

# **City of Douglas**

Douglas, Arizona

## **Annual Expenditure Limitation Report**

*For the Year Ended June 30, 2021*





# City of Douglas

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## Independent Accountants' Report

To the Honorable Mayor and Members of City Council  
of the City of Douglas  
Douglas, Arizona

We have examined the Annual Expenditure Limitation Report ("Report") for the year ended June 30, 2021, and related footnotes listed in the table of contents. The City's management is responsible for the preparation and presentation of the Report in accordance with the requirements of the Arizona Revised Statutes 41-1279.07 as authorized by the Arizona Constitution, Article IX, Section 20 as set forth in Note 1 ("Statutes"). Our responsibility is to express an opinion on the Report and related footnotes based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City's Report is presented in accordance with applicable statutes as described above, in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the Report. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet the ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Report and related footnotes listed in the table of contents for the year ended June 30, 2021, are presented in accordance with the requirements of the Arizona Revised Statutes 41-1279.07 as authorized by the Arizona Constitution, Article IX, Section 20, in all material respects.

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

*The Pun Group, LLP*

Phoenix, Arizona  
March 25, 2022

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**City of Douglas**  
**Annual Expenditure Limitation Report – Part I**  
**For the Year Ended June 30, 2021**

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|   |               |               |
|---|---------------|---------------|
| 1. Economic Estimates Commission expenditure limitation   | \$ 71,319,384 |               |
| 2. Voter approved alternative expenditure limitation (N/A)  | -             |               |
| 3. Enter applicable amount from Line 1 or Line 2  |               | \$ 71,319,384 |
| 4. Amount subject to the expenditure limitation (total amount from Part II, Line C)   | \$ 29,223,849 |               |
| 5. Board-authorized expenditures necessitated by a disaster declared by the Governor [Article IX, §20(2)(a), Arizona Constitution]  | -             |               |
| 6. Board-authorized expenditures necessitated by a disaster not declared by the Governor [Article IX, §20(2)(b), Arizona Constitution]  | -             |               |
| 7. Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year [Article IX, §20(2)(c), Arizona Constitution]  | -             |               |
| 8. Subtotal   |               | \$ 29,223,849 |
| 9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters [Article IX, §20(2)(b), Arizona Constitution] | -             |               |
| 10. Total adjusted amount subject to the expenditure limitation   |               | \$ 29,223,849 |
| 11. Amount under (in excess of) the expenditure limitation  |               | \$ 42,095,535 |

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

Signature of Chief Fiscal Officer: \_\_\_\_\_

Name and Title: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Date: \_\_\_\_\_

**City of Douglas**  
**Annual Expenditure Limitation Report – Part II**  
**For the Year Ended June 30, 2021**

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| Description  | Governmental<br>Funds | Enterprise<br>Funds | Internal<br>Service<br>Funds | Fiduciary<br>Funds | Total         |
|--|-----------------------|---------------------|------------------------------|--------------------|---------------|
| A. Amounts reported on the Reconciliation, Line D                | \$ 56,782,495         | \$ 8,636,739        | \$ 1,003,289                 | \$ -               | \$ 66,422,523 |
| B. Less exclusions claimed:                                      |                       |                     |                              |                    |               |
| 1. Debt proceeds - (Note 6)                                      | 34,815,000            | 408,030             | -                            | -                  | 35,223,030    |
| 2. Debt service requirements on long-term obligations - (Note 7) | 1,155,529             | 820,115             | -                            | -                  | 1,975,644     |
| 16 Total exclusions claimed                                      | 35,970,529            | 1,228,145           | -                            | -                  | 37,198,674    |
| C. Amounts subject to the expenditure limitation                 | \$ 20,811,966         | \$ 7,408,594        | \$ 1,003,289                 | \$ -               | \$ 29,223,849 |



**City of Douglas**  
**Annual Expenditure Limitation Report – Reconciliation**  
**For the Year Ended June 30, 2021**

| Description   | Governmental<br>Funds | Enterprise<br>Funds | Internal Service<br>Funds | Fiduciary<br>Funds | Total         |
|---|-----------------------|---------------------|---------------------------|--------------------|---------------|
| A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund-based financial statements | \$ 57,103,720         | \$ 5,364,146        | \$ 1,105,946              | \$ -               | \$ 63,573,812 |
| B. Subtractions   |                       |                     |                           |                    |               |
| 1. Items not requiring use of current financial resources:  |                       |                     |                           |                    |               |
| a. Depreciation (Capital Asset Rollforward)   | -                     | 1,249,255           | -                         | -                  | 1,249,255     |
| c. Bad debt expense   | -                     | 13,183              | -                         | -                  | 13,183        |
| d. Pension and other postemployment benefits (OPEB) expense (Note 2)  | -                     | 20,171              | -                         | -                  | 20,171        |
| e. Claims incurred but not reported (IBNR) - (Note 3)   | -                     | -                   | 237,519                   | -                  | 237,519       |
| 2. Expenditures of separate legal entities established under Arizona Revised Statutes - (Note 4)  | 212,259               | -                   | -                         | -                  | 212,259       |
| 3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception (Note 5)                   | 108,966               | -                   | -                         | -                  | 108,966       |
| 6. Total subtractions   | 321,225               | 1,282,609           | 237,519                   | -                  | 1,841,353     |
| C. Additions:   |                       |                     |                           |                    |               |
| 1. Principal payments on long-term debt (Note 7)  | -                     | 634,388             | -                         | -                  | 634,388       |
| 2. Capital asset acquisitions (Statement of Cash Flows)   | -                     | 3,789,445           | -                         | -                  | 3,789,445     |
| 3. Amounts paid in the current year but reported as expenses in previous years:   |                       |                     |                           |                    |               |
| a. Claims previously recognized as IBNR (Note 3)  | -                     | -                   | 134,862                   | -                  | 134,862       |
| 4. Pension and OPEB contributions paid in the current year (Note 2)   | -                     | 131,369             | -                         | -                  | 131,369       |
| 5. Total additions  | -                     | 4,555,202           | 134,862                   | -                  | 4,690,064     |
| D. Amounts reported on Part II, Line A  | \$ 56,782,495         | \$ 8,636,739        | \$ 1,003,289              | \$ -               | \$ 66,422,523 |

See accompanying Notes to the Annual Expenditure Limitation Report.

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**City of Douglas**  
**Notes to the Annual Expenditure Limitation Report**  
**For the Year Ended June 30, 2021**

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**Note 1 – Summary of Significant Accounting Policies**

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

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction or addition in the reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds; Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary Funds; and the Statement of Cash Flows for the Proprietary Funds.

**Note 2 – Pension Plans and Other Postemployment Benefits**

The \$20,171 subtraction for pension and other post-employment benefit (OPEB) represents enterprise funds pension related operating expenses recognized in the current year, that did not result in an outlay of cash. The \$131,369 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise funds, that were not included in enterprise funds operating expenses. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows net effect on cash.

|  |    | 2021      |
|--|----|-----------|
| <b><u>Statement of Cash Flows</u></b>                    |    |           |
| Change in net pension and OPEB asset                     | \$ | (3,846)   |
| Change in deferred inflows related to pensions and OPEB  |    | (124,480) |
| Change in deferred outflows related to pensions and OBEB |    | (199,954) |
| Change in net pension and OPEB liability                 |    | 217,082   |
| Total  | \$ | (111,198) |
| <br><b><u>AELR-Reconciliation</u></b>                    |    |           |
| Pension/OPEB contributions – addition                    | \$ | 131,369   |
| Pension/OPEB expense(income) – subtraction               |    | 20,171    |
| Total  | \$ | 111,198   |

**Note 3 – Claims Incurred but Not Reported (IBNR) Subtractions and Additions**

The subtraction of \$237,519 for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the internal service fund. The City reports \$134,862 of additions for claims paid in the current year but reported as expenses in previous years.

**Note 4 – Expenditures of Separate Legal Entities Established under Arizona Revised Statutes**

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

**City of Douglas**  
**Notes to the Annual Expenditure Limitation Report (Continued)**  
**For the Year Ended June 30, 2021**

**Note 5 – Present Value of Net Minimum Capital Leases**

The subtraction for the present value of net minimum capital leases and installment purchase contract payments recorded as expenditures at the agreements' inception includes the obligations incurred on capital leases the City entered into during fiscal year 2020-21.

**Note 6 – Debt Proceeds**

|  | General Fund         | Governmental<br>Funds | Water Fund        | Wastewater<br>Fund | Enterprise<br>Funds Total |
|--|----------------------|-----------------------|-------------------|--------------------|---------------------------|
| New proceeds   | \$ 38,885,000        | \$ 38,885,000         | \$ 234,266        | \$ 173,764         | \$ 408,030                |
| Available excludable interest                            | -                    | -                     | -                 | -                  | -                         |
| Miscellaneous revenue: Refund of prior year expenditures | -                    | -                     | -                 | -                  | -                         |
| Less capital expenditures - current fiscal year          | -                    | -                     | 234,266           | 173,764            | 408,030                   |
| Less expenditure for Public Safety System UAAL           | 34,317,039           | 34,317,039            | -                 | -                  | -                         |
| Less expenditure of bond issuance costs                  | 497,961              | 497,961               | -                 | -                  | -                         |
| Net expended proceeds                                    | <u>\$ 34,815,000</u> | <u>\$ 34,815,000</u>  | <u>\$ 234,266</u> | <u>\$ 173,764</u>  | <u>\$ 408,030</u>         |
| Net expended proceeds                                    | \$ 34,815,000        | \$ 34,815,000         | \$ 234,266        | \$ 173,764         | \$ 408,030                |
| Less expenditures excluded as debt service               | -                    | -                     | -                 | -                  | -                         |
| Refunds of excludable revenues from prior years          | -                    | -                     | -                 | -                  | -                         |
| Net excluded expenditures                                | <u>\$ 34,815,000</u> | <u>\$ 34,815,000</u>  | <u>\$ 234,266</u> | <u>\$ 173,764</u>  | <u>\$ 408,030</u>         |

**Note 7 – Debt Service Requirements and Principal Payment on Long-Term Debt**

The exclusion claimed for debt service requirements in the Governmental and Enterprise Funds consist of principal and interest requirements as follows:

|  | Governmental Funds |                   |                     |
|--|--------------------|-------------------|---------------------|
|  | Principal          | Interest          | Total               |
| Call Center Loan                               | \$ 375,000         | \$ 83,756         | \$ 458,756          |
| Capital Leases                                 | 518,169            | 178,604           | 696,773             |
|  | <u>\$ 893,169</u>  | <u>\$ 262,360</u> | <u>\$ 1,155,529</u> |
|  | Enterprise Funds   |                   |                     |
|  | Principal          | Interest          | Total               |
| Water Infrastructure Financing Authority Loans | \$ 611,554         | \$ 174,501        | \$ 786,055          |
| Capital Leases                                 | 22,834             | 11,226            | 34,060              |
|  | <u>\$ 634,388</u>  | <u>\$ 185,727</u> | <u>\$ 820,115</u>   |

**City of Douglas**  
**Schedule of Findings to the Annual Expenditure Limitation Report**  
**For the Year Ended June 30, 2021**

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**Findings to the Annual Expenditure Limitation Report**

None noted.

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