

PHA 5-Year and Annual Plan	U.S. Department of Housing and Urban Development Office of Public and Indian Housing	OMB No. 2577-0226 Expires 4/30/2011
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1.0	PHA Information PHA Name: _____ City of Douglas PHA _____ PHA Code: <u>AZ037</u> PHA Type: <input checked="" type="checkbox"/> Small <input type="checkbox"/> High Performing <input checked="" type="checkbox"/> Standard <input checked="" type="checkbox"/> HCV (Section 8) PHA Fiscal Year Beginning: (MM/YYYY): <u>07/2010</u>																										
2.0	Inventory (based on ACC units at time of FY beginning in 1.0 above) Number of PH units: <u>0</u> Number of HCV units: <u>193</u>																										
3.0	Submission Type <input checked="" type="checkbox"/> 5-Year and Annual Plan <input type="checkbox"/> Annual Plan Only <input type="checkbox"/> 5-Year Plan Only																										
4.0	PHA Consortia <input type="checkbox"/> PHA Consortia: (Check box if submitting a joint Plan and complete table below.)																										
	<table border="1"> <thead> <tr> <th rowspan="2">Participating PHAs</th> <th rowspan="2">PHA Code</th> <th rowspan="2">Program(s) Included in the Consortia</th> <th rowspan="2">Programs Not in the Consortia</th> <th colspan="2">No. of Units in Each Program</th> </tr> <tr> <th>PH</th> <th>HCV</th> </tr> </thead> <tbody> <tr> <td>PHA 1:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>PHA 2:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>PHA 3:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Participating PHAs	PHA Code	Program(s) Included in the Consortia	Programs Not in the Consortia	No. of Units in Each Program		PH	HCV	PHA 1:						PHA 2:						PHA 3:					
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5.0	5-Year Plan. Complete items 5.1 and 5.2 only at 5-Year Plan update.																										
5.1	Mission. State the PHA's Mission for serving the needs of low-income, very low-income, and extremely low income families in the PHA's jurisdiction for the next five years: The Mission of the City of Douglas Housing Authority is to provide for safe, affordable housing which meets the needs of Douglas' residents, and addresses the special housing needs of the elderly, people with disabilities, the homeless, and those requiring group and foster care. The City, in partnership with state agencies and the private sector, will work towards the provision of assisted housing for persons and families of low and moderate income within the region, within a suitable environment free from discrimination.																										
5.2	Goals and Objectives. Identify the PHA's quantifiable goals and objectives that will enable the PHA to serve the needs of low-income and very low-income, and extremely low-income families for the next five years. Include a report on the progress the PHA has made in meeting the goals and objectives described in the previous 5-Year Plan. 1) To expand the supply of assisted, affordable housing by taking steps to maximize Housing Choice Voucher funding in order to assist as many families as possible. The PHA has met SEMAP requirements in its lease-up rates in the past five years and will continue to do so by maximizing funding, and keeping payment standards low but reasonable. 2) To improve the quality of assisted housing by enforcing Housing Quality Standards and ensuring that program participants are aware of and follow HUD rules. The PHA enforces HQS requirements and abates landlord rent when units do not meet HQS. All landlords and tenants are made aware of HUD rules and regulations through owner and tenant briefings. 3) Increase assisted housing choices by providing outreach to potential voucher landlords and implementing a homeownership program. The PHA has implemented an FSS Program which has proven to be successful. 25 families are currently enrolled in the Program. 4) Improve the quality of life and economic vitality. The City of Douglas has created a Neighborhoods Division which will work towards improving the quality of life of local residents by holding neighborhood ward meetings to discuss residential concerns and improving neighborhoods. 5) Promote self sufficiency and asset development of families and individuals by increasing the number and percentage of employed persons in assisted families through the FSS Program, and continuing to provide support services to improve recipient's employability. 6) Ensure Equal Opportunity in Housing for all Americans by undertaking affirmative measures to ensure access to assisted housing regardless of race, color, religion, national origin, sex, familial status or disability. All PHA staff are trained in Fair Housing, information is given out to program participants and posters and phone numbers are posted in the PHA offices. In addition, the City of Douglas Mayor adopts a Fair Housing Proclamation once every year during Fair Housing Month.																										

6.0	<p>PHA Plan Update</p> <p>(a) Identify all PHA Plan elements that have been revised by the PHA since its last Annual Plan submission: (b) Identify the specific location(s) where the public may obtain copies of the 5-Year and Annual PHA Plan. For a complete list of PHA Plan elements, see Section 6.0 of the instructions.</p> <p>(a) Since the last 5 year Plan, the PHA has added language in several sections of its Administrative Plan in order to comply with regulations of the Violence Against Women Reauthorization Act of 2005. Specifically, the PHA had incorporated the revised HAP Contract and Tenancy Addendum which reflect the VAWA statutory requirements. Sections 3.3, 3.4, 3.5, 4.0 and 16.0 of our Administrative Plan have been revised to provide the protections afforded by the VAWA, as has the Glossary. Excerpts from those sections of the Administrative Plan are included as an attachment to this document. In addition, we have added definitions pertaining to VAWA to the Administrative Plan Glossary and added the “Douglas Housing Authority VAWA Addendum” as Addendum #1 to the Administrative Plan.</p> <p>Addendums #2 – Homeownership Voucher Admin Plan; #3 – FSS Action Plan; #4 – EIV Procedures; and #5 – Family Unification Program.</p> <p>(b) Copies of the PHA’s 5 year and Annual Plan are available at the City of Douglas PHA offices located at City Hall, 425 10th Street, Douglas, AZ 85607</p> <p>A copy of the Comprehensive Annual Financial Report for 2009 is attached.</p>
7.0	<p>Hope VI, Mixed Finance Modernization or Development, Demolition and/or Disposition, Conversion of Public Housing, Homeownership Programs, and Project-based Vouchers. <i>Include statements related to these programs as applicable.</i></p> <p>The PHA plans to implement the Section 8 Homeownership Program in FY 2009-2010.</p>
8.0	<p>Capital Improvements. Please complete Parts 8.1 through 8.3, as applicable.</p> <p>N/A</p>
8.1	<p>Capital Fund Program Annual Statement/Performance and Evaluation Report. As part of the PHA 5-Year and Annual Plan, annually complete and submit the <i>Capital Fund Program Annual Statement/Performance and Evaluation Report</i>, form HUD-50075.1, for each current and open CFP grant and CFFP financing.</p> <p>N/A</p>
8.2	<p>Capital Fund Program Five-Year Action Plan. As part of the submission of the Annual Plan, PHAs must complete and submit the <i>Capital Fund Program Five-Year Action Plan</i>, form HUD-50075.2, and subsequent annual updates (on a rolling basis, e.g., drop current year, and add latest year for a five year period). Large capital items must be included in the Five-Year Action Plan.</p> <p>N/A</p>
8.3	<p>Capital Fund Financing Program (CFFP). <input type="checkbox"/> Check if the PHA proposes to use any portion of its Capital Fund Program (CFP)/Replacement Housing Factor (RHF) to repay debt incurred to finance capital improvements.</p> <p>N/A</p>
9.0	<p>Housing Needs. Based on information provided by the applicable Consolidated Plan, information provided by HUD, and other generally available data, make a reasonable effort to identify the housing needs of the low-income, very low-income, and extremely low-income families who reside in the jurisdiction served by the PHA, including elderly families, families with disabilities, and households of various races and ethnic groups, and other families who are on the public housing and Section 8 tenant-based assistance waiting lists. The identification of housing needs must address issues of affordability, supply, quality, accessibility, size of units, and location.</p> <p>There are 447 families on the waiting list for the HCV program, of which 78% are extremely low income, 20% are very low income and 2% are low income. Approximately 8% are elderly, and 3% are disabled. 86% of the families on the waiting list are Hispanic/Latino. 29% require a 1 BR unit, 32% require 2 BR, 31% require 3BR and 8% require 4BR unit. There continues to be a shortage of rental stock in Douglas, although there are approximately 7 apartment complexes that offer subsidized housing. All are continuously at 95% occupancy or over.</p>
9.1	<p>Strategy for Addressing Housing Needs. Provide a brief description of the PHA’s strategy for addressing the housing needs of families in the jurisdiction and on the waiting list in the upcoming year. Note: Small, Section 8 only, and High Performing PHAs complete only for Annual Plan submission with the 5-Year Plan.</p> <p>Families are given preference as follows: Natural Disaster, Residency, Elderly/Disabled, Working and Veterans. Aside from the preference points, families are ranked on the waiting list by date and time of application. Families are issued a voucher when they have reached the top of the waiting list and have passed all eligibility requirements. The family is issued a voucher sized to suit their needs, as per occupancy standards.</p>

10.0	<p>Additional Information. Describe the following, as well as any additional information HUD has requested.</p> <p>(a) Progress in Meeting Mission and Goals. Provide a brief statement of the PHA's progress in meeting the mission and goals described in the 5-Year Plan.</p> <p>The PHA has maximized HUD funding by meeting required lease up rates as per SEMAP standards, ensuring that vouchers are issued as they become available and keeping payment standards low in order to assist as many families as possible. The PHA has established an FSS Program and continues to work with families in assisting them towards establishing self sufficiency. Twenty five families are enrolled in the program, in its first year of inception, with nine families showing positive escrow balances. The PHA continues to work with other partners such as the State of Arizona in providing housing rehabilitation services for low-income elderly homeowners and continues to hold neighborhood meetings with residents in every city ward.</p> <p>(b) Significant Amendment and Substantial Deviation/Modification. Provide the PHA's definition of "significant amendment" and "substantial deviation/modification"</p> <p>None</p> <p>Substantial Deviations and Significant Amendments or Modifications are defined as discretionary changes in the plans or policies of the City of Douglas Housing Authority which fundamentally change the mission, goals, objectives, or plans of the agency, and which require the formal approval of the City of Douglas Mayor and Council.</p>
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11.0	<p>Required Submission for HUD Field Office Review. In addition to the PHA Plan template (HUD-50075), PHAs must submit the following documents. Items (a) through (g) may be submitted with signature by mail or electronically with scanned signatures, but electronic submission is encouraged. Items (h) through (i) must be attached electronically with the PHA Plan. Note: Faxed copies of these documents will not be accepted by the Field Office.</p> <p>(a) Form HUD-50077, <i>PHA Certifications of Compliance with the PHA Plans and Related Regulations</i> (which includes all certifications relating to Civil Rights)</p> <p>(b) Form HUD-50070, <i>Certification for a Drug-Free Workplace</i> (PHAs receiving CFP grants only)</p> <p>(c) Form HUD-50071, <i>Certification of Payments to Influence Federal Transactions</i> (PHAs receiving CFP grants only)</p> <p>(d) Form SF-LLL, <i>Disclosure of Lobbying Activities</i> (PHAs receiving CFP grants only)</p> <p>(e) Form SF-LLL-A, <i>Disclosure of Lobbying Activities Continuation Sheet</i> (PHAs receiving CFP grants only)</p> <p>(f) Resident Advisory Board (RAB) comments. Comments received from the RAB must be submitted by the PHA as an attachment to the PHA Plan. PHAs must also include a narrative describing their analysis of the recommendations and the decisions made on these recommendations.</p> <p>(g) Challenged Elements</p> <p>(h) Form HUD-50075.1, <i>Capital Fund Program Annual Statement/Performance and Evaluation Report</i> (PHAs receiving CFP grants only)</p> <p>(i) Form HUD-50075.2, <i>Capital Fund Program Five-Year Action Plan</i> (PHAs receiving CFP grants only)</p>
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This information collection is authorized by Section 511 of the Quality Housing and Work Responsibility Act, which added a new section 5A to the U.S. Housing Act of 1937, as amended, which introduced 5-Year and Annual PHA Plans. The 5-Year and Annual PHA plans provide a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, and informs HUD, families served by the PHA, and members of the public of the PHA's mission and strategies for serving the needs of low-income and very low-income families. This form is to be used by all PHA types for submission of the 5-Year and Annual Plans to HUD. Public reporting burden for this information collection is estimated to average 12.68 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information, and respondents are not required to complete this form, unless it displays a currently valid OMB Control Number.

Privacy Act Notice. The United States Department of Housing and Urban Development is authorized to solicit the information requested in this form by virtue of Title 12, U.S. Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. Responses to the collection of information are required to obtain a benefit or to retain a benefit. The information requested does not lend itself to confidentiality

Instructions form HUD-50075

Applicability. This form is to be used by all Public Housing Agencies (PHAs) with Fiscal Year beginning April 1, 2008 for the submission of their 5-Year and Annual Plan in accordance with 24 CFR Part 903. The previous version may be used only through April 30, 2008.

1.0 PHA Information

Include the full PHA name, PHA code, PHA type, and PHA Fiscal Year Beginning (MM/YYYY).

2.0 Inventory

Under each program, enter the number of Annual Contributions Contract (ACC) Public Housing (PH) and Section 8 units (HCV).

3.0 Submission Type

Indicate whether this submission is for an Annual and Five Year Plan, Annual Plan only, or 5-Year Plan only.

4.0 PHA Consortia

Check box if submitting a Joint PHA Plan and complete the table.

5.0 Five-Year Plan

Identify the PHA's Mission, Goals and/or Objectives (24 CFR 903.6). Complete only at 5-Year update.

5.1 Mission. A statement of the mission of the public housing agency for serving the needs of low-income, very low-income, and extremely low-income families in the jurisdiction of the PHA during the years covered under the plan.

5.2 Goals and Objectives. Identify quantifiable goals and objectives that will enable the PHA to serve the needs of low income, very low-income, and extremely low-income families.

6.0 PHA Plan Update. In addition to the items captured in the Plan template, PHAs must have the elements listed below readily available to the public. Additionally, a PHA must:

- (a) Identify specifically which plan elements have been revised since the PHA's prior plan submission.
- (b) Identify where the 5-Year and Annual Plan may be obtained by the public. At a minimum, PHAs must post PHA Plans,

including updates, at each Asset Management Project (AMP) and main office or central office of the PHA. PHAs are strongly encouraged to post complete PHA Plans on its official website. PHAs are also encouraged to provide each resident council a copy of its 5-Year and Annual Plan.

PHA Plan Elements. (24 CFR 903.7)

1. **Eligibility, Selection and Admissions Policies, including Deconcentration and Wait List Procedures.** Describe the PHA's policies that govern resident or tenant eligibility, selection and admission including admission preferences for both public housing and HCV and unit assignment policies for public housing; and procedures for maintaining waiting lists for admission to public housing and address any site-based waiting lists.
2. **Financial Resources.** A statement of financial resources, including a listing by general categories, of the PHA's anticipated resources, such as PHA Operating, Capital and other anticipated Federal resources available to the PHA, as well as tenant rents and other income available to support public housing or tenant-based assistance. The statement also should include the non-Federal sources of funds supporting each Federal program, and state the planned use for the resources.
3. **Rent Determination.** A statement of the policies of the PHA governing rents charged for public housing and HCV dwelling units.
4. **Operation and Management.** A statement of the rules, standards, and policies of the PHA governing maintenance management of housing owned, assisted, or operated by the public housing agency (which shall include measures necessary for the prevention or eradication of pest infestation, including cockroaches), and management of the PHA and programs of the PHA.
5. **Grievance Procedures.** A description of the grievance and informal hearing and review procedures that the PHA makes available to its residents and applicants.
6. **Designated Housing for Elderly and Disabled Families.** With respect to public housing projects owned, assisted, or operated by the PHA, describe any projects (or portions thereof), in the upcoming fiscal year, that the PHA has designated or will apply for designation for occupancy by elderly and disabled families. The description shall include the following information: **1)** development name and number; **2)** designation type; **3)** application status; **4)** date the designation was approved, submitted, or planned for submission, and; **5)** the number of units affected.
7. **Community Service and Self-Sufficiency.** A description of: **(1)** Any programs relating to services and amenities provided or offered to assisted families; **(2)** Any policies or programs of the PHA for the enhancement of the economic and social self-sufficiency of assisted families, including programs under Section 3 and FSS; **(3)** How the PHA will comply with the requirements of community service and treatment of income changes resulting from welfare program requirements. **(Note: applies to only public housing).**
8. **Safety and Crime Prevention.** For public housing only, describe the PHA's plan for safety and crime prevention to ensure the safety of the public housing residents. The statement must include: **(i)** A description of the need for measures to ensure the safety of public housing residents; **(ii)** A description of any crime prevention activities conducted or to be conducted by the PHA; and **(iii)** A description of the coordination between the PHA and the appropriate police precincts for carrying out crime prevention measures and activities.

9. **Pets.** A statement describing the PHAs policies and requirements pertaining to the ownership of pets in public housing.
10. **Civil Rights Certification.** A PHA will be considered in compliance with the Civil Rights and AFFH Certification if: it can document that it examines its programs and proposed programs to identify any impediments to fair housing choice within those programs; addresses those impediments in a reasonable fashion in view of the resources available; works with the local jurisdiction to implement any of the jurisdiction's initiatives to affirmatively further fair housing; and assures that the annual plan is consistent with any applicable Consolidated Plan for its jurisdiction.
11. **Fiscal Year Audit.** The results of the most recent fiscal year audit for the PHA.
12. **Asset Management.** A statement of how the agency will carry out its asset management functions with respect to the public housing inventory of the agency, including how the agency will plan for the long-term operating, capital investment, rehabilitation, modernization, disposition, and other needs for such inventory.
13. **Violence Against Women Act (VAWA).** A description of: **1)** Any activities, services, or programs provided or offered by an agency, either directly or in partnership with other service providers, to child or adult victims of domestic violence, dating violence, sexual assault, or stalking; **2)** Any activities, services, or programs provided or offered by a PHA that helps child and adult victims of domestic violence, dating violence, sexual assault, or stalking, to obtain or maintain housing; and **3)** Any activities, services, or programs provided or offered by a public housing agency to prevent domestic violence, dating violence, sexual assault, and stalking, or to enhance victim safety in assisted families.

7.0 Hope VI, Mixed Finance Modernization or Development, Demolition and/or Disposition, Conversion of Public Housing, Homeownership Programs, and Project-based Vouchers

- (a) **Hope VI or Mixed Finance Modernization or Development.**
 - 1)** A description of any housing (including project number (if known) and unit count) for which the PHA will apply for HOPE VI or Mixed Finance Modernization or Development; and **2)** A timetable for the submission of applications or proposals. The application and approval process for Hope VI, Mixed Finance Modernization or Development, is a separate process. See guidance on HUD's website at: <http://www.hud.gov/offices/pih/programs/ph/hope6/index.cfm>
- (b) **Demolition and/or Disposition.** With respect to public housing projects owned by the PHA and subject to ACCs under the Act: **(1)** A description of any housing (including project number and unit numbers [or addresses]), and the number of affected units along with their sizes and accessibility features) for which the PHA will apply or is currently pending for demolition or disposition; and **(2)** A timetable for the demolition or disposition. The application and approval process for demolition and/or disposition is a separate process. See guidance on HUD's website at: http://www.hud.gov/offices/pih/centers/sac/demo_dispo/index.cfm
Note: This statement must be submitted to the extent **that approved and/or pending** demolition and/or disposition has changed.
- (c) **Conversion of Public Housing.** With respect to public housing owned by a PHA: **1)** A description of any building or buildings (including project number and unit count) that the PHA is required to convert to tenant-based assistance or

that the public housing agency plans to voluntarily convert; 2) An analysis of the projects or buildings required to be converted; and 3) A statement of the amount of assistance received under this chapter to be used for rental assistance or other housing assistance in connection with such conversion. See guidance on HUD's website at: <http://www.hud.gov/offices/pih/centers/sac/conversion.cfm>

- (d) **Homeownership.** A description of any homeownership (including project number and unit count) administered by the agency or for which the PHA has applied or will apply for approval.
- (e) **Project-based Vouchers.** If the PHA wishes to use the project-based voucher program, a statement of the projected number of project-based units and general locations and how project basing would be consistent with its PHA Plan.

8.0 Capital Improvements. This section provides information on a PHA's Capital Fund Program. With respect to public housing projects owned, assisted, or operated by the public housing agency, a plan describing the capital improvements necessary to ensure long-term physical and social viability of the projects must be completed along with the required forms. Items identified in 8.1 through 8.3, must be signed where directed and transmitted electronically along with the PHA's Annual Plan submission.

8.1 Capital Fund Program Annual Statement/Performance and Evaluation Report. PHAs must complete the *Capital Fund Program Annual Statement/Performance and Evaluation Report* (form HUD-50075.1), for each Capital Fund Program (CFP) to be undertaken with the current year's CFP funds or with CFFP proceeds. Additionally, the form shall be used for the following purposes:

- (a) To submit the initial budget for a new grant or CFFP;
- (b) To report on the Performance and Evaluation Report progress on any open grants previously funded or CFFP; and
- (c) To record a budget revision on a previously approved open grant or CFFP, e.g., additions or deletions of work items, modification of budgeted amounts that have been undertaken since the submission of the last Annual Plan. The Capital Fund Program Annual Statement/Performance and Evaluation Report must be submitted annually.

Additionally, PHAs shall complete the Performance and Evaluation Report section (see footnote 2) of the *Capital Fund Program Annual Statement/Performance and Evaluation* (form HUD-50075.1), at the following times:

1. At the end of the program year; until the program is completed or all funds are expended;
2. When revisions to the Annual Statement are made, which do not require prior HUD approval, (e.g., expenditures for emergency work, revisions resulting from the PHAs application of fungibility); and
3. Upon completion or termination of the activities funded in a specific capital fund program year.

8.2 Capital Fund Program Five-Year Action Plan

PHAs must submit the *Capital Fund Program Five-Year Action Plan* (form HUD-50075.2) for the entire PHA portfolio for the first year of participation in the CFP and annual update thereafter to eliminate the previous year and to add a new fifth year (rolling basis) so that the form always covers the present five-year period beginning with the current year.

8.3 Capital Fund Financing Program (CFFP). Separate, written HUD approval is required if the PHA proposes to pledge any portion of its CFP/RHF funds to repay debt incurred to finance

capital improvements. The PHA must identify in its Annual and 5-year capital plans the amount of the annual payments required to service the debt. The PHA must also submit an annual statement detailing the use of the CFFP proceeds. See guidance on HUD's website at: <http://www.hud.gov/offices/pih/programs/ph/capfund/cffp.cfm>

9.0 Housing Needs. Provide a statement of the housing needs of families residing in the jurisdiction served by the PHA and the means by which the PHA intends, to the maximum extent practicable, to address those needs. (**Note:** Standard and Troubled PHAs complete annually; Small and High Performers complete only for Annual Plan submitted with the 5-Year Plan).

9.1 Strategy for Addressing Housing Needs. Provide a description of the PHA's strategy for addressing the housing needs of families in the jurisdiction and on the waiting list in the upcoming year. (**Note:** Standard and Troubled PHAs complete annually; Small and High Performers complete only for Annual Plan submitted with the 5-Year Plan).

10.0 Additional Information. Describe the following, as well as any additional information requested by HUD:

- (a) **Progress in Meeting Mission and Goals.** PHAs must include (i) a statement of the PHAs progress in meeting the mission and goals described in the 5-Year Plan; (ii) the basic criteria the PHA will use for determining a significant amendment from its 5-year Plan; and a significant amendment or modification to its 5-Year Plan and Annual Plan. (**Note: Standard and Troubled PHAs complete annually; Small and High Performers complete only for Annual Plan submitted with the 5-Year Plan.**)
- (b) **Significant Amendment and Substantial Deviation/Modification.** PHA must provide the definition of "significant amendment" and "substantial deviation/modification". (**Note: Standard and Troubled PHAs complete annually; Small and High Performers complete only for Annual Plan submitted with the 5-Year Plan.**)
- (c) PHAs must include or reference any applicable memorandum of agreement with HUD or any plan to improve performance. (**Note: Standard and Troubled PHAs complete annually.**)

11.0 Required Submission for HUD Field Office Review. In order to be a complete package, PHAs must submit items (a) through (g), with signature by mail or electronically with scanned signatures. Items (h) and (i) shall be submitted electronically as an attachment to the PHA Plan.

- (a) Form HUD-50077, *PHA Certifications of Compliance with the PHA Plans and Related Regulations*
- (b) Form HUD-50070, *Certification for a Drug-Free Workplace (PHAs receiving CFP grants only)*
- (c) Form HUD-50071, *Certification of Payments to Influence Federal Transactions (PHAs receiving CFP grants only)*
- (d) Form SF-LLL, *Disclosure of Lobbying Activities (PHAs receiving CFP grants only)*
- (e) Form SF-LLL-A, *Disclosure of Lobbying Activities Continuation Sheet (PHAs receiving CFP grants only)*
- (f) Resident Advisory Board (RAB) comments.
- (g) Challenged Elements. Include any element(s) of the PHA Plan that is challenged.
- (h) Form HUD-50075.1, *Capital Fund Program Annual Statement/Performance and Evaluation Report (Must be*

attached electronically for PHAs receiving CFP grants only). See instructions in 8.1.

(i) Form HUD-50075.2, *Capital Fund Program Five-Year Action Plan* (**Must be attached electronically for PHAs receiving CFP grants only).** See instructions in 8.2.

2. Statement of Financial Resources

[24 CFR Part 903.79 (b)]

List the financial resources that are anticipated to be available to the PHA for the support of Federal public housing and tenant-based Section 8 assistance programs administered by the PHA during the Plan year.

Note: the table assumes that Federal public housing or tenant based Section 8 assistance grant funds are expended on eligible purposes; therefore, uses of these funds need not be stated. For other funds, indicate the use for those funds as one of the following categories: public housing operations, public housing capital improvements, public housing safety/security, public housing supportive services, Section 8 tenant-based assistance, Section 8 supportive services or other.

Financial Resources: Planned Sources and Uses		
Sources	Planned \$	Planned Uses
1. Federal Grants (FY 2010 grants)		
a) Public Housing Operating Fund		
b) Public Housing Capital Fund		
c) HOPE VI Revitalization		
d) HOPE VI Demolition		
e) Annual Contributions for Section 8 Tenant-Based Assistance		
f) Public Housing Drug Elimination Program (including any Technical Assistance funds)		
g) Resident Opportunity and Self-Sufficiency Grants		
h) Community Development Block Grant		
i) HOME		
Other Federal Grants (list below)		
Housing Choice Voucher	\$855,468.00	Sec8 Assistance
FSS Coordinator Grant	\$ 66,000.00	Sec 8 FSS Program
2. Prior Year Federal Grants (unobligated funds only) (list below)		
3. Public Housing Dwelling Rental Income		
4. Other income (list below)		
Moderate Rehabilitation	\$265,751.00	
Fraud/Recovery Collection-Sec 8	\$ 2,100.00	Operations
Misc Tenant charges		Operations
Sec 8 Portable Admin Fees	\$ 4,035.00	Operations
4. Non-federal sources (list below)		
Total resources	\$1,193,354.00	

CITY OF DOUGLAS, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009

Dr. Michael Gomez
Mayor

Councilmembers

Robert Fernandez

Margaret Morales

Mitchell Lindemann

Ray Shelton

Ivan Huish

Jose Luis Acedo

Curtis A. Shook
City Manager

Prepared by:
Financial Services Department

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**CITY OF DOUGLAS, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009
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INTRODUCTORY SECTION

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THE CITY OF DOUGLAS

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

FINANCE DEPARTMENT

December 30, 2009

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

The Arizona Auditor General Office requires all local government entities to file with their office by January 31 of each year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with the generally accepted auditing standards by firm licensed certified public accountants. 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, 2009.

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

The financial statements contained herein have been audited by Larson Allen, 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, 2009 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion of City of Douglas's financial statements for the Fiscal-Year-Ended June 30, 2009, and that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

This report includes all funds of the City of Douglas, Arizona. The City of Douglas, Arizona provides a full range of services that includes police and fire protection; emergency medical services; water, sewer and sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities including an aquatic center, library, visitor center and cultural events. In addition to general government activities, the City of Douglas, Arizona reports three governmental components units: Douglas Housing Authority, Casa de Esperanza, and Pioneer Village and one Enterprise component unit Rancho La Perilla Apartments and, therefore, these activities are included in the reporting entity.

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 18,996 people, it serves a commercial market of approximately 160,000. Agua Prieta, Sonora, Mexico (just across the international border from Douglas) is a part of our market and has a population of approximately 125,000. Our two cities share an interdependent economy and culture.

Government Structure

The Douglas City government is comprised of a Mayor and six Council members, elected by City residents for four year terms. The Mayor is elected at-large, which means that registered voters from all City wards cast their ballots for the mayoral candidates. Council members are elected by registered voters from their respective wards. The Mayor and Council members have equal voting power to create, pass, or disapprove local laws, ordinances, and resolutions that govern the City. The Mayor Pro Tem is appointed by the Mayor.

The City Manager, who is appointed by the City Council, is responsible for the overall operation and supervision of the government functions within the policy directives of the City Council. As the administrative head of the City government, he is responsible for the appointment and dismissal of all employees, except for the City Magistrate, City Clerk, City Treasurer, and City Attorney who are appointed by the Mayor and Council.

Economic Condition and Outlook

The City's economy is based on the commercial exchange with Mexico. The Douglas/Agua Prieta connection continues to strengthen with the coordinated efforts of both local governments for the expansion of the existing and development of a new commercial port of entry.

The Douglas community continues to show signs of growth during a recession economy. Through the leadership of Douglas's 27th mayor, Dr. Michael Gomez, and Council, Douglas is investing in infrastructure, developing partnerships and economic strategies to create a progressive and sustainable community. These economic development efforts and expansion of the Douglas Port of Entry will be key to the development of a new Douglas.

Major Initiatives

In 2008, Advanced Call Center Technologies (ACCT) chose Douglas as their fifth call center location. ACCT at built out will employ nearly 700 people and become the area's largest private employer with an average wage of \$12 per hour. In addition, ACT is occupying a newly renovated 40,000 square feet former grocery building vacant for +17 years.

The City was awarded a \$275,000 Economic Strength Project grant for the widening and reconstruction of a six road intersection near the call center. The Economic Strength Grant program through the Arizona Department of Commerce provides funding to communities for road projects to assist businesses creating jobs in Arizona.

2009 has seen new commercial developments that include a 2,500 square foot Carl's Jr, a 5,500 square foot commercial retail strip and the opening of Fallas Paredes, a National Stores Inc. apparel company. In addition, the three story, 45,000 square foot Best Western just opened in November 2009. The 66-room facility has a meeting room, swimming pool, Wi-Fi and Jacuzzi tubs suites and a fitness center.

Another economic development project in the works is the Government Plaza, which will occupy the old Phelps Dodge Mercantile Building. Early this year the City received \$3,005,000 from GADA (Greater Arizona Development Authority) which will be used to upgrade and renovate the current building as well as cover the purchase of two lots east of City Hall that will be used as parking space. Demolition of the building occupying the space has been completed, but demolition for the second building has yet to begin. Currently, architectural and engineering services have been acquired and construction is set to continue through the 2010 Fiscal Year.

Upcoming Year

Benefits of a new Pizza Patron, Caffeinos Coffee Shop, among other businesses will be seen by the end of the 2009 calendar year. These two new businesses will further develop the commercial area on 5th Street and Pan American. Furthermore, the Department of Homeland Security continues to work on the ditch separating the US/Mexico Border, thus stimulating the Douglas economy. The project is set to finish by early 2010.

The expansion and configuration of the Douglas Port of Entry will continue to be a major project for Douglas and the region in the years to come. As of September 2007 the feasibility study by the General Service Administration had been completed. Current schedule calls for port design in 2012 and construction of \$60 million of infrastructure for 2014. The new Douglas International Port Authority has been formed to serve as the leading agency for port infrastructure development. DIPA, a nonprofit public/private entity is the representative of the Douglas-Agua Prieta port users, City of Douglas and Cochise County.

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, 2008. 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.

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

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

Acknowledgement

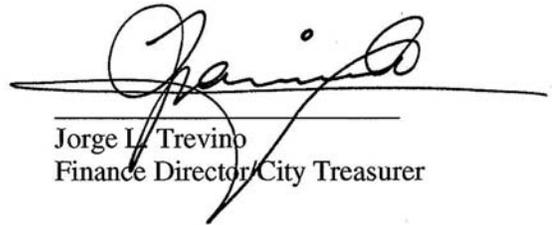
We would like to express our appreciation to each member of the Finance Department who has assisted in the preparation of this report. We are thankful for having the finance committee of the City of Douglas providing their support and having them evaluate this report. And also, thanks to our independent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

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

Respectfully Submitted,



Curtis A. Shook
City Manager



Jorge L. Trevino
Finance Director / City Treasurer

**CITY OF DOUGLAS, ARIZONA
LIST OF PRINCIPAL OFFICIALS**

ELECTED OFFICIALS

Mayor	Dr. Michael Gomez
Councilmember	Robert Fernandez
Councilmember	Margaret Morales
Councilmember	Mitchell Lindemann
Councilmember	Ray Shelton
Councilmember	Ivan Huish
Councilmember	Jose Luis Acedo

APPOINTED OFFICIALS

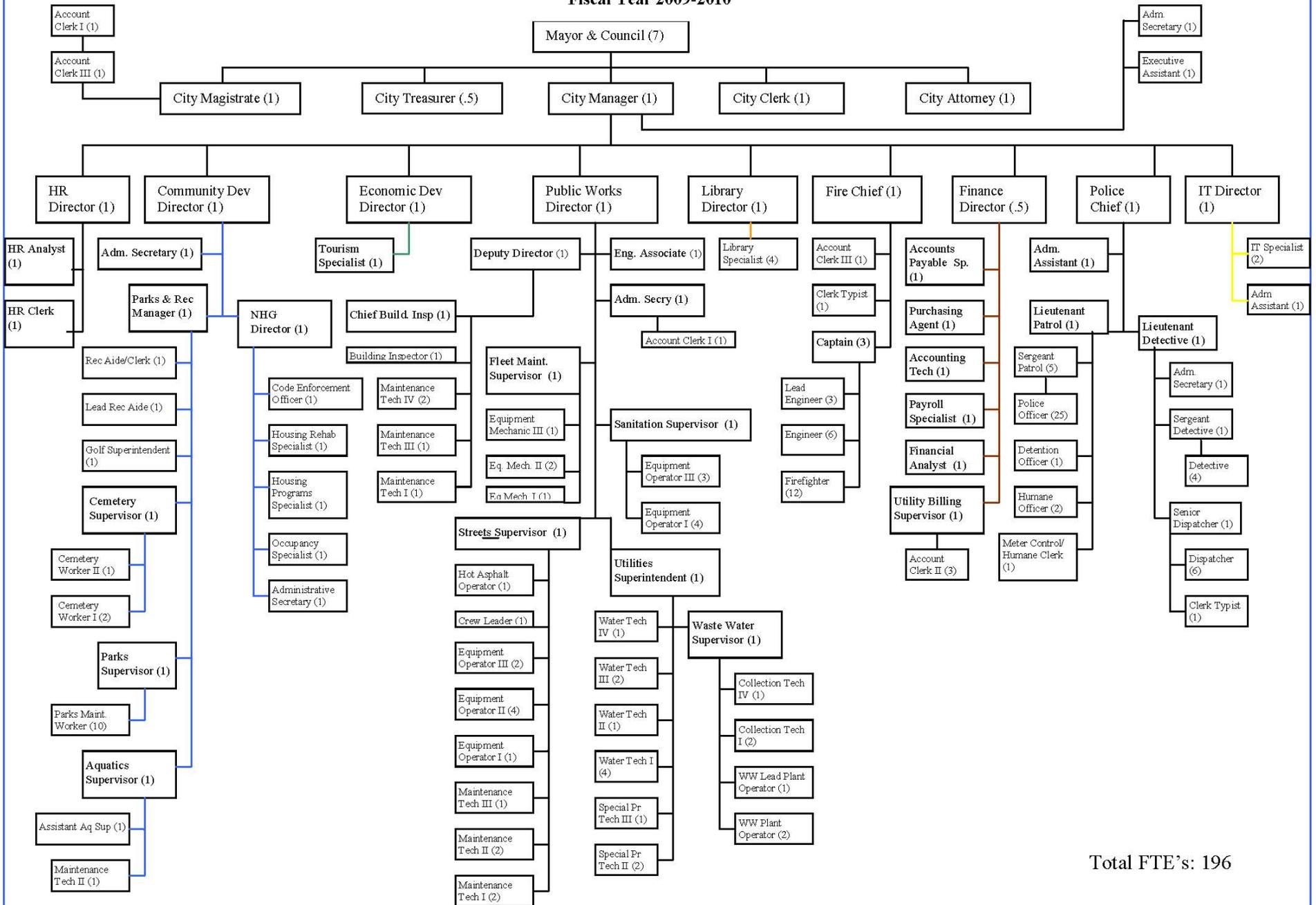
City Manager	Curtis A. Shook
City Clerk	Brenda Aguilar
City Attorney	Juan Pablo Flores
City Treasurer	Jorge L. Trevino
City Magistrate	Alma Vildosola

DEPARTMENT DIRECTORS

Public Works/City Engineer	Carlos De La Torre
Human Resources	Ana Urquijo
Information Technology	Andrew Dym
Economic Development	Victor Gonzalez
Police Chief	Alberto Melis
Fire Chief	Mario Novoa
Librarian	Victoria Yarbrough
Housing Neighborhood Service Director	Christina Gomez

City of Douglas Organizational Chart

Fiscal Year 2009-2010



Total FTE's: 196

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, 2008

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



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Douglas, Arizona (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Douglas Housing Corporation I (Casa de Esperanza), Douglas Housing Corporation II (Pioneer Village) and the Douglas Community Housing Corporation (Rancho La Parilla Apartments). The Douglas Housing Corporation I and II are presented as Governmental Component Units and its assets comprise 54% and 34% of the total Governmental Component Unit assets, and 13% and 5% of total operating revenues of the Governmental Component Unit revenues, respectively. Rancho La Parilla comprises 100% of the assets and operating revenues reported in the Proprietary Component Unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Governmental Component Units and Proprietary Component Unit, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Douglas, Arizona, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Special Projects, Grants and Police Grants Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

A prior period adjustment was recorded, as described in Note 3.F., to restate the governmental activities beginning net assets for an error in the previously issued financial statements related to the recorded net book value of certain infrastructure assets.

The management's discussion and analysis on pages 13 - 25 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 77 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



LarsonAllen LLP

Mesa, Arizona
December 30, 2009

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

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, 2009. We encourage readers to consider the information presented here in conjunction with additional information presented in the financial statements.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the City at the close of the most recent fiscal year exceed liabilities by \$38.1 million (net assets). Of this amount, \$6.6 million is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- ◆ Total net assets increased by \$4.1 million during the fiscal year.
- ◆ As of June 30, 2009, the City's governmental funds reported a combined ending fund balance of \$9.4 million. Almost all of this amount is unreserved fund balance and available for spending at the government's discretion.
- ◆ At the close of the current fiscal year, unreserved fund balance for the General Fund was \$4.0 million or 29.2% of the total General Fund expenditures of \$13.6 million.
- ◆ The City assumed a \$9.0 million loan for a call center.

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 the 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 the private sector business.

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

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

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

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

The government-wide financial statements include not only the City (known as the primary government), but also four legally separate non-profit corporations - three governmental component units and one proprietary component unit. The governmental units consist of Douglas Housing Authority, Douglas Housing Corporation I - Casa de Esperanza Apartments and Douglas Housing Corporation II - Pioneer Village providing HUD subsidized housing. The proprietary unit is the Douglas Municipal Housing Corporation market rate apartment complex known as Rancho la Perilla. Although legally separate from the City, these component units are discretely presented because of their governance or financial relationships to the City. Separate financial statements for these entities (with the exception of Douglas Housing Authority in which a separate report was not prepared) may be obtained at the City's Finance Department at 425 Tenth Street, Douglas, Arizona 85607.

The government-wide financial statements may be found on pages 28-31 of this report.

Fund Financial Statements

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

Governmental Funds

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

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

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, Special Projects Fund, Grants Fund, Police Grants Fund and the MPC Debt Service Fund, all of which are considered to be major funds. Data from the other four funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of the combining statements elsewhere in this report.

The City of Douglas, Arizona adopts an annual appropriated budget for its General Fund by department. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The City adopts a budget by fund for all Special Revenue, Debt Service and Capital Projects Funds.

Proprietary Funds

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

Notes to the Basic Financial Statements

The notes to the 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 the basic financial statements may be found on pages 49-74 of this report.

Required Supplementary Statements

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information may be found on page 77 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 on pensions.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

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.

Analysis of Net Assets

As noted earlier, net assets may serve as useful indicators of a government's financial position. For the City of Douglas, Arizona, assets exceeded liabilities by \$38.1 million.

The largest portion of the City's net assets (73%) 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.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008 Restated	2009	2008	2009	2008 Restated
ASSETS						
Current and Other Assets	\$ 11,316,567	\$ 10,615,445	\$ 1,296,209	\$ 2,114,636	\$ 12,612,776	\$ 12,730,081
Capital Assets						
Non-depreciable	3,156,116	2,204,749	1,703,590	1,008,796	4,859,706	3,213,545
Depreciable (net)	25,301,363	16,371,034	13,848,250	11,415,438	39,149,613	27,786,472
Total Assets	39,774,046	29,191,228	16,848,049	14,538,870	56,622,095	43,730,098
LIABILITIES						
Current and Other Liabilities	1,439,893	1,498,249	130,155	140,615	1,570,048	1,638,864
Non-Current Liabilities						
Due within one year	2,099,039	1,041,023	117,647	130,057	2,216,686	1,171,080
Due in more than one year	14,646,582	6,712,160	58,465	137,408	14,705,047	6,849,568
Total Liabilities	18,185,514	9,251,432	306,267	408,080	18,491,781	9,659,512
NET ASSETS						
Invested in Capital Assets, Net						
of Related Debt	12,376,658	13,509,453	15,535,124	12,314,881	27,911,782	25,824,334
Restricted	3,634,763	2,939,323	-	-	3,634,763	2,939,323
Unrestricted	5,577,111	3,491,020	1,006,658	1,815,909	6,583,769	5,306,929
Total Net Assets	\$ 21,588,532	\$ 19,939,796	\$ 16,541,782	\$ 14,130,790	\$ 38,130,314	\$ 34,070,586

As of June 30, 2009 the City of Douglas, Arizona was able to report positive balances in all categories of net assets. As previously discussed, approximately 73% of the resources are invested in capital assets, net of related debt. Another 10% of the resources are subject to external restrictions on how they may be used. The remaining unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

The City's net assets increased approximately \$4.1 million over the prior fiscal year. Net assets invested in capital assets, net of related debt increased \$2.1 million due to the net effect of a reduction in current year debt outstanding used to acquire the assets, current year depreciation and current year additions. Current year debt payments (including deferred amounts on refundings and discount) were approximately \$0.8 million (including payments on capital leases). The City received a \$9.0 million loan in order to build and equip a new call center.

Analysis of Changes in Net Assets

As described above, the City's net assets overall increased by \$4.1 million during the current fiscal year. Also, June 30, 2009 net assets were restated in order to decrease depreciable capital assets and net assets by \$1.3 million due to an overstatement of prior year infrastructure. The increase in the governmental activities and the business-type activities are discussed on the following pages.

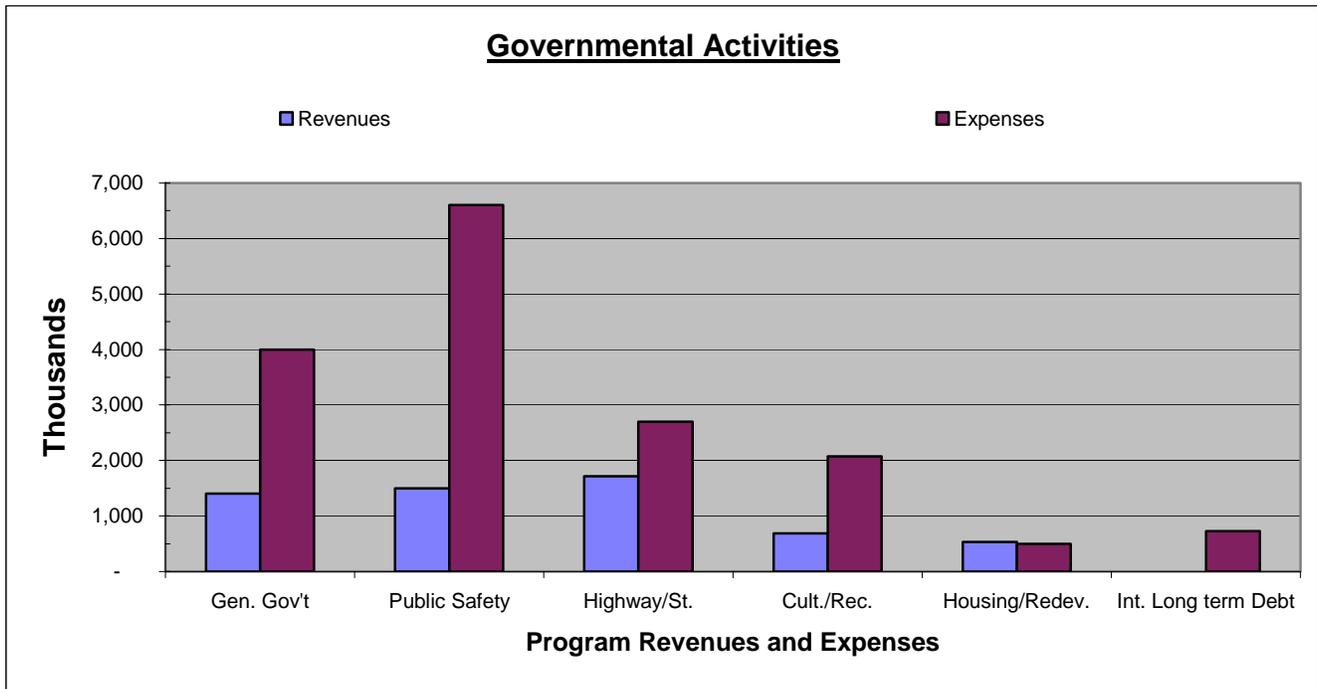
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 2,246,818	\$ 1,682,811	\$ 3,508,200	\$ 3,341,108	\$ 5,755,018	\$ 5,023,919
Operating Grants and Contributions	1,818,551	2,293,564	-	-	1,818,551	2,293,564
Capital Grants and Contributions	1,765,876	589,152	2,373,486	110,274	4,139,362	699,426
General Revenues:						
Property Taxes	532,028	462,232	-	-	532,028	462,232
Local Taxes	6,493,233	5,444,587	77,114	224,968	6,570,347	5,669,555
State Shared Revenues	4,769,690	4,873,459	-	-	4,769,690	4,873,459
Grants and Contributions Not Restricted to Specific Programs	18,467	49,612	-	-	18,467	49,612
Investment Earnings	154,993	280,685	21,628	99,267	176,621	379,952
Other	322,889	1,697	-	-	322,889	1,697
Total Revenues	<u>18,122,545</u>	<u>15,677,799</u>	<u>5,980,428</u>	<u>3,775,617</u>	<u>24,102,973</u>	<u>19,453,416</u>
EXPENSES						
General Government	3,999,501	4,340,737	-	-	3,999,501	4,340,737
Public Safety	6,604,306	6,348,866	-	-	6,604,306	6,348,866
Highways and Streets	2,702,979	1,760,251	-	-	2,702,979	1,760,251
Culture and Recreation	2,074,291	2,189,769	-	-	2,074,291	2,189,769
Redevelopment and Housing	497,600	132,857	-	-	497,600	132,857
Interest on Long-Term Debt	727,564	180,077	-	-	727,564	180,077
Water	-	-	1,344,052	1,455,706	1,344,052	1,455,706
Sewer	-	-	1,385,910	952,579	1,385,910	952,579
Solid Waste	-	-	707,042	891,003	707,042	891,003
Total Expenses	<u>16,606,241</u>	<u>14,952,557</u>	<u>3,437,004</u>	<u>3,299,288</u>	<u>20,043,245</u>	<u>18,251,845</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	1,516,304	725,242	2,543,424	476,329	4,059,728	1,201,571
Transfers	132,432	(323,514)	(132,432)	323,514	-	-
CHANGE IN NET ASSETS	1,648,736	401,728	2,410,992	799,843	4,059,728	1,201,571
Net Assets - Beginning of Year, as Restated	19,939,796	19,538,068	14,130,790	13,330,947	34,070,586	32,869,015
NET ASSETS - END OF YEAR, as Restated	<u>\$ 21,588,532</u>	<u>\$ 19,939,796</u>	<u>\$ 16,541,782</u>	<u>\$ 14,130,790</u>	<u>\$ 38,130,314</u>	<u>\$ 34,070,586</u>

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

Governmental activities. Governmental activities increased the City's net assets by \$1.6 million accounting for 41% of the total growth in the net assets of the City. Key factors of the overall increase in net assets are as follows:

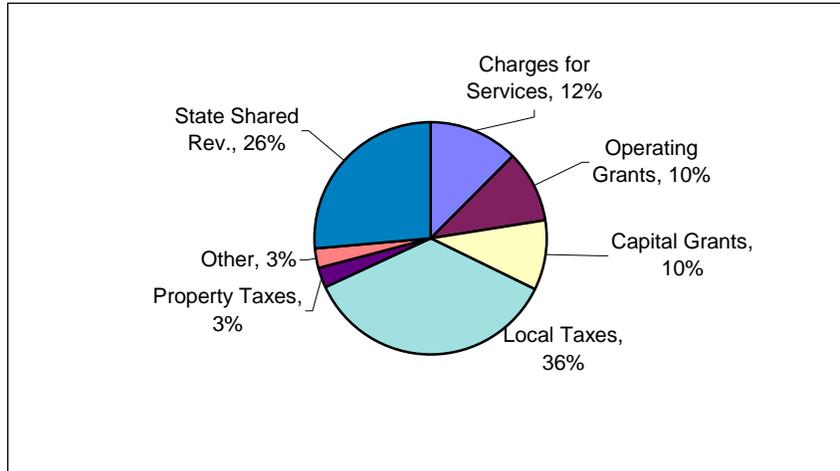
- ◆ Fees, fines and charges for services increased significantly over the prior fiscal year (34%). The increase was largely due to the City's leasing of its new call center.
- ◆ Operating grants and contributions decreased 21% over the prior fiscal year. The decrease was the result of an overall decrease in all grants (public safety, highways and streets and redevelopment and housing). The decrease did not have a significant impact on net assets as most grants are reimbursement grants and therefore revenues are accrued in the period in which the expense occurred.
- ◆ Capital grants increased 200%. The increase was largely due to substantial activities for the Home HTF grant for housing rehabilitation.
- ◆ State shared revenues and local tax revenues decreased 9% due to decreased consumer spending; Those revenues are expected to decrease in the upcoming fiscal year as well due to the downturn in the economy.
- ◆ Investment income decreased 45% during the fiscal 2008/09 due to a decrease in interest rates, resulting in a decrease in average earnings.
- ◆ Overall, expenses increased over the prior fiscal year due to increases in streets/highway construction and housing rehabilitation projects, as well as an increase in debt service. The overall increase, however, was offset by a decrease in current year street projects. The City did significant street projects that were capitalized during the current fiscal year; however, street maintenance was down from the prior year.

City of Douglas – Fiscal Year 2008/09



**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

**City of Douglas Revenue by Source
Governmental Activities Fiscal Year 2008/09**



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 (40%), followed by General Government (24%), Highway/Streets (16%), Culture/Recreation (13%), and the remaining 7% attributable to Redevelopment and Housing and Interest. General revenues such as property taxes, state shared revenues, and sales tax are not shown by program but are effectively used to support program activities of the City as a whole. For governmental activities as a whole, sales tax revenues are by far the largest source of funds (36%) followed by state shared revenues (26%) as illustrated in the above chart.

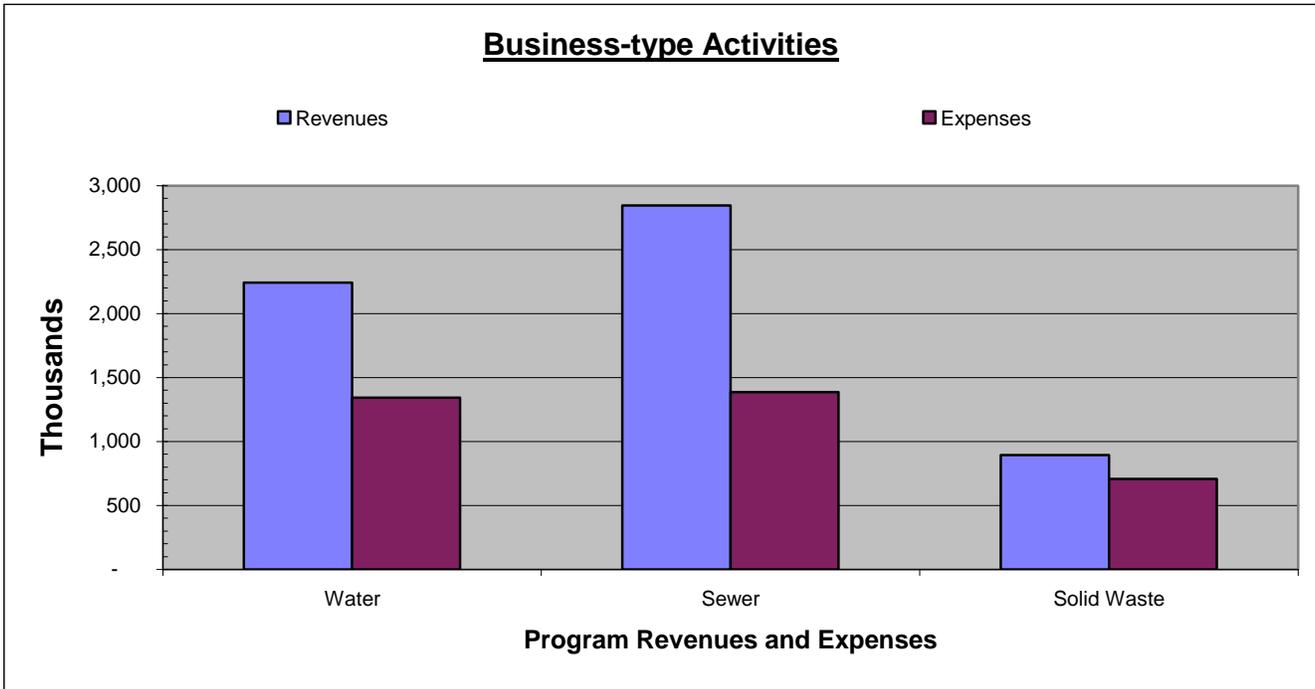
Business-type activities. Business-type activities increased the City's net assets by \$2.4 million.

The most significant factor accounting for the increase was a \$2.3 million increase in capital grants and contributions due mostly to grants received from the North America Development Bank for the improvements to the sewer infrastructure system.

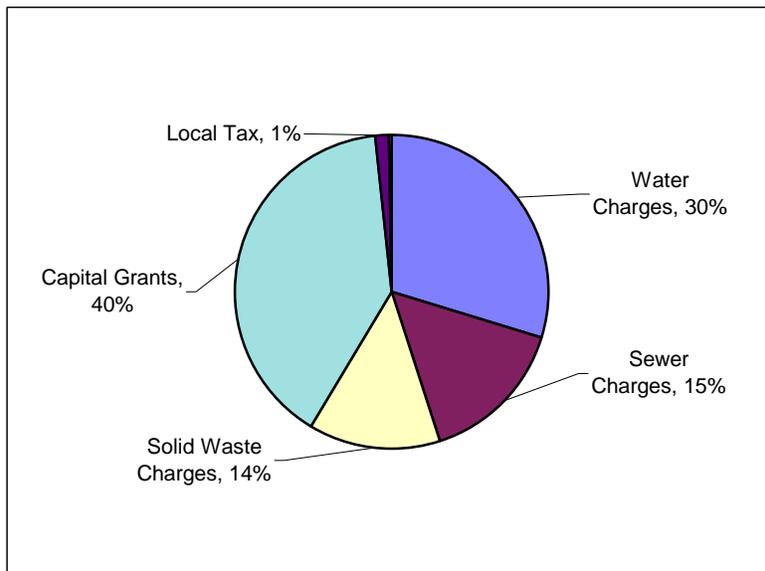
The City's Sewer Fund operated at a loss during the current fiscal year. Water and Solid Waste reported operating income due to the reduction of costs previously discussed and an increase in rates. In prior years, the utilities have relied on subsidies from the General Fund for operations. However, it is the City's intention to analyze the cost of providing these services, as well as the current fee structure to develop a master plan for the utilities to operate independently of the general government functions.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

City of Douglas 2008/09



**City of Douglas Revenue by Source
Business-type Activities Fiscal Year 2008/09**



**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

As shown in the charts above, the largest of the City's business-type activities are water and sewer utilities. Sewer Fund expenses were just over \$1.4 million, with Water expenses at approximately \$1.3 million followed by Solid Waste at approximately \$0.7 million. For this fiscal year, the change in net assets in the Sewer Fund was a positive \$1.4 million while changes in net assets in the Water Fund was a positive \$0.8 million and the Solid Waste Fund was a positive \$0.2 million. The 1.2% sales tax revenue is a direct allocation of City Sales Tax to the Solid Waste Fund to fund operation costs because charges for services do not fully cover all solid waste operations.

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, unreserved 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 Fund, 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 \$9.4 million, an increase of \$0.8 million from the prior year. This increase is primarily due to unspent loan proceeds in the Special Projects Fund. During the fiscal year, the City received a \$9.0 million loan to build and equip a new call center.

Revenues for governmental funds overall totaled approximately \$18.1 million for the fiscal year ended June 30, 2009 which represents an increase of 15.2% or approximately \$2.4 million from the prior fiscal year. Expenditures for governmental functions totaled \$27.0 million an increase of 58% (\$9.9 million) from the prior fiscal year. In the fiscal year ending June 30, 2009, expenditures exceeded revenues by \$8.9 million before transfers.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unreserved fund balance of the General Fund was \$4.0 million. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. Unreserved General Fund balance represents 29.2% of the total General Fund expenditures of \$13.6 million.

The fund balance in the City's General Fund increased by \$0.2 million due largely to increases in sales tax, intergovernmental revenues and charges for services.

The Special Projects Fund reported a net increase in fund balance. The increase is largely due to unspent loan/bond proceeds for the mercantile building project and an increase in sales tax collections.

The Grants Fund decreased by \$69k over the prior year. Most grants are reimbursement type grants and have no effect on fund balance.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

The Police Grants Fund accounts for federal and state seizures and the revenues generated from auction of that seized property. The City does not directly participate in the seizures or the subsequent auctions, but receives funding through an intergovernmental agreement. The fund reported a deficit fund balance at the beginning of the year and the deficit increased approximately 75% in the current year due to the timing of the seized money granted to the City. The City borrows from the General Fund to acquire assets for the police department until funding is available.

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

The Nonmajor Governmental Funds did not significantly change during the current fiscal year.

Proprietary Funds

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

At the end of the fiscal year, unrestricted net assets for the Water Fund were \$0.7 million, Sewer \$0.2 million, and Solid Waste a deficit \$0.1 million. The total increase in net assets for the enterprise funds was \$2.4 million.

General Fund Budgetary Highlights

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

Actual revenues exceeded the budget by \$643 thousand and actual expenditures were less than budget by \$762 thousand dollars. The actual expenditures were less than budget largely due to unspent contingency funds in the general government department. Several departments reported overexpenditures as a result of the City not revising the budget in the current fiscal year. Most years, the City revises the budget during the year to reflect a more accurate reflection of budgetary comparisons. Although the legal level of budgetary control is at the departmental level in the General Fund, the City Council monitors the General Fund as a whole as the City Manager has the authority to make transfers between departments of the General Fund as long as the General Fund in total does not exceed the budget.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2009 amount to \$44.0 million (net of accumulated depreciation). Capital assets include land and improvements, infrastructure, buildings and improvements, machinery equipment, and vehicles, and construction in progress.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

	Capital Assets at Year-End (Net of Accumulated Depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008 Restated	2009	2008	2009	2008 Restated
Land and Improvements	\$ 3,179,362	\$ 3,168,700	\$ -	\$ -	\$ 3,179,362	\$ 3,168,700
Streets and Storm Drains	6,855,937	6,434,921	-	-	6,855,937	6,434,921
Buildings and Improvements	10,272,437	5,271,163	638,822	703,033	10,911,259	5,974,196
Water System	-	-	4,836,893	4,258,023	4,836,893	4,258,023
Wastewater System	-	-	7,532,918	5,505,092	7,532,918	5,505,092
Machinery, Equipment and Vehicles	5,835,689	1,961,455	839,617	949,290	6,675,306	2,910,745
Construction In Progress	2,314,054	1,739,544	1,703,590	1,008,796	4,017,644	2,748,340
Total Capital Assets	<u>\$ 28,457,479</u>	<u>\$ 18,575,783</u>	<u>\$ 15,551,840</u>	<u>\$ 12,424,234</u>	<u>\$ 44,009,319</u>	<u>\$ 31,000,017</u>

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

Governmental Activities

- ◆ The City began the government plaza project and capitalized \$0.57 million of the project in construction in progress. The cost is anticipated to be approximately \$4.0 million at completion. In addition to the costs added to construction in progress, the City added almost \$371 thousand dollars in additions to land improvements for the parking lot of the government plaza.
- ◆ Construction was completed on the new call center. Approximately \$8.6 million was spent on the estimated \$9.0 million project.
- ◆ The City incurred \$385 thousand in costs on phase I and \$425 thousand on phase II of the City-wide IT project. The project was added to construction in progress.
- ◆ Continued construction on various land improvements. The improvements were added to CIP and accounted for approximately \$0.2 million.
- ◆ There was also \$945 thousand in additions to infrastructure. A majority of the costs included internally generated costs, as well as materials cost.

Business-type Activities

- ◆ Completion of water SCADA control system at a cost of \$572 thousand.
- ◆ The addition of a 12" water line at Irvine Street for \$133 thousand.
- ◆ Construction in progress of a new water well and waste water treatment plant improvements phase I for a combined cost of \$863 thousand.

For government-wide financial statement purposes, capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Additional information on the City of Douglas, Arizona's capital assets may be found in the Notes to the Basic Financial Statements in note 3.A.4. on pages 60-63 of this report.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

Debt Administration

At the end of the fiscal year, the City of Douglas, Arizona had total long-term obligations outstanding of \$17.1 million. The City did receive a \$9.0 million loan during the current fiscal year for a construction of a new call center. The current year increase was the result of the issuance offset by the repayment of other debt.

The State constitution imposes certain debt limits on the issuance of General Obligation Bonds at six percent (6%) and twenty percent (20%) of the secondary assessed valuation of the City. The City has not issued any general obligation bonds. Therefore, the City's available debt margin at June 30, 2009 is \$3,267,068 in the 6% capacity and \$10,890,226 in the 20% capacity.

	Outstanding Debt at Year-End					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Loans Payable	\$ 12,000,000	\$ 3,000,000	\$ -	\$ -	\$ 12,000,000	\$ 3,000,000
Revenue Bonds	2,605,000	2,995,000	-	-	2,605,000	2,995,000
Capital Lease	1,275,773	947,738	61,716	109,353	1,337,489	1,057,091
Compensated Absences	1,021,564	995,656	114,396	158,112	1,135,960	1,153,768
Total Outstanding Debt	<u>\$ 16,902,337</u>	<u>\$ 7,938,394</u>	<u>\$ 176,112</u>	<u>\$ 267,465</u>	<u>\$ 17,078,449</u>	<u>\$ 8,205,859</u>

Additional information on the City's debt can be found in Note 3.E. on pages 65-68.

Economic Factors and Next Year's Budget and Rates

The following factors were considered when preparing the 2009-10 budget:

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

Both Water and Sewer rates increased in the 2005 fiscal year by five dollars per month for each service. This increase was part of a "pay-as-you-go" capital improvement plan implemented in September 1999 with the five dollar increase to each service over a five year period (August 2004). This capital improvement surcharge allows for much needed improvement to aging infrastructure as well as funding provided from the North American Development Bank (NAD Bank) and WIFA. The solid waste fund also enacted an increase on January 2009 of 5 dollars to current residential rates and plans on an additional increase in 2010. Also, increases in sewer rates will be implemented to cover raising operating costs and to cover necessary capital improvements to the sewer system.

**CITY OF DOUGLAS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

Request 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, AZ. 85607

(520) 805-4484

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Basic Financial Statements

CITY OF DOUGLAS, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 5,625,867	\$ 636,540	\$ 6,262,407
Receivables, Net			
Accounts Receivable	523,660	428,931	952,591
Taxes Receivable	84,340	-	84,340
Intergovernmental Receivables	1,664,343	1,570,190	3,234,533
Due from Component Unit	1,463,976	-	1,463,976
Internal Balances	1,339,452	(1,339,452)	-
Prepaid Items	78,239	-	78,239
Deferred Charges	68,585	-	68,585
Restricted Assets	468,105	-	468,105
Capital Assets			
Non-Depreciable	3,156,116	1,703,590	4,859,706
Depreciable (net)	25,301,363	13,848,250	39,149,613
Total Assets	<u>39,774,046</u>	<u>16,848,049</u>	<u>56,622,095</u>
LIABILITIES			
Accounts Payable	306,797	102,178	408,975
Accrued Wages and Benefits	237,800	27,977	265,777
Interest Payable	334,130	-	334,130
Intergovernmental Payable	2,293	-	2,293
Customer Deposits Payable	14,066	-	14,066
Unearned Revenue	154,807	-	154,807
Due to Primary Government	-	-	-
Matured Debt Principal Payable	390,000	-	390,000
Other Liabilities	-	-	-
Noncurrent Liabilities			
Due Within One Year	2,099,039	117,647	2,216,686
Due in More Than One Year	14,646,582	58,465	14,705,047
Total Liabilities	<u>18,185,514</u>	<u>306,267</u>	<u>18,491,781</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	12,376,658	15,535,124	27,911,782
Restricted for:			
Public Safety	578	-	578
Highways and Streets	463,787	-	463,787
Culture and Recreation	8,009	-	8,009
Redevelopment and Housing	82,133	-	82,133
Special Projects	3,080,256	-	3,080,256
Unrestricted	5,577,111	1,006,658	6,583,769
Total Net Assets	<u>\$ 21,588,532</u>	<u>\$ 16,541,782</u>	<u>\$ 38,130,314</u>

The accompanying notes to the basic financial statements are an integral part of these financial statements.

Component Unit	
Governmental Component Units	Proprietary Type Component Units
\$ 415,545	\$ 19,388
52,211	523
-	-
-	-
-	-
21,903	15,577
328,800	395,625
272,799	110,380
91,149	265,000
1,448,533	4,128,326
<u>2,630,940</u>	<u>4,934,819</u>
30,163	5,877
102,894	1,863
58,235	22,922
-	13,633
9,511	17,865
-	9,415
-	1,463,976
-	-
492	-
15,906	42,915
2,718,968	4,299,162
<u>2,936,169</u>	<u>5,877,628</u>
(1,195,192)	(1,412,727)
-	-
-	-
-	-
-	-
889,963	469,918
<u>\$ (305,229)</u>	<u>\$ (942,809)</u>

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,999,501	\$ 1,387,975	\$ 11,628	\$ 1,000
Public Safety	6,604,306	760,669	452,608	286,716
Highways and Streets	2,702,979	-	1,354,315	360,648
Culture and Recreation	2,074,291	98,174	-	586,835
Redvelopment and Housing	497,600	-	-	530,677
Interest and Fiscal Charges	727,564	-	-	-
Total Governmental Activities	16,606,241	2,246,818	1,818,551	1,765,876
Business-Type Activities:				
Water	1,344,052	1,782,320	-	451,106
Sewer	1,385,910	909,842	-	1,922,380
Solid Waste	707,042	816,038	-	-
Total Business-Type Activities	3,437,004	3,508,200	-	2,373,486
Total Primary Government	<u>\$ 20,043,245</u>	<u>\$ 5,755,018</u>	<u>\$ 1,818,551</u>	<u>\$ 4,139,362</u>
Component Units:				
Governmental Component Units	\$ 2,702,984	\$ 135,188	\$ 2,462,998	\$ -
Proprietary Type Component Units	813,535	634,303	-	-
	<u>\$ 3,516,519</u>	<u>\$ 769,491</u>	<u>\$ 2,462,998</u>	<u>\$ -</u>
		General Revenues:		
		Taxes		
		Sales Taxes		
		Property Taxes		
		Franchise Taxes		
		State Revenue Sharing		
		State Sales Tax Revenue Sharing		
		Auto Lieu Tax Revenue Sharing		
		Grants and Contributions not Restricted		
		Investment Income		
		Other		
		Transfers		
		Total General Revenues and Transfers		
		Change in Net Assets		
		Net Assets - Beginning, as Restated		
		Net Assets - Ending		

The accompanying notes to the basic financial statements are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Governmental Component Units	Proprietary Type Component Units
\$ (2,598,898)	\$ -	\$ (2,598,898)		
(5,104,313)	-	(5,104,313)		
(988,016)	-	(988,016)		
(1,389,282)	-	(1,389,282)		
33,077	-	33,077		
(727,564)	-	(727,564)		
(10,774,996)	-	(10,774,996)		
-	889,374	889,374		
-	1,446,312	1,446,312		
-	108,996	108,996		
-	2,444,682	2,444,682		
(10,774,996)	2,444,682	(8,330,314)		
			\$ (104,798)	\$ -
			-	(179,232)
			(104,798)	(179,232)
6,151,531	77,114	6,228,645	-	-
532,028	-	532,028	-	-
341,702	-	341,702	-	-
2,608,244	-	2,608,244	-	-
1,368,088	-	1,368,088	-	-
793,358	-	793,358	-	-
18,467	-	18,467	-	-
154,993	21,628	176,621	14,626	701
322,889	-	322,889	18,302	-
132,432	(132,432)	-	-	-
12,423,732	(33,690)	12,390,042	32,928	701
1,648,736	2,410,992	4,059,728	(71,870)	(178,531)
19,939,796	14,130,790	34,070,586	(233,359)	(764,278)
\$ 21,588,532	\$ 16,541,782	\$ 38,130,314	\$ (305,229)	\$ (942,809)

**CITY OF DOUGLAS, ARIZONA
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2009**

	General Fund	Special Projects	Grants	Police Grants
Assets				
Cash and Temporary Investments	\$ 1,379,913	\$ 3,700,614	\$ -	\$ -
Restricted Assets	33,236	-	-	-
Receivables				
Accounts Receivable	138,343	385,317	-	-
Taxes Receivable	84,340	-	-	-
Intergovernmental Receivables	986,751	159,792	376,895	39,226
Due from Component Unit	-	1,463,976	-	-
Due from Other Funds	1,856,352	-	-	-
Prepaid Items	68,239	10,000	-	-
Total Assets	\$ 4,547,174	\$ 5,719,699	\$ 376,895	\$ 39,226
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 227,293	\$ -	\$ 28,414	\$ 8,584
Accrued Wages and Benefits	231,805	-	-	-
Interest Payable	-	281,762	-	-
Intergovernmental Payable	2,293	-	-	-
Due to Other Funds	-	-	142,667	374,233
Deferred Revenue	54,452	385,317	154,807	-
Customer Deposits Payable	932	13,134	-	-
Matured Debt Principal Payable	-	-	-	-
Total Liabilities	516,775	680,213	325,888	382,817
Fund Balances				
Reserved for Prepaid Items	68,239	10,000	-	-
Unreserved	3,962,160	5,029,486	51,007	(343,591)
Unreserved; reporting in nonmajor:				
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Total Fund Balance	4,030,399	5,039,486	51,007	(343,591)
Total Liabilities and Balance	\$ 4,547,174	\$ 5,719,699	\$ 376,895	\$ 39,226

The accompanying notes to the basic financial statements are an integral part of these financial statements.

MPC Debt Service	Nonmajor	Totals
\$ -	\$ 545,340	\$ 5,625,867
434,869	-	468,105
-	-	523,660
-	-	84,340
-	101,679	1,664,343
-	-	1,463,976
-	-	1,856,352
-	-	78,239
<u>\$ 434,869</u>	<u>\$ 647,019</u>	<u>\$ 11,764,882</u>

\$ -	\$ 42,506	\$ 306,797
-	5,995	237,800
52,368	-	334,130
-	-	2,293
-	-	516,900
-	-	594,576
-	-	14,066
390,000	-	390,000
<u>442,368</u>	<u>48,501</u>	<u>2,396,562</u>
-	-	78,239
(7,499)	-	8,691,563
-	598,518	598,518
-	-	-
<u>(7,499)</u>	<u>598,518</u>	<u>9,368,320</u>
<u>\$ 434,869</u>	<u>\$ 647,019</u>	<u>\$ 11,764,882</u>

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**CITY OF DOUGLAS, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balances for Governmental Funds \$ 9,368,320

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 842,062	
Construction in Progress	2,314,054	
Land Improvements	4,078,554	
Streets and Storm Drains	14,374,912	
Buildings and Improvements	14,008,232	
Equipment and Furniture	<u>11,290,770</u>	
Total Capital Assets	46,908,584	
Less: Accumulated Depreciation	<u>(18,451,105)</u>	28,457,479

Some of the City's property taxes and special assessments will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the governmental funds. 54,452

Bond issuance costs are reported as expenditures in the governmental funds and are shown net of accumulated amortization on the statement of net assets. 68,585

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

Loans Payable	\$ (12,000,000)	
Revenue Bonds	(2,605,000)	
Deferred amount on refunding	141,308	
Deferred amount on discount	15,408	
Capital Lease Payable	(1,275,773)	
Compensated Absence Payable	<u>(1,021,564)</u>	<u>(16,745,621)</u>

Special projects receivable not collected within 60 days subsequent to fiscal year-end deferred in the governmental funds. 385,317

Total Net Assets of Governmental Activities \$ 21,588,532

The accompanying notes to the basic financial statements are an integral part of these financial statements.

CITY OF DOUGLAS, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2009

	General Fund	Special Projects	Grants	Police Grants
Revenue				
Taxes				
Sales Taxes	\$ 4,576,245	\$ 1,575,286	\$ -	\$ -
Property Taxes	518,990	-	-	-
Franchise Taxes	341,702	-	-	-
Intergovernmental Revenue	5,658,276	-	1,310,965	16,355
Fines and Forfeits	186,286	-	-	-
Licenses and Permits	126,224	-	-	-
Charges for Services	1,263,832	-	-	-
Rents and Royalties	13,045	519,499	-	-
Investment Earnings	8,196	140,701	-	6,096
Other	118,748	14,462	-	-
Total Revenue	12,811,544	2,249,948	1,310,965	22,451
Expenditures				
Current				
General Government	4,204,825	9,119,899	15,130	-
Public Safety	6,114,021	-	296,367	169,281
Highways and Streets	792,216	56,505	379,499	-
Culture and Recreation	1,653,374	-	97,623	-
Redevelopment and Housing	-	-	497,600	-
Debt Service				
Principal Retirement	-	230,061	-	-
Interest on Long-Term Debt	-	586,813	-	-
Capital Outlay	817,482	-	-	-
Total Expenditures	13,581,918	9,993,278	1,286,219	169,281
Excess (Deficiency) of Revenue Over Expenditures	(770,374)	(7,743,330)	24,746	(146,830)
Other Finance Sources (Uses)				
Transfers In	449,999	20,672	12,750	-
Transfers Out	(58,049)	(461,174)	(106,008)	-
Issuance of Long-Term Debt	-	9,000,000	-	-
Proceeds from Capital Leases	595,000	-	-	-
Total Other Finance Sources (Uses)	986,950	8,559,498	(93,258)	-
Net Change in Fund Balance	216,576	816,168	(68,512)	(146,830)
Fund Balance				
Beginning of Year	3,813,823	4,223,318	119,519	(196,761)
End of Year	\$ 4,030,399	\$ 5,039,486	\$ 51,007	\$ (343,591)

The accompanying notes to the basic financial statements are an integral part of these financial statements.

MPC Debt Service	Nonmajor	Totals
\$ -	\$ -	\$ 6,151,531
-	-	518,990
-	-	341,702
-	1,386,988	8,372,584
-	9,358	195,644
-	-	126,224
-	122,190	1,386,022
-	6,384	538,928
-	-	154,993
-	189,679	322,889
-	1,714,599	18,109,507
-	122,167	13,462,021
-	-	6,579,669
-	1,398,476	2,626,696
-	-	1,750,997
-	-	497,600
390,000	36,904	656,965
97,237	2,548	686,598
-	-	817,482
487,237	1,560,095	27,078,028
(487,237)	154,504	(8,968,521)
479,738	57,299	1,020,458
-	(262,795)	(888,026)
-	-	9,000,000
-	-	595,000
479,738	(205,496)	9,727,432
(7,499)	(50,992)	758,911
-	649,510	8,609,409
\$ (7,499)	\$ 598,518	\$ 9,368,320

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CITY OF DOUGLAS, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2009

Net Change in Fund Balances-Total Governmental Funds \$ 758,911

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	\$ 12,070,850	
Depreciation Expense	<u>(1,818,061)</u>	10,252,789
Loss on Disposal of Capital Assets		(371,093)

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

Intergovernmental Receivables - June 30, 2008	385,317	
Intergovernmental Receivables - June 30, 2009	<u>385,317</u>	-

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

Issuance of Long-Term Debt	(9,595,000)	
Amortization of Deferred Amounts on the Refunding	(25,693)	
Amortization of Deferred Amount on the Discount	(2,802)	
Repayment of Long-Term Debt	656,965	
Amortization of Issuance Costs	<u>(12,471)</u>	(8,979,001)

Delinquent and deferred property taxes and special assessments receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds.

Deferred Revenue - June 30, 2008	41,414	
Deferred Revenue - June 30, 2009	<u>54,452</u>	13,038

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). During fiscal year 2007, compensated absence payable changed.

Change in Net Assets of Governmental Activities		<u><u>\$ 1,648,736</u></u>
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The accompanying notes to the basic financial statements are an integral part of these financial statements.

**CITY OF DOUGLAS, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance With Final Budget
Revenue			
Taxes			
Sales Taxes	\$ 4,235,000	\$ 4,576,245	\$ 341,245
Property Taxes	528,209	518,990	(9,219)
Franchise Taxes	350,000	341,702	(8,298)
Intergovernmental Revenue	5,400,041	5,658,276	258,235
Fines and Forfeits	233,800	186,286	(47,514)
Licenses and Permits	202,000	126,224	(75,776)
Charges for Services	950,910	1,263,832	312,922
Rents and Royalties	-	13,045	13,045
Investment Income	85,000	8,196	(76,804)
Other	184,000	118,748	(65,252)
Total Revenue	<u>12,168,960</u>	<u>12,811,544</u>	<u>642,584</u>
Expenditures			
Current			
General Government			
Administration	476,909	491,288	(14,379)
Finance	433,150	407,160	25,990
Personnel	590,163	431,682	158,481
General Government	1,544,495	236,931	1,307,564
Management Information Systems	465,234	1,085,235	(620,001)
City Magistrate	120,115	115,965	4,150
Cemetery	225,342	211,619	13,723
Community Development	318,427	305,115	13,312
Community Development Construction	293,753	297,726	(3,973)
Golf Course	342,583	502,353	(159,770)
Economic Development	124,064	119,751	4,313
Total General Government	<u>4,934,235</u>	<u>4,204,825</u>	<u>729,410</u>
Public Safety			
Police	4,038,791	3,863,049	175,742
Fire	1,133,277	1,168,088	(34,811)
Emergency Medical Services	1,000,202	1,082,884	(82,682)
Total Public Safety	<u>6,172,270</u>	<u>6,114,021</u>	<u>58,249</u>
Highways and Streets			
Public Works	870,169	792,216	77,953
Total Highways and Streets	<u>870,169</u>	<u>792,216</u>	<u>77,953</u>
Culture and Recreation			
Parks	565,228	591,213	(25,985)
Recreation	261,473	179,872	81,601
Library	380,274	355,664	24,610
Aquatics	346,123	368,941	(22,818)
Visitor Center	146,825	157,684	(10,859)
Total Culture and Recreation	<u>1,699,923</u>	<u>1,653,374</u>	<u>46,549</u>
Capital Outlay	667,000	817,482	(150,482)
Total Expenditures	<u>14,343,597</u>	<u>13,581,918</u>	<u>761,679</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(2,174,637)</u>	<u>(770,374)</u>	<u>1,404,263</u>

(Continued)

The accompanying notes to the basic financial statements are an integral part of these financial statements.

**CITY OF DOUGLAS, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance With Final Budget
(Concluded)			
Other Finance Sources (Uses)			
Transfers In	277,431	449,999	172,568
Transfers Out	(228,587)	(58,049)	170,538
Issuance of Long-Term Debt	500,000	595,000	95,000
Total Other Finance Sources (Uses)	<u>548,844</u>	<u>986,950</u>	<u>438,106</u>
Net Change in Fund Balance	(1,625,793)	216,576	1,842,369
Fund Balance			
Beginning of Year	2,363,423	3,813,823	1,450,400
End of Year	<u>\$ 737,630</u>	<u>\$ 4,030,399</u>	<u>\$ 3,292,769</u>

The accompanying notes to the basic financial statements are an integral part of these financial statements.

**CITY OF DOUGLAS, ARIZONA
SPECIAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance With Final Budget
Revenue			
Taxes	\$ 1,725,000	\$ 1,575,286	\$ (149,714)
Rents and Royalties	425,760	519,499	93,739
Investment Earnings	48,000	140,701	92,701
Other	500	14,462	13,962
Total Revenue	<u>2,199,260</u>	<u>2,249,948</u>	<u>50,688</u>
Expenditures			
Current			
General Government	11,986,000	9,119,899	2,866,101
Highways and Streets	638,500	56,505	581,995
Debt Service			
Principal Retirement	500,000	230,061	269,939
Interest on Long-Term Debt	1,000,000	586,813	413,187
Total Expenditures	<u>14,124,500</u>	<u>9,993,278</u>	<u>4,131,222</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(11,925,240)</u>	<u>(7,743,330)</u>	<u>4,181,910</u>
Other Finance Sources (Uses)			
Transfers In	-	20,672	20,672
Transfers Out	(215,849)	(461,174)	(245,325)
Issuance of Long-Term Debt	12,000,000	9,000,000	(3,000,000)
Total Other Finance Sources (Uses)	<u>11,784,151</u>	<u>8,559,498</u>	<u>(3,224,653)</u>
Net Change in Fund Balances	(141,089)	816,168	957,257
Fund Balances			
Fund Balances, Beginning of Year	1,804,124	4,223,318	2,419,194
Fund Balances, End of Year	<u>\$ 1,663,035</u>	<u>\$ 5,039,486</u>	<u>\$ 3,376,451</u>

The accompanying notes to the basic financial statements are an integral part of these financial statements.

**CITY OF DOUGLAS, ARIZONA
GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance With Final Budget
Revenue			
Taxes			
Intergovernmental Revenue	\$ 4,946,662	\$ 1,310,965	\$ (3,635,697)
Total Revenue	<u>4,946,662</u>	<u>1,310,965</u>	<u>(3,635,697)</u>
Expenditures			
Current			
General Government	466,832	15,130	451,702
Public Safety	689,754	296,367	393,387
Highways and Streets	2,909,341	379,499	2,529,842
Culture and Recreation	95,157	97,623	(2,466)
Redevelopment and Housing	785,578	497,600	287,978
Total Expenditures	<u>4,946,662</u>	<u>1,286,219</u>	<u>3,660,443</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>-</u>	<u>24,746</u>	<u>24,746</u>
Other Finance Sources (Uses)			
Transfers In	-	12,750	12,750
Transfers Out	(106,508)	(106,008)	500
Total Other Finance Sources (Uses)	<u>(106,508)</u>	<u>(93,258)</u>	<u>13,250</u>
Net Change in Fund Balance	(106,508)	(68,512)	37,996
Fund Balance			
Beginning of Year	106,508	119,519	13,011
End of Year	<u>\$ -</u>	<u>\$ 51,007</u>	<u>\$ 51,007</u>

The accompanying notes to the basic financial statements are an integral part of these financial statements.

**CITY OF DOUGLAS, ARIZONA
POLICE GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance With Final Budget
Revenue			
Intergovernmental Revenue	\$ -	\$ 16,355	\$ 16,355
Investment Earnings	-	6,096	6,096
Total Revenue	<u>-</u>	<u>22,451</u>	<u>22,451</u>
Expenditures			
Current			
Public Safety	634,000	169,281	464,719
Total Expenditures	<u>634,000</u>	<u>169,281</u>	<u>464,719</u>
Excess (Deficiency) of Revenue Over Expenditures	(634,000)	(146,830)	487,170
Fund Balance			
Beginning of Year	634,000	(196,761)	(830,761)
End of Year	<u>\$ -</u>	<u>\$ (343,591)</u>	<u>\$ (343,591)</u>

The accompanying notes to the basic financial statements are an integral part of these financial statements.

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009**

	Business-Type Activities			
	Water	Sewer	Solid Waste	Totals
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 580,767	\$ -	\$ 55,773	\$ 636,540
Receivables, Net				
Accounts Receivable	244,789	88,361	95,781	428,931
Taxes Receivable	-	-	-	-
Intergovernmental Receivable	-	1,570,190	-	1,570,190
Total Current Assets	<u>825,556</u>	<u>1,658,551</u>	<u>151,554</u>	<u>2,635,661</u>
Noncurrent Assets				
Capital Assets				
Non-Depreciable	800,786	902,804	-	1,703,590
Depreciable (net)	<u>5,309,441</u>	<u>8,280,496</u>	<u>258,313</u>	<u>13,848,250</u>
Total Assets	<u>6,935,783</u>	<u>10,841,851</u>	<u>409,867</u>	<u>18,187,501</u>
Liabilities				
Current Liabilities				
Accounts Payable	73,489	27,734	955	102,178
Accrued Wages and Benefits	11,283	12,920	3,774	27,977
Due to Other Funds	-	1,339,452	-	1,339,452
Compensated Absences	54,538	23,254	9,765	87,557
Capital Leases Payable	-	-	30,090	30,090
Total Current Liabilities	<u>139,310</u>	<u>1,403,360</u>	<u>44,584</u>	<u>1,587,254</u>
Noncurrent Liabilities				
Compensated Absences Payable	-	24,587	2,252	26,839
Capital Leases Payable	-	-	31,626	31,626
Total Liabilities	<u>139,310</u>	<u>1,427,947</u>	<u>78,462</u>	<u>1,645,719</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	6,110,227	9,183,300	241,597	15,535,124
Unrestricted	686,246	230,604	89,808	1,006,658
Total Net Assets	<u>\$ 6,796,473</u>	<u>\$ 9,413,904</u>	<u>\$ 331,405</u>	<u>\$ 16,541,782</u>

The accompanying notes to the basic financial statements are an integral part of these financial statements.

CITY OF DOUGLAS, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS – PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities			
	Water	Sewer	Solid Waste	Totals
Operating Revenue				
Charges for Services	\$ 1,691,227	\$ 891,664	\$ 815,351	\$ 3,398,242
Total Operating Revenue	<u>1,691,227</u>	<u>891,664</u>	<u>815,351</u>	<u>3,398,242</u>
Operating Expenses				
Cost of Sales and Services	1,077,489	1,110,361	640,928	2,828,778
Depreciation	266,350	275,549	61,917	603,816
Total Operating Expenses	<u>1,343,839</u>	<u>1,385,910</u>	<u>702,845</u>	<u>3,432,594</u>
Operating Income (Loss)	<u>347,388</u>	<u>(494,246)</u>	<u>112,506</u>	<u>(34,352)</u>
Nonoperating Revenue (Expense)				
Impact Fees	5,600	8,400	-	14,000
Taxes	-	-	77,114	77,114
Investment Earnings	8,042	12,301	1,285	21,628
Interest Expense	(213)	-	(4,197)	(4,410)
Miscellaneous Nonoperating Revenues	85,493	9,778	687	95,958
Total Nonoperating Revenue (Expenses)	<u>98,922</u>	<u>30,479</u>	<u>74,889</u>	<u>204,290</u>
Income (Loss) Before Contributions and Transfers	446,310	(463,767)	187,395	169,938
Capital Contributions	451,106	1,922,380	-	2,373,486
Transfers In	-	-	10,613	10,613
Transfers Out	<u>(80,675)</u>	<u>(32,493)</u>	<u>(29,877)</u>	<u>(143,045)</u>
Change in Net Assets	816,741	1,426,120	168,131	2,410,992
Total Net Assets, Beginning of Year	5,979,732	7,987,784	163,274	14,130,790
Total Net Assets, End of Year	<u>\$ 6,796,473</u>	<u>\$ 9,413,904</u>	<u>\$ 331,405</u>	<u>\$ 16,541,782</u>

The accompanying notes to the basic financial statements are an integral part of these financial statements.

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
Cash Flows from Operating Activities				
Receipts from Customers	\$ 1,665,339	\$ 988,770	\$ 786,190	\$ 3,440,299
Payments to Suppliers	(420,821)	(211,496)	(322,764)	(955,081)
Payments to Employees	(622,910)	(857,715)	(361,617)	(1,842,242)
Other Receipts (Expenses)	85,493	9,778	687	95,958
Net Cash Flows from Operating Activities	<u>707,101</u>	<u>(70,663)</u>	<u>102,496</u>	<u>738,934</u>
Cash Flows from Noncapital Financing Activities				
Cash Received from (Paid to) Other Funds for Interfund Borrowing	-	1,339,452	(73,032)	1,266,420
Transfers In	-	-	10,613	10,613
Transfers Out	(80,675)	(32,493)	(29,877)	(143,045)
Tax Receipts	-	-	77,114	77,114
Net Cash Flows from Noncapital Financing Activities	<u>(80,675)</u>	<u>1,306,959</u>	<u>(15,182)</u>	<u>1,211,102</u>
Cash Flows from Capital and Financing Activities				
Capital Contributions	451,106	352,190	-	803,296
Impact Fees	5,600	8,400	-	14,000
Purchases of Capital Assets	(1,348,437)	(2,382,985)	-	(3,731,422)
Principal Paid on Capital Debt	(19,008)	-	(28,629)	(47,637)
Interest Paid on Capital Debt	(213)	-	(4,197)	(4,410)
Net Cash Flows from Capital and Related Financing Activities	<u>(910,952)</u>	<u>(2,022,395)</u>	<u>(32,826)</u>	<u>(2,966,173)</u>
Cash Flows from Investing Activities				
Investment Earnings	8,042	12,301	1,285	21,628
Net Cash Flows from Investing Activities	<u>8,042</u>	<u>12,301</u>	<u>1,285</u>	<u>21,628</u>
Net Change in Cash and Cash Equivalents	(276,484)	(773,798)	55,773	(994,509)
Cash and Cash Equivalents, Beginning of Year	<u>857,251</u>	<u>773,798</u>	<u>-</u>	<u>1,631,049</u>
Cash and Cash Equivalents, End of Year	<u>\$ 580,767</u>	<u>\$ -</u>	<u>55,773</u>	<u>636,540</u>

The accompanying notes to the basic financial statements are an integral part of these financial statements.

**CITY OF DOUGLAS, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Fund			
	Water	Sewer	Solid Waste	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 347,388	(494,246)	112,506	(34,352)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	266,350	275,549	61,917	603,816
Miscellaneous Nonoperating Revenues	85,493	9,778	687	95,958
Change in Assets/Liabilities:				
Receivables, Net	(25,888)	97,106	(29,161)	42,057
Inventories	67,414	18,217	-	85,631
Accounts Payable	(8,218)	19,538	(22,870)	(11,550)
Accrued Wages and Benefits	2,276	444	(1,630)	1,090
Compensated Absences	(27,714)	2,951	(18,953)	(43,716)
Net Cash Provided (Used) for Operating Activities	<u>\$ 707,101</u>	<u>\$ (70,663)</u>	<u>\$ 102,496</u>	<u>\$ 738,934</u>

The accompanying notes to the basic financial statements are an integral part of these financial statements.

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. The governmental component units are combined into one column in the government-wide financial statements and are presented separately in condensed format in Note 3.G. of the notes to the basic financial statements. The business-type component unit consists of only Rancho La Perilla and is presented in one column of the government-wide financial statements. See the descriptions below of each of the blended and discretely presented component units.

Blended component unit:

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

Discretely presented component units:

Douglas Housing Authority - The Douglas Housing Authority is a public benefit corporation created by the City to eliminate the financial burden on the City to provide subsidized public housing in accordance with federal legislation. The Mayor appoints members of the Governing Board for staggered terms; they, in turn, elect a chairman. The Governing Board employs executives, authorizes contracts of subsidy with the U.S. Department of Housing and Urban Development pursuant to the latter agency's regulations and statutory authorizations, and causes the corporation to construct, own and operate public housing facilities within the boundaries of the City. The financial liability of the housing agency is essentially supported by the operating and debt service subsidies received under contract from the federal government, although services or cash subsidies may be, and from time to time, are received from the City as well. Separate financial statements for the Douglas Housing Authority are not prepared.

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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

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

Douglas Community Housing Corporation (Rancho La Perilla Apartments) - The Douglas Community Housing Corporation is a non-profit 501(c)(3) corporation created by the City to eliminate the financial burden on the City to provide financing for the construction 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.

CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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 HURF and Debt Service Funds.

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

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 *Special Projects Fund* accounts for the activity of the City's special projects.

The *Grants Fund* accounts for the activity of the City's grants.

The *Police Grants Fund* accounts for the activity of grants received by the City's Police Department.

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

The City reports the following major proprietary funds:

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

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used have not been eliminated in the process of consolidation.

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amounts reported as program revenues include 1) fees, fines and charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables

All trade and property taxes receivables are shown net of an allowance for uncollectibles.

Cochise County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

3. Short-Term Interfund Receivables/Payables

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

4. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenditures at the time of purchase in the governmental funds and are expensed in the business-type 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.

5. Restricted Assets

Certain assets of the City's primary government and component units are set aside for repayment due to outside restrictions imposed on those funds. Customer deposits recorded in the primary government's business-type activities and customer deposits in the component units' governmental and business-type activities are set aside for repayment to customers.

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 THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

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

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

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

7. Compensated Absences

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

8. Long-Term Obligations

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

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Long-Term Obligations (Continued)

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.

9. Net Assets

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

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1, to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

**CITY OF DOUGLAS, ARIZONA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

4. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management and legal purposes, the City Council adopts a budget by department for the General Fund and in total by other funds. The City Manager may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue 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 Grants Fund, Police Grant, MPC Debt Service and JCEF Restricted Court 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. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund:	
Administration	\$ 14,379
Management Information Syster	620,001
Community Development Const	3,973
Golf Course	159,770
Fire	34,811
Emergency Medical Services	82,682
Parks	25,985
Aquatics	22,818
Visitor Center	10,859
Capital Outlay	150,482

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

C. Deficit Fund Equity

A deficit fund balance in the amount of \$343,591 and \$7,499 was reported in the Police Grants and MPC Debt Service Funds, respectively. Funds were received following the fiscal year-end to cover the deficit.

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2009 consist of the following:

Deposits		
Cash on Hand	\$	2,216
Cash in Bank		1,281,927
Cash on Deposit with County Attorney		102,906
Investments		
State Treasurer's Investment Pool		4,908,594
Cash on Deposit with Trustee		434,869
Less: Restricted Assets		(468,105)
Total Cash and Cash Equivalents	<u>\$</u>	<u>6,262,407</u>

Deposits – The carrying value of the City’s deposits at June 30, 2009 was \$1,281,927 and the bank balance was \$1,281,927. Of the bank balance, \$500,000 was covered by federal depository insurance, \$102,906 was held by a trustee in the City’s name and \$781,927 was covered by collateral held by the City’s custodial bank in the City’s name. The deposits held by the trustee were insured by federal depository insurance or were collateralized by securities held by the pledging financial institution in the trustee’s name.

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

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

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

The City’s investments at June 30, 2009 consist of the following:

Investment Type	Amount	Interest - Risk: Maturity in Years		
		Less than 1	1-2	2-3
State Treasurer's Investment Pool 5	\$ 4,908,594	\$ 4,908,594	\$ -	\$ -

Concentration of credit risk. The City does not have a formal investment policy regarding the concentration of credit risk. However, the City invests in funds authorized by Arizona state law and currently only invests in the State Treasurer Investment Pool.

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial credit risk. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy regarding custodial credit risk.

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

Cash and investments of the component unit's at June 30, 2009 consist of the following:

Deposits		
Cash on Hand	\$	100
Cash in Bank		398,493
Investments		
Local Government Investment Pool		63,722
Funds Held by Mortgage		355,797
Restricted Assets		(383,179)
Total Cash and Cash Equivalents	<u>\$</u>	<u>434,933</u>

The carrying value of the component unit's deposits at June 30, 2009 was \$398,493 which was entirely covered by federal depository insurance.

2. Restricted Assets

Restricted assets of the City at June 30, 2009 consisted of the following:

Unspent Lease Proceeds	\$	33,236
Current Debt Service		434,869
Total Restricted Assets of the City	<u>\$</u>	<u>468,105</u>

Restricted assets of the discretely presented component units at June 30, 2009 consisted of the following:

Funds Held by Mortgage	\$	355,797
Tenant Deposits		27,382
Total Restricted Assets of the Component Units	<u>\$</u>	<u>383,179</u>

CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Receivables

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

	Unavailable	Unearned
Delinquent Property Taxes Receivable: (General Fund)	\$ 54,452	\$ -
Unearned and/or Unavailable Grant Revenue: (Special Projects Fund)	385,317	-
Unearned Grant Revenue: (Grants Fund)	-	154,807
	\$ 439,769	\$ 154,807

4. Capital Assets

Capital asset activity for the primary government's governmental activities for the year ended June 30, 2009 was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 465,205	\$ 376,857	\$ -	\$ 842,062
Construction in progress	1,739,544	10,024,586	(9,450,076)	2,314,054
Total Capital Assets, Not Being Depreciated	2,204,749	10,401,443	(9,450,076)	3,156,116
Capital Assets, Being Depreciated:				
Land Improvements	4,247,877	201,770	(371,093)	4,078,554
Streets and Storm Drains	13,429,649	945,263	-	14,374,912
Buildings and Improvements	8,691,675	5,316,557	-	14,008,232
Machinery and Equipment	4,486,681	4,291,479	-	8,778,160
Vehicles	2,148,196	364,414	-	2,512,610
Total Capital Assets, Being Depreciated	33,004,078	11,119,483	(371,093)	43,752,468
Accumulated Depreciation for:				
Land Improvements	(1,544,382)	(196,872)	-	(1,741,254)
Streets and Storm Drains	(6,994,728)	(524,247)	-	(7,518,975)
Buildings and Improvements	(3,420,512)	(315,283)	-	(3,735,795)
Machinery and Equipment	(3,103,352)	(591,552)	-	(3,694,904)
Vehicles	(1,570,070)	(190,107)	-	(1,760,177)
Total Accumulated Depreciation	(16,633,044)	(1,818,061)	-	(18,451,105)
Total Capital Assets, Being Depreciated, Net	16,371,034	9,301,422	(371,093)	25,301,363
Governmental Activities Capital Assets, Net	\$ 18,575,783	\$ 19,702,865	\$ (9,821,169)	\$ 28,457,479

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 1,008,796	\$ 1,442,272	\$ (747,478)	\$ 1,703,590
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,770,729	-	-	2,770,729
Water System	10,168,289	793,132	-	10,961,421
Wastewater System	9,690,586	2,226,281	-	11,916,867
Machinery, Equipment, and Vehicles	2,699,700	17,215	-	2,716,915
Total Capital Assets, Being Depreciated	25,329,304	3,036,628	-	28,365,932
Accumulated Depreciation for:				
Buildings and Improvements	(2,067,696)	(64,211)	-	(2,131,907)
Water System	(5,910,266)	(214,262)	-	(6,124,528)
Wastewater System	(4,185,494)	(198,455)	-	(4,383,949)
Machinery, Equipment, and Vehicles	(1,750,410)	(126,888)	-	(1,877,298)
Total Accumulated Depreciation	(13,913,866)	(603,816)	-	(14,517,682)
Total Capital Assets, Being Depreciated, Net	11,415,438	2,432,812	-	13,848,250
Business-Type Activities Capital Assets, Net	<u>\$ 12,424,234</u>	<u>\$ 3,875,084</u>	<u>\$ (747,478)</u>	<u>\$ 15,551,840</u>

The activity for the governmental component units for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 91,149	\$ -	\$ -	\$ 91,149
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,397,268	12,797	-	3,410,065
Furniture and Equipment	166,236	9,004	-	175,240
Total Capital Assets, Being Depreciated	3,563,504	21,801	-	3,585,305
Accumulated Depreciation for:				
Accumulated Depreciation	(2,010,309)	(126,463)	-	(2,136,772)
Total Accumulated Depreciation	(2,010,309)	(126,463)	-	(2,136,772)
Total Capital Assets, Being Depreciated, Net	1,553,195	(104,662)	-	1,448,533
Business-Type Activities Capital Assets, Net	<u>\$ 1,644,344</u>	<u>\$ (104,662)</u>	<u>\$ -</u>	<u>\$ 1,539,682</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

The activity for the business-type component units for the year ended June 30, 2009 was as follows:

	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	21,343	2,678	-	24,021
Total Capital Assets, Being Depreciated	<u>5,228,907</u>	<u>2,678</u>	<u>-</u>	<u>5,231,585</u>
Accumulated Depreciation for:				
Buildings and Improvements	(952,962)	(130,189)	-	(1,083,151)
Furniture and Equipment	(17,242)	(2,866)	-	(20,108)
Total Accumulated Depreciation	<u>(970,204)</u>	<u>(133,055)</u>	<u>-</u>	<u>(1,103,259)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,258,703</u>	<u>(130,377)</u>	<u>-</u>	<u>4,128,326</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,523,703</u>	<u>\$ (130,377)</u>	<u>\$ -</u>	<u>\$ 4,393,326</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental Activities:

General Government	\$ 472,449
Public Safety	382,950
Highways and Streets	616,994
Culture and Recreation	345,668
Total Depreciation Expense, Governmental Activities	<u>\$ 1,818,061</u>

Business-Type Activities:

Water	\$ 266,350
Wastewater	275,549
Solid Waste	61,917
Total Depreciation Expense, Business-Type Activities	<u>\$ 603,816</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

Component Units

Governmental Activities:	
Casa de Esperanza	\$ 90,624
Pioneer Village	35,839
Total Depreciation Expense - Governmental Activities	\$ 126,463
Business-type Activities:	
Rancho La Perilla	\$ 133,055

5. Construction Commitments

The City has active construction projects at June 30, 2009. The projects include various infrastructure and site improvements. At fiscal year end, the City's commitments were as follows:

Project	Governmental	
	Spent-to-Date	Remaining Commitment
City Wide IT Improvements	\$ 1,012,441	\$ 187,390
Government Plaza Project	570,277	929,723
Third Street Expansion	6,217	550,000
City Hall Improvements	329,235	1,170,765
A Avenue Transportation Enhancement	94,925	525,111
Public Works Facility Sulphur Springs	137,765	362,235
	\$ 2,150,860	\$ 3,725,224

B. Interfund Receivables, Payables and Transfers

As of June 30, 2009 interfund receivable and payables were as follows:

Due To	Due From			Total
	Grants Fund	Police Grants Funds	Sewer Fund	
General Fund	\$ 142,667	\$ 374,233	\$ 1,339,452	\$ 1,856,352

The above interfund receivables and payables were recorded to cover a cash deficit at year-end. Funds were received subsequent to June 30, 2009 to cover the deficit.

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2009 consisted of the following:

Transfers Out	Transfers In						Total
	General Fund	Special Projects Fund	Grants Fund	MPC Debt Service Fund	Nonmajor Governmental Funds	Solid Waste Fund	
General Fund	\$ -	\$ -	\$ 12,750	\$ -	\$ 45,299	\$ -	\$ 58,049
Special Projects Fund	181,908	-	-	268,653	-	10,613	461,174
Grants Fund	106,008	-	-	-	-	-	106,008
Nonmajor Governmental Funds	39,710	-	-	211,085	12,000	-	262,795
Water Fund	65,643	15,032	-	-	-	-	80,675
Sewer Fund	29,986	2,507	-	-	-	-	32,493
Solid Waste Fund	26,744	3,133	-	-	-	-	29,877
	<u>\$ 449,999</u>	<u>\$ 20,672</u>	<u>\$ 12,750</u>	<u>\$ 479,738</u>	<u>\$ 57,299</u>	<u>\$ 10,613</u>	<u>\$ 1,031,071</u>

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

C. Obligations Under Capital Leases

The City has acquired fire equipment, communication equipment, three trucks, a sewer vactor truck, a refuse vehicle, meter readers, and a bursting machine under the provisions of long-term lease agreements classified as capital leases. Accordingly, the principal amount of the assets totaling \$2,068,700 and \$143,500 are capitalized in the Governmental Activities and Business-type Activities, respectively.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Buildings and Improvements	\$ 505,000	\$ -
Furniture, Equipment and Vehicles	1,563,700	143,500
Less: Accumulated Depreciation	(846,880)	(102,893)
Total	<u>\$ 1,221,820</u>	<u>\$ 40,607</u>

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

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Capital Leases (Continued)

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2009, were as follows:

Year End June 30:	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 318,723	\$ 47,309	\$ 30,090	\$ 2,736
2011	319,086	34,740	31,626	1,200
2012	300,673	21,819	-	-
2013	267,246	10,475	-	-
2014	70,045	1,366	-	-
Total	<u>\$ 1,275,773</u>	<u>\$ 115,709</u>	<u>\$ 61,716</u>	<u>\$ 3,936</u>

D. Call Center Lease

During fiscal year 2009, the City established a lease agreement for the City's new call center. Revenue related to this lease totaled \$483,499 during this fiscal year. Future minimum lease payments related to the call center are as follows:

Years ended June 30,	Amount
2010	\$ 693,288
2011	693,288
2012	693,288
2013	693,288
2014	670,182
2015 - 2019	3,212,268
2020 - 2023	2,703,834
	<u>\$ 9,359,436</u>

E. Long-Term Obligations

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

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

Description	Maturity	Interest Rate (%)	Outstanding at June 30, 2008
Revenue Bonds			
Municipal Property Corporation Excise Tax Refunding Bond, Series 2004; original issue \$4,165,000	7/1/09-15	2.00-3.50%	<u>\$ 2,605,000</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

The City has pledged future excise taxes to repay \$4.2 million in governmental excise tax refunding bonds issued in 2004. Proceeds of the bonds were used to refund and refinance the outstanding excise tax revenue bonds, series 1995 and highways and streets revenue bonds, Series 1996. The bonds are payable solely from excise taxes and are payable through 2015. Annual principal and interest payments on the bonds are expected to require approximately 12 percent of excise tax revenues recorded in the HURF and Special Projects Funds. The total principal and interest remaining to be paid on the bonds is \$2,909,170. Principal and interest paid for the current year and total excise taxes were \$479,237 and \$5,095,143, respectively.

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

Description	Maturity	Interest Rate (%)	Outstanding at June 30, 2008
Loans Payable:			
Greater Arizona Development Authority, Series 2008A; original issue \$3,000,000	8/1/09-28	4.00-5.25%	\$ 3,000,000
Call Center Purchase Agreement; collateralized by the building and equipment acquired with the debt; original issue \$9,000,000	7/1/09-28	4.29-5.63%	9,000,000
Total Loans Payable			<u>\$ 12,000,000</u>

The City has pledged future state shared revenue tax, state shared sales tax, City sales tax, transaction privilege tax and other miscellaneous revenues to repay \$3.0 million in GADA loans, Series 2008A. Proceeds of the loan provided financing for the development center project, including the purchase and renovation of buildings, land purchase, and upgrades and renovations to the existing City Hall. The loan is payable solely from pledged revenues discussed previously and are payable through 2029. Annual principal and interest payments on the bonds are expected to require less than 3 percent of pledged revenues. The total principal and interest remaining to be paid on the loan is \$4,612,144. No principal was required on the loan in the current fiscal year and \$147,935 of interest was expensed in the current year. Total excise tax revenues during the fiscal year totaled \$11,456,914.

In 2009, the City issued loans totaling \$9,000,000 for the acquisition and construction of a call center. The loan is payable from lease revenues received on the lease agreement with a third party. The lease of the call center is a 13 year lease with annual payments of \$693,288 plus taxes and utilities. The loan is payable from lease revenues and other general revenues of the City through 2015. Annual principal and interest payments on the bonds are expected to require approximately 60-95% percent of lease revenues. The total principal and interest remaining to be paid on the loan is \$10,761,257. No principal was required on the loan in the current fiscal year and \$239,925 was accrued as interest in the current year. Total lease revenues during the fiscal year totaled \$483,499.

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

The City's component units have outstanding mortgage notes payables collateralized by an insured mortgage on the projects land and buildings. The notes are being repaid through federal subsidies and tenant rents. The governmental component units' outstanding debt consisted of interest only mortgage notes payable at 1% per annum. The future principal payments are scheduled based on estimated principal retirement. The component units pay principal as cash is available; the maturity date of the outstanding debt is May 1, 2042.

Changes in long-term obligations for the year ended June 30, 2009 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
Loans Payable	\$ 3,000,000	\$ 9,000,000	\$ -	\$ 12,000,000	\$ 685,000
Revenue Bonds	2,995,000	-	(390,000)	2,605,000	400,000
Deferred Amounts:					
On refunding	(167,001)	-	25,693	(141,308)	-
Discount	(18,210)	-	2,802	(15,408)	-
Total Bonds and Loans	5,809,789	9,000,000	(361,505)	14,448,284	1,085,000
Other Liabilities:					
Capital Leases	947,738	595,000	(266,965)	1,275,773	318,723
Compensated Absences	995,656	708,110	(682,202)	1,021,564	695,316
Total Governmental Activities	<u>\$ 7,753,183</u>	<u>\$ 10,303,110</u>	<u>\$ (1,310,672)</u>	<u>\$ 16,745,621</u>	<u>\$ 2,099,039</u>
Business-Type Activities:					
Capital Lease	\$ 109,353	\$ -	\$ (47,637)	\$ 61,716	\$ 30,090
Compensated Absences	158,112	83,545	(127,261)	114,396	87,557
Total Business-Type Activities	<u>\$ 267,465</u>	<u>\$ 83,545</u>	<u>\$ (174,898)</u>	<u>\$ 176,112</u>	<u>\$ 117,647</u>
Governmental Component Units:					
Notes Payable	<u>\$ 2,783,894</u>	<u>\$ -</u>	<u>\$ (49,020)</u>	<u>\$ 2,734,874</u>	<u>\$ 15,906</u>
Business-type Component Units:					
Notes Payable	<u>\$ 4,382,362</u>	<u>\$ -</u>	<u>\$ (40,285)</u>	<u>\$ 4,342,077</u>	<u>\$ 42,915</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2009 are as follows:

Years	Primary Government		Component Units			
	Governmental Activities		Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 1,085,000	\$ 665,512	\$ 15,906	\$ 56,539	\$ 42,915	\$ 274,056
2011	1,160,000	622,977	9,903	55,941	45,716	271,254
2012	1,210,000	575,597	10,540	55,304	48,700	268,269
2013	1,250,000	523,009	11,218	54,626	51,879	265,091
2014	1,310,000	472,558	12,542	54,626	55,266	261,630
2015-2019	3,000,000	1,808,935	67,889	261,331	314,836	1,270,014
2020-2024	2,690,000	1,095,072	92,717	206,500	431,912	1,152,938
2025-2029	2,900,000	345,271	126,627	202,593	592,521	992,329
2030-2034	-	-	172,938	156,280	812,854	771,995
2035-2039	-	-	2,214,594	20,551	1,115,119	469,730
2040-2042	-	-	-	-	830,359	52,313
Totals	\$ 14,605,000	\$ 6,108,931	\$ 2,734,874	\$ 1,124,291	\$ 4,342,077	\$ 6,049,619

F. Net Assets Restatement

Governmental activities net assets as of July 1, 2008 were restated as follows:

	Net Assets, Beginning of Year	Restatement	Net Assets, as Restated
Governmental Activities	\$ 21,221,981	\$ (1,282,185)	\$ 19,939,796

The restatement was necessary due to an overstatement of prior year governmental activities infrastructure. Infrastructure assets had been recorded at current value, as of the date of GASB 34 implementation rather than estimated historical cost in error. The adjustment wrote the cost down to estimated historical cost.

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Component Units Condensed Financial Information

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

	Douglas Housing Authority	Casa De Esperanza	Pioneer Village	Totals
Condensed Statement of Net Assets				
Accounts:				
Current Assets				
Cash and equivalents	\$ 299,832	\$ 96,353	\$ 19,360	\$ 415,545
Accounts Receivable	15,264	21,828	15,119	52,211
Prepaid Items	-	14,601	7,302	21,903
Deferred Charges	-	117,875	210,925	328,800
Restricted Assets	-	95,924	176,875	272,799
Capital Assets				
Non-depreciable	-	74,695	16,454	91,149
Depreciable (net)	-	994,138	454,395	1,448,533
Total Assets	<u>315,096</u>	<u>1,415,414</u>	<u>900,430</u>	<u>2,630,940</u>
Liabilities				
Current Liabilities				
Accounts Payable	9,589	15,146	5,428	30,163
Accrued Wages and Benefits	102,894	-	-	102,894
Interest Payable	-	22,971	35,264	58,235
Customer Deposits Payable	-	6,081	3,430	9,511
Other Liabilities	-	480	12	492
Notes Payable	-	12,366	3,540	15,906
Noncurrent Liabilities				
Notes Payable	-	1,736,116	982,852	2,718,968
Total Liabilities	<u>112,483</u>	<u>1,793,160</u>	<u>1,030,526</u>	<u>2,936,169</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	(679,649)	(515,543)	(1,195,192)
Unrestricted	202,613	301,903	385,447	889,963
Total Net Assets	<u>\$ 202,613</u>	<u>\$ (377,746)</u>	<u>\$ (130,096)</u>	<u>\$ (305,229)</u>

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Component Units Condensed Financial Information (Continued)

	Douglas Housing Authority	Casa De Esperanza	Pioneer Village	Totals
Condensed Statement of Activities				
Expenses				
Current				
Redevelopment and Housing	\$ 2,151,674	\$ 215,002	\$ 124,347	\$ 2,491,023
Depreciation	-	90,624	35,839	126,463
Debt Service				
Interest on Long-term Debt	-	59,172	26,326	85,498
Total Expenses	<u>2,151,674</u>	<u>364,798</u>	<u>186,512</u>	<u>2,702,984</u>
Program Revenues				
Operating Grants and Contributions	2,124,694	242,965	95,339	2,462,998
Charges for Services	-	89,879	45,309	135,188
Total Program Revenues	<u>2,124,694</u>	<u>332,844</u>	<u>140,648</u>	<u>2,598,186</u>
Net Program (Expense)	(26,980)	(31,954)	(45,864)	(104,798)
General Revenues				
Investment Income	12,649	436	1,541	14,626
Other	5,212	12,259	831	18,302
Total General Revenues	<u>17,861</u>	<u>12,695</u>	<u>2,372</u>	<u>32,928</u>
Change in Net Assets	(9,119)	(19,259)	(43,492)	(71,870)
Net Assets, Beginning of Year	211,732	(358,487)	(86,604)	(233,359)
Net Assets, End of Year	<u>\$ 202,613</u>	<u>\$ (377,746)</u>	<u>\$ (130,096)</u>	<u>\$ (305,229)</u>

The deficit reported in Casa de Esperanza and Pioneer Village in the investment in capital assets, net of related debt on the previous page was due to the housing authorities' debt exceeding the investment in capital assets.

Separately issued financial statements for Casa de Esperanza and Pioneer Village have been prepared in conformity with the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations" and are available from the Essex Corporation. Separately issued financial statements for the Douglas Housing Authority were not prepared.

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION

A. Risk Management

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

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

B. Contingent Liabilities

Accumulated Sick Leave – Sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees and, therefore, are not accrued. Unvested accumulated sick leave of City employees at June 30, 2009, totaled \$491,151.

Lawsuits – The City is a defendant in various lawsuits. In the opinion of the City's attorney there were no material contingencies.

C. Commitments

The City has two committed projects that will be funded through the Water Infrastructure Authority of Arizona (WIFA) in the amount of \$1.5 million and \$4.5 million. The projects are for drinkwater and wastewater, respectively. As of June 30, 2009, the City had no construction commitments related to either project, nor did it spend any funds toward the projects; however, the WIFA funds, negotiated as a loan, are available in the amount of \$1.5 million and \$4.5 million. Annual principal and semi-annual interest payment will be due through 2027 when the City begins to draw upon the loan.

D. Retirement Plans

Arizona State Retirement System

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

**CITY OF DOUGLAS, ARIZONA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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

Funding Policy – The Arizona State Legislature establishes and may amend active plan members’ and the City of Douglas, Arizona’s contribution rates. For the year ended June 30, 2009, active plan members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement and 0.50 percent for long-term disability) of the members’ annual covered payroll and the City of Douglas, Arizona was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, 0.96 percent for health insurance premium, and 0.50 percent for long-term disability) of the members’ annual covered payroll.

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
<u>Years ended June 30,</u>			
2009	\$ 436,760	\$ 56,985	\$ 27,139
2008	442,032	57,672	27,466
2007	384,312	50,142	23,879

Public Safety Personnel Retirement System (PSPRS)

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

Funding Policy – Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The City is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 26.00 and 35.06 percent of annual covered payroll for Police and Fire, respectively.

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Annual Pension Cost – During the year ended June 30, 2008 the most recent actuarial valuation, the City of Douglas, Arizona's annual pension cost of \$279,441 for police and \$296,470 for fire was equal to the City of Douglas, Arizona's required and actual contributions.

The required contribution was determined as part of the June 30, 2007 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 6.5% (including inflation at 5.0%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

Funded Status and Funding Progress - As of June 30, 2008, the most recent actuarial valuation date, the plan for police was 61.4 percent funded and the plan for fire was 53.9 percent funded. The actuarial accrued liability for benefits was \$11.3 million and \$9.4 million for police and fire, respectively; and the actuarial value of assets was \$7.0 million and \$5.0 million, respectively; resulting in an unfunded actuarial accrued liability (UAAL) of \$4.4 million and \$4.3 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) for police and fire was \$1.5 million and \$1.2 million, and the ratio of the UAAL to the covered payroll was 282.3 percent and 369.5 percent, respectively.

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

The actuarial value of the City of Douglas, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The City of Douglas, Arizona's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 20 years.

**CITY OF DOUGLAS, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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

**Three-Year Trend Information
Police**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2006	\$ 221,557	100%	\$ -
2007	227,572	100%	-
2008	279,441	100%	-

Fiscal Year Ended June 30,	Annual OBEB Cost	Percent Contributed	Net Pension Obligation
2006	\$ 25,143	0%	\$ 25,143
2007	33,782	0%	33,782
2008	25,298	0%	25,298

**Three-Year Trend Information
Fire**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2006	\$ 208,194	100%	\$ -
2007	235,258	100%	-
2008	296,470	100%	-

Fiscal Year Ended June 30,	Annual OBEB Cost	Percent Contributed	Net Pension Obligation
2006	\$ 24,183	0%	\$ 24,183
2007	26,169	0%	26,169
2008	20,678	0%	20,678

Additional historical trend information for the City's PSPRS is disclosed on page 77.

Historical trend information is presented in order for the reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Required Supplementary Information

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

Douglas Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
2006	\$ 7,266,754	\$ 10,359,049	70.1%	\$ (3,092,295)	\$ 1,639,032	188.7%
2007	6,954,792	11,488,986	60.5	(4,534,194)	1,481,989	306.0
2008	6,930,015	11,283,869	61.4	(4,353,854)	1,542,544	282.3

Douglas Fire

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
2006	\$ 5,419,292	\$ 8,569,487	63.2%	\$ (3,150,195)	\$ 1,024,414	307.5%
2007	5,114,278	9,423,043	54.3	(4,308,765)	928,544	464.0
2008	5,042,492	9,359,112	53.9	(4,316,620)	1,168,259	369.5

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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.

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

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

CAPITAL PROJECTS FUND

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

**CITY OF DOUGLAS, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

Special Revenue						
	HURF	LTAF	JCEF Restricted Court	Total Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Assets						
Cash and Cash Equivalents	\$ 42,829	\$ 414,584	\$ 87,927	\$ 545,340	\$ -	\$ 545,340
Receivables						
Intergovernmental Receivable	101,679	-	-	101,679	-	101,679
Total Assets	<u>\$ 144,508</u>	<u>\$ 414,584</u>	<u>\$ 87,927</u>	<u>\$ 647,019</u>	<u>\$ -</u>	<u>\$ 647,019</u>
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	\$ 18,865	\$ 23,641	\$ -	\$ 42,506	\$ -	\$ 42,506
Accrued Wages and Benefits	5,995	-	-	5,995	-	5,995
Total Liabilities	<u>24,860</u>	<u>23,641</u>	<u>-</u>	<u>48,501</u>	<u>-</u>	<u>48,501</u>
Fund Balance						
Unreserved	119,648	390,943	87,927	598,518	-	598,518
Total Fund Balance	<u>119,648</u>	<u>390,943</u>	<u>87,927</u>	<u>598,518</u>	<u>-</u>	<u>598,518</u>
Total Liabilities and Balance	<u>\$ 144,508</u>	<u>\$ 414,584</u>	<u>\$ 87,927</u>	<u>\$ 647,019</u>	<u>\$ -</u>	<u>\$ 647,019</u>

CITY OF DOUGLAS, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Special Revenue			Total Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	HURF	LTAf	JCEF Restricted Court			
Revenues						
Intergovernmental Revenue	\$ 1,277,556	\$ 109,432	\$ -	\$ 1,386,988	\$ -	\$ 1,386,988
Fines and Forfeitures	-	-	9,358	9,358	-	9,358
Charges for Services	-	-	-	-	122,190	122,190
Rents and Royalties	-	-	-	-	6,384	6,384
Other	189,679	-	-	189,679	-	189,679
Total Revenues	1,467,235	109,432	9,358	1,586,025	128,574	1,714,599
Expenditures						
Current						
General Government	-	-	4,806	4,806	117,361	122,167
Highways and Streets	1,316,586	81,890	-	1,398,476	-	1,398,476
Debt Service						
Principal Retirement	36,904	-	-	36,904	-	36,904
Interest on Long-Term Debt	2,548	-	-	2,548	-	2,548
Total Expenditures	1,356,038	81,890	4,806	1,442,734	117,361	1,560,095
Excess (Deficiency) of Revenue Over Expenditures	111,197	27,542	4,552	143,291	11,213	154,504
Other Finance Sources (Uses)						
Transfers In	-	-	-	-	57,299	57,299
Transfers Out	(250,795)	(12,000)	-	(262,795)	-	(262,795)
Total Other Finance Sources (Uses)	(250,795)	(12,000)	-	(262,795)	57,299	(205,496)
Net Change in Fund Balance	(139,598)	15,542	4,552	(119,504)	68,512	(50,992)
Fund Balance						
Beginning of Year	259,246	375,401	83,375	718,022	(68,512)	649,510
End of Year	\$ 119,648	\$ 390,943	\$ 87,927	\$ 598,518	\$ -	\$ 598,518

**CITY OF DOUGLAS, ARIZONA
HURF FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance With Final Budget
Revenue			
Intergovernmental	\$ 1,574,915	\$ 1,277,556	\$ (297,359)
Other	77,000	189,679	112,679
Total Revenue	<u>1,651,915</u>	<u>1,467,235</u>	<u>(184,680)</u>
Expenditures			
Current			
Highways and Streets	1,762,215	1,316,586	445,629
Debt Service			
Principal Retirement	37,000	36,904	96
Interest on Long-Term Debt	2,700	2,548	152
Total Expenditures	<u>1,801,915</u>	<u>1,356,038</u>	<u>445,877</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(150,000)</u>	<u>111,197</u>	<u>261,197</u>
Other Finance Sources (Uses)			-
Transfers Out	<u>(33,708)</u>	<u>(250,795)</u>	<u>(217,087)</u>
Total Other Finance Sources (Uses)	<u>(33,708)</u>	<u>(250,795)</u>	<u>(217,087)</u>
Net Change in Fund Balance	(183,708)	(139,598)	44,110
Fund Balance			
Beginning of Year	183,708	259,246	75,538
End of Year	<u>\$ -</u>	<u>\$ 119,648</u>	<u>\$ 119,648</u>

**CITY OF DOUGLAS, ARIZONA
LTA FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance With Final Budget
Revenue			
Intergovernmental Revenue	\$ 95,798	\$ 109,432	\$ 13,634
Total Revenue	<u>95,798</u>	<u>109,432</u>	<u>13,634</u>
Expenditures			
Current			
Highways and Streets	95,798	81,890	13,908
Total Expenditures	<u>95,798</u>	<u>81,890</u>	<u>13,908</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>-</u>	<u>27,542</u>	<u>27,542</u>
Other Finance Sources (Uses)			
Transfers Out	(12,000)	(12,000)	-
Total Other Finance Sources (Uses)	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>
Net Change in Fund Balance	(12,000)	15,542	27,542
Fund Balance			
Beginning of Year	12,000	375,401	363,401
End of Year	<u>\$ -</u>	<u>\$ 390,943</u>	<u>\$ 390,943</u>

CITY OF DOUGLAS, ARIZONA
JCEF FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009

	Original and Final Budget	Actual	Variance With Final Budget
Revenue			
Fines and Forfeits	\$ -	\$ 9,358	\$ 9,358
Total Revenue	<u>-</u>	<u>9,358</u>	<u>9,358</u>
Expenditures			
Current			
General Government	95,798	4,806	90,992
Total Expenditures	<u>95,798</u>	<u>4,806</u>	<u>90,992</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(95,798)</u>	<u>4,552</u>	<u>100,350</u>
Other Finance Sources (Uses)			
Transfers Out	(41,000)	-	41,000
Total Other Finance Sources (Uses)	<u>(41,000)</u>	<u>-</u>	<u>41,000</u>
Net Change in Fund Balance	(136,798)	4,552	141,350
Fund Balance			
Beginning of Year	136,798	83,375	(53,423)
End of Year	<u>\$ -</u>	<u>\$ 87,927</u>	<u>\$ 87,927</u>

STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

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

Source: The City's Finance Department.

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

Fiscal Year

2007	2008	2009
\$ 14,111,791	\$ 13,509,453	\$ 12,376,658
2,756,736	2,939,323	3,634,763
3,951,726	3,491,020	5,577,111
<u>\$ 20,820,253</u>	<u>\$ 19,939,796</u>	<u>\$ 21,588,532</u>
\$ 11,744,198	\$ 12,314,881	\$ 15,535,124
1,586,749	1,815,909	1,006,658
<u>\$ 13,330,947</u>	<u>\$ 14,130,790</u>	<u>\$ 16,541,782</u>
\$ 25,855,989	\$ 25,824,334	\$ 27,911,782
2,756,736	2,939,323	3,634,763
5,538,475	5,306,929	6,583,769
<u>\$ 34,151,200</u>	<u>\$ 34,070,586</u>	<u>\$ 38,130,314</u>

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

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

Source: The City's Finance Department.

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

Fiscal Year

2007	2008	2009
\$ 3,725,063	\$ 4,340,737	\$ 3,999,501
6,043,744	6,348,866	6,604,306
2,271,480	1,760,251	2,702,979
1,983,227	2,189,769	2,074,291
25,159	132,857	497,600
159,577	180,077	727,564
<u>14,208,250</u>	<u>14,952,557</u>	<u>16,606,241</u>
1,838,462	1,455,706	1,344,052
938,588	952,579	1,385,910
872,341	891,003	707,042
<u>3,649,391</u>	<u>3,299,288</u>	<u>3,437,004</u>
<u>\$ 17,857,641</u>	<u>\$ 18,251,845</u>	<u>\$ 20,043,245</u>
\$ 1,031,216	\$ 939,208	\$ 1,387,975
591,610	642,820	760,669
62	2,834	-
102,689	97,949	98,174
2,428,909	2,293,564	1,818,551
651,377	589,152	1,765,876
<u>4,805,863</u>	<u>4,565,527</u>	<u>5,831,245</u>
1,618,744	1,749,040	1,782,320
916,597	924,045	909,842
667,241	668,023	816,038
<u>580,433</u>	<u>110,274</u>	<u>2,373,486</u>
3,783,015	3,451,382	5,881,686
<u>\$ 8,588,878</u>	<u>\$ 8,016,909</u>	<u>\$ 11,712,931</u>

(Continued)

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

(Concluded)	Fiscal Year			
	2003	2004	2005	2006
Net (expense)/revenue				
Governmental activities	\$ (6,413,639)	\$ (4,236,730)	\$ (7,433,024)	\$ (9,348,675)
Business-type activities	(295,624)	130,956	(311,348)	(239,919)
Total primary government net expense	\$ (6,709,263)	\$ (4,105,774)	\$ (7,744,372)	\$ (9,588,594)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Sales taxes	\$ 4,038,242	\$ 4,432,493	\$ 4,390,874	\$ 4,740,475
Property taxes	386,952	369,912	410,706	448,571
Franchise taxes	260,267	242,164	253,182	261,809
Unrestricted grants and contributions	2,759,997	2,901,935	3,089,912	-
State revenue sharing	-	-	-	1,765,690
State sales tax revenue sharing	-	-	-	1,729,948
Auto lieu tax revenue sharing	-	-	-	791,931
Payments in lieu of taxes	635,636	685,970	713,727	-
Loss on sale to fixed assets	(115,214)	-	-	-
Investment income (loss)	(31,955)	202,299	170,524	229,305
Other	1,729	992	25	1,802
Transfers	73,960	67,064	5,656	118,235
Total governmental activities:	8,009,614	8,902,829	9,034,606	10,087,766
Business-type activities:				
Sales tax	84,480	91,380	98,995	91,380
Investment income (loss)	(21,770)	24,975	50,159	88,960
Transfers	(73,960)	(67,064)	(5,656)	(118,235)
Total business-type activities	(11,250)	49,291	143,498	62,105
Total primary government	\$ 7,998,364	\$ 8,952,120	\$ 9,178,104	\$ 10,149,871
Change in Net Assets				
Governmental activities	\$ 1,595,975	\$ 4,666,099	\$ 1,601,582	\$ 739,091
Business-type activities	(306,874)	180,247	(167,850)	(177,814)
Total primary government	\$ 1,289,101	\$ 4,846,346	\$ 1,433,732	\$ 561,277

Source: The City's Finance Department.

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

Fiscal Year

2007	2008	2009
\$ (9,402,387)	\$ (10,387,030)	\$ (10,774,996)
133,624	152,094	2,444,682
<u>\$ (9,268,763)</u>	<u>\$ (10,234,936)</u>	<u>\$ (8,330,314)</u>

\$ 5,006,857	\$ 5,095,143	\$ 6,151,531
465,726	462,232	532,028
322,308	349,444	341,702
-	49,612	18,467
2,002,854	2,448,141	2,608,244
1,634,497	1,580,288	1,368,088
789,900	845,030	793,358
-	-	-
-	-	-
311,744	280,685	154,993
1,119	1,697	322,889
63,387	(323,514)	132,432
<u>10,598,392</u>	<u>10,788,758</u>	<u>12,423,732</u>

91,380	224,968	77,114
106,626	99,267	21,628
(63,387)	323,514	(132,432)
<u>134,619</u>	<u>647,749</u>	<u>(33,690)</u>
<u>\$ 10,733,011</u>	<u>\$ 11,436,507</u>	<u>\$ 12,390,042</u>

\$ 1,196,005	\$ 401,728	\$ 1,648,736
268,243	799,843	2,410,992
<u>\$ 1,464,248</u>	<u>\$ 1,201,571</u>	<u>\$ 4,059,728</u>

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**CITY OF DOUGLAS, ARIZONA
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 LAST NINE FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)**

Fiscal Year	Sales taxes	Property taxes	Franchise taxes	Total
2001	\$ 4,183,990	\$ 303,761	\$ 361,472	\$ 4,849,223
2002	4,100,575	369,841	376,194	4,846,610
2003	4,038,242	370,411	260,267	4,668,920
2004	4,432,493	330,022	242,164	5,004,679
2005	4,390,874	416,850	253,182	5,060,906
2006	4,740,475	448,571	261,809	5,450,855
2007	5,006,857	465,726	322,308	5,794,891
2008	5,095,143	462,232	349,444	5,906,819
2009	6,228,645	532,028	341,702	7,102,375

Source: The City's Finance Department.

Note: Information was not available prior to fiscal year 2001.

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

	Fiscal Year				
	2000	2001	2002	2003	2004
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ 207	\$ 60,472
Unreserved	1,169,918	1,522,444	2,143,925	2,272,689	3,035,409
Total General Fund	<u>\$ 1,169,918</u>	<u>\$ 1,522,444</u>	<u>\$ 2,143,925</u>	<u>\$ 2,272,896</u>	<u>\$ 3,095,881</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ 10,000	\$ 14,780
Unreserved, reported in:					
Special revenue funds	1,380,615	1,893,906	1,879,015	2,199,864	2,733,028
Capital projects funds	106,920	11,539	16,230	13,893	14,445
Debt service funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 1,487,535</u>	<u>\$ 1,905,445</u>	<u>\$ 1,895,245</u>	<u>\$ 2,223,757</u>	<u>\$ 2,762,253</u>

Source: The City's Finance Department.

Fiscal Year

2005	2006	2007	2008	2009
\$ 1,285	\$ -	\$ 5,878	\$ 78,239	\$ 68,239
3,328,604	3,788,373	4,076,080	3,735,584	3,962,160
<u>\$ 3,329,889</u>	<u>\$ 3,788,373</u>	<u>\$ 4,081,958</u>	<u>\$ 3,813,823</u>	<u>\$ 4,030,399</u>
\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
2,897,657	2,597,332	2,643,920	4,854,098	5,335,420
15,184	-	3,143	(68,512)	(7,499)
-	300	-	-	-
<u>\$ 2,922,841</u>	<u>\$ 2,607,632</u>	<u>\$ 2,657,063</u>	<u>\$ 4,795,586</u>	<u>\$ 5,337,921</u>

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

	Fiscal Year				
	2000	2001	2002	2003	2004
Revenues					
Taxes	\$ 4,664,800	\$ 4,849,223	\$ 4,846,610	\$ 4,668,920	\$ 5,004,679
Intergovernmental	14,318,432	5,803,328	5,663,708	5,944,321	6,773,955
Fines and forfeitures	238,471	865,334	579,443	171,725	177,795
Licenses and permits	123,457	159,119	163,918	164,255	318,126
Charges for services	534,728	508,175	493,080	563,409	834,821
Rents and royalties	-	-	-	-	-
Special assessments	24,000	24,000	97,653	-	15,600
Investment income (loss)	52,488	127,389	136,604	(31,955)	202,299
Other	430,109	539,078	341,030	196,062	262,423
Total revenues	<u>20,386,485</u>	<u>12,875,646</u>	<u>12,322,046</u>	<u>11,676,737</u>	<u>13,589,698</u>
Expenditures					
General government	1,915,264	2,149,912	2,720,582	2,221,633	2,381,289
Public safety	4,364,133	4,661,536	4,608,191	4,479,468	5,047,690
Highways and streets	10,250,201	3,396,655	2,629,823	2,471,570	2,135,963
Culture and recreation	1,355,268	1,364,292	1,701,768	1,733,215	1,486,634
Redevelopment and housing	463,353	-	-	123,297	202,831
Capital outlay	755,368	84,485	250,692	177,751	489,038
Debt service					
Principal retirement	215,000	225,000	230,000	273,081	304,083
Interest on long-term debt	289,004	277,056	264,346	262,649	207,138
Issuance costs	-	-	-	-	137,176
Total expenditures	<u>19,607,591</u>	<u>12,158,936</u>	<u>12,405,402</u>	<u>11,742,664</u>	<u>12,391,842</u>
Excess of revenues over (under) expenditures	<u>778,894</u>	<u>716,710</u>	<u>(83,356)</u>	<u>(65,927)</u>	<u>1,197,856</u>
Other financing sources (uses)					
Transfers in	700,023	716,951	917,824	858,865	833,301
Transfers out	(980,168)	(821,251)	(828,925)	(784,905)	(766,237)
Issuance of refunding debt	-	-	-	-	4,134,181
Issuance of long-term debt	-	-	-	-	-
Payment to refunded debt escrow	-	-	-	-	(4,037,620)
Proceeds from capital leases	45,500	71,650	550,133	449,450	-
Other	334,420	86,376	55,605	-	-
Total other financing sources (uses)	<u>99,775</u>	<u>53,726</u>	<u>694,637</u>	<u>523,410</u>	<u>163,625</u>
Net change in fund balance	<u>\$ 878,669</u>	<u>\$ 770,436</u>	<u>\$ 611,281</u>	<u>\$ 457,483</u>	<u>\$ 1,361,481</u>
Debt service as a percentage of noncapital expenditures	2.67%	4.16%	4.07%	4.63%	5.45%

Source: The City's Finance Department.

Fiscal Year

2005	2006	2007	2008	2009
\$ 5,060,906	\$ 5,464,419	\$ 5,782,276	\$ 5,914,743	\$ 7,012,223
6,439,570	7,169,720	7,507,537	7,805,787	8,372,584
206,150	185,754	199,420	141,232	195,644
223,484	262,858	270,278	169,697	126,224
972,483	1,040,529	1,012,858	1,059,989	1,386,022
-	45,000	45,000	36,000	538,928
18,000	-	-	-	-
170,524	229,305	311,744	280,685	154,993
681,111	661,749	324,140	307,449	322,889
<u>13,772,228</u>	<u>15,059,334</u>	<u>15,453,253</u>	<u>15,715,582</u>	<u>18,109,507</u>
3,579,484	3,477,225	3,801,423	5,169,854	13,462,021
4,989,254	5,764,769	5,992,153	6,078,350	6,579,669
2,700,498	3,166,478	2,551,227	2,413,444	2,626,696
1,671,445	1,767,630	2,266,214	1,863,014	1,750,997
20,744	281,392	25,159	132,857	497,600
-	38,999	-	896,225	817,482
390,742	413,349	418,837	429,669	656,965
145,630	124,452	118,611	133,267	686,598
-	-	-	-	-
<u>13,497,797</u>	<u>15,034,294</u>	<u>15,173,624</u>	<u>17,116,680</u>	<u>27,078,028</u>
<u>274,431</u>	<u>25,040</u>	<u>279,629</u>	<u>(1,401,098)</u>	<u>(8,968,521)</u>
1,161,277	1,374,466	1,380,037	1,553,137	1,020,458
(1,155,621)	(1,256,231)	(1,316,650)	(1,876,651)	(888,026)
-	-	-	-	-
-	-	-	3,000,000	9,000,000
-	-	-	-	-
114,509	-	-	595,000	595,000
-	-	-	-	-
<u>120,165</u>	<u>118,235</u>	<u>63,387</u>	<u>3,271,486</u>	<u>9,727,432</u>
<u>\$ 394,596</u>	<u>\$ 143,275</u>	<u>\$ 343,016</u>	<u>\$ 1,870,388</u>	<u>\$ 758,911</u>

3.97%

3.59%

3.54%

4.05%

4.05%

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

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

Source: Arizona Department of Revenue.

Note: Information prior to 2003 was not available.

Fiscal Year

2007	2008	2009
\$ 466,247	\$ 510,450	\$ 2,318,215
15,039,614	23,876,918	22,195,363
40,313	15,283	48,456
8,593,952	7,578,438	15,965,933
3,375,254	4,144,993	3,945,094
3,994,393	4,093,177	3,884,491
145,310,162	146,386,134	144,710,942
84,995	194,035	93,629
6,656,980	5,664,318	6,249,386
12,923,634	12,932,385	12,500,240
2,600,819	2,277,339	2,363,017
108,890	100,106	294,021
2,714,689	3,342,416	3,242,519
8,285	-	56,562
2,532,122	3,121,725	2,921,447
<u>\$ 204,450,349</u>	<u>\$ 214,237,717</u>	<u>\$ 220,789,315</u>

2.50%

2.50%

2.50%

**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>
2000	2.50 %	5.50 %
2001	2.50	6.10
2002	2.50	6.10
2003	2.50	6.10
2004	2.50	6.10
2005	2.50	6.10
2006	2.50	6.10
2007	2.50	6.10
2008	2.50	6.10
2009	2.80	6.10

Source: Arizona Department of Revenue.

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

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				
2000	\$ 33,616	\$ 2,562	\$ 3,928	\$ 32,250	\$ 12	\$ 37,075	\$ 87
2001	33,565	3,188	3,892	32,861	11.26	37,105	88.562
2002	33,537	4,438	3,925	34,050	11.23	38,877	87.584
2003	34,586	4,770	3,921	35,435	11.21	39,795	89.044
2004	37,278	3,473	4,207	36,544	11.20	37,213	98.202
2005	39,514	5,087	4,443	40,158	11.14	41,419	96.956
2006	41,500	4,385	4,466	41,419	10.70	45,885	90.267
2007	54,948	2,925	5,980	51,893	8.70	57,522	90.214
2008	55,520	1,506	4,205	52,821	8.87	63,614	83.034
2009	54,903	1,448	1,899	54,452	10.55	58,250	93.480

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 Unifed School District	Total Direct Rate	School District	County	
2000	1.09	3.51	1.74	5.18	11.52	2.85	0.51	14.88
2001	1.09	3.45	1.74	4.99	11.27	2.81	0.51	14.59
2002	1.09	3.43	1.74	4.97	11.23	2.56	0.51	14.30
2003	1.09	3.43	1.79	4.90	11.21	2.30	0.51	14.02
2004	1.09	3.39	1.79	4.93	11.20	1.90	0.51	13.61
2005	1.09	2.94	1.79	5.33	11.15	0.83	0.51	12.49
2006	1.05	2.92	1.79	4.94	10.70	1.58	0.51	12.79
2007	0.99	2.87	1.74	3.10	8.70	1.72	0.40	10.82
2008	1.02	2.68	1.66	3.51	8.87	1.78	0.40	11.05
2009	1.00	2.64	1.61	5.30	10.55	0.82	0.14	11.51

Source: The Cochise County Treasurer.

**CITY OF DOUGLAS, ARIZONA
 PRINCIPAL PROPERTY TAXPAYERS
 JUNE 30, 2009
 (UNAUDITED)**

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart	\$ 3,544,970	1	6.51 %	\$ 1,262,670	2	3.96 %
Arizona Public Service	1,908,113	2	3.50	-	-	-
Southwest Gas Corporation	780,032	3	1.43	697,975	5	2.19
Qwest Corporation	760,433	4	1.40	-	-	-
Safeway Inc.	751,630	5	1.38	1,564,949	1	4.91
Phelps Dodge Corporation	582,015	6	1.07	332,394	8	1.04
SFP Pool Five Shopping Center	509,469	7	0.94	-	-	-
FAE Holdings 356216R, LLC	497,200	8	0.91	-	-	-
JC Penney Co., Inc.	483,935	9	0.89	454,017	6	1.42
Douglas Customs LLC	440,000	10	0.81	-	-	-
Newhall Douglas LTD PRT.	-	-	-	910,667	3	2.85
US West	-	-	-	773,123	4	2.42
K-Mart	-	-	-	431,848	7	1.35
Kamin, Daniel G.	-	-	-	230,191	9	0.72
T & W Properties	-	-	-	202,342	10	0.63
	<u>\$ 10,257,797</u>		<u>20.02 %</u>	<u>\$ 6,860,176</u>		<u>21.50 %</u>

Source: The Cochise County Assessor's Office

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2000	\$ 340,582	\$ 303,961	89.25 %	\$ 34,982	\$ 338,943	99.52
2001	352,360	321,262	91.17	30,618	351,880	99.86
2002	359,044	324,722	90.44	33,957	358,679	99.90
2003	372,024	333,408	89.62	37,864	371,272	99.80
2004	387,160	359,258	92.79	27,069	386,327	99.78
2005	399,279	242,065	60.63	156,243	398,308	99.76
2006	442,229	411,452	93.04	29,932	441,384	99.81
2007	468,748	423,146	90.27	43,421	466,567	99.53
2008	485,584	440,446	90.70	38,832	479,278	98.70
2009	542,878	489,507	90.17	-	489,507	90.17

Source: The Cochise County Treasurer.

Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
\$ 1,639	0.48
480	0.14
365	0.10
752	0.20
833	0.22
971	0.24
845	0.19
2,181	0.47
6,306	1.30
53,371	9.83

**CITY OF DOUGLAS, ARIZONA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST EIGHT FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Governmental Activities			Business-type	Total Primary Government	Percentage of Personal	Per Capita
	Revenue Bonds	Loans Payable	Capital Leases	Capital Leases			
2002	\$ 4,530,000	\$ -	\$ 575,186	\$ 305,626	\$ 5,410,812	3.22 %	\$ 329
2003	4,285,000	-	925,407	254,777	5,465,184	3.22	330
2004	4,435,000	-	785,356	341,697	5,562,053	2.93	327
2005	4,095,000	-	771,477	258,035	5,124,512	2.31	298
2006	3,735,000	-	623,828	314,761	4,673,589	1.99	268
2007	3,370,000	-	483,879	198,842	4,052,721	1.57	220
2008	2,995,000	3,000,000	947,738	109,353	7,052,091	2.73	371
2009	2,605,000	12,000,000	1,275,773	61,716	15,942,489	5.65	862

Source: The City's Finance Department.

Note: Information prior to 2002 was not available.

**CITY OF DOUGLAS, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2009
(UNAUDITED)**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Cochise County	\$ 986,677,834	7.30%	\$ 1,419,720
Cochise County Community College	986,677,834	7.30%	1,419,720
Douglas Unified School District No. 27	72,020,654	100.00%	<u>2,770,000</u>
Subtotal, overlapping debt			5,609,440
City of Douglas, Arizona direct debt	15,942,489	100.00%	-
Total direct and overlapping debt			<u><u>\$ 5,609,440</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 2008-09.

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

	Fiscal Year				
	2000	2001	2002	2003	2004
20% debt limit	\$ 6,733,283	\$ 6,627,146	\$ 6,640,262	\$ 6,987,807	\$ 7,173,258
Total applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 6,733,283</u>	<u>\$ 6,627,146</u>	<u>\$ 6,640,262</u>	<u>\$ 6,987,807</u>	<u>\$ 7,173,258</u>
Total net debt applicable to the limit as a percentage of the debt limit	-	-	-	-	-

	Fiscal Year				
	2000	2001	2002	2003	2004
6% debt limit	\$ 2,019,985	\$ 1,988,144	\$ 1,992,079	\$ 2,096,342	\$ 2,151,977
Total applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 2,019,985</u>	<u>\$ 1,988,144</u>	<u>\$ 1,992,079</u>	<u>\$ 2,096,342</u>	<u>\$ 2,151,977</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

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 7,442,536	\$ 8,283,788	\$ 9,938,245	\$ 10,378,721	\$ 10,890,226
-	-	-	-	-
<u>\$ 7,442,536</u>	<u>\$ 8,283,788</u>	<u>\$ 9,938,245</u>	<u>\$ 10,378,721</u>	<u>\$ 10,890,226</u>

- - - - -

Fiscal Year

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 2,232,761	\$ 2,485,137	\$ 2,981,474	\$ 3,113,616	\$ 3,267,068
-	-	-	-	-
<u>\$ 2,232,761</u>	<u>\$ 2,485,137</u>	<u>\$ 2,981,474</u>	<u>\$ 3,113,616</u>	<u>\$ 3,267,068</u>

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**CITY OF DOUGLAS, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2009
(UNAUDITED)**

Net secondary assessed value		<u>\$ 54,451,130</u>
<div style="text-align: center;"> <hr style="border: 1px solid black;"/> Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds </div>		
Debt limit - 20% of net secondary assessed value		\$ 10,890,226
Debt applicable to limit		
General obligation bonds outstanding	\$ -	
Less amount set aside for repayment of debt	-	
Net debt applicable to limit	<hr style="border: 1px solid black;"/>	-
20% legal debt margin		<u>\$ 10,890,226</u>
<div style="text-align: center;"> <hr style="border: 1px solid black;"/> All other general obligation bonds </div>		
Debt limit - 6% of net secondary assessed value		\$ 3,267,068
Debt applicable to limit		
General obligation bonds outstanding	\$ -	
Less amount set aside for repayment of debt	-	
Net debt applicable to limit	<hr style="border: 1px solid black;"/>	-
All other general obligation bonds debt margin		<u>\$ 3,267,068</u>
Total legal debt margin		<u>\$ 14,157,294</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 EIGHT FISCAL YEARS
 (UNAUDITED)**

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

Source: The City of Douglas' internal records.

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

Information prior to June 30, 2002 was not available.

GADA Loan

Fiscal Year	Excise Tax	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2002	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
2003	-	-	-	-	-	N/A
2004	-	-	-	-	-	N/A
2005	-	-	-	-	-	N/A
2006	-	-	-	-	-	N/A
2007	-	-	-	-	-	N/A
2008	10,217,630	-	10,217,630	-	24,369	419.28%
2009	11,456,914	-	11,456,914	-	147,935	77.45

Call Center Loan

Fiscal Year	Lease Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2002	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
2003	-	-	-	-	-	N/A
2004	-	-	-	-	-	N/A
2005	-	-	-	-	-	N/A
2006	-	-	-	-	-	N/A
2007	-	-	-	-	-	N/A
2008	-	-	-	-	-	N/A
2009	483,499	-	483,499	-	239,925	49.62%

**CITY OF DOUGLAS, ARIZONA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
2000	\$ 14,312	\$ 146,440,384	\$ 10,232	30.50	5.3 %
2001	16,585	169,697,720	10,232	30.50	7.5
2002	16,441	168,224,312	10,232	30.50	9.1
2003	16,585	169,697,720	10,232	30.50	8.8
2004	17,035	190,042,460	11,156	30.50	7.7
2005	17,195	222,142,205	12,919	30.50	7.6
2006	17,468	235,241,556	13,467	30.50	7.2
2007	18,411	258,453,618	14,038	30.50	6.8
2008	18,996	277,987,464	14,634	30.50	6.8
2009	18,500	282,199,000	15,254	31.00	9.1

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

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

Employer	2009			2002 (1)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Arizona Department of Corrections	761	1	30.10 %	659	3	19.61 %
Douglas Unified School District	546	2	21.60	561	4	16.70
Wal-Mart Stores, Inc.	350	3	13.84	-	-	-
Cochise College	248	4	9.81	796	2	23.69
City of Douglas	211	4	8.82	169	5	5.03
Southeast Arizona Medical Center	171	6	6.76	160	6	4.76
Basha's Inc.	67	7	2.65	-	-	-
Infinia at Douglas	56	8	2.22	61	9	1.82
Cochise County	54	9	2.14	65	8	1.93
Gadsen Hotel	52	10	2.06	-	-	-
Homeland Security: U.S. Border	-	-	-	800	1	23.81
Homeland Security: U.S. Customs	-	-	-	89	7	2.65
	<u>2,516</u>		<u>100.00 %</u>	<u>3,360</u>		<u>100.00 %</u>

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

(1) The fiscal year 2002 was the most recent information available.

Note: This list includes only those employers who responded to the annual major employer survey.

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

Function	Full-Time Equivalent Employees									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Management services:										
Administration	4	4	4	4	5	5	5	7	7	5
Human resources	3	3	3	3	3	3	3	4	4	4
Court	1	2	2	2	2	2	1	3	3	3
MIS	2	2	2	2	2	2	2	2	3	3
Finance	4	4	4	4	3	3	4	6	7	6
Economic development	-	-	-	-	1	-	1	1	1	1
Visitor parking center	-	-	-	-	-	-	-	5	5	4
Building (Housing)	5	4	5	4	4	4	4	4	4	5
Police										
Officers	37	37	32	31	30	32	35	29	31	37
Civilians	12	13	11	13	14	13	13	15	16	14
Fire										
Firefighters and officers	23	24	24	21	22	22	21	26	24	25
Civilians	2	2	2	2	2	2	2	2	2	1
Public Works										
Engineering (PW Adm)	4	4	4	4	2	2	2	4	4	6
Refuse Collections	9	7	8	7	8	7	8	10	7	5
Mechanics	5	4	4	3	4	5	4	4	4	4
Streets	10	10	11	10	10	10	10	12	11	8
Street Maintenance	9	9	9	8	4	5	5	5	4	4
Parks and Recreation										
Comm Dev Admin	2	2	1	2	2	2	2	3	3	2
Planning & Zoning	2	2	2	2	2	2	2	2	3	2
Aquatics	1	2	2	2	3	3	3	16	14	12
Construction	-	-	-	-	4	4	4	4	4	4
Cemetery	4	4	4	4	4	4	4	4	4	2
Parks	7	7	7	8	9	10	9	9	10	10
Recreation	3	3	2	1	2	2	1	7	9	5
Golf Course	1	1	1	1	1	1	1	4	6	8
Library	5	5	5	5	5	5	5	8	8	7
Water										
Field	9	9	8	8	7	7	7	10	9	8
CIP	-	-	3	3	3	3	1	6	8	7
Billing	4	4	4	4	4	4	4	4	4	4
Wastewater	7	7	5	5	6	5	7	7	8	7
Total	175	175	169	163	168	169	170	223	227	213

Source: The City of Douglas's Internal Records.
Information prior to June 30, 2000 was not available.

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

Function	Fiscal Year				
	2000	2001	2002	2003	2004
General Government					
Building permits issued	27	43	32	63	60
Building inspection conducted	600	600	600	800	1,000
Police					
Physical arrests	1,637	1,651	1,728	1,765	1,657
Parking violations	1,515	1,216	2,174	1,606	1,463
Traffic violations	3,576	7,119	4,935	3,522	4,051
Fire					
Emergency responses	2,564	2,300	2,202	2,305	2,565
Fires extinguished	223	204	210	178	219
Inspections	93	94	100	115	68
Refuse collection					
Refuse collections (tons/day)	40.0	18.0	16.0	16.0	18.0
Recyclables collected (tons/day)	1.0	1.0	1.0	1.0	1.0
Other public works					
Street resurfacing (miles)	-	-	-	-	-
Potholes repaired	-	-	-	-	-
Parks and recreation					
Athletic field permits issued	-	-	-	-	25
Community center admissions	-	-	4,501	11,490	7,610
Aquatic center admissions	-	-	-	-	10,178
Library					
Volumes in collection	34,610	35,972	37,871	39,912	41,517
Total volumes borrowed	48,238	65,883	67,410	72,302	71,833
Water					
New connections	-	-	-	-	-
Water main breaks	-	-	2	2	9
Average daily consumption (thousand of gallons)	-	-	1,845,038	1,601,153	6,852,381
Peak daily consumption (thousand of gallons)	-	-	-	-	-
Wastewater					
Average daily sewage treatment (thousands of gallons)	-	1.6	2.4	2.8	3.1

Source: The City of Douglas

Fiscal Year

2005	2006	2007	2008	2009
48	258	262	338	354
1,440	1,085	1,100	858	400
1,804	1,725	1,615	1,475	1,917
2,208	1,640	1,919	1,562	648
3,283	4,134	4,590	3,814	4,569
2,670	2,540	2,336	2,200	2,030
289	17	187	201	216
105	122	62	80	80
17.0	17.0	23.9	30.0	30.0
1.0	1.0	0.5	0.5	0.5
-	-	1.0	1.4	1.5
273	175	143	152	195
26	40	120	117	120
13,743	9,724	16,535	14,660	9,071
11,925	21,852	26,990	28,369	36,761
47,302	49,141	52,824	56,961	60,856
91,623	94,147	83,018	94,955	85,595
-	-	60	28	68
6	7	8	18	5
2,602,839	3,167,934	2,579,831	3,660,000	2,638,660
-	-	4,385,713	5,380,000	3,613,013
2.8	2.6	1.8	2.1	1.6

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

Function	Fiscal Year				
	2000	2001	2002	2003	2004
Police					
Stations	1	1	1	1	1
Patrol Units	-	-	-	-	-
Fire Stations	1	1	1	1	1
Refuse collection					
Collection trucks	-	-	-	-	-
Other public works					
Streets (miles)	-	-	79	79	79
Streetlights	-	-	1,840	1,840	1,959
Traffic signals	-	-	-	-	-
Parks and recreation					
Acreage	-	-	42	42	42
Playgrounds	-	-	-	-	-
Baseball and softball	-	-	-	-	-
Soccer/football fields	-	-	-	-	-
Aquatic Centers	1	2	2	2	2
Community centers	-	-	1	1	1
Water					
Water mains (miles)	-	-	65	65	65
Fire hydrants	-	-	338	338	338
Storage capacity (thousands of gallons)	-	-	500,900	500,900	500,900
Wastewater					
Sanitary sewers (miles)	-	-	69	69	69
Storm sewers (miles)	-	-	2	2	2
Maximum daily treatment (thousands of gallons)	-	-	1,800,000	1,800,000	1,800,000

Source: The City of Douglas's Internal Records

Fiscal Year				
2005	2006	2007	2008	2009
1	1	1	1	1
-	25	21	20	27
1	1	1	1	1
-	4	5	5	5
95	110	110	110	110
2,083	1,192	1,192	1,194	1,194
-	13	13	14	14
62	92	92	92	92
-	5	5	5	5
-	6	6	6	6
-	13	13	13	13
2	2	2	2	2
1	1	1	1	1
80	81	81	83	83
338	445	445	526	526
500,900	500,900	500,900	500,900	500,900
75	75	75	78	78
2	2	2	2	2
2,000,000	2,000,000	2,000,000	2,000,000	2,000,000

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