscal year 2034.

The City draws the loan as funds are utilized and pays interest on the outstanding principal balance. Annual principal and interest payments on the loans are expected to require approximately 65-75% of net available revenue. The total principal and interest remaining to be paid on the loans are \$7,974,575. Principal and interest paid for the current year and total pledged revenues were \$646,199 and \$638,503, respectively.

The City's component units have outstanding mortgage notes payables collateralized by an insured mortgage on the projects land and buildings. The notes are being repaid through federal subsidies and tenant rents. The 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, 2019

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2019 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
Direct Borrowing					
Loans Payable	\$ 5,590,000	\$ -	\$ (2,215,000)	\$ 3,375,000	\$ 375,000
Other Liabilities:					
Capital Leases	1,512,561	998,496	(639,677)	1,871,380	331,080
Compensated Absences	1,355,359	691,531	(657,362)	1,389,528	648,783
Total Governmental Activities	<u>\$ 8,977,920</u>	<u>\$ 1,690,027</u>	<u>\$ (3,512,039)</u>	<u>\$ 6,635,908</u>	<u>\$ 1,354,863</u>
Business-Type Activities:					
Loans Payable	\$ 4,609,499	\$ 2,905,892	\$ (543,556)	\$ 6,971,835	\$599,020
Other Liabilities:					
Capital Lease	98,268	-	(19,750)	78,518	20,656
Compensated Absences	116,329	89,751	(91,848)	114,232	87,960
Total Business-Type Activities	<u>\$ 4,824,096</u>	<u>\$ 2,995,643</u>	<u>\$ (655,154)</u>	<u>\$ 7,164,585</u>	<u>\$ 707,636</u>
Business-Type Component Units:					
Notes Payable	<u>\$ 4,809,627</u>	<u>\$ -</u>	<u>\$ (57,446)</u>	<u>\$ 4,752,181</u>	<u>\$ 62,794</u>

Debt service requirements on long-term debt at June 30, 2019 are as follows:

Years	Primary Government				Component Units
	Governmental Activities		Business-Type Activities		Business-type Activities
	Principal	Interest	Principal	Interest	Principal
2020	\$ 375,000	\$ 211,125	\$ 599,020	\$ 153,219	\$ 62,794
2021	375,000	190,533	611,553	142,395	693,085
2022	375,000	168,900	624,355	129,319	68,083
2023	375,000	147,788	637,432	115,962	70,892
2024	375,000	126,675	650,789	102,318	73,817
2025-2029	1,500,000	317,035	3,357,209	305,263	-
2030-2034	-	-	491,477	54,264	-
2035	-	-	-	-	3,783,510
Totals	<u>\$ 3,375,000</u>	<u>\$ 1,162,056</u>	<u>\$ 6,971,835</u>	<u>\$ 1,002,740</u>	<u>\$ 4,752,181</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Fund Balance Classifications of Governmental Funds

The City has classified its fund balances as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:			
Nonspendable:			
Inventory	\$ 46,773	\$ -	\$ 46,773
Prepaid Items	6,973	-	6,973
Due from Component Unit	801,502	-	801,502
Advance to Other Funds	24,225	-	24,225
Total Nonspendable	<u>879,473</u>	<u>-</u>	<u>879,473</u>
Restricted:			
Capital Projects	-	-	-
Firefighters Injured in Line of Duty	142,887	-	142,887
Transit - Making the Connection Program	20,000	-	20,000
Federal and State Grant Programs	-	390,186	390,186
Court Administration	-	-	-
Law Enforcement Operations	-	202,641	202,641
Local Transportation	-	205,949	205,949
Highways and Streets by A.R.S. 28-6533	-	1,050,610	1,050,610
Housing and Redevelopment	-	290,177	290,177
Total Restricted	<u>162,887</u>	<u>2,139,563</u>	<u>2,302,450</u>
Committed:			
Capital Projects	-	153,896	153,896
Unassigned:	4,586,753	(31,202)	4,555,551
Total Fund Balances	<u>\$ 5,629,113</u>	<u>\$ 2,262,257</u>	<u>\$ 7,891,370</u>

NOTE 4 OTHER INFORMATION

A. Risk Management

The City of Douglas, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's insurance protection is provided by a private carrier (State National Insurance Company), of which the City is a participating member. The limit for basic coverage is for \$1,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$5,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The City is also insured by State Compensation Fund for workers compensation for potential worker related accidents.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

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

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

The liability claims amount recorded in the accompanying financial statements is based on reported pending claims, effects of inflation, recent claim settlement trends and other economic and social trends. At June 30, 2019, the self-insured benefit claims payable reported within the internal service fund, including amounts incurred, but not yet reported totaled \$145,851.

As of June 30, 2019 and 2018, unpaid claims were as follows:

	2019	2018
Beginning unpaid claims	\$ 110,122	\$ 238,590
Claims incurred and changes in estimates	626,136	904,330
Payments made	(590,407)	(1,032,798)
Ending unpaid claims	\$ 145,851	\$ 110,122

B. Contingent Liabilities

Lawsuits

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

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans

Cost-Sharing and Agent Multiple Employer Pension Plans

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

At June 30, 2019, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension/OPEB Assets	\$ (294,119)	\$ -	\$ (294,119)
Net Pension/OPEB Liabilities	33,165,084	1,722,054	34,887,138
Deferred Outflows of Resources	5,819,334	235,868	6,055,202
Deferred Inflows of Resources	1,762,107	209,185	1,971,292
Pension/OPEB Expense	3,138,227	172,933	3,311,160

The City reported accrued payroll and employee benefits of \$26,006 for outstanding pension and OPEB contribution amounts payable at year end that are included in the \$3,113,978 of pension/OPEB expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System

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

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

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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

* With Actuarially Reduced Benefits

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Contributions – In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.80 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members’ annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.80 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members’ annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City’s contributions to the pension, health insurance premium benefit (HBS), and long-term disability (LTD) plans for the year ended June 30, 2019, were \$476,805, \$19,617, and \$6,825, respectively.

During the fiscal year ended June 30, 2019, the City paid for ASRS pension contributions as follows: 53% from the General Fund, 19% from nonmajor governmental funds, 13% from the Water Fund, 8% from the Sewer Fund and 7% from the Solid Waste Fund.

Pension Liability – At June 30, 2019, the City reported reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	Net Pension/OPEB (Asset)/Liability
Pension	\$ 6,214,551
Health insurance premium benefit	(15,920)
Long-term disability	23,283

The net asset and net liabilities were measured as of June 30, 2018. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The City's proportions measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	Proporiton June 30, 2018	Increase/(Decrease) from June 30, 2017
Pension	0.04456%	(0.00004)
Health insurance premium benefit	0.04421%	(0.00023)
Long-term disability	0.04456%	0.00015

Expense – For the year ended June 30, 2019, the City recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	\$ 2,609
Health insurance premium benefit	15,828
Long-term disability	8,422

Deferred Outflows/Inflows of Resources –At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pensions	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 171,206	\$ 34,260
Changes of assumptions or other inputs	164,448	551,005
Net difference between projected and actual earnings on pension plan investments	-	149,445
Changes in proportion and differences between City contributions and proportionate share of contributions	38,744	20,198
City's contributions subsequent to the measurement date	476,805	-
Total	<u>\$ 851,203</u>	<u>\$ 754,908</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

	HBS - OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 14,693
Changes of assumptions or other inputs	30,701	-
Net difference between projected and actual earnings on pension plan investments	-	31,802
Changes in proportion and differences between City contributions and proportionate share of contributions	-	55
City's contributions subsequent to the measurement date	19,617	-
Total	<u>\$ 50,318</u>	<u>\$ 46,550</u>

	LTD - OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 595	\$ 2,255
Changes of assumptions or other inputs	5,043	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	42	-
City's contributions subsequent to the measurement date	6,825	-
Total	<u>\$ 12,505</u>	<u>\$ 2,255</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

<u>Year Ending June 30,</u>	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2020	\$ 63,657	\$ (6,180)	\$ 75
2021	(150,450)	(6,179)	74
2022	(226,697)	(6,179)	74
2023	(67,020)	602	678
2024	-	2,087	789
Thereafter	-	-	1,735

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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

Actuarial Roll Forward Date	June 30, 2018
Actuarial Cost Method	Entry age normal
Discount Rate	7.5%
Projected Salary Increases	2.7 - 7.2% for pensions Not applicable for OPEB
Inflation	2.3%
Permanent Benefit Increase	Included pension / N/A for OPEB
Mortality Rates	2017 SRA Scale U-MP for pension

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

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>
Equity		50%	5.50%
Fixed Income		30%	3.83%
Real estate		20%	5.85%
Total		<u>100%</u>	

Discount Rate – At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Sensitivity of the City’s Proportionate Share of the ASRS Net Pension/OPEB Liability to Changes in the Discount Rate – The following table presents the City’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City’s proportionate share of the			
Net Pension Liability	\$ 8,858,987	\$ 6,214,551	\$ 4,005,169
Net HBS Liability/(Asset)	56,407	(15,920)	(44,527)
Net LTD Liability/(Asset)	26,386	23,283	20,672

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

Public Safety Personnel Retirement System (PSPRS)

Plan Descriptions— City police employees and City firefighters who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A 9-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City’s financial statements.

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

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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

PSPRS	<u>Initial Membership Date</u>	
	<u>Before January 1, 2012</u>	<u>On or After January 1, 2012 and before July 1, 2017</u>
<u>Retirement and Disability</u> Years of Service and Age Required to Receive Benefit	20 Years of Service any Age 15 Years Age 62	25 Years of Service or 15 Years of Credited Services, Age 52.5
Final Average Salary is Based on	Highest 36 Consecutive Months of Last 20 Years	Highest 60 Consecutive Months of Last 20 Years
Benefit Percentage Normal Retirement	50% Less 2.0% for Each Year of Credited Service Less Than 20 Years OR Plus 2.0% to 2.5% for Each Year of Credited Service Over 20 Years, Not to Exceed 80%	1.5% to 2.5% Per Year of Credited Service, Not to Exceed 80%
Accidental Disability Retirement	50% or Normal Retirement, Whichever is Greater	
Catastrophic Disability Retirement	90% for the First 60 Months then Reduced to Either 62.5% or Normal Retirement, Whichever is Greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor Benefit</u> Retired Members	80-100% of Retired Member's Pension Benefit	
Active Members	80-100% of Accidental Disability Retirement Benefit or 100% of Average Monthly Compensation if Death was the Result of Injuries Received on the Job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police		PSPRS Fire	
	Pension	Health	Pension	Health
Inactive Employees or Beneficiaries				
Currently Receiving Benefits	33	33	21	21
Inactive Employees Entitled to but				
Not Yet Receiving Benefits	7	3	9	3
Active Employees	28	28	22	22
Total	<u>68</u>	<u>64</u>	<u>52</u>	<u>46</u>

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police		PSPRS Fire	
	Pension	Health	Pension	Health
Active Members - Pension	7.65% - 9.94%	N/A	7.65% - 9.94%	N/A
City				
PSPRS Tier 1/2	63.64%	0.34%	68.11%	0.00%
PSPRS Tier 3	61.54%	0.26%	63.96%	0.26%

The City's contributions to the plans for the year ended June 30, 2019, were:

	PSPRS Police		PSPRS Fire	
	Pension	Health	Pension	Health
Pension				
Contributions Made	\$ 1,180,786	\$ 6,249	\$ 1,167,280	733

During the fiscal year 2019, the City paid for PSPRS pension and OPEB contributions 100 percent from the General Fund.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Pension Liability – At June 30, 2019, the City reported the following assets and liabilities:

	Net Pension Liability	Net OPEB (Asset)
PSPRS Police	\$ 16,763,240	\$ (111,740)
PSPRS Firefighters	11,886,064	(166,459)

The net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total CORP pension liabilities as of June 30, 2018, reflect statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.

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

Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.40%
Wage Inflation	3.5% for pensions; N/A for OPEB
Price Inflation	2.5% for pensions; N/A for OPEB
Cost of Living Adjustment	Included for pension; N/A for OPEB
Mortality Rates	RP-2014 tables using MP 2016 improvement scale with adjustments to match current experience
Healthcare Cost Trend Rate	Not Applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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

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

Pension Discount Rates – At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Changes in the Net Pension/OPEB (Asset)/Liability – The following tables present changes in the City’s net pension/OPEB (Asset)/liability.

PSPRS - Police	Pension		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance - June 30, 2018	\$ 23,639,781	\$ 7,346,265	\$ 16,293,516
Changes for the Year:			
Service Cost	351,906	-	351,906
Interest on the Total Pension Liability	1,710,405	-	1,710,405
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	23,777	-	23,777
Changes of Assumptions or Other Inputs	-	-	-
Contributions - Employer	-	1,291,506	(1,291,506)
Contributions - Employee	-	208,160	(208,160)
Net Investment Income	-	499,040	(499,040)
Benefit Payments, Including Refunds of Employee Contributions	(1,404,304)	(1,404,304)	-
Administrative Expenses	-	(8,295)	8,295
Other Changes	-	(374,047)	374,047
Net Changes	681,784	212,060	469,724
Balance - June 30, 2019	\$ 24,321,565	\$ 7,558,325	\$ 16,763,240

PSPRS - Police	OPEB		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance - June 30, 2018	\$ 527,936	\$ 565,137	\$ (37,201)
Changes for the Year:			
Service Cost	6,077	-	6,077
Interest on the Total Pension Liability	38,285	-	38,285
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(78,964)	-	(78,964)
Changes of Assumptions or Other Inputs	-	-	-
Contributions - Employer	-	1,883	(1,883)
Contributions - Employee	-	-	-
Net Investment Income	-	38,643	(38,643)
Benefit Payments, Including Refunds of Employee Contributions	(27,231)	(27,231)	-
Administrative Expenses	-	(588)	588
Other Changes	-	(1)	1
Net Changes	(61,833)	12,706	(74,539)
Balance - June 30, 2019	\$ 466,103	\$ 577,843	\$ (111,740)

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

PSPRS - Firefighters	Pension		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2018	\$ 16,897,500	\$ 4,844,878	\$ 12,052,622
Changes for the Year:			
Service Cost	327,237	-	327,237
Interest on the Total Pension Liability	1,230,876	-	1,230,876
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(381,235)	-	(381,235)
Changes of Assumptions or Other Inputs	-	-	-
Contributions - Employer	-	1,062,651	(1,062,651)
Contributions - Employee	-	173,036	(173,036)
Net Investment Income	-	334,620	(334,620)
Benefit Payments, Including Refunds of Employee Contributions	(855,310)	(855,310)	-
Administrative Expenses	-	(5,793)	5,793
Other Changes	-	(221,078)	221,078
Net Changes	321,568	488,126	(166,558)
Balances as of June 30, 2019	<u>\$ 17,219,068</u>	<u>\$ 5,333,004</u>	<u>\$ 11,886,064</u>

PSPRS - Firefighters	OPEB		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2018	\$ 284,083	\$ 438,453	\$ (154,370)
Changes for the Year:			
Service Cost	4,516	-	4,516
Interest on the Total Pension Liability	20,792	-	20,792
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(7,997)	-	(7,997)
Changes of Assumptions or Other Inputs	-	-	-
Contributions - Employer	-	(415)	415
Contributions - Employee	-	-	-
Net Investment Income	-	30,276	(30,276)
Benefit Payments, Including Refunds of Employee Contributions	(10,746)	(10,746)	-
Administrative Expenses	-	(461)	461
Other Changes	-	-	-
Net Changes	6,565	18,654	(12,089)
Balances as of June 30, 2019	<u>\$ 290,648</u>	<u>\$ 457,107</u>	<u>\$ (166,459)</u>

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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

The following table presents the City's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4 percent, as well as what the City's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate:

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PSPRS Police			
Net Pension Liability (Asset)	\$ 19,951,483	\$ 16,763,240	\$ 14,161,635
Net OPEB Liability (Asset)	(57,119)	(111,740)	(157,234)
PSPRS Firefighters			
Net Pension Liability (Asset)	\$ 14,063,336	\$ 11,886,064	\$ 10,105,391
Net OPB Liability (Asset)	(129,582)	(166,459)	(196,853)

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

Pension Expense – For the year ended June 30, 2019, the County recognized the following pension and OPEB expense.

	Pension Expense	OPEB Expense
PSPRS Police	\$ 2,004,853	\$ (25,116)
PSPRS Firefighters	1,311,181	(6,617)

Pension Deferred Outflows/Inflows of Resources – At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 577,381	\$ 250,343
Changes of assumptions or other inputs	635,182	-
Net difference between projected and actual earnings on pension plan investments	103,960	-
City contributions subsequent to the measurement date	1,180,786	-
Total	\$ 2,497,309	\$ 250,343

CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Pension Deferred Outflows/Inflows of Resources (Continued)

PSPRS - Police

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 72,033
Changes of assumptions or other inputs	-	6,159
Net difference between projected and actual earnings on pension plan investments	-	11,670
City contributions subsequent to the measurement date	6,249	-
Total	\$ 6,249	\$ 89,862

PSPRS - Firefighters

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,356	\$ 799,333
Changes of assumptions or other inputs	1,397,629	-
Net difference between projected and actual earnings on pension plan investments	60,233	-
City contributions subsequent to the measurement date	1,167,280	-
Total	\$ 2,635,498	\$ 799,333

PSPRS - Firefighters

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 19,171
Changes of assumptions or other inputs	1,387	-
Net difference between projected and actual earnings on pension plan investments	-	8,870
City contributions subsequent to the measurement date	733	-
Total	\$ 2,120	\$ 28,041

**CITY OF DOUGLAS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The amounts reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>PSPRS Police</u>		<u>PSPRS Fire</u>	
	<u>Pension</u>	<u>Health</u>	<u>Pension</u>	<u>Health</u>
2020	\$ 543,167	\$ (29,207)	\$ 324,252	\$ (6,320)
2021	526,346	(29,207)	291,577	(6,320)
2022	(10,247)	(24,941)	(28,074)	(6,322)
2023	6,914	(6,507)	18,853	(2,900)
2024	-	-	60,024	(3,248)
Thereafter	-	-	2,253	(1,544)

D. Subsequent Events

Subsequent to June 30, 2019, the City entered into a five year, \$575,329 lease purchase agreement for the acquisition of radio equipment for the police department. The lease requires annual payments of \$115,066 through January 1, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
NET PENSION/OPEB (ASSET)/LIABILITY
COST SHARING PENSION PLANS
TEN FISCAL YEARS**

ASRS - Pension Plan

	Reporting Year (Measurement Date) June 30,		
	2019 (2018)	2018 (2017)	2017 (2016)
City's Proportion of the Net Pension Liability	0.044560%	0.044600%	0.043960%
City's Proportionate Share of the Net Pension Liability	\$ 6,214,551	\$ 6,947,811	\$ 7,095,586
City's Covered Payroll	\$ 4,486,032	\$ 4,539,864	\$ 4,074,323
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	138.53%	153.04%	174.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.40%	69.92%	67.06%

ASRS - Health Insurance Premium Benefit

	Reporting Year (Measurement Date) June 30,		
	2019 (2018)	2018 (2017)	2017 (2016)
City's Proportion of the Net Pension Liability	0.044210%	0.044440%	N/A
City's Proportionate Share of the Net Pension Liability	\$ (15,920)	\$ (24,193)	\$ 12,850
City's Covered Payroll	\$ 4,486,032	\$ 4,539,864	\$ 4,074,323
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	-0.35%	-0.53%	0.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.20%	69.92%	N/A

ASRS - Long-Term Disability

	Reporting Year (Measurement Date) June 30,		
	2019 (2018)	2018 (2017)	2017 (2016)
City's Proportion of the Net Pension Liability	0.044560%	0.044410%	N/A
City's Proportionate Share of the Net Pension Liability	\$ 23,283	\$ 16,098	\$ 15,959
City's Covered Payroll	\$ 4,486,032	\$ 4,539,864	\$ 4,074,323
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.52%	0.35%	0.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.83%	84.44%	N/A

See accompanying Notes to Pension Schedules.

Reporting Year
(Measurement Date) June 30,

<u>2016</u> <u>(2015)</u>	<u>2015</u> <u>(2014)</u>
0.045470%	0.000494
\$ 7,082,217	\$ 7,309,573
\$ 4,108,769	\$ 4,015,976
172.37%	182.01%
68.35%	69.49%

CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION/OPEB (ASSET)/LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS
LAST TEN FISCAL YEARS

PSPRS Police - Pension

	Reporting Year (Measurement Date) June 30,		
	2019 (2018)	2018 (2017)	2017 (2016)
Total Pension Liability			
Service Cost	\$ 351,906	\$ 503,156	\$ 348,598
Interest on the Total Pension Liability	1,710,405	1,518,655	1,555,542
Changes of Benefit Terms	-	343,604	(35,698)
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	23,777	1,102,554	(895,420)
Changes of Assumptions or Other Inputs	-	838,776	776,728
Benefit Payments, Including Refunds of Employee Contributions	(1,404,304)	(1,328,230)	(1,460,025)
Net Change in Total Pension Liability	681,784	2,978,515	289,725
Total Pension Liability - Beginning	23,639,781	20,661,266	20,371,541
Total Pension Liability - Ending (a)	24,321,565	23,639,781	20,661,266
Plan Fiduciary Net Position			
Contributions - Employer	1,291,506	1,313,766	1,078,409
Contributions - Employee	208,160	237,017	263,157
Net Investment Income	499,040	740,758	36,786
Benefit Payments, Including Refunds of Employee Contributions	(1,404,304)	(1,328,230)	(1,460,025)
Administrative Expenses	(8,295)	(6,954)	(5,693)
Other Changes	(374,047)	171,793	38
Net Change in Plan Fiduciary Net Position	212,060	1,128,150	(87,328)
Plan Fiduciary Net Position - Beginning	7,346,265	6,218,115	6,305,443
Plan Fiduciary Net Position - Ending (b)	7,558,325	7,346,265	6,218,115
City's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 16,763,240</u>	<u>\$ 16,293,516</u>	<u>\$ 14,443,151</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.08%	31.08%	30.10%
Covered Payroll	\$ 1,787,233	\$ 2,218,501	\$ 1,824,164
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	937.94%	734.44%	791.77%

See accompanying Notes to Pension Schedules.

Reporting Year
(Measurement Date) June 30,

2016 (2015)	2015 (2014)
\$ 350,912	\$ 397,560
1,536,369	1,299,915
-	572,866
(298,004)	(586,401)
-	2,630,528
(1,227,722)	(1,330,257)
361,555	2,984,211
20,009,986	17,025,775
20,371,541	20,009,986
730,718	731,085
211,626	201,922
233,285	814,052
(1,227,722)	(1,330,257)
(6,060)	(6,556)
(53,348)	-
(111,501)	410,246
6,416,944	6,006,698
6,305,443	6,416,944
\$14,066,098	\$13,593,042
30.95%	32.07%
\$ 1,799,959	\$ 1,865,210
781.46%	728.77%

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CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION/OPEB (ASSET)/LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS
LAST TEN YEARS

PSPRS Police - OPEB

	Reporting Year	
	(Measurement Date) June 30,	
	2019	2018
	(2018)	(2017)
Total Pension Liability		
Service Cost	\$ 6,077	\$ 9,096
Interest on the Total Pension Liability	38,285	39,621
Changes of Benefit Terms	-	1,263
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(78,964)	(20,280)
Changes of Assumptions or Other Inputs	-	(11,281)
Benefit Payments, Including Refunds of Employee Contributions	(27,231)	(28,426)
Net Change in Total Pension Liability	(61,833)	(10,007)
Total Pension Liability - Beginning	527,936	537,943
Total Pension Liability - Ending (a)	466,103	527,936
Plan Fiduciary Net Position		
Contributions - Employer	1,883	-
Contributions - Employee	-	-
Net Investment Income	38,643	61,283
Benefit Payments, Including Refunds of Employee Contributions	(27,231)	(28,426)
Administrative Expenses	(588)	(543)
Other Changes	(1)	-
Net Change in Plan Fiduciary Net Position	12,706	32,314
Plan Fiduciary Net Position - Beginning	565,137	532,823
Plan Fiduciary Net Position - Ending (b)	577,843	565,137
City's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ (111,740)</u>	<u>\$ (37,201)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	123.97%	107.05%
Covered Payroll	\$ 1,787,233	\$ 2,218,501
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	-6.25%	-1.68%

See accompanying Notes to Pension Schedules.

CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION/OPEB (ASSET)/LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS
LAST TEN YEARS

PSPRS Fire - Pension

	Reporting Year (Measurement Date) June 30,		
	2019 (2018)	2018 (2017)	2017 (2016)
Total Pension Liability			
Service Cost	\$ 327,237	\$ 383,056	\$ 300,094
Interest on the Total Pension Liability	1,230,876	1,130,984	1,140,961
Changes of Benefit Terms	-	264,068	(16,539)
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(381,235)	(142,300)	(610,416)
Changes of Assumptions or Other Inputs	-	776,695	560,384
Benefit Payments, Including Refunds of Employee Contributions	(855,310)	(806,531)	(934,899)
Net Change in Total Pension Liability	<u>321,568</u>	<u>1,605,972</u>	<u>439,585</u>
Total Pension Liability - Beginning	<u>16,897,500</u>	<u>15,291,528</u>	<u>14,851,943</u>
Total Pension Liability - Ending (a)	<u>17,219,068</u>	<u>16,897,500</u>	<u>15,291,528</u>
Plan Fiduciary Net Position			
Contributions - Employer	1,062,651	1,086,339	996,227
Contributions - Employee	173,036	179,196	184,516
Net Investment Income	334,620	482,843	21,858
Benefit Payments, Including Refunds of Employee Contributions	(855,310)	(806,531)	(934,899)
Administrative Expenses	(5,793)	(4,672)	(3,545)
Other Changes	(221,078)	45	(24,570)
Net Change in Plan Fiduciary Net Position	<u>488,126</u>	<u>937,220</u>	<u>239,587</u>
Plan Fiduciary Net Position - Beginning	<u>4,844,878</u>	<u>3,907,658</u>	<u>3,668,071</u>
Plan Fiduciary Net Position - Ending (b)	<u>5,333,004</u>	<u>4,844,878</u>	<u>3,907,658</u>
City's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 11,886,064</u>	<u>\$ 12,052,622</u>	<u>\$ 11,383,870</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	30.97%	28.67%	25.55%
Covered Payroll	\$ 1,505,231	\$ 1,580,918	\$ 1,517,157
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	789.65%	762.38%	750.34%

See accompanying Notes to Pension Schedules.

Reporting Year
(Measurement Date) June 30,

2016 (2015)	2015 (2014)
\$ 258,460	\$ 288,434
1,111,551	909,525
-	444,603
(86,876)	36,351
-	1,830,655
<u>(923,685)</u>	<u>(918,315)</u>
359,450	2,591,253
14,492,493	11,901,240
<u>14,851,943</u>	<u>14,492,493</u>

570,035	613,837
151,481	146,888
133,862	473,107
(923,685)	(918,315)
(3,626)	(3,810)
<u>(2,812)</u>	<u>22,909</u>
(74,745)	334,616
3,742,816	3,408,200
<u>3,668,071</u>	<u>3,742,816</u>

<u>\$11,183,872</u>	<u>\$10,749,677</u>
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24.70%	25.83%
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\$ 1,263,573	\$ 1,273,232
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885.10%	844.28%
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CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION/OPEB (ASSET)/LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS
LAST TEN YEARS

PSPRS Fire - OPEB

	Reporting Year (Measurement Date) June 30,	
	2019 (2018)	2018 (2017)
Total Pension Liability		
Service Cost	\$ 4,516	\$ 5,217
Interest on the Total Pension Liability	20,792	21,133
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(7,997)	(16,822)
Changes of Assumptions or Other Inputs	-	1,867
Benefit Payments, Including Refunds of Employee Contributor	<u>(10,746)</u>	<u>(12,963)</u>
Net Change in Total Pension Liability	6,565	(1,568)
Total Pension Liability - Beginning	<u>284,083</u>	<u>285,651</u>
Total Pension Liability - Ending (a)	290,648	284,083
Plan Fiduciary Net Position		
Contributions - Employer	(415)	-
Contributions - Employee	-	-
Net Investment Income	30,276	46,965
Benefit Payments, Including Refunds of Employee Contributor	(10,746)	(12,963)
Administrative Expenses	(461)	(415)
Other Changes	-	-
Net Change in Plan Fiduciary Net Position	<u>18,654</u>	<u>33,587</u>
Plan Fiduciary Net Position - Beginning	<u>438,453</u>	<u>404,866</u>
Plan Fiduciary Net Position - Ending (b)	<u>457,107</u>	<u>438,453</u>
City's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ (166,459)</u>	<u>\$ (154,370)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	157.27%	154.34%
Covered Payroll	\$ 1,505,231	\$ 1,580,918
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	-11.06%	-9.76%

See accompanying Notes to Pension Schedules.

**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CITY PENSION/OPEB CONTRIBUTIONS
LAST TEN YEARS**

ASRS Pension

	Reporting Fiscal Year June 30,		
	2019	2018	2017
Statutorily Required Contribution	\$ 476,805	\$ 485,199	\$ 469,070
City's Contribution in Relation to the Statutorily Required Contribution	476,805	485,199	469,070
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 4,320,109	\$ 4,486,032	\$ 4,539,864
City's Contributions as a Percentage of Covered Payroll	11.04%	10.82%	10.33%

ASRS Health Insurance Premium Benefit

	Reporting Fiscal Year June 30,		
	2019	2018	2017
Statutorily Required Contribution	\$ 19,617	\$ 18,976	\$ 23,923
City's Contribution in Relation to the Statutorily Required Contribution	19,617	18,976	23,923
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 4,320,109	\$ 4,486,032	\$ 4,539,864
City's Contributions as a Percentage of Covered Payroll	0.45%	0.42%	0.53%

ASRS Long-Term Disability

	Reporting Fiscal Year June 30,		
	2019	2018	2017
Statutorily Required Contribution	\$ 6,825	\$ 7,071	\$ 6,040
City's Contribution in Relation to the Statutorily Required Contribution	6,825	7,071	6,040
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 4,320,109	\$ 4,486,032	\$ 4,539,864
City's Contributions as a Percentage of Covered Payroll	0.16%	0.16%	0.13%

See accompanying Notes to Pension Schedules.

Reporting Fiscal Year June 30,

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 449,208	\$ 449,025	\$ 476,481
<u>449,208</u>	<u>449,025</u>	<u>476,481</u>
\$ -	\$ -	\$ -
<u>\$ 4,074,323</u>	<u>\$ 4,108,769</u>	<u>\$ 4,015,976</u>
11.03%	10.93%	11.86%

**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CITY PENSION/OPEB CONTRIBUTIONS
LAST TEN YEARS**

PSPRS Police Pension

	Reporting Fiscal Year June 30,		
	2019	2018	2017
Actuarially Determined Contribution	\$ 1,180,786	\$ 1,290,550	\$ 1,313,766
City's Contribution in Relation to the Actuarially Determined Contribution	1,180,786	1,069,973	1,313,766
City's Contribution Deficiency (Excess)*	\$ -	\$ 220,577	\$ -
City's Covered Payroll	\$ 2,315,834	\$ 1,787,233	\$ 2,218,501
City's Contributions as a Percentage of Covered Payroll	50.99%	59.87%	59.22%

PSPRS Police OPEB

	Reporting Fiscal Year June 30,		
	2019	2018	2017
Actuarially Determined Contribution	\$ 6,249	\$ 6,694	\$ -
City's Contribution in Relation to the Actuarially Determined Contribution	6,249	6,694	-
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 2,315,834	\$ 1,787,233	\$ 2,218,501
City's Contributions as a Percentage of Covered Payroll	0.27%	0.37%	0.00%

PSPRS Fire Pension

	Reporting Fiscal Year June 30,		
	2019	2018	2017
Actuarially Determined Contribution	\$ 1,167,280	\$ 1,050,377	\$ 1,086,339
City's Contribution in Relation to the Actuarially Determined Contribution	1,167,280	883,253	1,086,339
City's Contribution Deficiency (Excess)*	\$ -	\$ 167,124	\$ -
City's Covered Payroll	\$ 1,828,020	\$ 1,505,231	\$ 1,580,918
City's Contributions as a Percentage of Covered Payroll	63.85%	58.68%	68.72%

PSPRS Fire OPEB

	Reporting Fiscal Year June 30,		
	2019	2018	2017
Actuarially Determined Contribution	\$ 733	\$ 434	\$ -
City's Contribution in Relation to the Actuarially Determined Contribution	733	434	-
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 1,828,020	\$ 1,505,231	\$ 1,580,918
City's Contributions as a Percentage of Covered Payroll	0.04%	0.03%	0.00%

See accompanying Notes to Pension Schedules.

Reporting Fiscal Year June 30,

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 1,078,409	\$ 730,718	\$ 731,085
<u>1,078,409</u>	<u>730,718</u>	<u>731,085</u>
\$ -	\$ -	\$ -
<u>\$ 1,824,164</u>	<u>\$ 1,799,959</u>	<u>\$ 1,865,210</u>
59.12%	40.60%	39.20%

Reporting Fiscal Year June 30,

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 996,227	\$ 570,035	\$ 613,837
<u>996,227</u>	<u>570,035</u>	<u>613,837</u>
\$ -	\$ -	\$ -
<u>\$ 1,517,157</u>	<u>\$ 1,263,573</u>	<u>\$ 1,273,232</u>
65.66%	45.11%	48.21%

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**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
NOTES TO PENSION SCHEDULES
JUNE 30, 2019**

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent closed
Remaining Amortization Period as of the 2017 Actuarial Valuation	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected Salary Increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage Growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006–June 30, 2011
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 INFORMATION PRIOR TO THE MEASUREMENT DATE

Ten years of information is required; however, information prior to the measurement date (June 30, 2014 for pensions and June 30, 2016 for OPEB) was not available. Additional years information will be presented as it becomes available.

**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
NOTES TO PENSION SCHEDULES
JUNE 30, 2019**

NOTE 3 FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS, changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Taxes:			
Sales Taxes	\$ 5,344,255	\$ 5,516,756	\$ 172,501
Property Taxes	610,000	604,252	(5,748)
Franchise Taxes	317,000	318,871	1,871
Intergovernmental Revenues	5,687,167	5,107,677	(579,490)
Fines and Forfeitures	67,096	24,331	(42,765)
Licenses and Permits	139,300	163,967	24,667
Charges for Services	2,051,303	1,866,516	(184,787)
Rents and Royalties	734,682	736,140	1,458
Investment Income	90,000	186,636	96,636
Other	229,433	169,900	(59,533)
Total Revenues	<u>15,270,236</u>	<u>14,695,046</u>	<u>(575,190)</u>
EXPENDITURES			
Current:			
General Government:			
Administration	484,346	525,136	(40,790)
Finance	503,437	490,051	13,386
Personnel	398,240	347,582	50,658
General Government	463,604	186,029	277,575
Management Information Systems	431,223	412,512	18,711
Parking Lot	-	939	(939)
City Magistrate	49,100	23,508	25,592
Cemetery	151,887	153,607	(1,720)
Community Development	-	18,026	(18,026)
Golf Course	151,828	144,583	7,245
Economic Development	124,397	114,003	10,394
Airport	108,586	114,306	(5,720)
Call Center	41,757	35,594	6,163
Total General Government	<u>2,908,405</u>	<u>2,565,876</u>	<u>342,529</u>
Public Safety:			
Police	5,816,525	4,812,670	1,003,855
Fire	1,833,766	1,967,968	(134,202)
Emergency Medical Services	1,671,461	1,948,056	(276,595)
Total Public Safety	<u>9,321,752</u>	<u>8,728,694</u>	<u>593,058</u>
Highways and Streets:			
Public Works	570,444	544,863	25,581

(Continued)

**CITY OF DOUGLAS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

(Concluded)	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
EXPENDITURES (CONTINUED)			
Culture and Recreation:			
Parks	\$ 532,555	\$ 527,147	\$ 5,408
Recreation	184,944	188,825	(3,881)
Library	434,827	414,412	20,415
Aquatics	323,552	307,062	16,490
Visitor Center	62,384	60,396	1,988
Total Culture and Recreation	<u>1,538,262</u>	<u>1,497,842</u>	<u>40,420</u>
Debt Service:			
Principal Retirement	18,172	57,772	(39,600)
Interest on Long-Term Debt	-	6,790	(6,790)
Total Debt Service	<u>18,172</u>	<u>64,562</u>	<u>(46,390)</u>
Capital Outlay	<u>850,000</u>	<u>616,335</u>	<u>233,665</u>
Total Expenditures	<u>15,207,035</u>	<u>14,018,172</u>	<u>1,188,863</u>
Excess (Deficiency) of Revenues Over Expenditures	63,201	676,874	613,673
OTHER FINANCING SOURCES (USES)			
Transfers In	162,029	132,905	(29,124)
Transfers Out	(1,085,230)	(3,059,624)	(1,974,394)
Proceeds from Sale of Capital Assets	10,000	129,486	119,486
Issuance of Capital Leases	850,000	959,375	109,375
Total Other Financing Sources (Uses)	<u>(63,201)</u>	<u>(1,837,858)</u>	<u>(1,774,657)</u>
Net Change in Fund Balance	-	(1,160,984)	(1,160,984)
FUND BALANCE			
Beginning of Year	<u>5,607,999</u>	<u>6,790,097</u>	<u>1,182,098</u>
End of Year	<u>\$ 5,607,999</u>	<u>\$ 5,629,113</u>	<u>\$ 21,114</u>

See accompanying Notes to Budgetary Comparison Schedule.

**CITY OF DOUGLAS, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2019**

NOTE 1 BASIS OF ACCOUNTING

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

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

NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund:	
Administration	\$ 40,790
Parking Lot	939
Cemetery	1,720
Community Development	18,026
Airport	5,720
Fire	134,202
Emergency Medical Services	276,595
Recreation	3,881
Debt Service	46,390
Debt Service Fund	1,990,483
Nonmajor Governmental Funds:	
Capital Projects Fund	872,291

Cash was available to meet all of the overexpenditures listed above.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Highway Users Fund (HURF) – accounts for the City’s share of state taxes on gasoline, diesel fuels, and other transportation related fees to be used solely for street and highway purposes. Eligible expenditures include the cost of right-of-way acquisitions, construction, reconstruction, maintenance, repair, roadside development of city roads, streets and bridges and the payment of the interest and principal on highway and street bonds.

Grants Fund – accounts for the activity of federal and state grants received by the City restricted for specific projects and awards.

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

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

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

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

CAPITAL PROJECTS FUND

Capital Projects Fund – accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**CITY OF DOUGLAS, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	Special Revenue			
	HURF	Grants	Police Grants	LTAF
ASSETS				
Cash and Investments	\$ 992,451	\$ 377,183	\$ 202,752	\$ 38,903
Receivables				
Accounts Receivable	-	-	-	25
Intergovernmental Receivable	129,322	62,210	-	172,320
Prepaid Items	-	-	-	-
Restricted Assets	-	-	-	-
Total Assets	\$ 1,121,773	\$ 439,393	\$ 202,752	\$ 211,248
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 69,796	\$ 3,613	\$ 111	\$ 3,583
Accrued Wages and Benefits	1,367	-	-	1,716
Unearned Revenue	-	38,500	-	-
Customer Deposits Payable	-	-	-	-
Advance From Other Funds	-	-	-	-
Total Liabilities	71,163	42,113	111	5,299
Deferred Inflows of Resources				
Unavailable Revenue	-	7,094	-	-
Fund Balances				
Restricted	1,050,610	390,186	202,641	205,949
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	1,050,610	390,186	202,641	205,949
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,121,773	\$ 439,393	\$ 202,752	\$ 211,248

Special Revenue

Golf Course MPC	Public Housing	Total Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ 290,439	\$ 1,901,728	\$ 150,007	\$ 2,051,735
-	3,882	3,907	-	3,907
-	-	363,852	6,411	370,263
-	1,280	1,280	-	1,280
-	56,368	56,368	-	56,368
<u>\$ -</u>	<u>\$ 351,969</u>	<u>\$ 2,327,135</u>	<u>\$ 156,418</u>	<u>\$ 2,483,553</u>
\$ 1,914	\$ 5,581	\$ 84,598	\$ 2,522	\$ 87,120
5,063	15,907	24,053	-	24,053
-	-	38,500	-	38,500
-	40,304	40,304	-	40,304
24,225	-	24,225	-	24,225
<u>31,202</u>	<u>61,792</u>	<u>211,680</u>	<u>2,522</u>	<u>214,202</u>
-	-	7,094	-	7,094
-	290,177	2,139,563	-	2,139,563
-	-	-	153,896	153,896
(31,202)	-	(31,202)	-	(31,202)
<u>(31,202)</u>	<u>290,177</u>	<u>2,108,361</u>	<u>153,896</u>	<u>2,262,257</u>
<u>\$ -</u>	<u>\$ 351,969</u>	<u>\$ 2,327,135</u>	<u>\$ 156,418</u>	<u>\$ 2,483,553</u>

**CITY OF DOUGLAS, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

	Special Revenue			
	HURF	Grants	Police Grants	LTAF
REVENUES				
Taxes				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	1,424,978	603,611	102,937	811,602
Charges for Services	-	-	-	33,198
Investment Income	-	75	4,539	-
Other	54,701	-	-	-
Total Revenues	<u>1,479,679</u>	<u>603,686</u>	<u>107,476</u>	<u>844,800</u>
EXPENDITURES				
Current				
Public Safety	-	317,600	9,669	-
Highways and Streets	1,482,271	135,013	-	828,935
Culture and Recreation	-	11,583	-	-
Redevelopment and Housing	-	-	-	-
Debt Service				
Principal Retirement	22,488	-	-	-
Interest on Long-Term Debt	59	-	-	-
Capital Outlay	-	144,848	3,754	-
Total Expenditures	<u>1,504,818</u>	<u>609,044</u>	<u>13,423</u>	<u>828,935</u>
Excess (Deficiency) of Revenues Over Expenditures	(25,139)	(5,358)	94,053	15,865
OTHER FINANCING SOURCES (USES)				
Transfers In	-	3,905	-	-
Transfers Out	(84,217)	-	-	-
Proceeds from Capital Leases	39,121	-	-	-
Total Other Financing Sources (Uses)	<u>(45,096)</u>	<u>3,905</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(70,235)	(1,453)	94,053	15,865
FUND BALANCES				
Beginning of Year	1,120,845	391,639	108,588	190,084
End of Year	<u>\$ 1,050,610</u>	<u>\$ 390,186</u>	<u>\$ 202,641</u>	<u>\$ 205,949</u>

Special Revenue

<u>Golf Course MPC</u>	<u>Public Housing</u>	<u>Total Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 47	\$ 47
-	857,564	3,800,692	50,000	3,850,692
182,103	-	215,301	6,411	221,712
-	507	5,121	17,128	22,249
6,683	31,179	92,563	-	92,563
<u>188,786</u>	<u>889,250</u>	<u>4,113,677</u>	<u>73,586</u>	<u>4,187,263</u>
-	-	327,269	-	327,269
-	-	2,446,219	-	2,446,219
201,978	-	213,561	-	213,561
-	919,628	919,628	-	919,628
-	-	22,488	-	22,488
-	-	59	-	59
-	-	148,602	1,145,418	1,294,020
<u>201,978</u>	<u>919,628</u>	<u>4,077,826</u>	<u>1,145,418</u>	<u>5,223,244</u>
(13,192)	(30,378)	35,851	(1,071,832)	(1,035,981)
-	-	3,905	96,760	100,665
-	-	(84,217)	-	(84,217)
-	-	39,121	-	39,121
<u>-</u>	<u>-</u>	<u>(41,191)</u>	<u>96,760</u>	<u>55,569</u>
(13,192)	(30,378)	(5,340)	(975,072)	(980,412)
(18,010)	320,555	2,113,701	1,128,968	3,242,669
<u>\$ (31,202)</u>	<u>\$ 290,177</u>	<u>\$ 2,108,361</u>	<u>\$ 153,896</u>	<u>\$ 2,262,257</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
HURF FUND
YEAR ENDED JUNE 30, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Intergovernmental Revenues	\$ 1,380,450	\$ 1,424,978	\$ 44,528
Other	<u>35,000</u>	<u>54,701</u>	<u>19,701</u>
Total Revenues	1,415,450	1,479,679	64,229
EXPENDITURES			
Current:			
Highways and Streets	1,614,911	1,482,271	132,640
Debt Service:			
Principal Retirement	-	22,488	(22,488)
Interest on Long-Term Debt	<u>-</u>	<u>59</u>	<u>(59)</u>
Total Expenditures	<u>1,614,911</u>	<u>1,504,818</u>	<u>110,093</u>
Excess (Deficiency) of Revenues Over Expenditures	(199,461)	(25,139)	174,322
OTHER FINANCING SOURCES (USES)			
Transfers Out	(40,539)	(84,217)	(43,678)
Proceeds from Capital Leases	<u>-</u>	<u>39,121</u>	<u>39,121</u>
Total Other Financing Sources (Uses)	<u>(40,539)</u>	<u>(45,096)</u>	<u>(4,557)</u>
Net Change in Fund Balance	(240,000)	(70,235)	169,765
FUND BALANCE			
Beginning of Year	-	1,120,845	1,120,845
End of Year	<u>\$ (240,000)</u>	<u>\$ 1,050,610</u>	<u>\$ 1,290,610</u>

**CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GRANTS FUND
YEAR ENDED JUNE 30, 2019**

	Original and Final Budget	Actual	Variance With Final Budget
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental Revenues	\$ 1,032,905	\$ 603,611	\$ (429,294)
Investment Income	-	75	75
Total Revenues	<u>1,032,905</u>	<u>603,686</u>	<u>(429,219)</u>
EXPENDITURES			
Current:			
General Government	8,150	-	8,150
Public Safety	10,400	317,600	(307,200)
Highways and Streets	425,000	135,013	289,987
Culture and Recreation	22,500	11,583	10,917
Capital Outlay	567,005	144,848	422,157
Total Expenditures	<u>1,033,055</u>	<u>609,044</u>	<u>424,011</u>
Excess (Deficiency) of Revenues Over Expenditures	(150)	(5,358)	(5,208)
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>150</u>	<u>3,905</u>	<u>3,755</u>
Net Change in Fund Balance	-	(1,453)	(1,453)
FUND BALANCE			
Beginning of Year	-	391,639	391,639
End of Year	<u>\$ -</u>	<u>\$ 390,186</u>	<u>\$ 390,186</u>

**CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
POLICE GRANTS FUND
YEAR ENDED JUNE 30, 2019**

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
REVENUES			
Intergovernmental Revenues	\$ 121,745	\$ 102,937	\$ (18,808)
Investment Income	<u>3,000</u>	<u>4,539</u>	<u>1,539</u>
Total Revenues	124,745	107,476	(17,269)
EXPENDITURES			
Current			
Public Safety	58,000	9,669	48,331
Capital Outlay	<u>66,745</u>	<u>3,754</u>	<u>62,991</u>
Total Expenditures	<u>124,745</u>	<u>13,423</u>	<u>111,322</u>
Excess (Deficiency) of Revenues Over Expenditures	-	94,053	94,053
FUND BALANCE			
Beginning of Year	<u>-</u>	<u>108,588</u>	<u>108,588</u>
End of Year	<u>\$ -</u>	<u>\$ 202,641</u>	<u>\$ 202,641</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
LTAFF FUND
YEAR ENDED JUNE 30, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Intergovernmental	\$ 1,009,868	\$ 811,602	\$ (198,266)
Charges for Services	75,000	33,198	(41,802)
Total Revenue	<u>1,084,868</u>	<u>844,800</u>	<u>(240,068)</u>
EXPENDITURES			
Current:			
Highways and Streets	<u>1,084,868</u>	<u>828,935</u>	<u>255,933</u>
Excess (Deficiency) of Revenues Over Expenditures	-	15,865	15,865
FUND BALANCE			
Beginning of Year	-	190,084	190,084
End of Year	<u>\$ -</u>	<u>\$ 205,949</u>	<u>\$ 205,949</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance With Final Budget
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ -	\$ 47	\$ 47
Intergovernmental Revenues	85,000	50,000	(35,000)
Charges for Services	-	6,411	6,411
Investment Income	6,624	17,128	10,504
Total Revenues	<u>91,624</u>	<u>73,586</u>	<u>(18,038)</u>
EXPENDITURES			
Capital Outlay	<u>273,127</u>	<u>1,145,418</u>	<u>(872,291)</u>
Excess (Deficiency) of Revenues Over Expenditures	(181,503)	(1,071,832)	(890,329)
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>95,000</u>	<u>96,760</u>	<u>1,760</u>
Net Change in Fund Balance	(86,503)	(975,072)	(888,569)
FUND BALANCE			
Beginning of Year	-	1,128,968	-
End of Year	<u>\$ (86,503)</u>	<u>\$ 153,896</u>	<u>\$ (888,569)</u>

CITY OF DOUGLAS, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance With Final Budget
REVENUES			
Taxes	\$ -	\$ 6	\$ 6
EXPENDITURES			
Debt Service:			
Principal Retirement	1,054,739	2,774,417	(1,719,678)
Interest on Long-Term Debt	-	270,805	(270,805)
Total Expenditures	1,054,739	3,045,222	(1,990,483)
Excess (Deficiency) of Revenues Over Expenditures	(1,054,739)	(3,045,216)	(1,990,477)
OTHER FINANCING SOURCES (USES)			
Transfers In	1,054,739	3,045,216	1,990,477
Net Change in Fund Balance	-	-	-
FUND BALANCE			
Beginning of Year	-	-	-
End of Year	\$ -	\$ -	\$ -

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STATISTICAL SECTION (UNAUDITED)

This section of the City of Douglas, Arizona's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, sales tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

See the table of contents for page numbers of the schedules that encompass the above sections.

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

	Fiscal Year			
	2010	2011	2012	2013
Governmental Activities:				
Net Investment in Capital Assets	\$ 13,775,501	\$ 15,847,448	\$ 20,735,227	\$ 20,087,841
Restricted	477,084	719,796	871,510	1,234,695
Unrestricted	7,049,956	3,938,127	3,923,990	3,991,132
Total Governmental Activities Net Position	<u>\$ 21,302,541</u>	<u>\$ 20,505,371</u>	<u>\$ 25,530,727</u>	<u>\$ 25,313,668</u>
Business-Type Activities:				
Net Investment in Capital Assets	\$ 15,872,761	\$ 16,048,928	\$ 15,921,451	\$ 16,866,077
Restricted	-	-	-	443,520
Unrestricted	1,205,402	2,100,001	3,880,161	3,685,177
Total Business-Type Activities Net Position	<u>\$ 17,078,163</u>	<u>\$ 18,148,929</u>	<u>\$ 19,801,612</u>	<u>\$ 20,994,774</u>
Primary Government:				
Net Investment in Capital Assets	\$ 29,648,262	\$ 31,896,376	\$ 36,656,678	\$ 36,953,918
Restricted	477,084	719,796	871,510	1,678,215
Unrestricted	8,255,358	6,038,128	7,804,151	7,676,309
Total Primary Government Net Position	<u>\$ 38,380,704</u>	<u>\$ 38,654,300</u>	<u>\$ 45,332,339</u>	<u>\$ 46,308,442</u>

Source: The City's Finance Department.

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 13,255,510	\$ 14,659,500	\$ 16,236,005	\$ 16,107,618	\$ 15,840,000	\$ 18,049,988
1,261,605	1,632,597	2,087,831	2,385,205	2,521,494	2,603,663
<u>5,512,891</u>	<u>(20,445,957)</u>	<u>(20,045,765)</u>	<u>(21,402,039)</u>	<u>(23,079,733)</u>	<u>(25,161,686)</u>
<u>\$ 20,030,006</u>	<u>\$ (4,153,860)</u>	<u>\$ (1,721,929)</u>	<u>\$ (2,909,216)</u>	<u>\$ (4,718,239)</u>	<u>\$ (4,508,035)</u>
\$ 16,491,574	\$ 16,271,458	\$ 16,301,425	\$ 15,748,934	\$ 18,044,782	\$ 25,363,178
568,237	712,773	893,708	615,334	628,579	722,154
<u>4,508,051</u>	<u>3,157,152</u>	<u>4,142,534</u>	<u>5,712,000</u>	<u>6,195,530</u>	<u>5,418,265</u>
<u>\$ 21,567,862</u>	<u>\$ 20,141,383</u>	<u>\$ 21,337,667</u>	<u>\$ 22,076,268</u>	<u>\$ 24,868,891</u>	<u>\$ 31,503,597</u>
\$ 29,747,084	\$ 30,930,958	\$ 32,537,430	\$ 31,856,552	\$ 33,884,782	\$ 43,413,166
1,829,842	2,345,370	2,981,539	3,000,539	3,150,073	3,325,817
<u>10,020,942</u>	<u>(17,288,805)</u>	<u>(15,903,231)</u>	<u>(15,690,039)</u>	<u>(16,884,203)</u>	<u>(19,743,421)</u>
<u>\$ 41,597,868</u>	<u>\$ 15,987,523</u>	<u>\$ 19,615,738</u>	<u>\$ 19,167,052</u>	<u>\$ 20,150,652</u>	<u>\$ 26,995,562</u>

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

	Fiscal Year			
	2010	2011	2012	2013
EXPENSES				
Governmental Activities:				
General Government	\$ 4,639,733	\$ 5,121,084	\$ 4,840,153	\$ 4,989,484
Public Safety	6,715,219	6,700,135	7,186,954	7,799,983
Highways and Streets	2,970,829	2,773,973	2,555,331	2,605,395
Culture and Recreation	1,986,674	1,936,579	1,827,388	1,868,116
Redevelopment and Housing	53,973	51,599	-	1,041,957
Interest on Long-Term Debt	760,128	704,510	664,519	579,592
Total Governmental Activities	<u>17,126,556</u>	<u>17,287,880</u>	<u>17,074,345</u>	<u>18,884,527</u>
Business-Type Activities:				
Water	1,261,985	1,367,914	1,698,669	1,666,863
Sewer	1,337,193	1,320,648	1,313,976	1,310,421
Solid Waste	716,047	755,546	765,647	785,788
Total Business-Type Activities	<u>3,315,225</u>	<u>3,444,108</u>	<u>3,778,292</u>	<u>3,763,072</u>
Total Primary Government Expenses	<u>\$ 20,441,781</u>	<u>\$ 20,731,988</u>	<u>\$ 20,852,637</u>	<u>\$ 22,647,599</u>
PROGRAM REVENUES				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 1,766,509	\$ 1,728,090	\$ 2,035,725	\$ 1,825,479
Public Safety	669,040	972,724	924,788	895,111
Highways and Streets	-	-	-	-
Culture and Recreation	90,033	173,836	73,255	89,531
Operating Grants and Contributions	2,128,442	2,303,776	2,193,829	3,340,827
Capital Grants and Contributions	902,228	951,180	5,622,718	1,000,170
Total Governmental Activities	<u>5,556,252</u>	<u>6,129,606</u>	<u>10,850,315</u>	<u>7,151,118</u>
Business-Type Activities:				
Charges for Services:				
Water	1,870,916	1,965,519	2,000,402	2,025,752
Sewer	1,042,152	1,703,223	1,796,248	1,835,771
Solid Waste	1,056,305	1,203,563	1,237,449	1,205,675
Operating Grants and Contributions	-	-	592,435	8,196
Capital Grants and Contributions	-	-	274,140	19,578
Total Business-Type Activities	<u>3,969,373</u>	<u>4,872,305</u>	<u>5,900,674</u>	<u>5,094,972</u>
Total Primary Government	<u>\$ 9,525,625</u>	<u>\$ 11,001,911</u>	<u>\$ 16,750,989</u>	<u>\$ 12,246,090</u>

Source: The City's Finance Department.

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 4,499,732	\$ 3,858,018	\$ 3,336,212	\$ 3,463,981	\$ 2,910,916	\$ 2,748,212
8,050,797	9,792,922	9,678,626	10,479,931	11,269,994	10,108,483
2,394,792	1,946,662	2,597,146	2,649,507	2,929,910	2,746,780
1,965,397	1,680,063	2,057,077	2,100,889	2,107,161	2,086,493
1,064,489	954,039	922,816	924,901	985,896	919,628
530,417	478,120	414,014	379,124	351,121	277,654
<u>18,505,624</u>	<u>18,709,824</u>	<u>19,005,891</u>	<u>19,998,333</u>	<u>20,554,998</u>	<u>18,887,250</u>
1,839,897	1,884,943	1,654,307	1,902,651	1,798,870	1,905,224
1,538,514	1,472,735	1,353,423	1,344,495	1,434,055	1,505,490
956,297	930,769	1,134,665	991,934	1,066,948	1,104,702
<u>4,334,708</u>	<u>4,288,447</u>	<u>4,142,395</u>	<u>4,239,080</u>	<u>4,299,873</u>	<u>4,515,416</u>
<u>\$ 22,840,332</u>	<u>\$ 22,998,271</u>	<u>\$ 23,148,286</u>	<u>\$ 24,237,413</u>	<u>\$ 24,854,871</u>	<u>\$ 23,402,666</u>
\$ 1,890,264	\$ 1,699,542	\$ 1,482,688	\$ 1,538,549	\$ 1,296,371	\$ 1,232,733
1,069,174	1,246,153	1,647,339	1,603,762	1,457,381	1,470,386
-	-	20,537	21,666	33,949	33,198
136,056	94,747	304,953	302,204	287,159	276,349
3,751,156	3,466,981	3,661,814	4,084,183	4,184,057	3,821,410
423,034	582,348	2,996,541	383,742	474,578	657,443
<u>7,269,684</u>	<u>7,089,771</u>	<u>10,113,872</u>	<u>7,934,106</u>	<u>7,733,495</u>	<u>7,491,519</u>
2,070,331	1,979,308	1,989,253	2,031,524	1,997,192	1,930,573
1,880,405	1,852,495	1,954,149	1,941,864	1,939,739	1,941,762
1,202,806	1,212,089	1,207,590	1,199,843	1,205,083	1,243,450
1,320	-	400,000	-	-	-
-	-	-	-	2,064,313	6,068,651
<u>5,154,862</u>	<u>5,043,892</u>	<u>5,550,992</u>	<u>5,173,231</u>	<u>7,206,327</u>	<u>11,184,436</u>
<u>\$ 12,424,546</u>	<u>\$ 12,133,663</u>	<u>\$ 15,664,864</u>	<u>\$ 13,107,337</u>	<u>\$ 14,939,822</u>	<u>\$ 18,675,955</u>

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

(Concluded)	Fiscal Year			
	2010	2011	2012	2013
NET (EXPENSE)/REVENUE				
Governmental Activities	\$ (11,570,304)	\$ (11,158,274)	\$ (6,224,030)	\$ (11,733,409)
Business-Type Activities	654,148	1,428,197	2,122,382	1,331,900
Total Primary Government Net Expense	\$ (10,916,156)	\$ (9,730,077)	\$ (4,101,648)	\$ (10,401,509)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 5,808,108	\$ 5,953,998	\$ 5,825,402	\$ 5,364,312
Property Taxes	531,489	545,995	533,742	563,698
Franchise Taxes	351,635	337,029	334,074	314,080
Unrestricted Grants and Contributions	30,274	39,082	42,590	70,074
State Revenue Sharing	2,245,322	1,687,895	1,466,716	1,775,125
State Sales Tax Revenue Sharing	1,261,862	1,316,667	1,357,922	1,419,048
Auto Lieu Tax Revenue Sharing	732,787	762,824	803,452	757,402
Gain on Sale of Capital Assets	-	-	6,769	-
Investment Income	107,495	67,493	44,626	39,423
Other	238,124	258,705	356,342	596,739
Special Item	-	-	-	-
Transfers	115,998	358,411	477,751	162,208
Total Governmental Activities	11,423,094	11,328,099	11,249,386	11,062,109
Business-Type Activities:				
Sales Tax	-	-	-	-
Investment Income (Loss)	(1,769)	980	8,052	23,470
Transfers	(115,998)	(358,411)	(477,751)	(162,208)
Total Business-Type Activities	(117,767)	(357,431)	(469,699)	(138,738)
Total Primary Government	\$ 11,305,327	\$ 10,970,668	\$ 10,779,687	\$ 10,923,371
CHANGE IN NET POSITION				
Governmental Activities	\$ (147,210)	\$ 169,825	\$ 5,025,356	\$ (671,300)
Business-Type Activities	536,381	1,070,766	1,652,683	1,193,162
Total Primary Government	\$ 389,171	\$ 1,240,591	\$ 6,678,039	\$ 521,862

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ (11,235,940)	\$ (11,620,053)	\$ (8,892,019)	\$ (12,064,227)	\$ (12,821,503)	\$ (11,395,731)
820,154	755,445	1,408,597	934,151	2,906,454	6,669,020
<u>\$ (10,415,786)</u>	<u>\$ (10,864,608)</u>	<u>\$ (7,483,422)</u>	<u>\$ (11,130,076)</u>	<u>\$ (9,915,049)</u>	<u>\$ (4,726,711)</u>
\$ 5,533,351	\$ 5,578,165	\$ 5,361,849	\$ 5,097,699	\$ 5,166,243	\$ 5,497,780
578,759	577,360	585,960	595,284	587,260	609,312
311,019	317,610	312,874	295,034	314,717	318,871
41,950	40,417	37,610	38,171	38,510	41,672
1,976,038	2,119,573	2,108,081	2,029,912	2,056,563	1,957,579
1,545,589	1,600,126	1,644,426	1,518,751	1,591,310	1,624,359
736,085	776,774	812,549	819,277	855,842	848,552
-	20,480	(11,611)	69,902	-	101,517
30,607	26,489	39,738	73,269	136,960	208,885
281,915	265,826	188,576	106,863	82,176	262,463
(5,352,178)	-	-	-	-	-
269,143	245,316	243,898	232,778	182,899	134,945
<u>5,952,278</u>	<u>11,568,136</u>	<u>11,323,950</u>	<u>10,876,940</u>	<u>11,012,480</u>	<u>11,605,935</u>
-	-	-	-	-	-
22,077	18,232	31,585	37,228	69,068	100,631
(269,143)	(245,316)	(243,898)	(232,778)	(182,899)	(134,945)
<u>(247,066)</u>	<u>(227,084)</u>	<u>(212,313)</u>	<u>(195,550)</u>	<u>(113,831)</u>	<u>(34,314)</u>
<u>\$ 5,705,212</u>	<u>\$ 11,341,052</u>	<u>\$ 11,111,637</u>	<u>\$ 10,681,390</u>	<u>\$ 10,898,649</u>	<u>\$ 11,571,621</u>
\$ (5,283,662)	\$ (51,917)	\$ 2,431,931	\$ (1,187,287)	\$ (1,809,023)	\$ 210,204
573,088	528,361	1,196,284	738,601	2,792,623	6,634,706
<u>\$ (4,710,574)</u>	<u>\$ 476,444</u>	<u>\$ 3,628,215</u>	<u>\$ (448,686)</u>	<u>\$ 983,600</u>	<u>\$ 6,844,910</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>
2010	\$ 5,808,108	\$ 531,489	\$ 351,635	\$ 6,691,232
2011	5,953,998	545,995	337,029	6,837,022
2012	5,825,402	533,742	334,074	6,693,218
2013	5,364,312	563,698	314,080	6,242,090
2014	5,533,351	578,759	311,019	6,423,129
2015	5,578,165	577,360	317,610	6,473,135
2016	5,361,849	585,960	312,874	6,260,683
2017	5,097,699	595,284	295,034	5,988,017
2018	5,166,243	587,260	314,717	6,068,220
2019	5,497,780	609,312	318,871	6,425,963

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				
	2010	2011	2012	2013	2014
General Fund:					
Reserved	\$ -				
Unreserved	4,174,438				
Nonspendable		\$ 58,493	\$ 652,189	\$ 686,488	\$ 720,416
Restricted		-	-	-	-
Unassigned		4,683,978	4,108,952	4,260,979	4,790,887
Total General Fund	<u>\$ 4,174,438</u>	<u>\$ 4,742,471</u>	<u>\$ 4,761,141</u>	<u>\$ 4,947,467</u>	<u>\$ 5,511,303</u>
All Other Governmental Funds:					
Reserved	\$ 15,453				
Unreserved, Reported in:					
Special Revenue Funds	4,065,860				
Capital Projects Funds	-				
Debt Service Funds	-				
Restricted		\$ 2,220,530	\$ 871,510	\$ 1,174,505	\$ 1,218,198
Committed		-	-	-	1,033,237
Assigned		-	228,340	224,190	320,290
Unassigned		(29,857)	-	-	-
Total All Other Governmental Funds	<u>\$ 4,081,313</u>	<u>\$ 2,190,673</u>	<u>\$ 1,099,850</u>	<u>\$ 1,398,695</u>	<u>\$ 2,571,725</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

2015	2016	2017	2018	2019
\$ 723,641	\$ 734,543	\$ 858,288	\$ 951,828	\$ 879,473
156,889	157,580	158,488	159,571	162,887
<u>5,613,427</u>	<u>6,512,749</u>	<u>5,680,849</u>	<u>5,678,698</u>	<u>4,586,753</u>
<u><u>\$ 6,493,957</u></u>	<u><u>\$ 7,404,872</u></u>	<u><u>\$ 6,697,625</u></u>	<u><u>\$ 6,790,097</u></u>	<u><u>\$ 5,629,113</u></u>
\$ 1,439,415	\$ 1,900,963	\$ 2,204,745	\$ 3,027,040	\$ 2,139,563
779,693	693,863	195,001	233,639	153,896
-	-	-	-	-
-	-	(14,568)	(18,010)	(31,202)
<u><u>\$ 2,219,108</u></u>	<u><u>\$ 2,594,826</u></u>	<u><u>\$ 2,385,178</u></u>	<u><u>\$ 3,242,669</u></u>	<u><u>\$ 2,262,257</u></u>

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

	Fiscal Year			
	2010	2011	2012	2013
REVENUES				
Taxes	\$ 6,689,354	\$ 6,831,876	\$ 6,707,653	\$ 6,234,848
Intergovernmental	7,184,648	7,083,337	6,783,653	8,031,863
Fines and Forfeitures	189,333	201,361	319,294	273,475
Licenses and Permits	192,309	172,602	196,385	162,571
Charges for Services	1,410,391	1,745,359	1,759,653	1,605,657
Rents and Royalties	733,549	755,328	758,436	768,418
Contributions and Donations	-	-	-	-
Investment Income	107,495	67,493	44,626	39,423
Other	238,124	258,705	356,342	596,739
Total Revenues	<u>16,745,203</u>	<u>17,116,061</u>	<u>16,926,042</u>	<u>17,712,994</u>
EXPENDITURES				
General Government	3,961,316	3,910,726	3,555,255	3,469,997
Public Safety	6,554,551	6,275,426	6,709,042	7,139,134
Highways and Streets	2,660,654	1,975,991	2,093,297	1,779,871
Culture and Recreation	1,513,127	1,409,501	1,361,590	1,407,089
Redevelopment and Housing	53,973	51,599	-	1,035,816
Capital Outlay	728,862	2,007,704	2,620,504	2,007,665
Debt Service				
Principal Retirement	2,228,723	1,611,006	1,636,402	1,627,585
Interest on Long-Term Debt	719,162	663,544	623,553	551,097
Total Expenditures	<u>18,420,368</u>	<u>17,905,497</u>	<u>18,599,643</u>	<u>19,018,254</u>
Excess of Revenues				
Over (Under) Expenditures	(1,675,165)	(789,436)	(1,673,601)	(1,305,260)
OTHER FINANCING SOURCES				
(USES)				
Transfers In	1,303,871	2,837,907	2,923,356	2,480,730
Transfers Out	(1,002,494)	(2,479,496)	(2,445,605)	(2,318,522)
Issuance of Long-Term Debt	400,000	-	-	-
Proceeds from Capital Leases	-	75,413	71,676	1,205,911
Proceeds from Sale of Capital Assets	-	-	52,021	-
Total Other Financing				
Sources (Uses)	<u>701,377</u>	<u>433,824</u>	<u>601,448</u>	<u>1,368,119</u>
Net Change in Fund Balance	<u>\$ (973,788)</u>	<u>\$ (355,612)</u>	<u>\$ (1,072,153)</u>	<u>\$ 62,859</u>
Debt Service as a Percentage of				
Noncapital Expenditures	18.09%	14.02%	14.27%	12.65%

Source: The City's Finance Department.

Fiscal Year

	2014	2015	2016	2017	2018	2019
\$	6,399,692	\$ 6,476,819	\$ 6,252,364	\$ 5,996,580	\$ 6,073,634	\$ 6,439,932
	8,455,635	8,035,692	8,446,141	8,750,525	8,813,558	8,958,369
	311,448	160,870	202,116	157,059	94,183	24,331
	201,227	165,004	152,482	151,967	119,114	163,967
	1,763,797	1,895,749	2,282,537	2,335,745	2,055,584	2,088,228
	819,022	818,819	818,382	821,410	805,979	736,140
	-	136,718	-	-	-	-
	30,607	26,489	39,738	73,271	136,960	208,885
	281,915	265,826	188,576	106,863	82,176	262,463
	<u>18,263,343</u>	<u>17,981,986</u>	<u>18,382,336</u>	<u>18,393,420</u>	<u>18,181,188</u>	<u>18,882,315</u>
	3,407,238	3,203,318	2,863,112	2,838,725	2,856,638	2,565,876
	7,295,712	7,030,010	8,395,922	9,453,283	8,692,967	9,055,963
	1,685,298	1,276,388	1,909,520	2,161,891	2,827,175	2,991,082
	1,513,927	1,337,577	1,694,211	1,744,473	1,734,621	1,711,403
	1,058,347	947,866	916,674	920,658	985,896	919,628
	1,806,890	1,923,777	521,648	1,124,777	395,179	1,910,355
	1,464,848	1,474,930	907,502	913,997	967,010	2,854,677
	501,922	423,879	414,014	379,124	351,121	277,654
	<u>18,734,182</u>	<u>17,617,745</u>	<u>17,622,603</u>	<u>19,536,928</u>	<u>18,810,607</u>	<u>22,286,638</u>
	(470,839)	364,241	759,733	(1,143,508)	(629,419)	(3,404,323)
	2,354,892	2,557,063	1,633,133	1,558,311	1,542,011	3,278,786
	(2,085,749)	(2,311,747)	(1,389,235)	(1,325,533)	(1,359,112)	(3,143,841)
	-	-	-	-	-	-
	1,041,474	-	67,277	140,482	1,060,480	998,496
	897,088	20,480	215,725	69,902	336,003	129,486
	<u>2,207,705</u>	<u>265,796</u>	<u>526,900</u>	<u>443,162</u>	<u>1,579,382</u>	<u>1,262,927</u>
\$	<u>1,736,866</u>	<u>\$ 630,037</u>	<u>\$ 1,286,633</u>	<u>\$ (700,346)</u>	<u>\$ 949,963</u>	<u>\$ (2,141,396)</u>
	11.68%	12.10%	7.87%	7.16%	7.52%	16.57%

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

Sales Category:	Fiscal Year			
	2010	2011	2012	2013
Mining	\$ 2,318,215	\$ 301,452	\$ 6,606	\$ 4,715
Communications and Utilities	22,195,363	23,550,249	21,998,591	20,996,222
Transportation & Warehousing	48,456	66,060	36,614	34,024
Construction	15,965,933	19,963,998	18,615,619	4,980,458
Manufacturing	3,945,094	986,650	-	-
Wholesale Trade	3,884,491	1,226,017	-	-
Retail Trade	144,710,942	147,664,164	136,449,566	137,243,931
Finance and Insurance	93,629	33,753	-	-
Real Estate, Rental and Leases	6,249,386	8,690,896	8,369,967	7,812,435
Restaurants and Bars	12,500,240	14,153,836	15,215,328	14,682,935
Accommodations	2,363,017	3,652,951	4,552,670	3,855,249
Public Administration	294,021	-	-	-
Services	3,242,519	1,018,073	1,224,696	1,152,749
Arts & Entertainment	56,562	410,600	758,552	642,019
Other	2,921,447	2,599,103	276,830	196,727
Total	<u>\$ 220,789,315</u>	<u>\$ 224,317,802</u>	<u>\$ 207,505,039</u>	<u>\$ 191,601,464</u>
City Sales Tax Rate	2.80%	2.80%	2.80%	2.80%

Source: Arizona Department of Revenue.

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 2,626	\$ 2,891	\$ -	\$ -	\$ -	\$ -
20,874,694	20,725,169	20,056,514	17,469,469	17,199,821	17,301,286
7,558	32,657	23,200	7,646	10,500	14,607
7,161,065	10,778,758	7,836,315	7,855,430	4,842,286	10,147,464
-	-	-	-	-	-
-	-	-	-	-	-
138,881,604	141,407,356	134,525,779	124,098,318	135,090,750	125,972,964
-	-	-	-	-	-
8,037,675	8,143,356	8,776,313	8,341,499	9,606,250	9,685,357
14,404,604	14,634,276	14,629,652	14,290,984	13,806,714	14,519,750
3,792,273	2,848,778	2,685,332	2,646,883	2,646,883	2,624,500
-	-	-	-	-	-
1,385,854	1,102,206	709,281	2,318,353	4,424,929	5,873,250
477,238	377,338	342,208	588,899	210,429	214,250
173,041	262,025	177,197	195,312	201,500	184,000
<u>\$ 195,198,232</u>	<u>\$ 200,314,810</u>	<u>\$ 189,761,791</u>	<u>\$ 177,812,793</u>	<u>\$ 188,040,062</u>	<u>\$ 186,537,428</u>
2.80%	2.80%	2.80%	2.80%	2.80%	2.80%

**CITY OF DOUGLAS, ARIZONA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Cochise County</u>
2010	2.80	6.10
2011	2.80	7.10
2012	2.80	7.10
2013	2.80	6.10
2014	2.80	6.10
2015	2.80	6.10
2016	2.80	6.10
2017	2.80	6.10
2018	2.80	6.10
2019	2.80	6.10

Source: Arizona Department of Revenue.

CITY OF DOUGLAS, ARIZONA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(IN THOUSANDS OF DOLLARS)
(UNAUDITED)

Fiscal Year	Assessed Value			Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property	Less: Tax Exempt Real Property				
2010	\$ 56,435	\$ 4,729	\$ 6,713	\$ 54,451	13.07	\$ 478,320	11.384
2011	62,801	4,254	9,278	57,777	8.23	509,351	11.343
2012	61,660	3,936	9,408	56,188	8.36	505,672	11.112
2013	60,730	3,905	9,743	54,892	7.21	499,781	10.983
2014	59,500	3,585	9,685	53,400	11.64	494,935	10.789
2015	56,289	3,718	9,531	50,476	13.79	468,243	10.780
2016	55,812	3,782	9,709	49,885	13.90	468,189	10.655
2017	55,327	3,784	9,140	49,971	13.53	475,644	10.506
2018	56,100	3,770	9,725	50,145	13.38	478,426	10.481
2019	57,989	4,978	9,771	53,196	12.42	502,473	10.587

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	
2010	0.98	2.63	1.60	7.86	13.07	1.07	0.34	14.48
2011	0.98	2.63	1.67	2.95	8.23	0.87	0.45	9.55
2012	1.05	2.63	1.73	2.95	8.36	0.53	0.55	9.44
2013	1.08	2.63	1.85	1.65	7.21	0.86	0.55	8.62
2014	1.15	2.63	2.03	5.83	11.64	0.87	0.55	13.06
2015	1.18	2.63	2.18	7.80	13.79	0.89	0.55	15.23
2016	1.19	2.63	2.29	7.79	13.90	1.13	0.55	15.58
2017	1.19	2.67	2.37	7.29	13.53	1.13	0.55	15.22
2018	1.19	2.67	2.40	7.11	13.38	0.94	0.55	14.87
2019	1.18	2.67	2.45	6.12	12.42	0.73	0.55	13.71

Source: The Cochise County Treasurer.

**CITY OF DOUGLAS, ARIZONA
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2019 AND 2010
(UNAUDITED)**

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service	\$ 1,501,195	1	2.82 %	\$ 1,908,113	2	3.50 %
Southwest Gas Corporation	1,323,426	2	2.49	780,032	3	1.43
Wal-Mart Stores, Inc.	842,030	3	1.58	3,544,970	1	6.51
Qwest Corporation	449,619	4	0.85	760,433	4	1.40
Centurylink Communications	236,580	5	0.44			-
Phelps Dodge Corporation	224,906	6	0.42	582,015	6	1.07
Cox Communications Arizona	217,487	7	0.41			
Pioneer Title Agency	205,232	8	0.39			
Circle K Stores, Inc #2702940	173,047	9	0.33			
Verizon Wireless Messaging	156,129	10	0.29			
Safeway Inc.	-	-	-	751,630	5	1.38
SFP Pool Five Shopping Centers	-	-	-	509,469	7	0.94
FAE Holdings 356216R LLC	-	-	-	497,200	8	0.91
JC Penney Co., Inc.	-	-	-	483,935	9	0.89
Douglas Customs LLC	-	-	-	440,000	10	0.81
	<u>\$ 5,329,651</u>		10.63 %	<u>\$ 10,257,797</u>		18.84 %

Source: The Cochise County Assessor's Office.

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
2010	\$ 546,719	\$ 477,007	8724.90%	\$ 69,712	\$ 546,719	100.00%
2011	555,804	504,613	90.79	51,191	555,804	100.00
2012	538,029	490,427	91.15	45,058	535,485	99.53
2013	552,411	501,212	90.73	48,899	550,111	99.58
2014	562,460	498,462	88.62	61,885	560,347	99.62
2015	565,710	515,897	91.19	47,608	560,807	99.13
2016	586,193	523,764	89.35	60,029	523,764	89.35
2017	587,758	536,145	91.22	48,443	536,145	91.22
2018	599,185	509,098	84.97	85,740	594,838	99.27
2019	620,798	565,341	91.07	-	565,341	91.07

Source: The Cochise County Treasurer.

Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
\$ -	-
-	-
2,544	0.47
2,300	0.42
2,113	0.38
2,205	0.39
2,400	0.41
3,170	0.54
4,347	0.73
55,457	8.93

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			
2010	\$ 2,205,000	\$ 10,890,000	\$ 957,050	3,239,489	\$ 31,626	\$ 17,323,165	5.62	864
2011	1,790,000	10,025,000	701,457	5,857,703	-	18,374,160	6.24	913
2012	1,365,000	9,155,000	431,731	5,928,449	-	16,880,180	6.44	854
2013	920,800	8,260,000	1,345,057	5,457,668	263,551	16,247,076	7.15	935
2014	468,602	7,725,000	1,911,683	5,095,574	440,727	15,641,586	6.68	893
2015	-	7,125,000	1,506,753	4,604,627	326,606	13,562,986	5.79	798
2016	-	6,620,000	1,162,606	5,263,184	210,018	13,255,808	5.66	757
2017	-	6,110,000	899,091	4,937,620	90,903	12,037,614	5.15	709
2018	-	5,590,000	1,512,561	4,609,499	98,268	11,810,328	4.86	712
2019	-	3,375,000	1,871,380	6,971,835	78,518	12,296,733	4.55	728

Source: The City's Finance Department.

CITY OF DOUGLAS, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2019
(UNAUDITED)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Cochise County	\$ -	5.79%	\$ -
Cochise County Community College District	24,029,518	5.79%	1,391,309
Douglas Unified School District No. 27	4,715,000	76.91%	<u>3,626,448</u>
Subtotal, Overlapping Debt			<u>5,017,757</u>
City of Douglas, Arizona direct debt	5,246,380	100.00%	<u>5,246,380</u>
Total Direct and Overlapping Debt			<u><u>\$ 10,264,137</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 2018-19.

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

	Fiscal Year				
	2010	2011	2012	2013	2014
20% Debt Limit	\$ 11,240,800	\$ 11,387,094	\$ 11,237,561	\$ 10,978,476	\$ 10,679,957
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 11,240,800</u>	<u>\$ 11,387,094</u>	<u>\$ 11,237,561</u>	<u>\$ 10,978,476</u>	<u>\$ 10,679,957</u>
 Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	-	-	-	-	-

	Fiscal Year				
	2010	2011	2012	2013	2014
6% Debt Limit	\$ 3,372,240	\$ 3,416,128	\$ 3,371,268	\$ 3,293,543	\$ 3,203,987
Total Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 3,372,240</u>	<u>\$ 3,416,128</u>	<u>\$ 3,371,268</u>	<u>\$ 3,293,543</u>	<u>\$ 3,203,987</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				
2015	2016	2017	2018	2019
\$ 10,095,268	\$ 9,977,035	\$ 9,994,192	\$ 10,029,043	\$ 10,639,254
-	-	-	-	-
<u>\$ 10,095,268</u>	<u>\$ 9,977,035</u>	<u>\$ 9,994,192</u>	<u>\$ 10,029,043</u>	<u>\$ 10,639,254</u>

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Fiscal Year				
2015	2016	2017	2018	2019
\$ 3,028,580	\$ 2,993,111	\$ 2,998,257	\$ 3,008,713	\$ 3,191,776
-	-	-	-	-
<u>\$ 3,028,580</u>	<u>\$ 2,993,111</u>	<u>\$ 2,998,257</u>	<u>\$ 3,008,713</u>	<u>\$ 3,191,776</u>

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CITY OF DOUGLAS, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2019
(UNAUDITED)

Net Secondary Assessed Value		<u>\$ 53,196,269</u>
<u>Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds</u>		
Debt Limit - 20% of Net Secondary Assessed Value		10,639,254
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ -	
Less: Amount Set Aside for Repayment of Debt	-	
Net Debt Applicable to Limit	<u>-</u>	<u>-</u>
20% Legal Debt Margin		<u>10,639,254</u>
<u>All Other General Obligation Bonds</u>		
Debt Limit - 6% of Net Secondary Assessed Value		3,191,776
Debt Applicable to Limit		
General Obligation Bonds Outstanding	-	
Less: Amount Set Aside for Repayment of Debt	-	
Net Debt Applicable to Limit	<u>-</u>	<u>-</u>
All Other General Obligation Bonds Debt Margin		<u>3,191,776</u>
Total Legal Debt Margin		<u>\$ 13,831,030</u>

Source: Cochise County Assessor's Office.

Note: The City did not have any debt subject to the debt limits.

**CITY OF DOUGLAS, ARIZONA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Revenue Bonds						
Fiscal Year	Pledged Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2010	\$ 11,803,431	\$ -	\$ 11,803,431	\$ 400,000	\$ 80,476	2456.61
2011	11,458,594	-	11,458,594	415,000	71,077	2357.36
2012	11,017,679	-	11,017,679	425,000	59,457	2274.23
2013	10,896,218	-	10,896,218	440,000	46,106	2241.53
2014	11,462,981	-	11,462,981	455,000	31,806	2354.73
2015	11,792,995	-	11,792,995	470,000	16,451	2424.29
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-

Source: The City of Douglas' internal records.

Note 1: The City's bonds are secured by City sales tax revenues. Sales tax revenues are applied first to the bonds and therefore no operating expenses are presented.

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

Note 3: The GADA loan is secured by state shared revenues, state sales tax, and City sales tax. The GADA loan was paid off in fiscal year 2019.

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

GADA Loan

Fiscal Year	Pledged Revenue	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses					
2010	\$ 10,048,079	\$ -		\$ 10,048,079	\$ 170,000	\$ 142,812	3212.18%
2011	9,721,384	-		9,721,384	110,000	128,638	4073.69%
2012	9,453,492	-		9,453,492	110,000	123,775	4043.84%
2013	9,315,887	-		9,315,887	115,000	121,264	3943.00%
2014	9,791,063	-		9,791,063	120,000	114,974	4166.87%
2015	10,074,638	-		10,074,638	125,000	110,172	4283.94%
2016	8,650,701	-		8,650,701	130,000	103,922	3698.11%
2017	8,646,362	-		8,646,362	135,000	98,725	3699.37%
2018	8,814,116	-		8,814,116	145,000	93,238	3699.71%
2019	9,079,718	-		9,079,718	1,840,000	-	493.46%

Call Center Loan

Fiscal Year	City Sales Tax and Lease Revenue	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses					
2010	\$ 9,254,791	\$ -		\$ 704,620	\$ 1,260,000	\$ 451,849	41.16%
2011	8,996,669	-		8,996,669	675,000	431,325	813.20%
2012	8,735,260	-		8,735,260	700,000	391,310	800.44%
2013	8,593,517	-		8,593,517	740,000	356,805	783.50%
2014	9,069,283	-		9,069,283	375,000	321,086	1302.90%
2015	9,353,016	-		9,353,016	375,000	299,680	1386.29%
2016	9,129,585	-		9,129,585	375,000	279,037	1395.88%
2017	8,683,759	-		8,683,759	375,000	256,869	1374.30%
2018	8,872,919	-		8,872,919	375,000	235,463	1453.47%
2019	7,722,556	-		7,722,556	375,000	214,057	1311.00%

WIFA Loan

Fiscal Year	Water/Sewer Revenues	Less:		Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
		Operating Expenses					
2010	\$ 2,749,697	\$ 2,586,553		\$ 163,144	\$ -	\$ 12,625	1292.23%
2011	3,540,996	2,688,562		852,434	65,145	103,461	505.58%
2012	3,722,556	2,980,047		742,509	460,014	126,183	126.67%
2013	3,779,059	2,974,329		804,730	470,781	124,189	135.26%
2014	3,916,977	3,252,197		664,780	480,756	114,104	111.75%
2015	3,846,928	3,250,667		596,261	490,947	98,597	101.14%
2016	3,969,670	2,924,914		1,044,756	536,634	96,238	165.08%
2017	4,002,528	3,130,108		872,420	325,564	82,723	213.68%
2018	3,994,252	3,128,025		866,227	328,121	100,678	202.01%
2019	3,963,761	3,325,258		638,503	543,556	102,643	98.81%

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>
2010	20,061	\$ 308,277,387	\$ 15,367	31.10	10.6
2011	20,122	294,364,738	14,629	32.20	10.8
2012	19,772	262,236,036	13,263	32.20	10.1
2013	17,378	227,252,106	13,077	32.20	10.2
2014	17,509	234,200,384	13,376	32.20	9.6
2015	16,989	233,785,629	13,761	32.20	7.8
2016	16,592	223,046,256	13,443	32.20	7.7
2017	16,897	239,667,048	14,184	32.20	7.2
2018	16,588	242,781,968	14,636	32.20	7.1
2019	16,453	270,405,055	16,435	32.50	5.3

**CITY OF DOUGLAS, ARIZONA
PRINCIPAL EMPLOYERS
JUNE 30, 2019 AND NINE YEARS AGO
(UNAUDITED)**

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Arizona Department of Corrections	615	1	12.48 %	621	1	9.61 %
Douglas Unified School District	492	2	9.98	527	2	8.15
Advanced Call Center Technologies	248	3	5.03	423	3	6.54
City of Douglas	179	4	3.63	214	6	3.31
Cochise College	165	5	3.35	255	5	3.94
Chiricahua Community Health Center	116	6	2.35			
Cochise Private Industry Council	90	7	1.83			
Cochise County	48	8	0.97	61	8	0.94
Copper Queen Community Hospital	37	9	0.75			
Wal-Mart Stores, Inc	-	-	-	320	4	4.95
Southeast Arizona Medical Center	-	-	-	148	7	2.29
Basha's	-	-	-			
La Solana Rehab	-	-	-	59	9	0.91
Gadsden Hotel	-	-	-			
	1,990		40.37 %	2,628		40.64 %

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	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Management Services:										
Administration	5.0	5.0	5.0	5.0	4.5	4.5	4.0	5.0	4.0	2.0
City Clerk	-	-	-	-	-	-	-	-	2.0	2.0
City Attorney	-	-	-	-	-	-	-	-	1.0	1.0
Human resources	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Court	2.0	2.0	1.5	1.5	1.5	1.5	1.5	-	-	-
MIS	4.0	4.5	3.5	3.0	4.0	4.0	4.0	4.0	4.0	3.0
Finance	6.0	9.0	8.5	8.5	9.0	9.0	7.0	8.0	6.5	8.0
Economic Development	-	-	-	-	-	-	-	1.0	1.0	1.0
Visitor Parking Center	3.0	3.5	3.5	1.0	1.0	1.0	0.5	0.5	0.5	1.0
Total Mgmt Services	<u>23.0</u>	<u>27.0</u>	<u>25.0</u>	<u>22.0</u>	<u>23.0</u>	<u>23.0</u>	<u>20.0</u>	<u>20.5</u>	<u>21.0</u>	<u>20.0</u>
Housing	5.0	7.5	8.5	6.5	6.5	3.5	3.5	3.5	3.0	3.0
Police										
Officers	34.0	32.0	32.0	32.0	31.0	31.0	29.0	34.0	33.0	32.0
Civilians	14.0	14.0	14.0	15.0	11.5	13.0	13.0	13.5	11.0	12.0
Total Police	<u>48.0</u>	<u>46.0</u>	<u>46.0</u>	<u>47.0</u>	<u>42.5</u>	<u>44.0</u>	<u>42.0</u>	<u>47.5</u>	<u>44.0</u>	<u>44.0</u>
Fire										
Firefighters and Officers	25.0	25.0	23.0	24.0	23.0	25.0	27.0	27.5	28.0	30.0
Civilians	1.0	1.5	1.5	2.0	2.0	2.0	2.0	2.5	1.0	1.0
Total Fire	<u>26.0</u>	<u>26.5</u>	<u>24.5</u>	<u>26.0</u>	<u>25.0</u>	<u>27.0</u>	<u>29.0</u>	<u>30.0</u>	<u>29.0</u>	<u>31.0</u>
Public Works										
Engineering (PW Adm)	4.0	3.5	4.0	2.0	2.0	1.0		2.0	3.0	3.0
Planning & Zoning	2.0	2.0	2.0	1.0	2.0	2.0	1.5	2.0	2.0	2.0
Construction	6.0	7.0	6.0	6.0	5.0	5.0	5.0	5.0	4.5	5.0
Refuse Collections	6.0	6.0	5.0	7.0	8.0	9.0	8.0	7.5	12.5	6.0
Mechanics	4.0	3.0	2.0	2.5	3.0	3.0	3.0	3.0	1.5	2.0
Streets	7.0	7.0	6.0	8.0	7.0	5.0	5.0	8.0	8.0	8.0
Street Maintenance	4.0	4.0	4.0	-	-	-	-	-	-	-
Airport	-	-	-	1.0	1.0	1.0	0.5	1.0	1.0	1.0
Water Field	6.0	7.0	7.0	7.5	7.5	7.5	7.5	9.5	12.0	10.0
Water CIP	6.0	4.0	4.0	2.0	2.0	2.0	2.0	-	2.0	-
Water Billing	4.0	-	-	-	-	-	-	-	-	-
Wastewater	7.0	6.0	5.0	5.5	5.5	5.5	5.5	6.0	3.0	4.0
Total Public Works	<u>56.0</u>	<u>49.5</u>	<u>45.0</u>	<u>42.5</u>	<u>43.0</u>	<u>41.0</u>	<u>38.0</u>	<u>43.5</u>	<u>49.5</u>	<u>41.0</u>
Parks and Recreation										
Comm Dev Admin	1.0	1.0	1.0	1.0	-	-	-	-	-	-
Aquatics	11.0	11.5	10.5	12.5	12.0	10.5	10.5	11.5	12.0	11.5
Cemetery	2.0	1.0	2.0	3.0	3.0	2.0	2.0	2.0	2.5	2.5
Parks	10.0	10.5	9.5	8.5	9.0	9.0	8.5	7.5	8.0	7.5
Recreation	5.0	5.5	6.5	5.5	5.5	6.5	6.0	8.0	8.5	10.0
Golf Course	8.0	10.5	9.5	7.5	5.5	2.5	-	-	-	-
Library	8.0	8.0	7.0	6.5	6.5	8.0	7.5	7.5	7.5	7.5
Transit	-	-	-	6.0	7.0	6.0	9.0	9.0	11.0	12.0
Bisbee Transit	-	-	-	-	-	-	3.0	3.0	2.0	2.0
Total P&R	<u>45.0</u>	<u>48.0</u>	<u>46.0</u>	<u>50.0</u>	<u>48.0</u>	<u>44.5</u>	<u>46.5</u>	<u>48.0</u>	<u>51.5</u>	<u>53.0</u>

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

Function	Fiscal Year				
	2010	2011	2012	2013	2014
General Government					
Building Permits Issued	305	198	221	264	202
Building Inspection Conducted	344	305	778	695	704
Police					
Physical Arrests	1,795	1,564	554	1,332	1,348
Parking Violations	646	745	545	252	183
Traffic Violations	4,300	4,211	3,888	4,158	3,220
Fire					
Emergency Responses	2,312	2,829	2,437	2,459	2,560
Fires Extinguished	198	61	55	231	457
Inspections	101	150	200	161	367
Refuse Collection					
Refuse Collections (Tons/Day)	16.3	23.5	26.5	27.5	22.9
Recyclables Collected (Tons/Day)	-	-	-	-	-
Other Public Works					
Street Resurfacing (Miles)	2.1	1.0	0.5	2.1	0.8
Potholes Repaired	680	1,360	2,100	1,600	1,763
Parks and Recreation					
Athletic Field Permits Issued	119	122	125	93	83
Community Center Admissions	10,036	11,021	8,812	10,199	16,051
Aquatic Center Admissions	31,408	14,808	21,301	16,685	17,792
Library					
Volumes in Collection	59,649	57,684	56,715	47,157	59,033
Total Volumes Borrowed	86,098	74,141	63,180	61,256	64,843
Transit					
Riders	-	-	-	-	56,400
Miles	-	-	-	-	106,795
Water					
New Connections	10	16	10	11	11
Water Main Breaks	2	9	8	12	7
Average Daily Consumption (Thousands of Gallons)	3,662,519	3,500,000	3,177,000	3,216,045	3,321,000
Peak Daily Consumption (Thousands of Gallons)	4,101,000	5,023,000	4,725,000	4,716,136	4,384,000
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	1.5	1.7	1.7	2.0	2.1

Source: The City of Douglas' internal records.

Fiscal Year

2015	2016	2017	2018	2019
188	205	329	235	275
229	277		427	532
1,164	1,317	937	764	811
158	140	85	390	173
2,981	2,490	2,973	4,031	2,655
2,900	3,479	3,295	3,666	3,040
52	196	178	239	140
261	108		160	130
33.4	24.6	22.0	25.0	30.0
-	-	-	-	-
6.0	6.2	2.0	3.8	4.1
2,385	4,500	6,500	7,000	6,000
105	56	68	91	95
7,954	3,384	1,749	2,987	1,749
14,674	11,631	15,005	15,402	15,005
53,887	63,930	52,543	54,515	55,465
53,181	59,737	38,089	34,084	32,166
68,777	55,770	56,262	60,044	58,603
105,615	105,158	120,453	220,202	229,794
5	5	8	3	5
8	6	5	11	16
2,971,544	2,725,146	3,054,914	3,050,474	3,000,000
3,984,848	3,366,799	4,050,528	4,041,935	5,400,000
1.9	1.9	1.8	2.0	2.0

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

Function	Fiscal Year				
	2010	2011	2012	2013	2014
Police					
Stations	1	1	1	1	1
Patrol Units	22	21	23	22	21
Fire Stations	1	1	1	1	1
Refuse Collection					
Collection Trucks	5	5	5	4	4
Other Public Works					
Streets (Miles)	112	110	110	110	110
Streetlights	2,693	2,693	2,693	2,693	2,693
Traffic Signals	14	14	14	14	14
Parks and Recreation					
Acreage	92	92	92	92	92
Playgrounds	5	5	5	5	5
Baseball and Softball Diamonds	6	6	6	6	6
Soccer/Football Fields	13	13	13	13	13
Aquatic Centers	2	2	2	2	2
Community Centers	1	1	1	1	1
Water					
Water Mains (Miles)	84	100	100	100	100
Fire hydrants	535	540	545	458	560
Storage Capacity (Thousands of Gallons)	500,900	500,900	500,900	500,900	500,900
Wastewater					
Sanitary Sewers (Miles)	80	85	85	86	86
Storm Sewers (Miles)	9	9	9	9	9
Maximum Treatment Capacity (Thousands of Gallons)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000

Source: The City of Douglas' internal records.

Fiscal Year

2015	2016	2017	2018	2019
1	1	1	1	1
23	23	21	24	22
1	1	1	1	1
4	4	4	4	5
110	110	110	110	110
2,693	2,693	2,697	1,209	1,209
14	12	13	13	13
92	92	92	92	92
5	5	5	5	6
6	6	6	7	7
13	13	13	13	13
2	2	2	2	2
1	1	-	-	-
100	100	100	100	100
567	570	573	574	576
590,000	590,000	590,000	590,000	590,000
86	86	87	87	87
9	9	9	9	9
2,000,000	2,000,000	2,000,000	2,000,000	2,000,000

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