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CITY OF KINGMAN, ARIZONA

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# Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2010

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310 North Fourth Street ☞ Kingman, Arizona 86401

**CITY OF KINGMAN, ARIZONA**

**KINGMAN, ARIZONA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Issued by:  
Finance Department

# CITY OF KINGMAN, ARIZONA

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## **INTRODUCTORY SECTION**

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## *City of Kingman*

310 NORTH FOURTH STREET • KINGMAN • ARIZONA • 86401 • 520 • 753-5561

December 21, 2010

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Kingman:

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Kingman for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City of Kingman. 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 Kingman has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Kingman's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Kingman's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. 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 City of Kingman's financial statements have been audited by Heinfeld, Meech & Co., P.C., 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 Kingman for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Kingman's financial statements for the fiscal year ended June 30, 2010, 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.

The independent audit of the financial statements of the City of Kingman was part of a broader, federally mandated Single Audit as required by the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited entity's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Reporting Package.

GAAP require 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 the MD&A and should be read in conjunction with it. The City of Kingman's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The City of Kingman, incorporated in 1952, is located in northwestern Arizona at the intersection of Interstate 40 and U.S. 93. The City's boundaries enclose 33 square miles in Mohave County and serve a population of 29,189 and enjoy a mild climate at an elevation of 3,345 feet.

The City of Kingman operates under the council-manager form of government. The City Council, which has policy-making and legislative authority, consists of a mayor and a six-member council. The Council is responsible for, among other things, passing ordinances, resolutions and adopting the annual budget. They also appoint committees and hire the City Manager, City Attorney and Magistrate. The City Manager is responsible for carrying out the policies, ordinances and resolutions of the Council, and for overseeing the day-to-day operations of the City. The City Council is elected on a nonpartisan "at large" basis. Council members are elected to four-year staggered terms with three council members elected every two years. The qualified electors of the City directly elect the Mayor for a two-year term.

The City of Kingman provides a full range of services, including police and fire services; planning, zoning, and building code enforcement; the construction and maintenance of streets and other infrastructure; recreational activities and cultural events; and public transit system. The City of Kingman also operates a municipal water, sewer and sanitation utility that presently serves approximately 18,400 customers.

The annual budget serves as the foundation for the City of Kingman's financial planning and control. All departments evaluate their programs and services classifying the values and priorities of the citizens of Kingman. The City Manager reviews department requests and may recommend changes to department priorities and/or projects. The City Manager then presents a proposed, balanced budget to City Council for review. The proposed budget is presented in April of each year. The proposed budget with any additions or deletions then becomes the tentative budget which is presented for adoption at the first Council meeting in May. The tentative budget is then presented to the City Council for final adoption in June. The legal level of budgetary control is established at the City Council level.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kingman operates.

**Local Economy.** In its early years, Kingman's economy was based upon the mining of gold, silver, copper, and later molybdenum. More recently, Kingman has become a regional trade, service and distribution center for northwestern Arizona. Its strategic location relative to Los Angeles, Las Vegas, Phoenix, Laughlin, and the Grand Canyon has made tourism, manufacturing and distribution leading industries.

Kingman enjoys a favorable economic environment and has experienced considerable growth during the last 20 years. The City's population increased 198% since 1980. The Arizona Department of Economic Security estimates Kingman's current population at 29,189. The City supports a market area trade population of some 50,000 persons. The unemployment rate, as of June 2010, was 10.7 percent. This is above the state's rate of 9.6 percent and equal to the county's rate of 10.7 percent.

**Long-Term Financial Planning.** The City of Kingman is dedicated to enhancing the quality of life for its citizens and to provide municipal services in the most effective and efficient manner while exercising fiscal responsibility.

A Revenue and Fee Study was completed in 2005 and updated in 2008 which resulted in a formalized long-term financial plan. The plan adopts a "Growth-pays-for-Growth" philosophy by matching costs of growth related capital improvement projects with new development. The plan also provides for changes in rates and fees to fund non-growth related capital improvements and ongoing operating expenses. The long-term plan clearly defines a path that will enable current and future residents an affordable way to fund capital improvements and maintain essential City services. The plan will allow the City to address quality of life issues while maintaining financial integrity and fund reserves.

The City has completed several major capital projects and has plans for additional projects which will be funded through a variety of long-term financing mechanisms. Infrastructure improvements including streets, sidewalks, curbs, gutters, drainage, water and sewer utilities in the north central area of Kingman were constructed this fiscal year and were funded by an improvement district. The City is also upgrading and expanding the Hilltop and Downtown Wastewater Treatment Plants with funding secured through the Water Infrastructure Authority of Arizona. These two projects should provide Kingman residents with upgraded wastewater facilities and sufficient capacity for the next 25+ years. Other major capital projects under construction or in the design phases include water and sewer system expansions in the east bench area along with the two additional traffic interchanges to enhance accessibility and promote economic development in the community.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the fifth consecutive year that the City has received this prestigious award. In order to be awarded this certificate, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principals generally accepted in the United States of America and applicable legal requirements.

This certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the programs' requirements and we are submitting it to GFOA to determine its eligibility for the fiscal year 2009-10 certificate. We believe that our current comprehensive annual financial report for fiscal year ending June 30, 2010 will meet the Certificate of Achievement Program's requirements.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and members of the City Council for their interest and support for maintaining the highest standards of professionalism in the management of the City of Kingman's finances.

Respectfully submitted,



Jack Kramer  
City Manager



Coral Loyd  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kingman  
Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

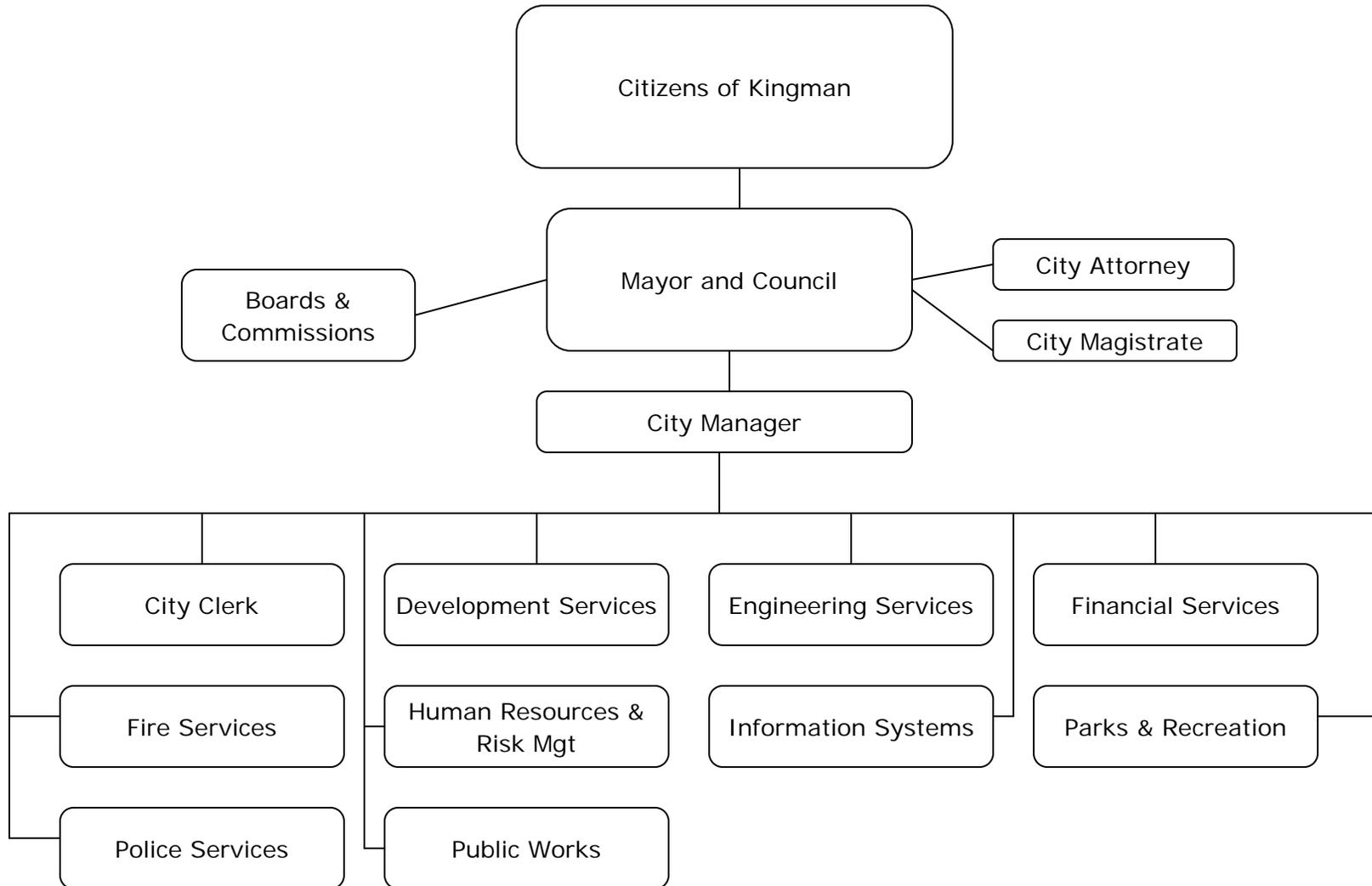
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# City of Kingman Organization Chart



# City of Kingman

## City Council Members

Mayor, John Salem  
Vice Mayor, Robin Gordon  
Richard Anderson  
Erin Cochran  
Keith Walker  
Janet Watson  
Carole Young

## City Manager

Jack Kramer

## City Attorney

Carl Cooper

## Magistrate

Kathy McCoy

## Departments

City Clerk	Deborah Francis
Development Services	Gary Jeppson
Engineering Services	Greg Henry
Financial Services	Coral Loyd
Fire Services	Chuck Osterman
Human Resources & Risk Mgt.	Jackie Walker
Information Systems Services	Joe Clos
Parks & Recreation	Darel Fruhwirth
Police Services	Robert DeVries
Public Works	Rob Owen

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council  
City of Kingman, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kingman, Arizona (City), as of and for the year ended June 30, 2010, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall 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, each major fund and the aggregate remaining fund information of the City of Kingman, Arizona, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010, on our consideration of City of Kingman, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16, budgetary comparison information on pages 66 and 67, and schedules of funding progress on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information such as 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

December 21, 2010

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**(Required Supplementary Information)**

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**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

As management of the City of Kingman, Arizona (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**FINANCIAL HIGHLIGHTS**

- The City's total net assets of governmental activities increased \$2.6 million to \$69.4 million and the business-type activities increased \$3.2 million to \$49.6 million, representing a 4 percent and 7 percent increase, respectively, of the total assets of \$118.9 million which was insignificant.
- General revenues from governmental activities accounted for \$21.1 million in revenue, or 67 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10.3 million or 33 percent of total governmental activities revenues. The City had \$15.9 million of program revenues and \$154,924 in general revenues related to business-type activities.
- The City had \$29.7 million in expenses related to governmental activities; of which \$10.3 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$21.1 million were adequate to provide for the remaining costs of these programs. The City had \$11.9 million in expenses related to business-type activities. Charges for services of \$15.9 million were adequate to offset the costs.
- Among major governmental funds, the General Fund had \$20.7 million in current fiscal year revenues, which primarily consisted of taxes, charges for services and intergovernmental revenues. The total expenditures of the General Fund were \$21.0 million. The General Fund's fund balance increased \$229,698 to \$8.9 million. The Special Assessment Districts Fund had revenues of \$1.1 million and total expenditures of \$1.3 million. The fund balance of the Special Assessment Districts Fund decreased by \$265,316 from the prior year to \$3.6 million as the result of prepaid assessments. The Capital Projects Fund's fund balance increase of \$133,193 to \$506,911 was primarily due to dedicated tax revenue from an additional 2 percent room tax implemented in February 2010.
- The Non-Major Governmental Funds' fund balance decrease of \$2.9 million to \$5.7 million was the result of concluding the construction of the KAT/Banks Improvements project.
- The Enterprise Funds net assets at the end of the year amounted to \$49.6 million. The increase in net assets of \$3.2 million was primarily due to continued construction to upgrade and expand the Hilltop Wastewater Treatment Plant and the Downtown Wastewater Treatment Plant and an increase in the associated reserve funds.
- Net assets of the Internal Service Funds increased \$656,276, which was not significant.

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**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 a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

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 a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements, the City's activities are presented in the following categories:

- **Governmental activities** - Most of the City's basic services are included here, such as general government, public safety, highways and streets, culture and recreation, and economic development. Sales taxes, intergovernmental, and charges for services revenue finance most of these activities.
- **Business-type activities** - The services provided by the City included here are water, wastewater, and sanitation services. The services are financed through user fees and charges.

**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. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)**

**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 use the modified accrual basis of accounting and focus on near-term inflows 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 the City's near-term financing requirements.

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

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 Assessment Districts Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

**Proprietary funds.** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a separate enterprise fund to account for its water, wastewater, and sanitation services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet services, insurance services, building maintenance services, information systems services, and employee benefit services.

Because the services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water fund, wastewater fund, and sanitation fund, which are considered to be major funds of the City. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process. The City adopts an annual budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances - budget and actual has been provided for the General Fund as required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, governmental activities assets exceeded liabilities by \$69.4 million at the end of the current fiscal year.

The largest portion of the City's governmental activities net assets (56 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, improvements other than buildings, vehicles, machinery and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding.

The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

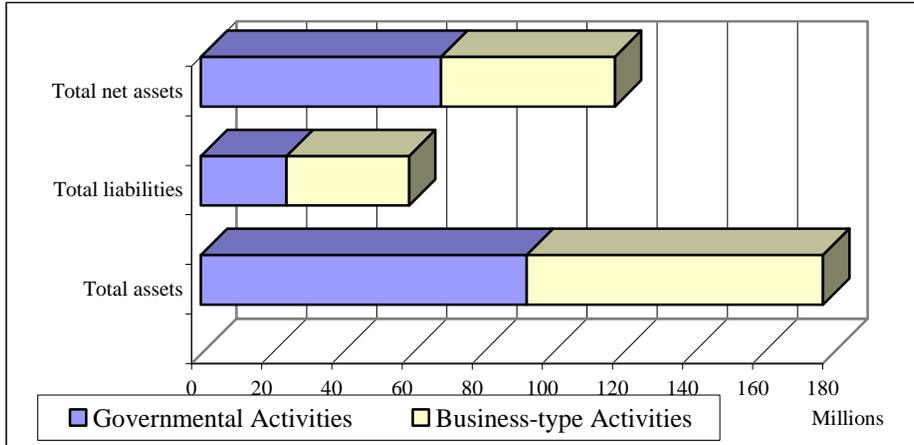
The following tables present a summary of the City's net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

	2010 Governmental Activities	2009 Governmental Activities	2010 Business-Type Activities	2009 Business-Type Activities	2010 Total	2009 Total
Current and other assets	\$ 38,707,117	\$ 37,691,520	\$ 21,218,227	\$ 20,053,704	\$ 59,925,344	\$ 57,745,224
Restricted assets			1,452,506	942,356	1,452,506	942,356
Capital assets, net	<u>55,115,273</u>	<u>54,921,025</u>	<u>61,831,407</u>	<u>38,469,967</u>	<u>116,946,680</u>	<u>93,390,992</u>
<b>Total assets</b>	<u>93,822,390</u>	<u>92,612,545</u>	<u>84,502,140</u>	<u>59,466,027</u>	<u>178,324,530</u>	<u>152,078,572</u>
Current and other liabilities	5,313,939	5,079,269	4,691,595	4,222,406	10,005,534	9,301,675
Long-term liabilities	<u>19,121,672</u>	<u>20,717,938</u>	<u>30,250,170</u>	<u>8,912,825</u>	<u>49,371,842</u>	<u>29,630,763</u>
<b>Total liabilities</b>	<u>24,435,611</u>	<u>25,797,207</u>	<u>34,941,765</u>	<u>13,135,231</u>	<u>59,377,376</u>	<u>38,932,438</u>
Net assets						
Invested in capital assets, net of related debt	38,762,943	37,891,064	28,329,704	29,906,112	67,092,647	67,797,176
Restricted for highways and streets	329,125	387,789			329,125	387,789
Restricted for debt service			1,076,380	559,823	1,076,380	559,823
Restricted for customer deposits			376,126	382,533	376,126	382,533
Unrestricted	<u>30,294,711</u>	<u>28,536,485</u>	<u>19,778,165</u>	<u>15,482,328</u>	<u>50,072,876</u>	<u>44,018,813</u>
<b>Total net assets</b>	<u>\$ 69,386,779</u>	<u>\$ 66,815,338</u>	<u>\$ 49,560,375</u>	<u>\$ 46,330,796</u>	<u>\$ 118,947,154</u>	<u>\$113,146,134</u>

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

**Statement of Net Assets**



At the end of the current fiscal year the City reported positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition of capital assets, and the depreciation of capital assets.

The following are significant current year transactions that had an impact on the change in net assets.

- Continuation of construction to upgrade and expand the Hilltop Wastewater Treatment Plant and the Downtown Wastewater Treatment Plant.
- Increase in liabilities related to the WIFA loans used to finance the treatment plant projects.

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

**Changes in net assets.** The City's total revenues for the current fiscal year were \$47.4 million. The total cost of all programs and services was \$41.6 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

	2010 Governmental Activities	2009 Governmental Activities	2010 Business-Type Activities	2009 Business-Type Activities	2010 Total	2009 Total
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 2,450,690	\$ 3,557,924	\$ 15,938,575	\$ 14,430,738	\$ 18,389,265	\$ 17,988,662
Operating grants and contributions	2,492,889	1,825,376			2,492,889	1,825,376
Capital grants and contributions	5,312,895	1,270,449			5,312,895	1,270,449
General revenues						
Sales taxes	11,648,543	12,024,409			11,648,543	12,024,409
Property taxes	20,169	437,457			20,169	437,457
Auto lieu taxes	1,290,144	1,375,193			1,290,144	1,375,193
Franchise taxes	657,793	804,964			657,793	804,964
Unrestricted state shared revenue	7,229,643	8,230,525			7,229,643	8,230,525
Investment income	207,908	259,194	154,924	132,162	362,832	391,356
Miscellaneous	17,850	14,631			17,850	14,631
<b>Total revenues</b>	<b>\$ 31,328,524</b>	<b>\$ 29,800,122</b>	<b>\$ 16,093,499</b>	<b>\$ 14,562,900</b>	<b>\$ 47,422,023</b>	<b>\$ 44,363,022</b>

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

	2010 Governmental Activities	2009 Governmental Activities	2010 Business-Type Activities	2009 Business-Type Activities	2010 Total	2009 Total
<b>Expenses</b>						
General government	\$ 4,616,031	\$ 4,761,050	\$	\$	\$ 4,616,031	\$ 4,761,050
Public safety	15,337,732	15,865,007			15,337,732	15,865,007
Highways and streets	4,499,627	4,085,526			4,499,627	4,085,526
Culture and recreation	3,826,798	4,574,132			3,826,798	4,574,132
Economic development	562,714	306,605			562,714	306,605
Interest on long-term debt	875,832	808,803			875,832	808,803
Water			7,081,551	7,546,397	7,081,551	7,546,397
Wastewater			2,098,760	1,746,494	2,098,760	1,746,494
Sanitation			2,721,958	2,703,858	2,721,958	2,703,858
<b>Total expenses</b>	<u>29,718,734</u>	<u>30,401,123</u>	<u>11,902,269</u>	<u>11,996,749</u>	<u>41,621,003</u>	<u>42,397,872</u>
<b>Excess before transfers</b>	<u>1,609,790</u>	<u>(601,001)</u>	<u>4,191,230</u>	<u>2,566,151</u>	<u>5,801,020</u>	<u>1,965,150</u>
<b>Transfers</b>	<u>961,651</u>	<u>1,221,545</u>	<u>(961,651)</u>	<u>(1,221,545)</u>		
<b>Increase in net assets</b>	<u>\$ 2,571,441</u>	<u>\$ 620,544</u>	<u>\$ 3,229,579</u>	<u>\$ 1,344,606</u>	<u>\$ 5,801,020</u>	<u>\$ 1,965,150</u>

**Governmental and Business-type activities.** The following table presents the cost of the nine major City functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	2010 Total Expenses	2010 Net (Expense)/ Revenue	2009 Total Expenses	2009 Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 4,616,031	\$ (3,404,864)	\$ 4,761,050	\$ (3,640,578)
Public safety	15,337,732	(13,675,348)	15,865,007	(14,350,522)
Highways and streets	4,499,627	829,424	4,085,526	(1,979,326)
Culture and recreation	3,826,798	(2,587,971)	4,574,132	(3,480,603)
Economic development	562,714	252,331	306,605	512,458
Interest on long-term debt	875,832	(875,832)	808,803	(808,803)
<b>Total expenses</b>	<u>\$ 29,718,734</u>	<u>\$ (19,462,260)</u>	<u>\$ 30,401,123</u>	<u>\$ (23,747,374)</u>
<b>Business-Type Activities</b>				
Water	7,081,551	1,705,457	7,546,397	176,608
Wastewater	2,098,760	1,747,319	1,746,494	1,624,398
Sanitation	2,721,958	583,530	2,703,858	632,983
<b>Total expenses</b>	<u>11,902,269</u>	<u>4,036,306</u>	<u>11,996,749</u>	<u>2,433,989</u>
<b>Total</b>	<u>\$ 41,621,003</u>	<u>\$ (15,425,954)</u>	<u>\$ 42,397,872</u>	<u>\$ (21,313,385)</u>

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)**

- The cost of all governmental activities this year was \$29.7 million. The cost of all business-type activities this year was \$11.9 million.
- Federal, state, and county governments and charges for services subsidized certain governmental and business-type programs with grants and contributions and other local revenues of \$26.2 million.
- The net cost of governmental activities of \$19.5 million, was financed by general revenues, which are made up of primarily sales taxes of \$11.6 million and state shared revenues of \$7.2 million.

**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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$18.7 million, a decrease of \$2.8 million. The designated fund balance of \$82,689 is less than one percent of total fund balance. The remaining \$18.6 million in fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion.

The General Fund is the principal operating fund of the City. The increase in fund balance in the General Fund for the fiscal year was \$229,698, which was not significant. The Special Assessment Districts Fund's fund balance decrease of \$265,316 to \$3.6 million was the result of prepaid assessments. The fund balance of the Capital Projects Fund showed an increase of \$133,193, which was primarily due to receiving tax revenue from the new 2 percent room tax.

**Proprietary funds.** Net assets of the Enterprise Funds and the Internal Service Funds at the end of the year amounted to \$49.6 million and \$7.2 million, respectively. The increase in net assets in the Enterprise Funds of 7 percent and Internal Service Funds of 10 percent from the prior fiscal year was primarily due to continued construction to upgrade and expand the Hilltop and Downtown Wastewater Treatment Plants and an increase in reserve funds.

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**BUDGETARY HIGHLIGHTS**

The City did revise the annual operating budget during the year; however the revisions were not significant. The revisions were a result of budgetary reductions due to the general state of the economy.

A schedule showing the budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of the end of the current fiscal year, the City had invested \$70.6 million in capital assets net of related debt, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$4.2 million.

The following schedule presents capital asset balances and accumulated depreciation for the fiscal years ended June 30, 2010 and June 30, 2009.

	2010 Governmental Activities	2009 Governmental Activities	2010 Business-Type Activities	2009 Business-Type Activities	2010 Total	2009 Total
Land	\$ 10,346,724	\$ 10,279,787	\$ 2,292,881	\$ 2,292,881	\$ 12,639,605	\$12,572,668
Infrastructure	53,195,267	49,269,047	49,864,651	49,656,924	103,059,918	98,925,971
Buildings	8,504,815	8,504,815	9,839,816	9,839,816	18,344,631	18,344,631
Improvements other than buildings	5,965,045	5,928,759	593,978	593,978	6,559,023	6,522,737
Vehicles, machinery and equipment	13,744,352	13,279,422	7,983,958	7,527,164	21,728,310	20,806,586
Construction in progress	9,851,704	11,624,865	29,355,451	4,996,281	39,207,155	16,621,146
Accumulated depreciation	<u>(46,492,634)</u>	<u>(43,965,670)</u>	<u>(38,099,328)</u>	<u>(36,437,077)</u>	<u>(84,591,962)</u>	<u>(80,402,747)</u>
Total	<u>\$ 55,115,273</u>	<u>\$ 54,921,025</u>	<u>\$ 61,831,407</u>	<u>\$ 38,469,967</u>	<u>\$ 116,946,680</u>	<u>\$93,390,992</u>

The estimated cost to complete current construction projects is \$25.1 million.

Additional information on the City's capital assets can be found in Note 4 in the notes to the financial statements.

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)**

**Debt Administration.** At year-end, the City had \$16.0 million in governmental long-term debt outstanding with \$1.9 million due within one year. The City had \$29.9 million in business-type long-term debt outstanding, \$590,111 due within one year. The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2010 and June 30, 2009.

	2010		2009	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
General obligation bonds payable	\$	\$	\$ 420,000	\$
Excise tax bonds payable	4,160,000		4,555,000	
Special assessment bonds payable	10,364,859		11,217,205	
Obligations under capital leases	764,278	1,146,417	837,756	1,256,634
Loan payable	700,000	28,784,054	1,100,000	7,307,221
Total	<u>\$ 15,989,137</u>	<u>\$ 29,930,471</u>	<u>\$ 18,129,961</u>	<u>\$ 8,563,855</u>

State statutes currently limit the amount of general obligation debt a city may issue to 20 percent of its total assessed valuation for water, sewer, lights, open space preserves parks, playgrounds and recreational facilities. The current debt limitation for the city is \$62.3 million. The City has no outstanding general obligation debt for these purposes. State statutes also currently limit the amount of general obligation debt a City may issue to 6 percent of its total assessed valuation for all other purposes. The current debt limitation for the City is \$18.7 million.

Additional information on the City's long-term debt can be found in Notes 5-8 in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Many factors were considered by the City's officials during the process of developing the fiscal year 2010-11 budget. The primary factor was concern about constricting state shared revenues. Also considered in the development of the budget was the local economy. The City is expected to continue the current year .5 to 1.5 percent increase in population. Inflation of the surrounding metropolitan area is approximately the same as the national average of 1.1 percent.

These indicators were considered when adopting the budget for fiscal year 2010-11. Amounts available for appropriation in the General Fund budget are \$25.0 million, which is the same amount as the prior year. The City's response to the economic downturn was the driving factor for virtually no change in expenditures.

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Financial Services Department, City of Kingman, 310 North Fourth Street, Kingman, Arizona 86401.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CITY OF KINGMAN, ARIZONA  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments	\$ 27,507,870	\$ 19,506,480	\$ 47,014,350
Taxes receivable	862,205		862,205
Special assessments receivable	7,913,918		7,913,918
Accounts receivable	443,570	1,504,823	1,948,393
Due from governmental entities	1,866,197		1,866,197
Inventories	113,357	197,716	311,073
Deposits		9,208	9,208
<b>Total current assets</b>	<u>38,707,117</u>	<u>21,218,227</u>	<u>59,925,344</u>
Noncurrent assets:			
Restricted cash and investments		1,452,506	1,452,506
Land	10,346,724	2,292,881	12,639,605
Infrastructure	53,195,267	49,864,651	103,059,918
Buildings	8,504,815	9,839,816	18,344,631
Improvements other than buildings	5,965,045	593,978	6,559,023
Vehicles, machinery, and equipment	13,744,352	7,983,958	21,728,310
Construction in progress	9,851,704	29,355,451	39,207,155
Accumulated depreciation	(46,492,634)	(38,099,328)	(84,591,962)
<b>Total noncurrent assets</b>	<u>55,115,273</u>	<u>63,283,913</u>	<u>118,399,186</u>
<b>Total assets</b>	<u>93,822,390</u>	<u>84,502,140</u>	<u>178,324,530</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	787,814	239,486	1,027,300
Construction contracts payable	363,194	3,532,200	3,895,394
Accrued payroll and employee benefits	475,558	93,420	568,978
Deposits held for others		376,126	376,126
Unearned revenue	2,742,154	450,363	3,192,517
Compensated absences payable	1,489,000	319,698	1,808,698
General obligation bonds payable	415,000		415,000
Loan payable	350,000	1,554,421	1,904,421
Obligations under capital leases	77,748	116,622	194,370
Special assessment bonds payable	1,036,243		1,036,243
Claims payable	560,000		560,000
Accrued interest payable	385,219		385,219
<b>Total current liabilities</b>	<u>8,681,930</u>	<u>6,682,336</u>	<u>15,364,266</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	15,753,681	28,259,429	44,013,110
<b>Total non-current liabilities</b>	<u>15,753,681</u>	<u>28,259,429</u>	<u>44,013,110</u>
<b>Total liabilities</b>	<u>24,435,611</u>	<u>34,941,765</u>	<u>59,377,376</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	38,762,943	28,329,704	67,092,647
Restricted for highways and streets	329,125		329,125
Restricted for debt service		1,076,380	1,076,380
Restricted for customer deposits		376,126	376,126
Unrestricted	30,294,711	19,778,165	50,072,876
<b>Total net assets</b>	<u>\$ 69,386,779</u>	<u>\$ 49,560,375</u>	<u>\$ 118,947,154</u>

**The notes to the financial statements are an integral part of this statement.**

**CITY OF KINGMAN, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

<b>Functions/Programs</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 4,616,031	\$ 193,243	\$ 3,500	\$ 1,014,424	\$ (3,404,864)
Public safety	15,337,732	378,636	1,283,748		(13,675,348)
Highways and streets	4,499,627	176,929	853,651	4,298,471	829,424
Culture and recreation	3,826,798	1,238,827			(2,587,971)
Economic development	562,714	463,055	351,990		252,331
Interest on long-term debt	875,832				(875,832)
Total governmental activities	<u>29,718,734</u>	<u>2,450,690</u>	<u>2,492,889</u>	<u>5,312,895</u>	<u>(19,462,260)</u>
Business-type activities:					
Water	7,081,551	8,787,008			
Wastewater	2,098,760	3,846,079			
Sanitation	2,721,958	3,305,488			
Total business-type activities	<u>11,902,269</u>	<u>15,938,575</u>			
<b>Total primary government</b>	<u>\$ 41,621,003</u>	<u>\$ 18,389,265</u>	<u>\$ 2,492,889</u>	<u>\$ 5,312,895</u>	<u>(19,462,260)</u>

**General revenues:**

Taxes:

Sales taxes	11,648,543
Property taxes	20,169
Auto lieu taxes	1,290,144
Franchise taxes	657,793
Unrestricted state shared revenue	7,229,643
Investment income	207,908
Miscellaneous	17,850

**Transfers**

<b>Total general revenues and transfers</b>	<u>22,033,701</u>
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**Changes in net assets**

2,571,441

**Net assets, beginning of year**

66,815,338

**Net assets, end of year**

\$ 69,386,779

**The notes to the financial statements are an integral part of this statement.**

Net (Expense) Revenue  
and Changes in Net Assets

Business-type Activities	Totals
\$	\$ (3,404,864)
	(13,675,348)
	829,424
	(2,587,971)
	252,331
	(875,832)
	(19,462,260)
1,705,457	1,705,457
1,747,319	1,747,319
583,530	583,530
4,036,306	4,036,306
4,036,306	(15,425,954)
	11,648,543
	20,169
	1,290,144
	657,793
	7,229,643
154,924	362,832
	17,850
(961,651)	21,226,974
(806,727)	
3,229,579	5,801,020
46,330,796	113,146,134
\$ 49,560,375	\$118,947,154

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**FUND FINANCIAL STATEMENTS**

**CITY OF KINGMAN, ARIZONA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	General	Special Assessment Districts	Capital Projects
<b><u>ASSETS</u></b>			
Cash and investments	\$ 8,519,800	\$ 3,705,423	\$ 3,105,471
Taxes receivable	862,173		
Special assessments receivable		7,913,918	
Accounts receivable	2,132		
Due from governmental entities	162,276		
Inventories	113,357		
<b>Total assets</b>	<b>\$ 9,659,738</b>	<b>\$ 11,619,341</b>	<b>\$ 3,105,471</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 347,837	\$ 3,270	\$ 37,608
Construction contracts payable			
Accrued payroll and employee benefits	415,594		
Interest payable		294,688	
Deferred revenue	41,168	7,720,379	2,560,952
General obligation bonds payable			
<b>Total liabilities</b>	<b>804,599</b>	<b>8,018,337</b>	<b>2,598,560</b>
Fund balances:			
Unreserved:			
Undesignated	8,855,139	3,601,004	424,222
Designated for Capital Projects Room Tax			82,689
Unreserved reported in:			
Special revenue funds			
Capital projects funds			
Debt service funds			
<b>Total fund balances</b>	<b>8,855,139</b>	<b>3,601,004</b>	<b>506,911</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,659,738</b>	<b>\$ 11,619,341</b>	<b>\$ 3,105,471</b>

**The notes to the financial statements are an integral part of this statement.**

Non-Major Governmental Funds	Total Governmental Funds
\$ 5,380,269	\$ 20,710,963
32	862,205
	7,913,918
	2,132
1,703,921	1,866,197
	113,357
<u>\$ 7,084,222</u>	<u>\$ 31,468,772</u>

\$ 320,238	\$ 708,953
363,194	363,194
32,295	447,889
90,531	385,219
140,034	10,462,533
415,000	415,000
<u>1,361,292</u>	<u>12,782,788</u>

12,880,365

82,689

1,355,093	1,355,093
3,578,884	3,578,884
788,953	788,953
<u>5,722,930</u>	<u>18,685,984</u>
<u>\$ 7,084,222</u>	<u>\$ 31,468,772</u>

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**CITY OF KINGMAN, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010**

**Total governmental fund balances** **\$ 18,685,984**

Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 99,455,232	
Less accumulated depreciation	<u>(45,421,222)</u>	54,034,010

Special assessments revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		7,720,379
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences payable	(1,607,531)	
General obligation bonds payable	(3,745,000)	
Special assessment bonds payable	(10,364,859)	
Obligations under capital leases	(382,139)	
Loan payable	(700,000)	
Other post employment benefits	<u>(1,426,830)</u>	(18,226,359)

Internal service funds are used by management to charge the costs of certain activities to the individual funds. The assets and liabilities of the internal service funds are included in the Statement of Net Assets.

7,172,765

**Net assets of governmental activities** **\$ 69,386,779**

**The notes to the financial statements are an integral part of this statement.**

**CITY OF KINGMAN, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	General	Special Assessment Districts	Capital Projects
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Revenues:</b>			
Taxes	\$ 13,513,791	\$	\$ 82,689
Licenses and permits	74,280		
Intergovernmental	4,958,320		
Charges for services	1,819,751		
Fines and forfeits	260,767		
Investment income	81,156	27,630	24,750
Special assessments		1,063,222	
Miscellaneous	29,972		149,700
Development investment fees			99,817
<b>Total revenues</b>	<u>20,738,037</u>	<u>1,090,852</u>	<u>356,956</u>
<b>Expenditures:</b>			
Current -			
General government	4,312,513		
Public safety	12,933,149		
Highways and streets			
Culture and recreation	3,431,368		
Economic development	217,192		
Capital outlay	112,631		342,422
Debt service -			
Principal retirement		852,346	
Interest and fiscal charges		469,996	
<b>Total expenditures</b>	<u>21,006,853</u>	<u>1,322,342</u>	<u>342,422</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(268,816)</u>	<u>(231,490)</u>	<u>14,534</u>
<b>Other financing sources (uses):</b>			
Transfers in	1,648,410		335,409
Transfers out	(1,149,896)	(33,826)	(216,750)
<b>Total other financing sources (uses)</b>	<u>498,514</u>	<u>(33,826)</u>	<u>118,659</u>
<b>Changes in fund balances</b>	<u>229,698</u>	<u>(265,316)</u>	<u>133,193</u>
<b>Fund balances, beginning of year</b>	8,625,441	3,866,320	373,718
<b>Fund balances, end of year</b>	<u>\$ 8,855,139</u>	<u>\$ 3,601,004</u>	<u>\$ 506,911</u>

**The notes to the financial statements are an integral part of this statement.**

Non-Major Governmental Funds	Total Governmental Funds
\$ 20,169	\$ 13,616,649
	74,280
5,609,636	10,567,956
	1,819,751
	260,767
20,305	153,841
9,400	1,072,622
185,403	365,075
	99,817
<u>5,844,913</u>	<u>28,030,758</u>
142,497	4,455,010
997,766	13,930,915
2,995,398	2,995,398
	3,431,368
271,632	488,824
3,108,215	3,563,268
851,739	1,704,085
381,499	851,495
<u>8,748,746</u>	<u>31,420,363</u>
<u>(2,903,833)</u>	<u>(3,389,605)</u>
1,573,824	3,557,643
<u>(1,520,520)</u>	<u>(2,920,992)</u>
53,304	636,651
<u>(2,850,529)</u>	<u>(2,752,954)</u>
8,573,459	21,438,938
<u>\$ 5,722,930</u>	<u>\$ 18,685,984</u>

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**CITY OF KINGMAN, ARIZONA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

**Net changes in fund balances - total governmental funds** **\$ (2,752,954)**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 2,705,171	
Less current year depreciation	<u>(2,436,847)</u>	268,324

Special assessment revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		3,225,849
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Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

General obligation bond principal retirement	415,000	
Loan principal retirement	400,000	
Special assessment bond principal retirement	852,346	
Capital lease principal retirement	<u>36,739</u>	1,704,085

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Other post employment benefits	(707,379)	
Compensated absences	<u>177,240</u>	(530,139)

The Internal Service Funds are used by management to charge the cost of certain activities to the individual funds. The changes in net assets of the Internal Service Funds are reported with governmental activities in the Statement of Activities.

656,276

**Change in net assets in governmental activities** **\$ 2,571,441**

**The notes to the financial statements are an integral part of this statement.**

**CITY OF KINGMAN, ARIZONA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010**

	Enterprise Funds			
	Water	Wastewater	Sanitation	Total
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments	\$ 9,844,984	\$ 8,575,652	\$ 1,085,844	\$ 19,506,480
Accounts receivable	824,158	408,314	272,351	1,504,823
Inventories	197,716			197,716
Deposits	9,208			9,208
<b>Total current assets</b>	<u>10,876,066</u>	<u>8,983,966</u>	<u>1,358,195</u>	<u>21,218,227</u>
Noncurrent assets:				
Restricted cash and investments	376,126	1,076,380		1,452,506
Land	1,128,881	597,000	567,000	2,292,881
Infrastructure	37,044,842	12,819,809		49,864,651
Buildings	9,716,896	122,920		9,839,816
Improvements other than buildings	149,328	444,650		593,978
Vehicles, machinery, and equipment	3,478,469	671,541	3,833,948	7,983,958
Construction in progress	761,277	28,594,174		29,355,451
Accumulated depreciation	(27,640,757)	(7,640,181)	(2,818,390)	(38,099,328)
<b>Total noncurrent assets</b>	<u>25,015,062</u>	<u>36,686,293</u>	<u>1,582,558</u>	<u>63,283,913</u>
<b>Total assets</b>	<u>35,891,128</u>	<u>45,670,259</u>	<u>2,940,753</u>	<u>84,502,140</u>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	157,767	15,804	65,915	239,486
Construction contracts payable		3,532,200		3,532,200
Accrued payroll and employee benefits	63,275	10,900	19,245	93,420
Deposits held for others	376,126			376,126
Deferred revenue	449,038	1,325		450,363
Compensated absences payable	212,738	60,457	46,503	319,698
Loan payable		1,554,421		1,554,421
Obligations under capital leases	38,874	38,874	38,874	116,622
Claims payable				
<b>Total current liabilities</b>	<u>1,297,818</u>	<u>5,213,981</u>	<u>170,537</u>	<u>6,682,336</u>
Noncurrent liabilities:				
Non-current portion of long-term obligations	343,265	27,572,899	343,265	28,259,429
<b>Total non-current liabilities</b>	<u>343,265</u>	<u>27,572,899</u>	<u>343,265</u>	<u>28,259,429</u>
<b>Total liabilities</b>	<u>1,641,083</u>	<u>32,786,880</u>	<u>513,802</u>	<u>34,941,765</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	24,256,798	2,872,487	1,200,419	28,329,704
Restricted for:				
Restricted for debt service		1,076,380		1,076,380
Customer deposits	376,126			376,126
Unrestricted	9,617,121	8,934,512	1,226,532	19,778,165
<b>Total net assets</b>	<u>\$ 34,250,045</u>	<u>\$ 12,883,379</u>	<u>\$ 2,426,951</u>	<u>\$ 49,560,375</u>

**The notes to the financial statements are an integral part of this statement.**

Governmental  
Activities:  
Internal Service  
Funds

\$ 6,796,907  
441,438

7,238,345

567,000

576,100

78,660

930,915

(1,071,412)

1,081,263

8,319,608

78,861

27,669

98,174

38,874

560,000

803,578

343,265

343,265

1,146,843

699,124

6,473,641

\$ 7,172,765

**CITY OF KINGMAN, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Enterprise Funds			
	Water	Wastewater	Sanitation	Total
<b>Operating revenues:</b>				
Miscellaneous	\$	\$	\$	\$
Charges for services	7,937,780	3,647,515	3,298,139	14,883,434
Contributions				
<b>Total operating revenues</b>	<u>7,937,780</u>	<u>3,647,515</u>	<u>3,298,139</u>	<u>14,883,434</u>
<b>Operating expenses:</b>				
Costs of sales and services	5,998,608	1,391,016	2,423,281	9,812,905
Depreciation	1,058,606	329,305	274,340	1,662,251
Claims				
<b>Total operating expenses</b>	<u>7,057,214</u>	<u>1,720,321</u>	<u>2,697,621</u>	<u>11,475,156</u>
<b>Operating income</b>	<u>880,566</u>	<u>1,927,194</u>	<u>600,518</u>	<u>3,408,278</u>
<b>Nonoperating revenues (expenses):</b>				
Investment income	69,294	76,891	8,739	154,924
Miscellaneous	72,337	35,737	7,349	115,423
Development investment fees	776,891	162,827		939,718
Interest expense	(24,337)	(378,439)	(24,337)	(427,113)
<b>Total nonoperating revenues (expenses)</b>	<u>894,185</u>	<u>(102,984)</u>	<u>(8,249)</u>	<u>782,952</u>
<b>Income before capital contributions and transfers</b>	<u>1,774,751</u>	<u>1,824,210</u>	<u>592,269</u>	<u>4,191,230</u>
<b>Transfers out</b>	(782,781)	(555,753)	(239,218)	(1,577,752)
<b>Transfers in</b>	<u>616,101</u>			<u>616,101</u>
<b>Changes in net assets</b>	<u>1,608,071</u>	<u>1,268,457</u>	<u>353,051</u>	<u>3,229,579</u>
<b>Total net assets, beginning of year</b>	32,641,974	11,614,922	2,073,900	46,330,796
<b>Total net assets, end of year</b>	<u>\$ 34,250,045</u>	<u>\$ 12,883,379</u>	<u>\$ 2,426,951</u>	<u>\$ 49,560,375</u>

**The notes to the financial statements are an integral part of this statement.**

Governmental  
Activities:  
Internal Service  
Funds

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\$ 87,114  
2,850,085  

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4,016,365  

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6,953,564

2,801,858  
90,117  

---

3,777,893  

---

6,669,868

---

283,696

54,067  
17,850  

---

(24,337)

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47,580

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331,276

---

325,000

---

656,276

6,516,489

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\$ 7,172,765

**CITY OF KINGMAN, ARIZONA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Enterprise Funds</u>				<b>Governmental Activities: Internal Service Fund</b>
	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Total</u>	
<b><u>Increase in Cash and Cash Equivalents</u></b>					
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 8,061,940	\$ 3,512,636	\$ 3,277,079	\$ 14,851,655	\$ 2,850,085
Cash received from contributions					4,103,479
Cash payments to employees for services	(2,038,329)	(345,177)	(659,146)	(3,042,652)	(872,904)
Cash payments to suppliers for goods/services	(4,171,419)	241,436	(1,773,184)	(5,703,167)	(1,923,880)
Cash payments for claims					(4,224,894)
<b>Net cash provided by (used for) operating activities</b>	<u>1,852,192</u>	<u>3,408,895</u>	<u>844,749</u>	<u>6,105,836</u>	<u>(68,114)</u>
<b>Cash flows from non-capital financing activities:</b>					
Nonoperating revenues	849,228	198,564	7,349	1,055,141	17,850
Transfers in	616,101			616,101	325,000
Transfers out	(782,781)	(555,753)	(239,218)	(1,577,752)	
<b>Net cash provided by (used for) non-capital financing activities</b>	<u>682,548</u>	<u>(357,189)</u>	<u>(231,869)</u>	<u>93,490</u>	<u>342,850</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets	(1,461,961)	(23,760,836)	(456,794)	(25,679,591)	(16,041)
Loan proceeds		23,952,406		23,952,406	
Principal paid on debt	(36,739)	(494,650)	(36,739)	(568,128)	(36,739)
Interest paid on debt	(24,337)	(378,439)	(24,337)	(427,113)	(24,337)
<b>Net cash used for capital and related financing activities</b>	<u>(1,523,037)</u>	<u>(681,519)</u>	<u>(517,870)</u>	<u>(2,722,426)</u>	<u>(77,117)</u>
<b>Cash flows from investing activities:</b>					
Investment income	69,294	76,891	8,739	154,924	54,067
<b>Net cash provided by investing activities</b>	<u>69,294</u>	<u>76,891</u>	<u>8,739</u>	<u>154,924</u>	<u>54,067</u>
<b>Net increase in cash and cash equivalents</b>	<u>1,080,997</u>	<u>2,447,078</u>	<u>103,749</u>	<u>3,631,824</u>	<u>251,686</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>9,140,113</u>	<u>7,204,954</u>	<u>982,095</u>	<u>17,327,162</u>	<u>6,545,221</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 10,221,110</u>	<u>\$ 9,652,032</u>	<u>\$ 1,085,844</u>	<u>\$ 20,958,986</u>	<u>\$ 6,796,907</u>
<b><u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</u></b>					
Cash and cash equivalents	\$ 5,756,947	\$ 4,714,543	\$ 651,473	\$ 11,122,963	\$ 4,077,937
Investments	4,088,037	3,861,109	434,371	8,383,517	2,718,970
Restricted cash and investments	376,126	1,076,380		1,452,506	
<b>Total cash and investments</b>	<u>\$ 10,221,110</u>	<u>\$ 9,652,032</u>	<u>\$ 1,085,844</u>	<u>\$ 20,958,986</u>	<u>\$ 6,796,907</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities</u></b>					
Operating income	\$ 880,566	\$ 1,927,194	\$ 600,518	\$ 3,408,278	\$ 283,696
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	1,058,606	329,305	274,340	1,662,251	90,117
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	130,567	(134,879)	(21,060)	(25,372)	(410,192)
Increase in inventory	(35,138)			(35,138)	
Increase (decrease) in compensated absences payable	(25,919)	3,274	(6,627)	(29,272)	14,419
Decrease in claims payable					(54,000)
Decrease in deposits held for others	(6,407)			(6,407)	
Increase in accrued payroll and employee benefits	6,159	1,549	1,161	8,869	2,498
Increase (decrease) in accounts payable	(156,242)	1,282,452	(3,583)	1,122,627	5,348
<b>Total adjustments</b>	<u>971,626</u>	<u>1,481,701</u>	<u>244,231</u>	<u>2,697,558</u>	<u>(351,810)</u>
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 1,852,192</u>	<u>\$ 3,408,895</u>	<u>\$ 844,749</u>	<u>\$ 6,105,836</u>	<u>\$ (68,114)</u>

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Kingman, Arizona (City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City is a municipal entity governed by an elected Mayor and council. The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, the component unit combined with the City for financial statement presentation purposes and the City are not included in any other governmental reporting entity. Consequently, the City's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable.

Blended Component Unit – The Kingman Municipal Property Corporation, (KMPC) board of directors consists of seven members, which are appointed by the Kingman City Council. The KMPC is a nonprofit corporation incorporated under the laws of the State of Arizona and was formed for the sole purpose of financing the acquisition and construction of various projects of the City. It has a June 30 year-end and is reported as a governmental fund.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City. For the most part, the effect of internal activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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, unrestricted state shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

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

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

**Government-wide Financial Statements** – 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 grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

**Fund Financial Statements** – 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. However, debt service resources are provided during the current year for payment of long-term debt principal and interest due early in the following year (not to exceed one month) and therefore the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Property taxes, sales taxes, franchise taxes, licenses and permits, charges for services, special assessments and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent taxes and other receivables that will not be collected within the available period have been reported as deferred revenue on the governmental fund financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

The City reports the following major governmental funds.

General Fund – The General Fund is the City's primary operating fund. This fund accounts for all financial resources of the City, except those required to be accounted for in other funds.

Special Assessment Districts Fund – This fund accounts for the special assessments and debt service for the City's improvement districts.

Capital Projects Fund – This fund accounts for current and anticipated projects for the City.

The City reports the following major proprietary funds.

Water Fund – This fund accounts for the City's water utility operations.

Wastewater Fund – This fund accounts for the City's wastewater utility operations.

Sanitation Fund – This fund accounts for the City's sanitation utility operations.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Additionally, the City reports the following fund type:

Internal Service Funds – Internal Service Funds are established to account for financing of goods and services provided by one department or agency to other departments or agencies for the City on a cost reimbursement basis. The Internal Service Funds consist of a Fleet Services Fund, an Insurance Services Fund, a Building Maintenance Services Fund, an Information Systems Fund and an Employee Benefit Trust Fund.

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 their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The Proprietary Fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting.

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 City's enterprise funds are charges to customers for water, wastewater and sanitation services.

The principal operating revenues of the City's internal service funds are charges to employees for health benefits and charges to user departments for fleet services, maintenance service, and information system services. Operating expenses for these funds include the cost of sales and services, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Cash and Investments**

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2010 were cash on hand, cash in bank and cash and investments held by State Treasurer.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**E. Investment Income**

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

**F. Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables including property taxes receivable are shown net of an allowance for uncollectibles.

The City does not currently levy any property taxes. However, if implemented, property taxes are levied by the City and collected by the Mohave County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date.

Pursuant to A.R.S. a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

The State Constitution and State law specify a property tax levy limitation system. The system consists of two levies, a limited levy known as the primary property tax levy and an unlimited levy referred to as the secondary levy, which may only be used to retire bonded indebtedness.

The primary tax levy is limited to an increase of 2 percent over the previous year's maximum allowable primary levy, plus an increased dollar amount because of a net gain in property not taxed the previous year. Also, the primary property tax from all taxing jurisdictions for homeowners may not exceed 1 percent of the market value of their homes. If the combined primary property tax (for the City, County, School City, etc.) exceeds 1 percent of the market value of the homes, the school districts will reduce their rate until the homeowners' aggregate rate is equal to or less than the allowable 1 percent. The State will then subsidize the school districts for the reduced revenue. This 1 percent limitation applies to primary property taxes only and does not affect the secondary property tax levy.

There is also a control on the assessed value of property for primary tax purposes. The base year for the new tax system is fiscal year 1978-79. From this base year, two assessed values evolve. The primary assessed values are allowed to increase by no more than 10 percent a year. The dollar amount of the secondary property tax levy is "unlimited" and the actual full cash value of property is used in determining the tax rate.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**G. Inventory**

Inventories are stated at average cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed in the government-wide and proprietary fund financial statements, and as expenditures when consumed in the governmental funds.

**H. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenditures when purchased on the fund financial statements and are expenses when consumed in the government-wide financial statements.

Prepaid items at year end were immaterial and therefore not included on the fund or government-wide financial statements.

**I. Restricted Assets**

Certain proceeds of the City's Wastewater Management Authority of Arizona (WMAA) and Water Infrastructure Finance Authority (WIFA) Loans, as well as certain resources set aside for their repayment, are classified as restricted cash and investments on the balance sheet because their use is limited by applicable loan covenants. In addition, customer deposits for utility services are classified as restricted cash and investments because their use is limited to the repayment to those customers.

**J. Capital Assets**

Capital assets, which include land, buildings, improvements other than buildings, vehicles, machinery, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15-50
Buildings	45
Improvements other than buildings	20
Vehicles, machinery and equipment	5-15

**K. Compensated Absences**

The City's employee vacation and sick leave policies provide for granting vacation and sick leave with pay. Sick leave and vacation benefits vest after 30 days at the employee's current rate of pay.

The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements and in the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to liquidate the governmental funds liabilities for compensated absences.

**L. 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 on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

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

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)**

**M. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures 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. At year end, the City had no reservations of fund balance.

**N. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

**O. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 - CASH AND INVESTMENTS**

A.R.S. authorize the City to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City's investments.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of bank failure the City's deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. As of year end, the carrying amount of the City's deposits was \$7,307,532 and the bank balance was \$7,065,563. At year end, \$975,406 of the City's deposits were covered by Federal depository insurance and \$6,090,157 were covered under the transaction account guarantee component of the Temporary Liquidity Guarantee Program. Cash held by trustee in the amount of \$289,526 is not subject to custodial credit risk. The City had \$8,425 of petty cash on hand at year end.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 2 – CASH AND INVESTMENTS (Concl'd)**

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. No regulatory oversight is provided for the County Treasurer's investment pool and that pool's structure does not provide for shares.

At year end, the City's investments consisted of the following.

Investment Type	Fair Value	Investment Maturities (in years)	
		1-5	6-10
U.S. government bonds	\$ 18,698,549	\$19,698,459	\$
City of Kingman bonds - Wallapai Marlene	89,860		89,860
		\$ 19,698,549	\$ 89,860
State Treasurer's investment pool 7	20,909,984	45 days average maturities	
Total	\$ 39,698,393		

*Interest Rate Risk.* The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* The City has no investment policy that would further limit its investment choices. Investments in the State Treasurer's Investment Pool 7 were rated AAA by Standard and Poor's. The City's investments in U.S. government bonds were rated AAA by Moody's Investors Service and AAA by Standard and Poor's.

*Custodial Credit Risk - Investments.* The City's investment in the State Treasurer's investment pools represents a proportionate interest in the pool's portfolio; however the City's portion is not identified with specific investments and is not subject to custodial credit risk.

*Concentration of Credit Risk.* The City places no limit on the amount the City may invest in any one issuer. More than 5% of the City's investments are in the Federal Home Loan Bank and the Federal National Mortgage Association. These investments are 23% and 16% of the City's total investments, respectively.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 3 - RECEIVABLES**

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the City's individual major funds and non-major governmental funds in the aggregate, are as follows.

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>
Due from governmental entities:		
Due from Federal government	\$	\$ 614,892
Due from State government	162,276	218,605
Due from County government		870,424
Net due from governmental entities	<u>\$ 162,276</u>	<u>\$ 1,703,921</u>

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 reported in the governmental funds were as follows.

	<u>Unavailable</u>	<u>Unearned</u>
Miscellaneous (General Fund)	\$	\$ 41,168
Development investment fees (Capital Projects Fund)		2,560,952
Miscellaneous (Non-Major Governmental Funds)		140,034
Special assessments (Special Assessment Districts)	7,720,379	
Total deferred revenue for governmental funds	<u>\$ 7,720,379</u>	<u>\$ 2,742,154</u>

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 4 - CAPITAL ASSETS**

A summary of capital asset activity at year end is as follows.

<b>Governmental Activities</b>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 10,279,787	\$ 66,937	\$	\$10,346,724
Construction in progress	<u>11,624,865</u>	<u>2,009,199</u>	<u>3,782,360</u>	<u>9,851,704</u>
Total capital assets, not being depreciated	<u>21,904,652</u>	<u>2,076,136</u>	<u>3,782,360</u>	<u>20,198,428</u>
Capital assets, being depreciated:				
Infrastructure	49,269,047	3,926,220		53,195,267
Buildings	8,504,815			8,504,815
Improvements other than buildings	5,928,759	36,286		5,965,045
Vehicles, machinery and equipment	<u>13,279,422</u>	<u>464,930</u>		<u>13,744,352</u>
Total capital assets being depreciated	<u>76,982,043</u>	<u>4,427,436</u>		<u>81,409,479</u>
Less accumulated depreciation for:				
Infrastructure	(27,851,423)	(1,143,685)		(28,995,108)
Buildings	(3,310,387)	(186,328)		(3,496,715)
Improvements other than buildings	(3,492,239)	(226,108)		(3,718,347)
Vehicles, machinery and equipment	<u>(9,311,621)</u>	<u>(970,843)</u>		<u>(10,282,464)</u>
Total accumulated depreciation	<u>(43,965,670)</u>	<u>(2,526,964)</u>		<u>(46,492,634)</u>
Total capital assets, being depreciated, net	<u>33,016,373</u>	<u>1,900,472</u>		<u>34,916,845</u>
Governmental activities capital assets, net	<u>\$ 54,921,025</u>	<u>\$ 3,976,608</u>	<u>\$3,782,360</u>	<u>\$55,115,273</u>

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 4 - CAPITAL ASSETS (Concl'd)**

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,292,881	\$	\$	\$ 2,292,881
Construction in progress	4,996,281	24,359,170		29,355,451
Total	<u>7,289,162</u>	<u>24,359,170</u>		<u>31,648,332</u>
Capital assets, being depreciated:				
Infrastructure	49,656,924	207,727		49,864,651
Buildings	9,839,816			9,839,816
Improvements other than buildings	593,978			593,978
Vehicles, machinery and equipment	7,527,164	456,794		7,983,958
Total	<u>67,617,882</u>	<u>664,521</u>		<u>68,282,403</u>
Less accumulated depreciation for:				
Infrastructure	(27,677,617)	(978,841)		(28,656,458)
Buildings	(2,985,740)	(213,860)		(3,199,600)
Improvements other than buildings	(416,592)	(14,608)		(431,200)
Vehicles, machinery and equipment	(5,357,128)	(454,942)		(5,812,070)
Total accumulated depreciation	<u>(36,437,077)</u>	<u>(1,662,251)</u>		<u>(38,099,328)</u>
Total capital assets, being depreciated, net	31,180,805	(997,730)		30,183,075
Business-type activities capital assets, net	<u>\$ 38,469,967</u>	<u>\$ 23,361,440</u>		<u>\$ 61,831,407</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 135,119
Public safety	595,890
Highways and streets	1,456,172
Culture and recreation	284,172
Economic development	55,611
Total depreciation expense	<u>2,526,964</u>
Business-type activities:	
Water	1,058,606
Wastewater	329,305
Sanitation	274,340
Total depreciation expense	<u>\$ 1,662,251</u>

**Construction Commitments** – At year end, the City had contractual commitments related to various capital projects. At year end, the City had spent \$39.2 million on the projects and had estimated remaining contractual commitments of \$25.1 million.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 5 – OBLIGATIONS UNDER CAPITAL LEASES**

The City has acquired land under provisions of a long-term lease agreement classified as a capital lease. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Revenues from the HURF Fund, a non-major governmental fund, and Fleet Services Fund, an internal service fund, pay for the governmental activities lease obligations. Water, Wastewater and Sanitation Funds are used to pay the business-type activities of the capital lease obligation.

The future minimum lease obligations and the net present value of these minimum lease payments as of year end were as follows.

Year Ending June 30:	Governmental Activities	Business-type Activities
2011	\$ 122,152	\$ 183,229
2012	122,152	183,229
2013	122,152	183,229
2014	122,152	183,229
2015	122,152	183,229
2016-18	366,458	549,681
Total minimum lease payments	977,218	1,465,826
Less: amount representing interest	212,940	319,409
Present value of minimum lease payments	\$ 764,278	\$ 1,146,417
Due within one year	\$ 77,748	\$ 116,622

**NOTE 6 - LOANS PAYABLE**

Governmental activities loans payable consists of a loan from the Highway Expansion and Extension Loan Program (HELP) to be used for the North Bank Street Reconstruction Project. Business-type activities loans payable consists of a loan from the Wastewater Management Authority of Arizona (WMAA) and two loans from the Water Infrastructure Finance Authority (WIFA), the proceeds of which were used to construct a new wastewater treatment plant. The loans are to be repaid in annual principal payments, plus semiannual interest payments, and a semiannual servicing fee. The WMAA loan is secured by (1) the net revenues of the City's wastewater collection system; (2) all improvements, additions, and extensions to the system; and (3) all contracts, rights, agreements, leases, and franchises owned by the City and used in the operation of its wastewater system.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 6 - LOANS PAYABLE (Concl'd)**

Description	Interest Rate (Including Fees)	Maturity	Outstanding Principal June 30, 2010	Due Within One Year
<b>Governmental activities:</b>				
HELP Loan	3.1%	7/1/10-12	\$ 700,000	\$ 350,000
<b>Business-type activities:</b>				
Wastewater Management Authority of Arizona Loan	3.4%	7/1/10-12	963,084	473,489
Water Infrastructure Finance Authority Loan 910114-09	3.6%	7/1/10-29	26,724,836	1,080,932
Water Infrastructure Finance Authority Loan 710139-10	0.6%	7/1/12	1,096,134	
Total			<u>\$ 29,484,054</u>	<u>\$ 1,904,421</u>

Annual debt service requirements to maturity on the governmental activities loan payable at year end are summarized as follows.

Year ending June 30,	Principal	Interest	Total
2011	\$ 350,000	\$ 21,763	\$ 371,763
2012	350,000	10,882	360,882
Total	<u>\$ 700,000</u>	<u>\$ 32,645</u>	<u>\$ 732,645</u>

The City obtained \$37.5 million in financing from WIFA between two loans: loan 910114-09 for \$35.0 million and loan 710139-10 for \$2.5 million. As of year end, the City has drawn down \$26.7 million of loan 910114-09, leaving \$8.3 million available for drawdown, and has drawn down \$1.1 million of loan 710139-10 leaving \$1.4 million available for drawdown.

Annual debt service requirements to maturity on the business-type activities loans payable at year end are summarized as follows.

Year ending June 30,	Business Type Activities		
	Principal	Interest	Total
2011	\$ 1,554,421	\$ 1,001,704	\$ 2,556,125
2012	1,609,440	946,205	2,555,645
2013	2,256,294	886,050	3,142,344
2014	1,201,925	841,101	2,043,026
2015	1,245,195	797,831	2,043,026
2016-20	6,931,538	3,283,590	10,215,128
2021-25	8,272,340	1,942,789	10,215,129
2026-30	5,712,901	416,177	6,129,078
Total	<u>\$ 28,784,054</u>	<u>\$ 10,115,447</u>	<u>\$ 38,899,501</u>

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 7 - BONDS PAYABLE**

Bonds payable at year end, consisted of the following general obligation, municipal property corporation and special assessment bonds. The bonds are both callable and noncallable with the interest payable semiannually. Excise tax revenues from the General Fund are used to pay general obligation bonds. Special assessments imposed on certain parcels of land within the assessment district are used to pay the Special Assessment District bonds.

Purpose	Original Amount Issued	Interest Rates	Maturity	Outstanding Principal June 30, 2010	Due Within One Year
<b>Governmental activities:</b>					
Excise Tax Revenue Obligations, Series 2005	\$ 2,850,000	3.125-4.25%	7/1/10-21	\$ 2,355,000	\$ 180,000
Municipal Property Corporation; Excise Tax Revenue Refunding Bonds Series 1997	4,455,000	5.0%	7/1/10-14	1,805,000	235,000
Wallapai Marlene East Golden Gate Improvement District	114,707	5.25%	1/1/11-21	89,859	6,243
Kingman Airway Avenue Railroad Crossing Improvement District	3,580,000	4.5%	1/1/11-17	2,240,000	270,000
Kingman Airport/Banks Airport Addition	6,325,000	4.875%	1/1/11-16	4,155,000	610,000
	3,880,000	7.25%	1/1/11-25	3,880,000	150,000
<b>Total</b>				<u>\$ 14,524,859</u>	<u>\$ 1,451,243</u>

Annual debt service requirements to maturity on governmental bonds payable at year end are summarized as follows.

Year ending June 30:	Principal	Interest	Total
2011	\$ 1,451,243	\$ 761,636	\$ 2,212,879
2012	1,541,571	689,999	2,231,570
2013	1,637,916	613,583	2,251,499
2014	1,805,279	530,455	2,335,734
2015	2,108,661	435,604	\$2,544,265
2016-20	3,934,776	1,201,005	\$5,135,781
2021-25	2,045,413	411,646	\$2,457,059
<b>Total</b>	<u>\$ 14,524,859</u>	<u>\$ 4,643,928</u>	<u>\$ 19,168,787</u>

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 7 - BONDS PAYABLE (Concl'd)**

**Pledged Revenues**

The City has pledged certain future revenues to repay specific bonded debt as follows.

The City has pledged future excise tax revenues to repay \$7.3 million in Excise Tax Revenue Bonds issued in 1997 and 2005. The various bonds were issued for the construction of certain street improvements and for the funding for the Kingman Municipal Golf Course Projects. At year end, \$4.2 million in bonds remain outstanding to be repaid by future excise tax revenues. At year end, the net revenues available for service of this debt were \$19.4 million. The debt principal and interest paid on this debt fiscal year 2010 was \$597,313 (32% of available net pledged revenues).

In addition, the City has pledged future wastewater utility revenues to repay \$27.8 million in Water Infrastructure Financing Authority loans. The loans were issued for the construction of two new wastewater treatment plants. At year end, \$27.8 remains outstanding to be repaid by future wastewater revenues. For the fiscal year ended June 30, 2010, the net revenues available for service of this debt were \$3.6 million. The debt interest (no principal was paid this year) paid on this debt fiscal year 2010 was \$305,760 (11% of available net pledged revenues). For further information on long-term debt, refer to Notes 8.

**NOTE 8 - CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the current fiscal year was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 4,975,000	\$	\$ 815,000	\$ 4,160,000	\$ 415,000
Special assessment bonds payable	11,217,205		852,346	10,364,859	1,036,243
Obligations under capital leases	837,756		73,478	764,278	77,748
Loan payable	1,100,000		400,000	700,000	350,000
Compensated absences payable	1,868,526	1,449,917	1,612,738	1,705,705	1,489,000
Other post employment benefits	719,451	707,379		1,426,830	
<b>Governmental activity long-term liabilities</b>	<u>\$ 20,717,938</u>	<u>\$2,157,296</u>	<u>\$ 3,753,562</u>	<u>\$ 19,121,672</u>	<u>\$ 3,367,991</u>

**CITY OF KINGMAN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 8 - CHANGES IN LONG-TERM LIABILITIES (Concl'd)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Obligations under capital leases	\$ 1,256,634	\$	\$ 110,217	\$ 1,146,417	\$ 116,622
Loan payable	7,307,221	21,934,744	457,911	28,784,054	1,554,421
Compensated absences	348,970	336,911	366,183	319,698	319,698
Business-type activities long-term liabilities	<u>\$ 8,912,825</u>	<u>\$ 22,271,655</u>	<u>\$ 934,311</u>	<u>\$ 30,250,169</u>	<u>\$ 1,990,741</u>

**NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At year end, interfund transfers were as follows.

**Interfund transfers:**

	Transfers in				
	General Fund	Capital Projects Fund	Non-Major Governmental and Other Funds	Water	Total
Transfers out					
General Fund	\$	\$ 129,409	\$ 1,020,487	\$	\$1,149,896
Special Assessment Districts Fund	27,170		6,656		33,826
Capital Projects Fund			216,750		216,750
Non-Major Governmental Funds	718,080	206,000	350,000	246,440	1,520,520
Water Fund	632,212		150,569		782,781
Wastewater Fund	90,316		95,776	369,661	555,753
Sanitation Fund	180,632		58,586		239,218
Total	<u>\$1,648,410</u>	<u>\$ 335,409</u>	<u>\$ 1,898,824</u>	<u>\$ 616,101</u>	<u>\$4,498,744</u>

Interfund transfers were made by the City during the fiscal year to ensure that sufficient resources were available to cover expenditures in the applicable funds.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 10 - CONTINGENT LIABILITIES**

**Federal and State Grants and Loans** - The City has received a number of grants and loans from both the Federal and State governments. Although some of the programs have been audited, not all audits have been approved as of year end; however, the City expects no material disallowance of expenditures.

**Lawsuits** - The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**NOTE 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for certain risks of loss: including property and liability, as well as employees' dental, vision and life. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City was unable to obtain worker's compensation insurance at a cost considered to be economically justifiable. Therefore the City joined the Arizona Municipal Workers' Compensation Pool (AMWCP), a public entity risk pool. The City is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among members.

In fiscal year 2003-04, the City established an Employee Benefit Trust Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss related to health claims. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims.

**CITY OF KINGMAN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 11 - RISK MANAGEMENT (Concl'd)**

Estimated recoveries, for example, from salvage or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$100,000. Claims have not exceeded this coverage in any of the past three fiscal years. Changes in the balances of claims liability during the past two years are as follows.

	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable at End of Year
Employee Benefit Trust				
2009-10	\$ 614,000	\$ 3,777,893	\$ 3,831,893	\$560,000
2008-09	662,000	3,955,972	4,003,972	614,000

**NOTE 12 - RETIREMENT PLANS**

**Plan Descriptions** - The City contributes to the two plans as described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree's average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System (ASRS)* administers 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 (ASRS). The ASRS (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 KINGMAN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 12 - RETIREMENT PLANS (Cont'd)**

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 162 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

**ASRS**

3300 North Central Avenue  
P.O. Box 33910  
Phoenix, Arizona 85077-3910  
(602) 240-2200 or (800) 621-3778

**PSPRS**

3010 East Camelback Road, Suite 200  
Phoenix, Arizona 85016  
(602) 255-5575

**Funding Policy** – The Arizona State Legislature establishes and may amend active plan members’ and the City’s contribution rates for the plans of the ASRS and PSPRS.

*Cost-sharing plans* - For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.40 percent (9.00 percent for retirement and 0.4 percent for long-term disability) of the members’ annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 9.40 percent (8.34 percent for retirement, .66 percent for health insurance premium, and 0.4 percent for long-term disability) of the members’ annual covered payroll.

The City’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows.

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Years ended June 30,			
2010	\$ 722,415	\$ 57,170	\$ 34,648
2009	725,042	87,113	45,372
2008	764,087	99,663	47,459

**CITY OF KINGMAN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 12 - RETIREMENT PLANS (Cont'd)**

*Agent plans* – For the current fiscal year, active PSPRS police members were required by statute to contribute 7.65 percent of the members’ annual covered payroll and the City was required to contribute 18.21 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at .61 percent of covered payroll. Active PSPRS fire members were required by statute to contribute 7.65 percent of the members’ annual covered payroll and the City was required to contribute 16.98 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at .50 percent of covered payroll.

*Actuarial methods and assumptions* – The contribution requirements for the year ended June 30, 2010 were established by the June 30, 2008 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans’ assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projects of benefits are based on 1) the plans as understood by the City and plans’ members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the City and plans’ members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial assumptions used to establish the fiscal year 2010 contribution requirements are as follows.

Actuarial valuation date	June 30, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50% for PSPRS
Inflation rate	5.00%

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 12 - RETIREMENT PLANS (Concl'd)**

*Annual Pension/OPEB Cost* – The City’s pension/OPEB cost for the agent plans for the most recent year ended June 30, 2008, and related information follows.

	PSPRS - Police		PSPRS – Fire	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 638,010	\$ 10,469	\$ 625,785	\$ 21,260
Contributions made	638,010	10,469	625,785	21,260

*Trend Information* – Annual pension cost information for the current and two preceding years follows for each of the agent plans. Annual OPEB cost information for the current year (i.e., transition year) is as follows. Information about the preceding year will be added over the next year.

Plan	Year Ended June 30	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
<b>PSPRS – Police</b>				
Pension	2006	\$370,525	100%	\$ 0
	2007	374,038	100%	0
	2008	425,757	100%	0
Health Insurance	2007	18,415	100%	0
	2008	10,099	100%	0
<b>PSPRS – Fire</b>				
Pension	2006	267,881	100%	0
	2007	327,850	100%	0
	2008	431,222	100%	0
Health Insurance	2007	25,863	100%	0
	2008	4,920	100%	0

**Funding Progress** - As of June 30, 2009, the most recent actuarial calculation date, the firefighters plan was 74 percent funded and the police was 68 percent funded. The actuarial accrued liability for benefits was \$15.4 million and \$15.1 million and the actuarial value of assets was \$11.4 million and \$10.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.0 million and \$4.9 million, respectively. The covered payrolls (annual payrolls of active employees covered by the plans) were \$3.1 million and \$3.1 million, and the ratio of the UAAL to the covered payroll was 121.5 percent and 141.4 percent. The schedule of funding progress, presented as Required Supplementary Information 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 benefits.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS**

From an accrual accounting perspective, the cost of postemployment healthcare benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009, the City recognizes the cost of postemployment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

**Plan Description** – Under authority of the City Council, the City provides postretirement insurance (health and dental) benefits, for certain retirees and their dependents. The plan is a single-employer defined benefit plan administered by the City. The City contributes 100% of the premiums for employees who retire with 20 years of full-time service before July 1, 2005. The City pays a portion of the premiums for employees who retire with 20 years of service after July 1, 2005 and who agree to pay the remaining \$125 of the premium per month. The City's regular insurance providers underwrite the retiree policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. A separate financial report is not issued for the plan. The number of participants as of year end, the effective date of the biannual OPEB valuation, follows.

	<u>Participants</u>
Active employees	328
Retired employees	23
Total	<u>351</u>

**Funding Policy** – The City currently pays for postemployment benefits on a pay-as-you-go basis. Although the City is studying the establishment of a trust that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

**Annual OPEB Cost and Net OPEB Obligation** – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The amortization method is 30 years, open, with a level dollar amount. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Concl'd)**

Annual required contribution	\$ 833,753
Interest on net OPEB obligation	-0-
Adjustment to annual required contribution	-0-
Annual OPEB cost (expense)	833,753
Contributions made	(126,374)
Increase in net OPEB obligation	707,379
Net OPEB obligation – beginning of year	719,451
Net OPEB obligation – end of year	\$1,426,830

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended June 30, 2010 and the preceding year are as follows. The City implemented GASB Statement No. 45 in the prior fiscal year; therefore only one preceding year is included in the schedule.

Fiscal Year Ended	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 126,374	15%	\$ 1,426,830
June 30, 2009	114,302	14	719,451

**Actuarial Methods and Assumptions** – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

In the July 1, 2008 actuarial valuation, the liabilities were computed using the entry age normal, level dollar amount method. The actuarial assumptions utilized a 4.5% discount rate. Because the plan is unfunded, reference to the City’s general operational assets, which are short-term in nature, was considered in the selection of the 4.5% rate. The valuation assumes a 9% healthcare cost trend increase for fiscal year 2009-10, reduced by decrements to a rate of 5% after 8 years. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The schedule of funding progress which can be found in the required supplementary information, 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.

**CITY OF KINGMAN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 14 – SUBSEQUENT EVENTS**

**Loan Issuance** – The City has received approximately \$5.3 million from the Water Infrastructure Finance Authority (WIFA) in loan drawdowns through December 2010.

**Lease** – In July of 2010, the City entered into a \$197,900 capital lease for five Chevy Tahoes to be used by the police department.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF KINGMAN, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL**  
**FUND**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Taxes	\$ 13,906,000	\$ 13,513,791	\$ (392,209)
Licenses and permits	66,500	74,280	7,780
Intergovernmental	5,326,000	4,958,320	(367,680)
Charges for services	1,949,300	1,819,751	(129,549)
Fines and forfeits	317,000	260,767	(56,233)
Investment income	75,000	81,156	6,156
Miscellaneous	50,000	29,972	(20,028)
<b>Total revenues</b>	<u>21,689,800</u>	<u>20,738,037</u>	<u>(951,763)</u>
<b>Expenditures:</b>			
Current -			
General government			
Magistrate court	1,231,671	1,148,483	83,188
Mayor and council	1,399,307	167,203	1,232,104
City manager	248,425	227,333	21,092
Finance department	707,254	698,321	8,933
City attorney	635,914	606,136	29,778
City clerk	388,010	327,068	60,942
Human resources director	542,570	546,605	(4,035)
Planning and zoning	651,518	591,364	60,154
Total general government	<u>5,804,669</u>	<u>4,312,513</u>	<u>1,492,156</u>
Public safety			
Police department	7,726,710	7,351,735	374,975
Fire department	5,223,398	4,915,480	307,918
Building inspections	775,430	665,934	109,496
Total public safety	<u>13,725,538</u>	<u>12,933,149</u>	<u>792,389</u>
Culture and recreation			
Recreation	534,298	521,857	12,441
Swimming	373,543	335,117	38,426
Municipal golf course	1,100,777	1,083,033	17,744
Parks	1,775,000	1,491,361	283,639
Total culture and recreation	<u>3,783,618</u>	<u>3,431,368</u>	<u>352,250</u>
Economic development			
Tourism commission	704,178	217,192	486,986
Total economic development	<u>704,178</u>	<u>217,192</u>	<u>486,986</u>
Capital outlay	187,000	112,631	74,369
Total capital outlay	<u>187,000</u>	<u>112,631</u>	<u>74,369</u>
<b>Total expenditures</b>	<u>24,205,003</u>	<u>21,006,853</u>	<u>3,198,150</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,515,203)</u>	<u>(268,816)</u>	<u>2,246,387</u>
<b>Other financing sources (uses):</b>			
Transfers in	1,439,094	1,648,410	209,316
Transfers out	(1,053,563)	(1,149,896)	(96,333)
<b>Total other financing sources (uses)</b>	<u>385,531</u>	<u>498,514</u>	<u>112,983</u>
<b>Change in fund balances</b>	<u>(2,129,672)</u>	<u>229,698</u>	<u>2,133,404</u>
<b>Fund balances, July 1, 2009</b>	8,353,930	8,625,441	271,511
<b>Fund balances, June 30, 2010</b>	<u>\$ 6,224,258</u>	<u>\$ 8,855,139</u>	<u>\$ 2,630,881</u>

**CITY OF KINGMAN, ARIZONA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2010**

**NOTE 1 - BUDGETARY BASIS OF ACCOUNTING**

The adopted budget of the City is prepared on a basis consistent with accounting principles generally accepted in the United States of America.

**CITY OF KINGMAN, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2010**

**Schedule of Funding Progress  
Kingman Police Plan:**

Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ((a-b)/c)
2006	\$ 9,332,989	\$12,582,497	\$ (3,259,507)	74.1%	\$ 2,869,198	113.6%
2007	9,332,503	14,410,634	(5,078,131)	64.8%	3,088,435	164.4
2008	9,912,968	14,235,880	(4,322,912)	69.6	3,056,903	141.4

**Schedule of Funding Progress  
Kingman Fire Plan:**

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)
2006	\$ 8,879,647	\$ 11,237,697	\$(2,358,051)	79.0%	\$ 2,721,390	86.6%
2007	9,213,313	13,414,595	(4,201,282)	68.7%	2,857,882	147.0
2008	10,509,400	14,292,411	(3,783,011)	73.5	3,114,492	121.5

**Schedule of Funding Progress  
Other Postemployment Benefits:**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - [Entry Age] (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-1)/c)
7-1-08	-0-	\$ 6,570,672	\$ 6,570,072	-0-	\$ 9,456,570	69.5%
7-1-08	-0-	6,570,672	6,570,072	-0-	9,309,667	70.6

**COMBINING AND INDIVIDUAL  
FUND FINANCIAL STATEMENTS  
AND SCHEDULES**

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**OTHER MAJOR GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**CITY OF KINGMAN, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL ASSESSMENT DISTRICTS**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Investment income	\$ 20,000	\$ 27,630	\$ 7,630
Special assessments	2,524,366	1,063,222	(1,461,144)
<b>Total revenues</b>	<u>2,544,366</u>	<u>1,090,852</u>	<u>(1,453,514)</u>
<b>Expenditures:</b>			
Debt service -			
Principal retirement	852,346	852,346	
Interest and fiscal charges	639,272	469,996	169,276
<b>Total expenditures</b>	<u>1,491,618</u>	<u>1,322,342</u>	<u>169,276</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,052,748</u>	<u>(231,490)</u>	<u>(1,284,238)</u>
<b>Other financing sources (uses):</b>			
Transfers out	(6,768)	(33,826)	(27,058)
<b>Total other financing sources (uses)</b>	<u>(6,768)</u>	<u>(33,826)</u>	<u>(27,058)</u>
<b>Change in fund balances</b>	<u>1,045,980</u>	<u>(265,316)</u>	<u>(1,311,296)</u>
<b>Fund balances, July 1, 2009</b>	1,962,485	3,866,320	1,903,835
<b>Fund balances, June 30, 2010</b>	<u>\$ 3,008,465</u>	<u>\$ 3,601,004</u>	<u>\$ 592,539</u>

**CITY OF KINGMAN, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL PROJECTS**  
**YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Taxes	\$	\$ 82,689	\$ 82,689
Intergovernmental	10,571,000		(10,571,000)
Investment income	15,000	24,750	9,750
Miscellaneous	200,000	149,700	(50,300)
Development investment fees	2,856,211	99,817	(2,756,394)
<b>Total revenues</b>	<u>13,642,211</u>	<u>356,956</u>	<u>(13,285,255)</u>
<b>Expenditures:</b>			
Capital outlay	24,239,800	342,422	23,897,378
<b>Total expenditures</b>	<u>24,239,800</u>	<u>342,422</u>	<u>23,897,378</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(10,597,589)</u>	<u>14,534</u>	<u>10,612,123</u>
<b>Other financing sources (uses):</b>			
General obligation bonds issued	12,472,800		(12,472,800)
Transfers in	241,000	335,409	94,409
Transfers out	(216,750)	(216,750)	
<b>Total other financing sources (uses)</b>	<u>12,497,050</u>	<u>118,659</u>	<u>(12,378,391)</u>
<b>Change in fund balances</b>	<u>1,899,461</u>	<u>133,193</u>	<u>(1,766,268)</u>
<b>Fund balances, July 1, 2009</b>	206,972	373,718	166,746
<b>Fund balances, June 30, 2010</b>	<u>\$ 2,106,433</u>	<u>\$ 506,911</u>	<u>\$ (1,599,522)</u>

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**NON-MAJOR GOVERNMENTAL FUNDS**

**CITY OF KINGMAN, ARIZONA**  
**COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**JUNE 30, 2010**

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
<b><u>ASSETS</u></b>				
Cash and investments	\$ 1,012,175	\$ 1,294,452	\$ 3,073,642	\$ 5,380,269
Taxes receivable		32		32
Due from governmental entities	833,497		870,424	1,703,921
<b>Total assets</b>	<b>\$ 1,845,672</b>	<b>\$ 1,294,484</b>	<b>\$ 3,944,066</b>	<b>\$ 7,084,222</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 318,250	\$	\$ 1,988	\$ 320,238
Construction contracts payable			363,194	363,194
Accrued payroll and employee benefits	32,295			32,295
Interest payable		90,531		90,531
Deferred revenue	140,034			140,034
General obligation bonds payable		415,000		415,000
<b>Total liabilities</b>	<b>490,579</b>	<b>505,531</b>	<b>365,182</b>	<b>1,361,292</b>
Fund balances:				
Unreserved:				
Undesignated	1,355,093	788,953	3,578,884	5,722,930
<b>Total fund balances</b>	<b>1,355,093</b>	<b>788,953</b>	<b>3,578,884</b>	<b>5,722,930</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,845,672</b>	<b>\$ 1,294,484</b>	<b>\$ 3,944,066</b>	<b>\$ 7,084,222</b>

**CITY OF KINGMAN, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**YEAR ENDED JUNE 30, 2010**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$	\$ 20,169	\$	\$ 20,169
Intergovernmental	4,739,212		870,424	5,609,636
Investment income	7,507	4,039	8,759	20,305
Special assessments	9,400			9,400
Miscellaneous	185,403			185,403
<b>Total revenues</b>	<u>4,941,522</u>	<u>24,208</u>	<u>879,183</u>	<u>5,844,913</u>
<b>Expenditures:</b>				
Current -				
General government	142,497			142,497
Public safety	997,766			997,766
Highways and streets	2,995,398			2,995,398
Economic development	271,632			271,632
Capital outlay	386,621		2,721,594	3,108,215
Debt service -				
Principal retirement	36,739	815,000		851,739
Interest and fiscal charges	24,337	216,512	140,650	381,499
<b>Total expenditures</b>	<u>4,854,990</u>	<u>1,031,512</u>	<u>2,862,244</u>	<u>8,748,746</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>86,532</u>	<u>(1,007,304)</u>	<u>(1,983,061)</u>	<u>(2,903,833)</u>
<b>Other financing sources (uses):</b>				
Transfers in	539,855	798,563	235,406	1,573,824
Transfers out	(914,520)	(500,000)	(106,000)	(1,520,520)
<b>Total other financing sources (uses)</b>	<u>(374,665)</u>	<u>298,563</u>	<u>129,406</u>	<u>53,304</u>
<b>Change in fund balances</b>	<u>(288,133)</u>	<u>(708,741)</u>	<u>(1,853,655)</u>	<u>(2,850,529)</u>
<b>Fund balances, beginning of year</b>	1,643,226	1,497,694	5,432,539	8,573,459
<b>Fund balances, end of year</b>	<u>\$ 1,355,093</u>	<u>\$ 788,953</u>	<u>\$ 3,578,884</u>	<u>\$ 5,722,930</u>

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## NON-MAJOR SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for proceeds of specific revenues sources that are legally restricted to expenditures for specific purposes (other than major capital projects). The funds are usually required by statute, ordinance, or federal grant regulation to finance specified activities of the City. The City maintains the following non-major Special Revenue funds.

**HURF Fund** - accounts for the City's share of motor fuel tax revenues.

**Transit System Fund** - accounts for the activity associated with the system designed to meet the transportation needs of Kingman area residents.

**Improvement District Bond Repayment Fund** - accounts for interest income earned on municipal bonds purchased by the City.

**Powerhouse Fund** - accounts for the activity associated with the Powerhouse facility.

**Grants Fund** - accounts for all grants received by the City.

**CITY OF KINGMAN, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2010**

	HURF	Transit System	Improvement District Bond Repayment	Powerhouse
<b><u>ASSETS</u></b>				
Cash and investments	\$ 302,452	\$ 105,720	\$ 73,880	\$ 27,942
Due from governmental entities	198,231	114,118		
<b>Total assets</b>	<b>\$ 500,683</b>	<b>\$ 219,838</b>	<b>\$ 73,880</b>	<b>\$ 27,942</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 10,165	\$ 954	\$	\$ 1,810
Accrued payroll and employee benefits	21,359	10,936		
Deferred revenue	140,034			
<b>Total liabilities</b>	<b>171,558</b>	<b>11,890</b>		<b>1,810</b>
Fund balances:				
Unreserved:				
Undesignated	329,125	207,948	73,880	26,132
<b>Total fund balances</b>	<b>329,125</b>	<b>207,948</b>	<b>73,880</b>	<b>26,132</b>
<b>Total liabilities and fund balances</b>	<b>\$ 500,683</b>	<b>\$ 219,838</b>	<b>\$ 73,880</b>	<b>\$ 27,942</b>

<u>Grants</u>	<u>Totals</u>
\$ 502,181	\$ 1,012,175
521,148	833,497
<u>\$ 1,023,329</u>	<u>\$ 1,845,672</u>

\$ 305,321	\$ 318,250
	32,295
	140,034
<u>305,321</u>	<u>490,579</u>

<u>718,008</u>	<u>1,355,093</u>
<u>718,008</u>	<u>1,355,093</u>

<u>\$ 1,023,329</u>	<u>\$ 1,845,672</u>
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**CITY OF KINGMAN, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	HURF	Transit System	Improvement District Bond Repayment
<b>Revenues:</b>			
Intergovernmental	\$ 2,231,324	\$ 843,650	\$
Investment income	2,324	852	91
Special assessments	3,686		5,714
Miscellaneous	5,745	145,343	
<b>Total revenues</b>	2,243,079	989,845	5,805
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Highways and streets	2,207,159	783,586	
Economic development			
Capital outlay	4,999	381,622	
Debt service -			
Principal retirement	36,739		
Interest and fiscal charges	24,337		
<b>Total expenditures</b>	2,273,234	1,165,208	
<b>Excess (deficiency) of revenues over expenditures</b>	(30,155)	(175,363)	5,805
<b>Other financing sources (uses):</b>			
Transfers in	417,931		
Transfers out	(446,440)		(150,000)
<b>Total other financing sources (uses)</b>	(28,509)		(150,000)
<b>Change in fund balances</b>	(58,664)	(175,363)	(144,195)
<b>Fund balances, beginning of year</b>	387,789	383,311	218,075
<b>Fund balances, end of year</b>	\$ 329,125	\$ 207,948	\$ 73,880

<u>Powerhouse</u>	<u>Grants</u>	<u>Totals</u>
\$	\$	\$
204	1,664,238	4,739,212
	4,036	7,507
		9,400
<u>34,315</u>		<u>185,403</u>
<u>34,519</u>	<u>1,668,274</u>	<u>4,941,522</u>
136,035	6,462	142,497
	997,766	997,766
	4,653	2,995,398
	271,632	271,632
		386,621
		36,739
		24,337
<u>136,035</u>	<u>1,280,513</u>	<u>4,854,990</u>
<u>(101,516)</u>	<u>387,761</u>	<u>86,532</u>
120,000	1,924	539,855
	(318,080)	(914,520)
<u>120,000</u>	<u>(316,156)</u>	<u>(374,665)</u>
<u>18,484</u>	<u>71,605</u>	<u>(288,133)</u>
7,648	646,403	1,643,226
<u>\$ 26,132</u>	<u>\$ 718,008</u>	<u>\$ 1,355,093</u>

**CITY OF KINGMAN, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	HURF		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Taxes	\$ 900,000	\$ 2,231,324	\$ (900,000)
Intergovernmental	2,295,000	2,231,324	(63,676)
Investment income	2,500	2,324	(176)
Special assessments		3,686	3,686
Miscellaneous		5,745	5,745
<b>Total revenues</b>	<u>3,197,500</u>	<u>2,243,079</u>	<u>(954,421)</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Highways and streets	3,338,167	2,207,159	1,131,008
Economic development			
Capital outlay	12,500	4,999	7,501
Debt service -			
Principal retirement	36,739	36,739	
Interest and fiscal charges	24,461	24,337	124
<b>Total expenditures</b>	<u>3,411,867</u>	<u>2,273,234</u>	<u>1,138,633</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(214,367)</u>	<u>(30,155)</u>	<u>184,212</u>
<b>Other financing sources (uses):</b>			
Transfers in	417,931	417,931	
Transfers out	(446,440)	(446,440)	
<b>Total other financing sources (uses)</b>	<u>(28,509)</u>	<u>(28,509)</u>	
<b>Change in fund balances</b>	<u>(242,876)</u>	<u>(58,664)</u>	<u>184,212</u>
<b>Fund balances, July 1, 2009</b>	363,282	387,789	24,507
<b>Fund balances, June 30, 2010</b>	<u>\$ 120,406</u>	<u>\$ 329,125</u>	<u>\$ 208,719</u>

Transit System		
Budget	Actual	Variance - Positive (Negative)
\$ 1,286,571	\$ 843,650	\$ (442,921)
	852	852
95,000	145,343	50,343
<u>1,381,571</u>	<u>989,845</u>	<u>(391,726)</u>
993,763	783,586	210,177
674,509	381,622	292,887
<u>1,668,272</u>	<u>1,165,208</u>	<u>503,064</u>
<u>(286,701)</u>	<u>(175,363)</u>	<u>111,338</u>
<u>(286,701)</u>	<u>(175,363)</u>	<u>111,338</u>
343,625	383,311	39,686
<u>\$ 56,924</u>	<u>\$ 207,948</u>	<u>\$ 151,024</u>

Improvement District Bond Repayment		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	91	91
5,714	5,714	
<u>5,714</u>	<u>5,805</u>	<u>91</u>
<u>5,714</u>	<u>5,805</u>	<u>91</u>
<u>(150,000)</u>	<u>(150,000)</u>	
<u>(150,000)</u>	<u>(150,000)</u>	
<u>(144,286)</u>	<u>(144,195)</u>	<u>91</u>
217,785	218,075	290
<u>\$ 73,499</u>	<u>\$ 73,880</u>	<u>\$ 381</u>

(Continued)

**CITY OF KINGMAN, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2010**  
**(Concluded)**

	Powerhouse		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Taxes	\$	\$	\$
Intergovernmental			
Investment income		204	204
Special assessments			
Miscellaneous	22,000	34,315	12,315
<b>Total revenues</b>	<u>22,000</u>	<u>34,519</u>	<u>12,519</u>
<b>Expenditures:</b>			
Current -			
General government	142,250	136,035	6,215
Public safety			
Highways and streets			
Economic development			
Capital outlay			
Debt service -			
Principal retirement			
Interest and fiscal charges			
<b>Total expenditures</b>	<u>142,250</u>	<u>136,035</u>	<u>6,215</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(120,250)</u>	<u>(101,516)</u>	<u>18,734</u>
<b>Other financing sources (uses):</b>			
Transfers in	120,000	120,000	
Transfers out			
<b>Total other financing sources (uses)</b>	<u>120,000</u>	<u>120,000</u>	
<b>Change in fund balances</b>	<u>(250)</u>	<u>18,484</u>	<u>18,734</u>
<b>Fund balances, July 1, 2009</b>	2,396	7,648	5,252
<b>Fund balances, June 30, 2010</b>	<u>\$ 2,146</u>	<u>\$ 26,132</u>	<u>\$ 23,986</u>

Grants			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 6,114,426	\$ 1,664,238	\$ (4,450,188)	\$ 900,000	\$ 4,739,212	\$ (900,000)
4,000	4,036	36	9,695,997	4,739,212	(4,956,785)
			6,500	7,507	1,007
			5,714	9,400	3,686
			117,000	185,403	68,403
<u>6,118,426</u>	<u>1,668,274</u>	<u>(4,450,152)</u>	<u>10,725,211</u>	<u>4,941,522</u>	<u>(5,783,689)</u>
76,955	6,462	70,493	219,205	142,497	76,708
2,995,526	997,766	1,997,760	2,995,526	997,766	1,997,760
2,441,410	4,653	2,436,757	6,773,340	2,995,398	3,777,942
909,100	271,632	637,468	909,100	271,632	637,468
			687,009	386,621	300,388
			36,739	36,739	
			24,461	24,337	124
<u>6,422,991</u>	<u>1,280,513</u>	<u>5,142,478</u>	<u>11,645,380</u>	<u>4,854,990</u>	<u>6,790,390</u>
(304,565)	387,761	692,326	(920,169)	86,532	1,006,701
	1,924	1,924	537,931	539,855	1,924
<u>(108,764)</u>	<u>(318,080)</u>	<u>(209,316)</u>	<u>(705,204)</u>	<u>(914,520)</u>	<u>(209,316)</u>
<u>(108,764)</u>	<u>(316,156)</u>	<u>(207,392)</u>	<u>(167,273)</u>	<u>(374,665)</u>	<u>(207,392)</u>
(413,329)	71,605	484,934	(1,087,442)	(288,133)	799,309
490,348	646,403	156,055	1,417,436	1,643,226	225,790
<u>\$ 77,019</u>	<u>\$ 718,008</u>	<u>\$ 640,989</u>	<u>\$ 329,994</u>	<u>\$ 1,355,093</u>	<u>\$ 1,025,099</u>

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## NON-MAJOR DEBT SERVICE FUNDS

**General Obligation (G.O.) Bond Debt Service Fund** – accounts for the City’s general obligation bond debt service paid from secondary property taxes approved by the voters.

**Municipal Property Corporation Fund** – accounts for the Kingman Municipal Property Corporation (KMPC) component unit. The KMPC collects rent from the City to pay KMPC bonds issued to acquire and construct City facilities.

**Highway Expansion and Extension Loan Program (HELP) Debt Fund** – accounts for the resources used to retire loan debt.

**CITY OF KINGMAN, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2010**

	G.O. Bond Debt Service	MPC Debt	HELP Loan Debt	Totals
<b><u>ASSETS</u></b>				
Cash and investments	\$ 347,484	\$ 617,024	\$ 329,944	\$ 1,294,452
Taxes receivable	32			32
<b>Total assets</b>	<b>\$ 347,516</b>	<b>\$ 617,024</b>	<b>\$ 329,944</b>	<b>\$ 1,294,484</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Interest payable	\$	\$ 90,531	\$	\$ 90,531
General obligation bonds payable		415,000		415,000
<b>Total liabilities</b>		<b>505,531</b>		<b>505,531</b>
Fund balances:				
Unreserved:				
Undesignated	347,516	111,493	329,944	788,953
<b>Total fund balances</b>	<b>347,516</b>	<b>111,493</b>	<b>329,944</b>	<b>788,953</b>
<b>Total liabilities and fund balances</b>	<b>\$ 347,516</b>	<b>\$ 617,024</b>	<b>\$ 329,944</b>	<b>\$ 1,294,484</b>

**CITY OF KINGMAN, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	G.O. Bond Debt Service	MPC Debt	HELP Loan Debt	Totals
<b>Revenues:</b>				
Taxes	\$ 20,169	\$	\$	\$ 20,169
Investment income	3,121	840	78	4,039
<b>Total revenues</b>	<u>23,290</u>	<u>840</u>	<u>78</u>	<u>24,208</u>
<b>Expenditures:</b>				
Debt service -				
Principal retirement		415,000	400,000	815,000
Interest and fiscal charges		182,313	34,199	216,512
<b>Total expenditures</b>		<u>597,313</u>	<u>434,199</u>	<u>1,031,512</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>23,290</u>	<u>(596,473)</u>	<u>(434,121)</u>	<u>(1,007,304)</u>
<b>Other financing sources (uses):</b>				
Transfers in		598,563	200,000	798,563
Transfers out	(500,000)			(500,000)
<b>Total other financing sources (uses)</b>	<u>(500,000)</u>	<u>598,563</u>	<u>200,000</u>	<u>298,563</u>
<b>Change in fund balances</b>	<u>(476,710)</u>	<u>2,090</u>	<u>(234,121)</u>	<u>(708,741)</u>
<b>Fund balances, beginning of year</b>	824,226	109,403	564,065	1,497,694
<b>Fund balances, end of year</b>	<u>\$ 347,516</u>	<u>\$ 111,493</u>	<u>\$ 329,944</u>	<u>\$ 788,953</u>

**CITY OF KINGMAN, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	G.O. Bond Debt Service		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 11,000	\$ 20,169	\$ 9,169
Investment income		3,121	3,121
<b>Total revenues</b>	11,000	23,290	12,290
<b>Expenditures:</b>			
Debt service -			
Principal retirement			
Interest and fiscal charges			
<b>Total expenditures</b>			
<b>Excess (deficiency) of revenues over expenditures</b>	11,000	23,290	12,290
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers out	(500,000)	(500,000)	
<b>Total other financing sources (uses)</b>	(500,000)	(500,000)	
<b>Change in fund balances</b>	(489,000)	(476,710)	12,290
<b>Fund balances, July 1, 2009</b>	801,637	824,226	22,589
<b>Fund balances, June 30, 2010</b>	\$ 312,637	\$ 347,516	\$ 34,879

MPC Debt			HELP Loan Debt		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	840	840		78	78
	840	840		78	78
415,000	415,000		400,000	400,000	
183,563	182,313	1,250	34,199	34,199	
598,563	597,313	1,250	434,199	434,199	
(598,563)	(596,473)	2,090	(434,199)	(434,121)	78
598,563	598,563		200,000	200,000	
598,563	598,563		200,000	200,000	
	2,090	2,090	(234,199)	(234,121)	78
107,770	109,403	1,633	603,896	564,065	(39,831)
\$ 107,770	\$ 111,493	\$ 3,723	\$ 369,697	\$ 329,944	\$ (39,753)

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**CITY OF KINGMAN, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2010**  
**(Concluded)**

	Totals		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 11,000	\$ 20,169	\$ 9,169
Investment income		4,039	4,039
<b>Total revenues</b>	11,000	24,208	13,208
<b>Expenditures:</b>			
Debt service -			
Principal retirement	815,000	815,000	
Interest and fiscal charges	217,762	216,512	1,250
<b>Total expenditures</b>	1,032,762	1,031,512	1,250
<b>Excess (deficiency) of revenues over expenditures</b>	(1,021,762)	(1,007,304)	14,458
<b>Other financing sources (uses):</b>			
Transfers in	798,563	798,563	
Transfers out	(500,000)	(500,000)	
<b>Total other financing sources (uses)</b>	298,563	298,563	
<b>Change in fund balances</b>	(723,199)	(708,741)	14,458
<b>Fund balances, July 1, 2009</b>	1,513,303	1,497,694	(15,609)
<b>Fund balances, June 30, 2010</b>	\$ 790,104	\$ 788,953	\$ (1,151)

## **NON-MAJOR CAPITAL PROJECTS FUNDS**

Capital projects funds are used to account for the resources expended in the acquisition of major capital projects, except those financed by the Enterprise Funds. Capital projects funds also include projects funded by special improvement districts. The City maintains the following non-major Capital Projects funds.

**Local Construction Fund** - accounts for projects funded from local sources.

**Airway Underpass Fund** - accounts for the Airway Underpass project.

**Bank Street Construction Fund** - accounts for the local Bank Street construction project.

**KAT and Banks Airport Construction Fund** - accounts for the improvement district for Kingman Airport Tract and Banks Airport addition projects.

**Kingman Crossing Fund** – accounts for the Kingman Crossing project.

**Rattlesnake Wash Construction Fund** - accounts for the Rattlesnake Wash project.

**Flood Control Fund** - accounts for intergovernmental aid from Mohave County to be used for flood control construction projects within the City

**CITY OF KINGMAN, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2010**

	Local Construction	Airway Underpass	Bank Street Construction	KAT and Banks Airport Construction
<b><u>ASSETS</u></b>				
Cash and investments	\$ 365,411	\$ 931,963	\$ 42,147	\$ 845,498
Due from governmental entities				
<b>Total assets</b>	<u>\$ 365,411</u>	<u>\$ 931,963</u>	<u>\$ 42,147</u>	<u>\$ 845,498</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$	\$ 174	\$	\$
Construction contracts payable				363,194
<b>Total liabilities</b>		<u>174</u>		<u>363,194</u>
Fund balances:				
Unreserved:				
Undesignated	365,411	931,789	42,147	482,304
<b>Total fund balances</b>	<u>365,411</u>	<u>931,789</u>	<u>42,147</u>	<u>482,304</u>
<b>Total liabilities and fund balances</b>	<u>\$ 365,411</u>	<u>\$ 931,963</u>	<u>\$ 42,147</u>	<u>\$ 845,498</u>

<u>Kingman Crossing</u>	<u>Rattlesnake Wash Construction</u>	<u>Flood Control</u>	<u>Totals</u>
\$ 86,848	\$ 325,085	\$ 476,690	\$ 3,073,642
		870,424	870,424
<u>\$ 86,848</u>	<u>\$ 325,085</u>	<u>\$ 1,347,114</u>	<u>\$ 3,944,066</u>
\$ 1,459	\$	\$ 355	\$ 1,988
			363,194
<u>1,459</u>		<u>355</u>	<u>365,182</u>
<u>85,389</u>	<u>325,085</u>	<u>1,346,759</u>	<u>3,578,884</u>
<u>85,389</u>	<u>325,085</u>	<u>1,346,759</u>	<u>3,578,884</u>
<u>\$ 86,848</u>	<u>\$ 325,085</u>	<u>\$ 1,347,114</u>	<u>\$ 3,944,066</u>

**CITY OF KINGMAN, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Local Construction	Airway Underpass	Bank Street Construction
<b>Revenues:</b>			
Intergovernmental	\$	\$	\$
Investment income	3,032	654	453
<b>Total revenues</b>	<u>3,032</u>	<u>654</u>	<u>453</u>
<b>Expenditures:</b>			
Capital outlay		3,224	
Debt service - Interest and fiscal charges			
<b>Total expenditures</b>		<u>3,224</u>	
<b>Excess (deficiency) of revenues over expenditures</b>	<u>3,032</u>	<u>(2,570)</u>	<u>453</u>
<b>Other financing sources (uses):</b>			
Transfers in	6,656		
Transfers out	(106,000)		
<b>Total other financing sources (uses)</b>	<u>(99,344)</u>		
<b>Change in fund balances</b>	<u>(96,312)</u>	<u>(2,570)</u>	<u>453</u>
<b>Fund balances, beginning of year</b>	461,723	934,359	41,694
<b>Fund balances, end of year</b>	<u>\$ 365,411</u>	<u>\$ 931,789</u>	<u>\$ 42,147</u>

KAT and Banks Airport Construction	Kingman Crossing	Rattlesnake Wash Construction	Flood Control	Totals
\$	\$	\$	\$	\$
591	23	21	870,424	870,424
591	23	21	3,985	8,759
			874,409	879,183
1,853,658	16,092		848,620	2,721,594
140,650				140,650
1,994,308	16,092		848,620	2,862,244
(1,993,717)	(16,069)	21	25,789	(1,983,061)
12,000		216,750		235,406
12,000		216,750		(106,000)
				129,406
(1,981,717)	(16,069)	216,771	25,789	(1,853,655)
2,464,021	101,458	108,314	1,320,970	5,432,539
\$ 482,304	\$ 85,389	\$ 325,085	\$ 1,346,759	\$ 3,578,884

**CITY OF KINGMAN, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Local Construction		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$	\$	\$
Investment income	2,500	3,032	532
Development investment fees			
<b>Total revenues</b>	2,500	3,032	532
<b>Expenditures:</b>			
Capital outlay			
Debt service -			
Interest and fiscal charges			
<b>Total expenditures</b>			
<b>Excess (deficiency) of revenues over expenditures</b>	2,500	3,032	532
<b>Other financing sources (uses):</b>			
General obligation bonds issued			
Transfers in	6,768	6,656	(112)
Transfers out	(106,000)	(106,000)	
<b>Total other financing sources (uses)</b>	(99,232)	(99,344)	(112)
<b>Change in fund balances</b>	(96,732)	(96,312)	420
<b>Fund balances, July 1, 2009</b>	460,995	461,723	728
<b>Fund balances, June 30, 2010</b>	\$ 364,263	\$ 365,411	\$ 1,148

\*The Bank Street Construction Fund was included in the City's budget, however, the budget was -0-.

Airway Underpass		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	654	654
	654	654
100,000	3,224	96,776
100,000	3,224	96,776
(100,000)	(2,570)	97,430
(846,157)		846,157
(846,157)		846,157
(946,157)	(2,570)	943,587
946,157	934,359	(11,798)
\$	\$ 931,789	\$ 931,789

Bank Street Construction		
Budget*	Actual	Variance - Positive (Negative)
\$	\$	\$
	453	453
	453	453
	453	453
	453	453
	41,694	41,694
\$	\$ 42,147	\$ 42,147

(Continued)

**CITY OF KINGMAN, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2010**  
**(Continued)**

	<u>KAT and Banks Airport Construction</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$	\$	\$
Investment income	1,000	591	(409)
Development investment fees			
<b>Total revenues</b>	<u>1,000</u>	<u>591</u>	<u>(409)</u>
<b>Expenditures:</b>			
Capital outlay	2,049,000	1,853,658	195,342
Debt service -			
Interest and fiscal charges		140,650	(140,650)
<b>Total expenditures</b>	<u>2,049,000</u>	<u>1,994,308</u>	<u>54,692</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,048,000)</u>	<u>(1,993,717)</u>	<u>54,283</u>
<b>Other financing sources (uses):</b>			
General obligation bonds issued			
Transfers in	12,000	12,000	
Transfers out			
<b>Total other financing sources (uses)</b>	<u>12,000</u>	<u>12,000</u>	
<b>Change in fund balances</b>	<u>(2,036,000)</u>	<u>(1,981,717)</u>	<u>54,283</u>
<b>Fund balances, July 1, 2009</b>	2,038,043	2,464,021	425,978
<b>Fund balances, June 30, 2010</b>	<u>\$ 2,043</u>	<u>\$ 482,304</u>	<u>\$ 480,261</u>

Kingman Crossing			Rattlesnake Wash Construction		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$ 28,341,000	\$	\$ (28,341,000)
	23	23		21	21
1,352,000		(1,352,000)	1,348,667		(1,348,667)
1,352,000	23	(1,351,977)	29,689,667	21	(29,689,646)
1,404,651	16,092	1,388,559	38,655,417		38,655,417
1,404,651	16,092	1,388,559	38,655,417		38,655,417
(52,651)	(16,069)	36,582	(8,965,750)	21	8,965,771
			8,749,000		(8,749,000)
			216,750	216,750	
			8,965,750	216,750	(8,749,000)
(52,651)	(16,069)	36,582		216,771	216,771
52,651	101,458	48,807	209,250	108,314	(100,936)
\$	\$ 85,389	\$ 85,389	\$ 209,250	\$ 325,085	\$ 115,835

(Continued)

**CITY OF KINGMAN, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2010**  
**(Concluded)**

	Flood Control		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 870,424	\$ 870,424	\$
Investment income	3,000	3,985	985
Development investment fees			
<b>Total revenues</b>	873,424	874,409	985
<b>Expenditures:</b>			
Capital outlay	1,555,080	848,620	706,460
Debt service -			
Interest and fiscal charges			
<b>Total expenditures</b>	1,555,080	848,620	706,460
<b>Excess (deficiency) of revenues over expenditures</b>	(681,656)	25,789	707,445
<b>Other financing sources (uses):</b>			
General obligation bonds issued			
Transfers in			
Transfers out			
<b>Total other financing sources (uses)</b>			
<b>Change in fund balances</b>	(681,656)	25,789	707,445
<b>Fund balances, July 1, 2009</b>	781,782	1,320,970	539,188
<b>Fund balances, June 30, 2010</b>	\$ 100,126	\$ 1,346,759	\$ 1,246,633

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 29,211,424	\$ 870,424	\$ (28,341,000)
6,500	8,759	2,259
<u>2,700,667</u>		<u>(2,700,667)</u>
<u>31,918,591</u>	<u>879,183</u>	<u>(31,039,408)</u>
43,764,148	2,721,594	41,042,554
	<u>140,650</u>	<u>(140,650)</u>
<u>43,764,148</u>	<u>2,862,244</u>	<u>40,901,904</u>
<u>(11,845,557)</u>	<u>(1,983,061)</u>	<u>9,862,496</u>
8,749,000		(8,749,000)
235,518	235,406	(112)
<u>(952,157)</u>	<u>(106,000)</u>	<u>846,157</u>
<u>8,032,361</u>	<u>129,406</u>	<u>(7,902,955)</u>
<u>(3,813,196)</u>	<u>(1,853,655)</u>	<u>1,959,541</u>
4,488,878	5,432,539	943,661
<u>\$ 675,682</u>	<u>\$ 3,578,884</u>	<u>\$ 2,903,202</u>

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## INTERNAL SERVICE FUNDS

**Fleet Services Fund** - accounts for the City's internal fleet operations.

**Insurance Services Fund** - accounts for the City's insurance program.

**Building Maintenance Services Fund** - accounts for the cost of maintaining and repairing City facilities.

**Information Systems Fund** - accounts for the City's cost of providing information support services to all City departments.

**Employee Benefit Trust Fund** - accounts for the activity associated with the City's self-insurance program.

**CITY OF KINGMAN, ARIZONA**  
**COMBINING STATEMENT OF NET ASSETS - ALL INTERNAL SERVICE FUNDS**  
**JUNE 30, 2010**

	Fleet Services	Insurance Services	Building Maintenance Services	Information Systems
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments	\$ 169,788	\$ 1,105,561	\$ 336,258	\$ 772,491
Accounts receivable				
<b>Total current assets</b>	<u>169,788</u>	<u>1,105,561</u>	<u>336,258</u>	<u>772,491</u>
Noncurrent assets:				
Land	567,000			
Buildings	576,100			
Improvements other than buildings	78,660			
Vehicles, machinery, and equipment	163,318			767,597
Accumulated depreciation	(487,054)			(584,358)
<b>Total noncurrent assets</b>	<u>898,024</u>			<u>183,239</u>
<b>Total assets</b>	<u>1,067,812</u>	<u>1,105,561</u>	<u>336,258</u>	<u>955,730</u>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	\$ 14,112	\$ 16,613	\$ 7,877	\$ 3,216
Accrued payroll and employee benefits	9,459		4,723	12,258
Compensated absences payable	53,300		13,537	31,337
Obligations under capital leases	38,874			
Claims payable				
<b>Total current liabilities</b>	<u>115,745</u>	<u>16,613</u>	<u>26,137</u>	<u>46,811</u>
Noncurrent liabilities:				
Non-current portion of long-term obligations	343,265			
<b>Total non-current liabilities</b>	<u>343,265</u>			
<b>Total liabilities</b>	<u>459,010</u>	<u>16,613</u>	<u>26,137</u>	<u>46,811</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	515,885			183,239
Unrestricted	92,917	1,088,948	310,121	725,680
<b>Total net assets</b>	<u>\$ 608,802</u>	<u>\$ 1,088,948</u>	<u>\$ 310,121</u>	<u>\$ 908,919</u>

Employee Benefit Trust	Totals
\$ 4,412,809	\$ 6,796,907
441,438	441,438
4,854,247	7,238,345
	567,000
	576,100
	78,660
	930,915
	(1,071,412)
	1,081,263
4,854,247	8,319,608
\$ 37,043	\$ 78,861
1,229	27,669
	98,174
	38,874
560,000	560,000
598,272	803,578
	343,265
	343,265
598,272	1,146,843
	699,124
4,255,975	6,473,641
\$ 4,255,975	\$ 7,172,765

**CITY OF KINGMAN, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**ALL INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Fleet Services	Insurance Services	Building Maintenance Services	Information Systems
<b>Operating revenues:</b>				
Miscellaneous	\$	\$	\$	\$
Charges for services	1,078,485	605,000	666,600	500,000
Contributions				
<b>Total operating revenues</b>	<u>1,078,485</u>	<u>605,000</u>	<u>666,600</u>	<u>500,000</u>
<b>Operating expenses:</b>				
Costs of sales and services	1,030,970	379,643	553,608	837,637
Depreciation	25,831			64,286
Claims				
<b>Total operating expenses</b>	<u>1,056,801</u>	<u>379,643</u>	<u>553,608</u>	<u>901,923</u>
<b>Operating income (loss)</b>	<u>21,684</u>	<u>225,357</u>	<u>112,992</u>	<u>(401,923)</u>
<b>Nonoperating revenues (expenses):</b>				
Investment income	1,343	8,753	2,649	6,239
Miscellaneous		1,004		6,230
Interest expense	(24,337)			
<b>Total nonoperating revenues (expenses)</b>	<u>(22,994)</u>	<u>9,757</u>	<u>2,649</u>	<u>12,469</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>(1,310)</u>	<u>235,114</u>	<u>115,641</u>	<u>(389,454)</u>
<b>Transfers in</b>				
<b>Change in net assets</b>	<u>(1,310)</u>	<u>235,114</u>	<u>115,641</u>	<u>(389,454)</u>
<b>Total net assets, beginning of year</b>	610,112	853,834	194,480	1,298,373
<b>Total net assets, end of year</b>	<u>\$ 608,802</u>	<u>\$ 1,088,948</u>	<u>\$ 310,121</u>	<u>\$ 908,919</u>

Employee Benefit Trust	Totals
\$ 87,114	\$ 87,114
	2,850,085
<u>4,016,365</u>	<u>4,016,365</u>
<u>4,103,479</u>	<u>6,953,564</u>
	2,801,858
	90,117
<u>3,777,893</u>	<u>3,777,893</u>
<u>3,777,893</u>	<u>6,669,868</u>
<u>325,586</u>	<u>283,696</u>
35,083	54,067
10,616	17,850
<u>          </u>	<u>(24,337)</u>
<u>45,699</u>	<u>47,580</u>
<u>371,285</u>	<u>331,276</u>
<u>325,000</u>	<u>325,000</u>
<u>696,285</u>	<u>656,276</u>
3,559,690	6,516,489
<u>\$ 4,255,975</u>	<u>\$ 7,172,765</u>

**CITY OF KINGMAN, ARIZONA**  
**COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Fleet Services</u>	<u>Insurance Services</u>	<u>Building Maintenance Services</u>	<u>Information Systems</u>
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>				
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 1,078,485	605,000	666,600	500,000
Cash received from contributions				
Cash payments to employees for services	(307,999)		(158,177)	(406,728)
Cash payments to suppliers for goods/services	(737,088)	(369,092)	(389,302)	(428,398)
Cash payments for claims				
<b>Net cash provided by (used for) operating activities</b>	<u>33,398</u>	<u>235,908</u>	<u>119,121</u>	<u>(335,126)</u>
<b>Cash flows from non capital financing activities:</b>				
Nonoperating revenues		1,004		6,230
Transfers in				
<b>Net cash provided by non capital financing activities:</b>		<u>1,004</u>		<u>6,230</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets				(16,041)
Principal paid on debt	(36,739)			
Interest paid on debt	(24,337)			
<b>Net cash used for capital and related financing activities:</b>	<u>(61,076)</u>			<u>(16,041)</u>
<b>Cash flows from investing activities:</b>				
Investment income	1,343	8,753	2,649	6,239
<b>Net cash provided by investing activities</b>	<u>1,343</u>	<u>8,753</u>	<u>2,649</u>	<u>6,239</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(26,335)</u>	<u>245,665</u>	<u>121,770</u>	<u>(338,698)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>196,123</u>	<u>859,896</u>	<u>214,488</u>	<u>1,111,189</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 169,788</u>	<u>\$ 1,105,561</u>	<u>\$ 336,258</u>	<u>\$ 772,491</u>

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets**

Cash and cash equivalents	101,868	663,303	201,745	463,471
Investments	67,920	442,258	134,513	309,020
<b>Total cash and investments</b>	<u>\$ 169,788</u>	<u>\$ 1,105,561</u>	<u>\$ 336,258</u>	<u>\$ 772,491</u>

**Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities**

Operating income (loss)	\$ 21,684	\$ 225,357	\$ 112,992	\$ (401,923)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	25,831			64,286
Changes in assets and liabilities:				
Increase in accounts receivable				
Increase in compensated absences payable	6,868		3,515	4,036
Decrease in claims payable				
Increase in accrued payroll and employee benefits	883		215	1,114
Increase (decrease) in accounts payable	(21,868)	10,551	2,399	(2,639)
<b>Total adjustments</b>	<u>11,714</u>	<u>10,551</u>	<u>6,129</u>	<u>66,797</u>
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 33,398</u>	<u>\$ 235,908</u>	<u>\$ 119,121</u>	<u>\$ (335,126)</u>

<u>Employee Benefit Trust</u>	<u>Totals</u>
	\$ 2,850,085
4,103,479	4,103,479
	(872,904)
	(1,923,880)
<u>(4,224,894)</u>	<u>(4,224,894)</u>
<u>(121,415)</u>	<u>(68,114)</u>
10,616	17,850
325,000	325,000
<u>335,616</u>	<u>342,850</u>
	(16,041)
	(36,739)
	<u>(24,337)</u>
	<u>(77,117)</u>
35,083	54,067
<u>35,083</u>	<u>54,067</u>
<u>249,284</u>	<u>251,686</u>
<u>4,163,525</u>	<u>6,545,221</u>
<u>\$ 4,412,809</u>	<u>\$ 6,796,907</u>
2,647,550	4,077,937
1,765,259	2,718,970
<u>\$ 4,412,809</u>	<u>\$ 6,796,907</u>
\$ 325,586	\$ 283,696
	90,117
(410,192)	(410,192)
	14,419
(54,000)	(54,000)
286	2,498
<u>16,905</u>	<u>5,348</u>
<u>(447,001)</u>	<u>(351,810)</u>
<u>\$ (121,415)</u>	<u>\$ (68,114)</u>

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## STATISTICAL SECTION

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

### **Financial Trends**

These schedules contain information on financial trends to help the reader understand how the City's financial position and financial activities have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the City's ability to generate revenue.

### **Debt Capacity**

These schedules present information to help the reader evaluate the City's current levels of outstanding debt as well as assess the City's ability to make debt payments and/or issue additional debt in the future.

### **Demographic and Economic Information**

These schedules present various demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to help make comparisons with other cities.

### **Operating Information**

These schedules contain information about the City's operations and various resources to help the reader draw conclusions as to how the City's financial information relates to the services provided by the City.

Due to cost considerations for the accumulation of data, the City has elected to present less than ten years of data, or data from less than nine years prior, for certain statistical schedules. This information will be accumulated and reported each year until the complete ten years of data is presented.

**CITY OF KINGMAN, ARIZONA  
NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS  
(Accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>	<u><b>2006</b></u>
<b>Governmental activities:</b>					
Invested in capital assets, net of related debt	\$ 38,762,943	\$ 37,891,064	\$ 37,438,313	\$ 37,343,856	\$ 43,500,192
Restricted	329,125	387,789	445,957	877,528	1,244,463
Unrestricted	30,294,711	28,536,485	28,310,524	25,907,666	10,551,246
Total governmental activities net assets	<u>\$ 69,386,779</u>	<u>\$ 66,815,338</u>	<u>\$ 66,194,794</u>	<u>\$ 64,129,050</u>	<u>\$ 55,295,901</u>
<b>Business-type activities:</b>					
Invested in capital assets, net of related debt	\$ 31,861,904	\$ 29,906,112	\$ 30,578,796	\$ 31,505,500	\$ 30,029,791
Restricted	1,828,632	942,356	938,662	943,561	932,588
Unrestricted	15,869,839	15,482,328	13,468,732	9,389,716	9,703,202
Total business-type activities net assets	<u>\$ 49,560,375</u>	<u>\$ 46,330,796</u>	<u>\$ 44,986,190</u>	<u>\$ 41,838,777</u>	<u>\$ 40,665,581</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 70,624,847	\$ 67,797,176	\$ 68,017,109	\$ 68,849,356	\$ 73,529,983
Restricted	2,157,757	1,330,145	1,384,619	1,821,089	2,177,051
Unrestricted	46,164,550	44,018,813	41,779,256	35,297,382	20,254,448
Total net assets	<u>\$ 118,947,154</u>	<u>\$ 113,146,134</u>	<u>\$ 111,180,984</u>	<u>\$ 105,967,827</u>	<u>\$ 95,961,482</u>

(Continued)

**CITY OF KINGMAN, ARIZONA  
NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS  
(Accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>		
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>Governmental activities:</b>			
Invested in capital assets, net of related debt	\$ 35,549,975	\$ 40,484,882	\$ 38,262,311
Restricted			
Unrestricted	17,550,843	12,472,748	8,961,390
Total governmental activities net assets	\$ 53,100,818	\$ 52,957,630	\$ 47,223,701
<b>Business-type activities:</b>			
Invested in capital assets, net of related debt	\$ 29,058,678	\$ 28,022,369	\$ 27,144,951
Restricted	879,772	808,324	773,589
Unrestricted	8,952,050	8,534,046	9,403,917
Total business-type activities net assets	\$ 38,890,500	\$ 37,364,739	\$ 37,322,457
<b>Primary government</b>			
Invested in capital assets, net of related debt	\$ 64,608,653	\$ 68,507,251	\$ 65,407,262
Restricted	879,772	808,324	773,589
Unrestricted	26,502,893	21,006,794	18,365,307
Total net assets	\$ 91,991,318	\$ 90,322,369	\$ 84,546,158

**Source:** The source of this information is the City's financial records.

**Note:** The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2002-03 therefore only eight years are shown.

**(Concluded)**

**CITY OF KINGMAN, ARIZONA**  
**EXPENSES, PROGRAM REVENUES, AND NET EXPENSE**  
**LAST EIGHT FISCAL YEARS**  
**(Accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 4,616,031	\$ 4,761,050	\$ 4,812,710	\$ 5,338,793	\$ 4,897,625
Public safety	15,337,732	15,865,007	15,757,220	15,864,775	13,804,815
Highways and streets	4,499,627	4,085,526	5,548,153	1,314,715	7,308,071
Culture and recreation	3,826,798	4,574,132	4,916,992	4,662,109	3,838,881
Economic development	562,714	306,605	269,108	219,488	336,274
Interest on long-term debt	875,832	808,803	733,249	745,429	816,331
Total governmental activities	<u>29,718,734</u>	<u>30,401,123</u>	<u>32,037,432</u>	<u>28,145,309</u>	<u>31,001,997</u>
Business-type activities:					
Water	7,081,551	7,546,397	7,365,694	7,398,433	7,124,977
Wastewater	2,098,760	1,746,494	1,365,364	1,947,121	1,311,188
Sanitation	2,721,958	2,703,858	2,833,348	2,648,349	2,460,861
Total business-type activities	<u>11,902,269</u>	<u>11,996,749</u>	<u>11,564,406</u>	<u>11,993,903</u>	<u>10,897,026</u>
Total expenses	<u>41,621,003</u>	<u>42,397,872</u>	<u>43,601,838</u>	<u>40,139,212</u>	<u>41,899,023</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services					
Culture and recreation	1,238,827	1,093,529	1,347,712	1,349,404	1,306,201
Economic development	463,055	737,699	878,552	1,033,205	1,479,729
Other	748,808	1,726,696	1,211,968	654,730	699,664
Operating grants and contributions	2,492,889	1,825,376	2,621,629	2,403,743	1,173,316
Capital grants and contributions	5,312,895	1,270,449	1,973,809	4,159,165	3,069,691
Total governmental activities	<u>10,256,474</u>	<u>6,653,749</u>	<u>8,033,670</u>	<u>9,600,247</u>	<u>7,728,601</u>
Business-type activities:					
Charges for services					
Water	8,787,008	7,723,005	9,153,960	8,602,871	7,406,521
Wastewater	3,846,079	3,370,892	2,791,018	2,301,410	2,674,379
Sanitation	3,305,488	3,336,841	3,292,757	3,152,197	2,800,752
Total business-type activities	<u>15,938,575</u>	<u>14,430,738</u>	<u>15,237,735</u>	<u>14,056,478</u>	<u>12,881,652</u>
Total program revenues	<u>26,195,049</u>	<u>21,084,487</u>	<u>23,271,405</u>	<u>23,656,725</u>	<u>20,610,253</u>
<b>Net Expense</b>	<u>\$ (15,425,954)</u>	<u>\$ (21,313,385)</u>	<u>\$ (20,330,433)</u>	<u>\$ (16,482,487)</u>	<u>\$ (21,288,770)</u>

**CITY OF KINGMAN, ARIZONA**  
**EXPENSES, PROGRAM REVENUES, AND NET EXPENSE**  
**LAST EIGHT FISCAL YEARS**  
**(Accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>		
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>Expenses</b>			
Governmental activities:			
General government	\$ 4,195,447	\$ 3,507,294	\$ 3,356,260
Public safety	12,305,483	10,400,692	9,618,155
Highways and streets	4,625,284	4,250,651	3,644,424
Culture and recreation	3,993,673	3,680,328	3,157,373
Economic development	146,783	253,145	230,917
Interest on long-term debt	432,666	480,284	513,086
Total governmental activities	<u>25,699,336</u>	<u>22,572,394</u>	<u>20,520,215</u>
Business-type activities:			
Water	6,219,710	5,889,553	5,005,387
Wastewater	1,064,738	1,271,322	1,287,841
Sanitation	2,196,194	1,953,622	1,921,553
Total business-type activities	<u>9,480,642</u>	<u>9,114,497</u>	<u>8,214,781</u>
Total expenses	<u>35,179,978</u>	<u>31,686,891</u>	<u>28,734,996</u>
<b>Program Revenues</b>			
Governmental activities:			
Charges for services			
Culture and recreation	1,143,172	1,229,385	1,201,245
Economic development	130,383	705,684	544,060
Other	1,571,405	658,287	691,339
Operating grants and contributions	919,890	917,746	891,142
Capital grants and contributions	1,046,252	6,002,229	1,527,008
Total governmental activities	<u>4,811,102</u>	<u>9,513,331</u>	<u>4,854,794</u>
Business-type activities:			
Charges for services			
Water	6,203,590	5,765,371	5,460,914
Wastewater	2,312,960	1,820,319	1,664,318
Sanitation	2,184,776	2,067,270	1,984,870
Total business-type activities	<u>10,701,326</u>	<u>9,652,960</u>	<u>9,110,102</u>
Total program revenues	<u>15,512,428</u>	<u>19,166,291</u>	<u>13,964,896</u>
<b>Net Expense</b>	<b><u>\$ (19,667,550)</u></b>	<b><u>\$ (12,520,600)</u></b>	<b><u>\$ (14,770,100)</u></b>

**Source:** The source of this information is the City's financial records.

**Note:** The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2002-03 therefore only eight years are shown.

**CITY OF KINGMAN, ARIZONA**  
**GENERAL REVENUES AND TOTAL CHANGES IN NET ASSETS**  
**LAST EIGHT FISCAL YEARS**  
**(Accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Net Expense</b>	\$ (15,425,954)	\$ (21,313,385)	\$ (20,330,433)	\$ (16,482,487)	\$ (21,288,770)
<b>General Revenues:</b>					
Governmental activities:					
Taxes:					
Sales taxes	11,648,543	12,024,409	12,990,502	14,070,401	14,359,943
Property taxes	20,169	437,457	430,630	430,666	311,232
Auto lieu taxes	1,290,144	1,375,193	1,501,803	1,569,940	1,441,076
Franchise taxes	657,793	804,964	730,892	711,893	680,628
Unrestricted state shared revenue	7,229,643	8,230,525	8,702,727	8,192,336	7,048,226
Investment income	207,908	259,194	778,418	1,000,211	915,471
Miscellaneous	17,850	14,631	12,796		12,243
<b>Transfers</b>	<u>961,651</u>	<u>1,221,545</u>	<u>921,738</u>	<u>1,402,764</u>	<u>699,660</u>
Total governmental activities	<u>22,033,701</u>	<u>24,367,918</u>	<u>26,069,506</u>	<u>27,378,211</u>	<u>25,468,479</u>
<b>General Revenues:</b>					
Business-type activities:					
Investment income (loss)	154,924	132,162	395,822	513,385	490,115
<b>Transfers</b>	<u>(961,651)</u>	<u>(1,221,545)</u>	<u>(921,738)</u>	<u>(1,402,764)</u>	<u>(699,660)</u>
Total business-type activities	<u>(806,727)</u>	<u>(1,089,383)</u>	<u>(525,916)</u>	<u>(889,379)</u>	<u>(209,545)</u>
<b>Changes in Net Assets</b>	<u>\$ 5,801,020</u>	<u>\$ 1,965,150</u>	<u>\$ 5,213,157</u>	<u>\$ 10,006,345</u>	<u>\$ 3,970,164</u>

(Continued)

**CITY OF KINGMAN, ARIZONA**  
**GENERAL REVENUES AND TOTAL CHANGES IN NET ASSETS**  
**LAST EIGHT FISCAL YEARS**  
**(Accrual basis of accounting)**

	Fiscal Year Ended June 30		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Net Expense</b>	\$ (19,667,550)	\$ (12,520,600)	\$ (14,770,100)
<b>General Revenues:</b>			
Governmental activities:			
Taxes:			
Sales taxes	12,090,746	10,042,792	9,016,740
Property taxes	520,167	444,768	418,737
Auto lieu taxes	1,254,006	1,143,439	867,168
Franchise taxes	532,972	506,033	470,842
Unrestricted state shared revenue	6,298,893	5,880,436	5,709,446
Investment income	331,888	160,478	12,217
Miscellaneous	55,496		48,725
<b>Transfers</b>	(52,746)	615,046	877,702
Total governmental activities	21,031,422	18,792,992	17,421,577
<b>General Revenues:</b>			
Business-type activities:			
Investment income (loss)	252,331	118,865	(232,766)
<b>Transfers</b>	52,746	(615,046)	(877,702)
Total business-type activities	305,077	(496,181)	(1,110,468)
<b>Changes in Net Assets</b>	\$ 1,668,949	\$ 5,776,211	\$ 1,541,009

**Source:** The source of this information is the City's financial records.

**Note:** The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2002-03 therefore only eight years are shown.

**(Concluded)**

**CITY OF KINGMAN, ARIZONA**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST NINE FISCAL YEARS**  
**(Modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
General Fund:					
Unreserved	\$ 8,855,139	\$ 8,625,441	\$ 8,810,167	\$ 8,835,853	\$ 8,115,165
Total General Fund	\$ 8,855,139	\$ 8,625,441	\$ 8,810,167	\$ 8,835,853	\$ 8,115,165
All Other Governmental Funds:					
Unreserved, reported in:					
Special revenue funds	\$ 1,355,093	\$ 1,643,226	\$ 1,540,129	\$ 1,646,709	\$ 1,864,903
Capital projects funds	4,085,795	5,806,257	4,127,878	3,869,683	4,423,864
Debt service funds	4,389,957	5,364,014	3,279,316	3,249,476	3,056,969
Total all other governmental funds	\$ 9,830,845	\$ 12,813,497	\$ 8,947,323	\$ 8,765,868	\$ 9,345,736
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	
General Fund:					
Unreserved	\$ 6,717,374	\$ 5,633,713	\$ 6,250,325	\$ 6,993,456	
Total General Fund	\$ 6,717,374	\$ 5,633,713	\$ 6,250,325	\$ 6,993,456	
All Other Governmental Funds:					
Unreserved, reported in:					
Special revenue funds	\$ 1,962,659	\$ 2,055,078	\$ 1,212,943	\$ 1,318,119	
Capital projects funds	1,903,521	1,558,676	3,359,430	1,260,353	
Debt service funds	1,137,857	850,756	887,016	1,016,471	
Total all other governmental funds	\$ 5,004,037	\$ 4,464,510	\$ 5,459,389	\$ 3,594,943	

**Source:** The source of this information is the City's financial records.

**CITY OF KINGMAN, ARIZONA**  
**GOVERNMENTAL FUNDS REVENUES**  
**LAST NINE FISCAL YEARS**  
**(Modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Taxes	\$ 13,616,649	\$ 14,642,023	\$ 15,661,691	\$ 16,776,012	\$ 16,924,397
Licenses and permits	74,280	75,476	78,852	78,245	67,308
Intergovernmental	10,567,956	10,760,995	12,489,710	12,993,888	8,667,943
Charges for services	1,819,751	2,084,053	2,556,038	2,334,372	2,802,844
Fines and forfeits	260,767	296,701	343,852	432,907	369,574
Investment income	153,841	207,536	619,192	837,405	796,102
Special assessments	1,072,622	3,232,765	808,455	1,472,051	2,420,938
Miscellaneous	365,075	236,569	459,490	481,120	460,463
Development investment fees	99,817	898,950			
Total revenues	\$ 28,030,758	\$ 32,435,068	\$ 33,017,280	\$ 35,406,000	\$ 32,509,569
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	
Taxes	\$ 14,285,265	\$ 12,137,032	\$ 10,773,487	\$ 10,434,683	
Licenses and permits	99,093	91,712	93,567	89,318	
Intergovernmental	8,002,527	7,739,706	7,023,321	7,328,384	
Charges for services	2,328,004	2,118,659	1,955,204	1,801,552	
Fines and forfeits	262,451	220,164	235,158	252,959	
Investment income	272,219	135,203	56,228	315,985	
Special assessments	745,432	666,365	992,874	607,820	
Miscellaneous	337,943	410,941	422,597	228,361	
Development investment fees					
Total revenues	\$ 26,332,934	\$ 23,519,782	\$ 21,552,436	\$ 21,059,062	

**Source:** The source of this information is the City's financial records.

**CITY OF KINGMAN, ARIZONA**  
**GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO**  
**LAST NINE FISCAL YEARS**  
**(Modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Expenditures:</b>					
Current -					
General government	\$ 4,455,010	\$ 4,455,724	\$ 5,082,263	\$ 5,063,071	\$ 4,854,321
Public safety	13,930,915	14,635,020	15,131,180	14,544,337	13,325,125
Highways and streets	2,995,398	3,018,176	3,717,739	4,387,787	3,450,186
Culture and recreation	3,431,368	3,635,466	4,568,448	4,226,004	3,585,219
Economic development	488,824	263,220	235,850	227,364	269,440
Capital outlay	3,563,268	4,614,786	2,406,306	7,820,600	9,189,659
Debt service -					
Bond issuance costs		112,230			218,294
Principal retirement	1,704,085	2,115,553	1,998,234	1,518,059	904,458
Interest and fiscal charges	851,495	670,219	733,249	745,429	728,462
<b>Total expenditures</b>	<u>\$ 31,420,363</u>	<u>\$ 33,520,394</u>	<u>\$ 33,873,269</u>	<u>\$ 38,532,651</u>	<u>\$ 36,525,164</u>
Expenditures for capitalized assets	\$ 2,705,171	\$ 3,693,462	\$ 1,848,135	\$ 6,916,188	\$ 8,980,940
Debt service as a percentage of noncapital expenditures	9%	10%	9%	7%	7%

(Continued)

**CITY OF KINGMAN, ARIZONA**  
**GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO**  
**LAST NINE FISCAL YEARS**  
**(Modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Expenditures:</b>				
Current -				
General government	\$ 3,940,385	\$ 3,473,875	\$ 3,704,519	\$ 3,361,467
Public safety	11,558,946	10,048,924	9,632,401	8,001,057
Highways and streets	3,174,550	2,927,820	2,540,273	1,867,451
Culture and recreation	3,673,432	3,374,117	3,063,432	3,285,662
Economic development	231,201	229,980	231,116	192,700
Capital outlay	1,900,640	4,190,857	4,380,084	5,617,396
Debt service -				
Bond issuance costs				
Principal retirement	919,346	780,295	851,299	1,013,359
Interest and fiscal charges	432,666	480,284	513,086	430,720
<b>Total expenditures</b>	<u>\$ 25,831,166</u>	<u>\$ 25,506,152</u>	<u>\$ 24,916,210</u>	<u>\$ 23,769,812</u>
Expenditures for capitalized assets	\$ 315,678	\$ 3,702,986	\$ 4,973,617	\$ 5,511,088
Debt service as a percentage of noncapital expenditures	5%	6%	7%	8%

**Source:** The source of this information is the District's financial records.

**(Concluded)**

**CITY OF KINGMAN, ARIZONA**  
**OTHER FINANCING SOURCES AND USES AND NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST NINE FISCAL YEARS**  
**(Modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Excess (deficiency) of revenues over expenditures</b>	\$ (3,389,605)	\$ (1,085,326)	\$ (855,989)	\$ (3,126,651)	\$ (4,015,595)
<b>Other financing sources (uses):</b>					
Obligations under capital leases			453,600		
General obligation bonds issued					2,850,000
Special assessment bonds issued		3,880,000		114,707	6,325,000
Loan proceeds				2,000,000	
Premium on sale of bonds					130,425
Capital contributions					
Transfers in	3,557,643	4,596,935	3,095,978	4,270,883	2,905,740
Transfers out	<u>(2,920,992)</u>	<u>(3,710,161)</u>	<u>(2,537,820)</u>	<u>(3,118,119)</u>	<u>(2,456,080)</u>
Total other financing sources (uses)	<u>636,651</u>	<u>4,766,774</u>	<u>1,011,758</u>	<u>3,267,471</u>	<u>9,755,085</u>
<b>Changes in fund balances</b>	<u>\$ (2,752,954)</u>	<u>\$ 3,681,448</u>	<u>\$ 155,769</u>	<u>\$ 140,820</u>	<u>\$ 5,739,490</u>
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	
<b>Excess (deficiency) of revenues over expenditures</b>	\$ 501,768	\$ (1,986,370)	\$ (3,363,774)	\$ (2,710,750)	
<b>Other financing sources (uses):</b>					
Obligations under capital leases					
General obligation bonds issued			3,580,000		
Special assessment bonds issued					
Loan proceeds					
Premium on sale of bonds			27,387		
Capital contributions	55,496				
Transfers in	3,046,894	2,564,824	2,834,574	3,008,774	
Transfers out	<u>(1,980,970)</u>	<u>(2,189,945)</u>	<u>(1,956,872)</u>	<u>(2,260,228)</u>	
Total other financing sources (uses)	<u>1,121,420</u>	<u>374,879</u>	<u>4,485,089</u>	<u>748,546</u>	
<b>Changes in fund balances</b>	<u>\$ 1,623,188</u>	<u>\$ (1,611,491)</u>	<u>\$ 1,121,315</u>	<u>\$ (1,962,204)</u>	

**Source:** The source of this information is the City's financial records.

**CITY OF KINGMAN, ARIZONA  
DIRECT AND OVERLAPPING SALES TAX RATES  
LAST 10 FISCAL YEARS**

<b>Overlapping Rates</b>				
<b>Fiscal Year Ended June 30</b>	<b>City of Kingman</b>	<b>City of Kingman Hospitality</b>	<b>Mohave County</b>	<b>Arizona State</b>
2010	2.00	4.00	0.25	6.60
2009	2.00	2.00	0.25	5.60
2008	2.00	2.00	0.25	5.60
2007	2.00	2.00	0.25	5.60
2006	2.00	2.00	0.25	5.60
2005	2.00	2.00	0.25	5.60
2004	2.00	2.00	0.25	5.60
2003	2.00	2.00	0.25	5.60
2002	2.00	2.00	0.25	5.60
2001	2.00	2.00	0.25	5.00

**Source:** The source of this information is the Arizona Department of Revenue.

**CITY OF KINGMAN, ARIZONA  
TAXABLE SALES BY CATEGORY  
LAST NINE FISCAL YEARS  
(Modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Construction	\$ 1,204,811	\$ 1,419,917	\$ 1,132,750	\$ 1,586,084	\$ 2,231,440
Manufacturing	370,772	283,793	340,977	475,834	434,644
Transportation, Communications and Utilities	679,552	620,639	645,208	619,258	613,590
Wholesale Trade	462,183	444,032	614,780	631,538	653,994
Retail Trade	5,574,966	6,142,681	6,994,596	7,439,939	7,491,628
Restaurants and Bars	1,138,191	1,165,015	1,139,837	1,114,941	1,083,975
Fire Insurance and Real Estate	625,439	626,006	633,877	610,601	621,219
Hotels and Other Lodging	824,189	705,129	771,648	765,665	702,596
Services	494,812	402,171	508,895	539,178	532,846
Arts, Entertainment, Government and All Others Not Specified	273,508	215,027	207,934	287,363	211,986
<b>Total</b>	<u>\$ 11,648,423</u>	<u>\$ 12,024,410</u>	<u>\$ 12,990,502</u>	<u>\$ 14,070,401</u>	<u>\$ 14,577,918</u>

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Construction	\$ 1,620,707	\$ 1,232,459	\$ 1,011,271	\$ 904,980
Manufacturing	435,791	247,029	246,032	242,451
Transportation, Communications and Utilities	540,625	527,317	343,981	324,333
Wholesale Trade	536,807	312,971	405,040	427,797
Retail Trade	6,132,314	5,096,470	4,588,910	4,341,836
Restaurants and Bars	944,326	724,323	758,499	716,753
Fire Insurance and Real Estate	509,074	299,781	261,803	222,685
Hotels and Other Lodging	645,808	588,854	472,289	466,445
Services	487,646	650,023	810,684	743,754
Arts, Entertainment, Government and All Others Not Specified	237,649	588,563	118,231	67,413
<b>Total</b>	<u>\$ 12,090,747</u>	<u>\$ 10,267,790</u>	<u>\$ 9,016,740</u>	<u>\$ 8,458,447</u>

**Source:** The source of this information is the City's financial records.

**CITY OF KINGMAN, ARIZONA  
OUTSTANDING DEBT BY TYPE  
LAST NINE FISCAL YEARS**

Fiscal Year Ended June 30	Governmental Activities							Total Outstanding Debt			
	General Obligation Bonds	Less: Amounts Restricted for Principal	Special Assessment Bonds	Less: Amounts Restricted for Principal	Total	Capital Leases	Loans Payable	Total Debt	Percentage of Estimated Actual Value	Percentage of Personal Income	Per Capita
2010	\$ 4,160,000	\$ 415,000	\$ 10,364,859	\$ 1,036,243	\$ 13,073,616	\$ 764,278	\$ 700,000	\$ 14,537,894	0.56 %	N/A %	498
2009	4,975,000	815,000	11,217,205	852,346	14,524,859	837,756	1,100,000	16,462,615	1.08	0.16	571
2008	5,745,000	770,000	8,153,036	815,831	12,312,205	907,200	1,550,000	14,769,405	0.97	0.16	516
2007	6,470,000	725,000	8,931,270	778,234	13,898,036		2,000,000	15,898,036	1.05	0.15	576
2006	7,005,000	535,000	9,609,622	785,134	15,294,488			15,294,488	1.20	0.14	586
2005	4,660,000	505,000	3,654,080	369,458	7,439,622			7,439,622	0.65	0.28	302
2004	5,130,000	470,000	4,145,426	491,346	8,314,080			8,314,080	0.78	0.24	365
2003	5,695,000	565,000	4,378,721	233,295	9,275,426			9,275,426	0.93	0.21	421
2002	5,695,000	520,000	1,085,020	450,299	5,809,721			5,809,721	0.63	0.33	274

**Source:** The source of this information is the City's financial records.

**CITY OF KINGMAN, ARIZONA  
LEGAL DEBT MARGIN INFORMATION  
LAST NINE FISCAL YEARS**

**Legal Debt Margin Calculation for Fiscal Year 2010:**

Secondary assessed valuation	\$ 311,487,506
Debt limit (6% of assessed value)	18,689,250
Debt applicable to limit	<u>4,160,000</u>
Legal debt margin	<u><u>\$ 14,529,250</u></u>

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>	<u><b>2006</b></u>
Debt limit equal to 6% of assessed valuation	\$ 18,689,250	\$ 20,061,270	\$ 14,810,118	\$ 11,675,549	\$ 9,564,761
Total net debt applicable to limit	<u>4,160,000</u>	<u>2,945,000</u>	<u>3,500,000</u>	<u>4,025,000</u>	<u>4,370,000</u>
Legal debt margin	<u><u>\$ 14,529,250</u></u>	<u><u>\$ 17,116,270</u></u>	<u><u>\$ 11,310,118</u></u>	<u><u>\$ 7,650,549</u></u>	<u><u>\$ 5,194,761</u></u>
Total net debt applicable to the limit as a percentage of debt limit	22%	15%	24%	34%	46%
	<u><b>2005</b></u>	<u><b>2004</b></u>	<u><b>2003</b></u>	<u><b>2002</b></u>	
Debt limit	\$ 8,923,919	\$ 8,420,763	\$ 8,050,809	\$ 7,559,810	
Total net debt applicable to limit	<u>4,660,000</u>	<u>5,130,000</u>	<u>5,695,000</u>	<u>5,695,000</u>	
Legal debt margin	<u><u>\$ 4,263,919</u></u>	<u><u>\$ 3,290,763</u></u>	<u><u>\$ 2,355,809</u></u>	<u><u>\$ 1,864,810</u></u>	
Total net debt applicable to the limit as a percentage of debt limit	52%	61%	71%	75%	

**Source:** The source of this information is the City's financial records.

**Note:** The City has no debt applicable to the 20% debt limit of \$62,297,501.

**CITY OF KINGMAN, ARIZONA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
JUNE 30, 2010**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable to City</u>	<u>Estimated Amount Applicable to City</u>
Kingman Unified School District	\$ 77,095,947	35.27 %	<u>\$ 27,191,741</u>
Subtotal, Overlapping Debt			<u>27,191,741</u>
Direct:			
City of Kingman, AZ			<u>14,537,894</u>
Total Direct and Overlapping Debt			<u><u>\$ 41,729,635</u></u>

**Source:** The source of this information is the City's records and the State and County Abstract of the Assessment Arizona Department of Revenue and the applicable governmental unit.

**Note:** The estimated percentage of debt outstanding applicable to the City is calculated based on the City's secondary assessed valuation as a percentage of the secondary assessed valuation of the overlapping jurisdiction.

**CITY OF KINGMAN, ARIZONA  
PLEGGED REVENUE COVERAGE  
LAST 10 FISCAL YEARS**

	<b>Fiscal Year Ended June 30</b>									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Excise Tax Revenue Bonds</b>										
Excise Tax Revenue	19,359,466	21,228,915	22,896,032	23,567,269	22,598,686	18,760,314	15,950,231	15,035,476	14,430,405	13,928,197
Debt Service										
Principal	460,125	445,750	436,125	421,125	255,875	255,500	244,750	363,150	347,713	336,525
Interest	137,188	146,875	157,200	167,400	65,875	70,500	74,750	83,150	92,713	101,525
Total Annual Requirement	597,313	592,625	593,325	588,525	321,750	326,000	319,500	446,300	440,426	438,050
Estimated Coverage	32	36	39	40	70	58	50	34	33	32

**Source:** The source of this information is the City's financial records.

**CITY OF KINGMAN, ARIZONA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST 10 CALENDAR YEARS**

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>	
2009	29,189	\$ N/A	\$ N/A	10.4	%
2008	28,823	5,124,115	26,197	9.7	
2007	28,635	4,682,940	23,908	3.9	
2006	27,605	4,512,952	23,548	3.6	
2005	26,100	4,115,919	22,055	2.8	
2004	24,600	3,743,202	20,846	2.5	
2003	22,785	3,444,542	20,013	3.3	
2002	22,045	3,235,607	19,523	3.7	
2001	21,240	3,088,727	19,305	2.8	
2000	20,069	2,908,159	18,610	2.9	

**Sources:** The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Analysis for Mohave County. The source of the "Population" and "Unemployment Rate" information is the U.S. Census Bureau.

**Note:** N/A indicates that the information is not available at this time.

**CITY OF KINGMAN, ARIZONA  
PRINCIPAL EMPLOYERS  
CURRENT FISCAL YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>2010</u>		<u>2002</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Mohave County	1,322	2.72 %	1,147	2.31 %
Kingman Regional Medical Center	1,274	2.63	800	1.61
Kingman Unified School District No. 20	985	2.03	881	1.78
Mohave Community College	700	1.44	197	0.40
American Woodmark Corporation	650	1.34	360	0.73
Wal-Mart	540	1.11	220	0.44
Citizens Utilities (Unisource)	400	0.82	450	0.91
City of Kingman	372	0.77	282	0.57
State of Arizona	318	0.66	263	0.53
Hualapai Mountain Medical Center	200	0.41	-	-
K-Mart	165	0.34	165	0.33
Petro Truck Stop	150	0.31	150	0.30
Proving Grounds Company	115	0.24	200	0.40
TruServ	85	0.18	165	0.33
Total	<u>7,276</u>	<u>15.00 %</u>	<u>5,280</u>	<u>10.65 %</u>
Total Employment	<u>48,518</u>		<u>49,565</u>	

- Sources:**
- 1) The source of the 2002 employee figures is City of Kingman Planning and Zoning.
  - 2) The source of the 2010 employee figures is the 2008 Arizona Industrial Directory and 2008 Arizona Services Directory, publications of Harris InfoSource, the City and an individual employer survey.
  - 3) The source of the total employment figures is the Arizona Workforce Informer.

**CITY OF KINGMAN, ARIZONA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST 10 FISCAL YEARS**

	<b>Full-time Equivalent Employees as of June 30</b>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General Government</b>					
City Administration	12	10	10	12	9
Human Resources	4	4	4	5	4
City Clerk	4	3	3	3	3
City Attorney	7	7	7	7	6
Municipal Court	9	9	9	9	8
Finance	14	14	14	14	12
Total general government	<u>50</u>	<u>47</u>	<u>47</u>	<u>50</u>	<u>42</u>
<b>Public Safety</b>					
Police	87	87	87	87	83
Firefighters	56	59	59	59	56
Total public safety	<u>143</u>	<u>146</u>	<u>146</u>	<u>146</u>	<u>139</u>
<b>Public Works</b>					
Engineering	22	22	22	23	23
Others	44	44	44	44	40
Total public works	<u>66</u>	<u>66</u>	<u>66</u>	<u>67</u>	<u>63</u>
<b>Parks and Recreation</b>	40	40	40	40	40
<b>Information Systems</b>	7	7	7	7	6
<b>City Development</b>	19	19	19	21	24
<b>Sanitation</b>	17	17	17	17	15
<b>Water and Wastewater</b>	30	30	30	30	30
Total support and administration	<u>113</u>	<u>113</u>	<u>113</u>	<u>115</u>	<u>115</u>
<b>Total</b>	<u>372</u>	<u>372</u>	<u>372</u>	<u>378</u>	<u>359</u>

(Continued)

**CITY OF KINGMAN, ARIZONA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST 10 FISCAL YEARS**

	<b>Full-time Equivalent Employees as of June 30</b>				
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>General Government</b>					
City Administration	8	8	8	8	8
Human Resources	3	2	2	2	1
City Clerk	4	4	4	4	4
City Attorney	6	6	6	6	6
Municipal Court	7	7	7	7	7
Finance	11	11	11	11	13
Total general government	<u>39</u>	<u>38</u>	<u>38</u>	<u>38</u>	<u>39</u>
<b>Public Safety</b>					
Police	80	78	75	74	74
Firefighters	54	46	46	38	37
Total public safety	<u>134</u>	<u>124</u>	<u>121</u>	<u>112</u>	<u>111</u>
<b>Public Works</b>					
Engineering	21	18	18	18	17
Others	35	33	32	28	27
Total public works	<u>56</u>	<u>51</u>	<u>50</u>	<u>46</u>	<u>44</u>
<b>Parks and Recreation</b>	39	38	36	35	35
<b>Information Systems</b>	4	4	3	2	
<b>City Development</b>	18	15	14	13	13
<b>Sanitation</b>	14	13	13	13	13
<b>Water and Wastewater</b>	27	25	24	24	22
Total support and administration	<u>102</u>	<u>95</u>	<u>90</u>	<u>87</u>	<u>83</u>
<b>Total</b>	<u>331</u>	<u>308</u>	<u>299</u>	<u>283</u>	<u>277</u>

**Source:** The source of this information is the City's Annual Budget.

**(Concluded)**

**CITY OF KINGMAN, ARIZONA  
CAPITAL ASSETS STATISTICS BY FUNCTION  
LAST 10 FISCAL YEARS**

<b>Function</b>	<b>Fiscal Year Ended June 30</b>									
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
<b>Public Safety</b>										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	74	74	78	78	67	62	60	60	60	55
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire vehicles	27	27	28	28	27	24	23	22	22	20
<b>Streets</b>										
Streets (miles)	215	215	215	215	215	215	210	210	210	205
Streetlights	851	851	851	851	851	848	845	845	845	845
Traffic signals	24	20	20	18	17	16	14	14	14	14
<b>Solid Waste</b>										
Collection trucks	23	21	21	19	18	17	16	14	13	12
<b>Parks and Recreation</b>										
Parks developed	13	13	13	13	13	12	12	11	10	10
Parks acreage	146	146	146	146	146	144	144	142	140	140
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	4	4	4	4	4	4	4	4	4	4
Community centers	1	1	1	1	1	1	1	1	1	1
Golf courses	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
Water mains (miles)	564	564	564	562	560	555	552	549	549	545
Fire hydrants	2,485	2,485	2,485	2,485	2,218	2,215	2,212	2,212	2,209	2,205
<b>Wastewater</b>										
Sanitary sewers (miles)	199	199	198	191	134	130	130	127	127	125
Manholes	2,997	2,997	2,997	2,885	1,842	1,839	1,839	1,835	1,835	1,832

**Source:** The source of this information is the City's facilities records.

**CITY OF KINGMAN, ARIZONA  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST 10 FISCAL YEARS**

	<b>Fiscal Year Ended June 30</b>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Governmental Activities</b>					
General Government					
Business licenses issued	2,892	2,392	2,704	2,250	2,109
Voters served	19,000	18,000	17,528	14,124	14,485
Public records requests	210	156	102	76	N/A
Prosecutions	1,150	1,020	1,200	1,300	1,300
Legal opinions	40-50	40-50	30-40	40	40
Civil litigation	3-7	2-5	4	5-10	5-15
Case filings	5,580	5,073	4,612	5,100	N/A
Case terminations	6,132	5,575	5,068	6,000	N/A
Computers installed and supported	295	295	290	271	N/A
Phones installed and supported	244	244	232	200	N/A
Public Safety					
Total calls for service	32,000	29,161	31,313	37,000	35,000
Total arrests	3,300	3,136	3,512	3,300	3,200
Traffic accidents	1,200	1,139	1,253	1,500	1,500
Alarm runs	900	892	979	1,500	3,000
VIP program - volunteers	20	15	3	8	N/A
Clearance Rate - Part I offenses	65%	63%	63%	65%	N/A
Clearance Rate - Part II offenses	65%	63%	63%	65%	N/A
Response Time - Under 5 min. emergency	70%	45%	45%	70%	N/A
Response Time - Under 8 min. non-emergency	60%	51%	51%	60%	N/A
Fire inspections	2,100	1,950	2,299	1,986	1,839
Plan reviews - fire	150	120	326	2,390	2,214
Public education programs - fire	150	200	222	180	167
Nuisance abatement	200	180	135	331	307
Highway & Streets					
Paved streets maintained (miles)	208	208	204	204	188
Dirt streets maintained (miles)	16	17	17	17	19
Traffic signals maintained	17	17	17	17	17
Street lights maintained	850	850	850	850	750
Culture and Recreation					
Acres of ground maintained	269	268	263	263	260
Miles of medians and trails maintained	15.5	15.0	14.5	15	13
Number of sites maintained	19	19	18	18	17
<b>Business-type Activities</b>					
Water					
Acre feet of water pumped	7,982	8,235	9,082	8,677	9,497
Number of meters	19,652	19,652	19,382	19,382	19,382
Percentage of water loss	N/A	4.79	5.80	7.70	6.70
Wastewater					
Total influent Hilltop WWTP (gallons)	575,000,000	555,440,000	549,449,000	668,239,000	557,000,000
Total influent Downtown WWTP (gallons)	113,150,000	113,150,000	113,150,000	113,150,000	113,150,000
Number of sewer lines cleaned/televised (feet)	325,000	325,000	300,000	450,000	350,000
Sanitation					
Landfill tonnage	21,560	22,047	23,228	24,470	25,418
Number of landfill trips	3,496	3,649	3,836	3,951	4,110
Number of residential accounts	10,308	9,877	9,777	9,695	9,501
Number of commercial accounts	1,059	926	936	925	896

**Source:** City of Kingman Adopted Budget performance measures

**Notes:** N/A indicates that the information is not available.