

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

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

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INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and the City Council
City of Nogales, Arizona

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

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

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

The City's management did not maintain a detailed cumulative capital assets list. The absence of these capital asset records prevents management from accurately recording, disposing, and depreciating capital assets, including the omission of capitalized interest in accordance with accounting principles generally accepted in the United States of America. Management also did not record a liability or include any required disclosures related to its Other Postemployment Benefits Other Than Pensions required by accounting principles generally accepted in the United States of America. The amount by which these departures would affect the assets, liabilities, fund balance, net assets, and expenses in the governmental activities, the business-type activities, the Water, Sewer and Sanitation funds, and the aggregate remaining fund information is not reasonably determinable.

In our opinion, except for the effects, if any, of not maintaining adequate internal controls and accounting records for capital assets and not recording the OPEB liability, in the governmental activities, business-type activities, Sewer, Water and Sanitation funds and the aggregate remaining fund information, as described in the preceding paragraph, the Annual Expenditure Limitation Report of the City of Nogales, Arizona, for the year ended June 30, 2012, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

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

CliftonLarsonAllen LLP

Phoenix, Arizona
May 30, 2013



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

1. Economic Estimates Commission expenditure limitation	\$	-	
2. Voter approved alternative expenditure limitation (Approved November 2, 2010)		<u>62,555,342</u>	
3. Enter applicable amount from Line 1 or Line 2			<u>\$ 62,555,342</u>
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)		39,430,957	
5. Board-authorized expenditures necessitated by a disaster not declared by the Governor [Article IX, §20(2)(a), Arizona Constitution]		-	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor [Article IX, §20(2)(b), Arizona Constitution]		-	
7. Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year [Article IX, §20(2)(c), Arizona Constitution]		-	
8. Subtotal		<u>39,430,957</u>	
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters [Article IX, §20(2)(b), Arizona Constitution]		-	
10. Total adjusted amount subject to the expenditure limitation		<u>39,430,957</u>	
11. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation.)			<u><u>\$ 23,124,385</u></u>

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

Signature of Chief Fiscal Officer: _____



Name and Title: Aaron White, Interim Finance Director

Telephone Number: 520-285-5605

Date: May 30, 2013

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

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation Line D	\$ 23,959,493	\$ 11,008,481	\$ 4,455,228	\$ 7,755	\$ 39,430,957
B. Less exclusions claimed:					
1 Bond proceeds	-	-	-	-	-
Debt service requirements on bonded indebtedness	-	-	-	-	-
Debt service requirements on other long-term obligations	-	-	-	-	-
2 Dividends, interest and gains on sale of investment securities	-	-	-	-	-
3 Trustee or custodian	-	-	-	-	-
4 Grants and aid from the federal government	-	-	-	-	-
5 Grants, aid, contributions or gifts from private agency, organization or individual	-	-	-	-	-
6 Amounts received from the state	-	-	-	-	-
7 Quasi-external interfund transactions (town sewer fees a/c 10- 41-217, 10-55-217)	-	-	-	-	-
8 Amounts accumulated for purchase of land, purchase or construction of buildings or improvements	-	-	-	-	-
9 Highway user revenues in excess FY 1979-80	-	-	-	-	-
10 Contracts with other political subdivisions	-	-	-	-	-
11 Refunds, reimbursements and other recoveries	-	-	-	-	-
12 Voter approved exclusions not identified above	-	-	-	-	-
13 Prior years carryforward	-	-	-	-	-
14 Total exclusions claimed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
C. Amounts subject to the expenditure limitation	<u>\$ 23,959,493</u>	<u>\$ 11,008,481</u>	<u>\$ 4,455,228</u>	<u>\$ 7,755</u>	<u>\$ 39,430,957</u>

See accompanying notes to report.

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

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total Expenditures within the fund-based financial statements	\$ 23,959,493	\$ 10,012,382	\$ 4,461,952	\$ 7,755	\$ 38,441,582
B. Subtract:					
1 Items not requiring use of working capital					
Depreciation	-	1,452,930	6,724	-	1,459,654
Loss on disposal of capital assets	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Claims incurred but not reported	-	-	-	-	-
Landfill Closure	-	-	-	-	-
2 Expenditures of separate legal entities established under ARS	-	-	-	-	-
3 Present value of net minimum capital leases	-	-	-	-	-
4 Charges for services paid to Internal Service Funds	-	-	-	-	-
5 Involuntary court judgments	-	-	-	-	-
6 Total subtractions	<u>-</u>	<u>1,452,930</u>	<u>6,724</u>	<u>-</u>	<u>1,459,654</u>
C. Additions:					
1 Principal payments on long-term debt	-	651,738	-	-	651,738
2 Acquisition of capital assets	-	1,797,291	-	-	1,797,291
3 Claims paid in the current year but reported as expenses	-	-	-	-	-
4 Landfill closure as expended in previous years	-	-	-	-	-
5 Total additions	<u>-</u>	<u>2,449,029</u>	<u>-</u>	<u>-</u>	<u>2,449,029</u>
D. Amounts reported on Part II Line A	<u>\$ 23,959,493</u>	<u>\$ 11,008,481</u>	<u>\$ 4,455,228</u>	<u>\$ 7,755</u>	<u>\$ 39,430,957</u>

See accompanying notes to report.

**CITY OF NOGALES, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07, and in accordance with the voter-approved alternative expenditure limitation adopted November 2, 2010, as authorized by the Arizona Constitution, Article IX, §20(9).