
CITY OF KINGMAN, ARIZONA

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2011

310 North Fourth Street ☞ Kingman, Arizona 86401

CITY OF KINGMAN, ARIZONA

KINGMAN, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 20, 2011

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, 2011.

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, 2011, 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, 2011, 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 28,029 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 28,029. The City supports a market area trade population of some 50,000 persons. The unemployment rate, as of June 2011, was 10.8 percent. This is above the state's rate of 9.3 percent and slightly above the county's rate of 10.6 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 updated in October 2008 provides a long-term financial plan to fund capital projects and ongoing operating expenses. The long-term plan includes changes to rates and fees over time and incremental changes in sales tax rates to fund capital projects. Many of these provisions have already been adopted by the City Council including a recent designation of two percent of room tax dollars to fund capital projects. Provisions of the plan enable current and future residents an affordable way to fund capital improvements and maintain essential City services.

The City has completed several major capital projects this year and has plans for additional projects. Infrastructure improvements including curbs, subsurface drainage, and water and sewer utilities were constructed this fiscal year. The City is 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 area residents with upgraded wastewater facilities and sufficient capacity for the next 20+ years. Design is also underway for widening and reconstruction of Gordon Drive in central Kingman, along with drainage improvements, traffic signal and lighting improvements. This project will be financed primarily with federal transportation funds and designated local capital project funds. A 911 Regional Dispatch Center is also being constructed by remodeling a vacant city-owned building in downtown Kingman and is funded with local capital projects funds and participant contributions. Other capital projects under construction or in the design phases include water and sewer system expansions in the east bench area along with 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, 2010. This was the sixth 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 2010-11 certificate. We believe that our current comprehensive annual financial report for fiscal year ending June 30, 2011 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, 2010

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.



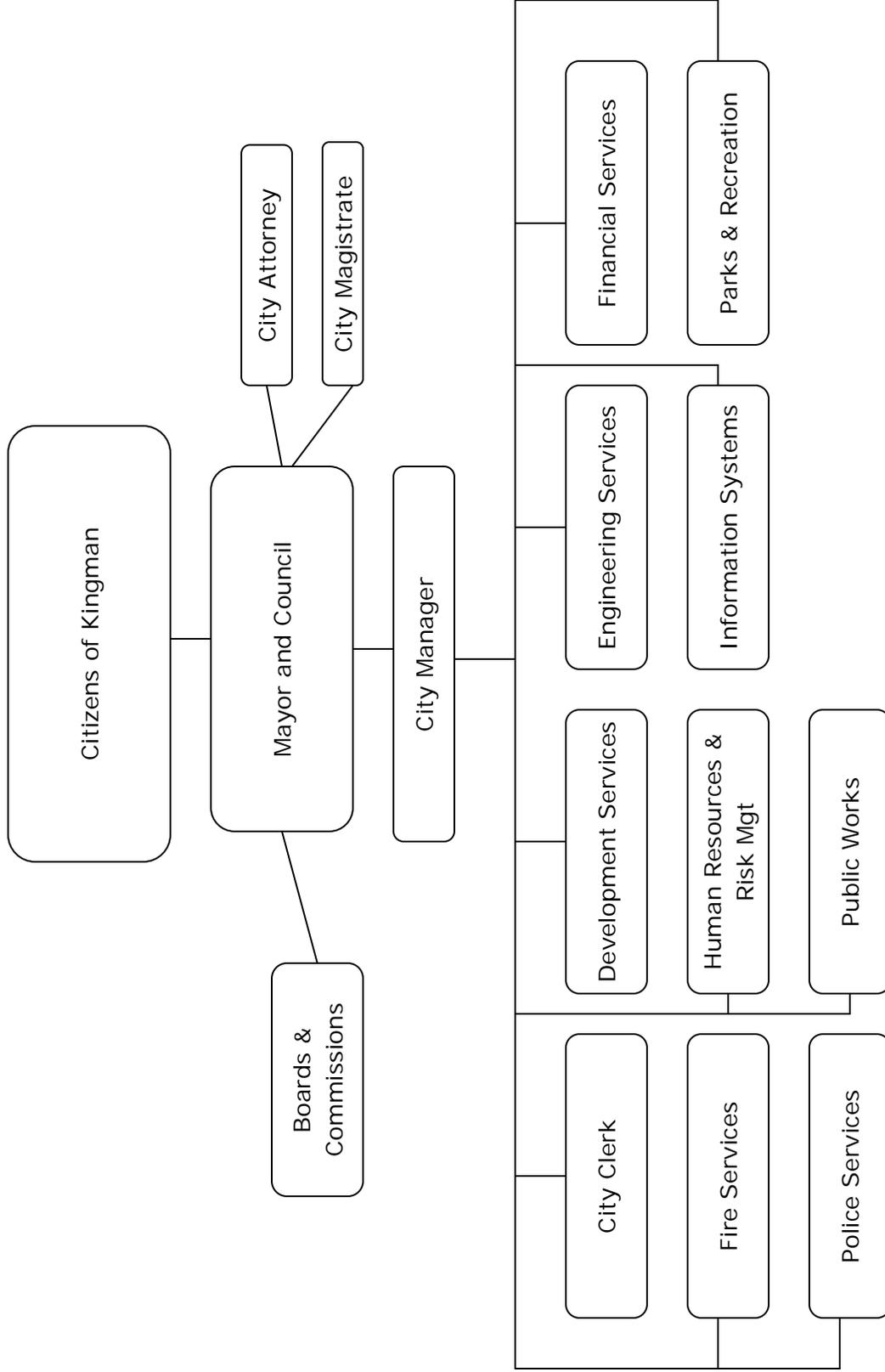
Linda C. Davison

President

Jeffrey R. Emer

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	Mike Meersman (Interim)
Police Services	Robert DeVries
Public Works	Rob Owen

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FINANCIAL SECTION

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HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



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, 2011, 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, 2011, 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.

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, 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 68 and 69, and schedules of funding progress on page 70 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 20, 2011

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, 2011**

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, 2011. 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 decreased \$1.3 million to \$68.1 million and the business-type activities increased \$3.9 million to \$53.5 million, representing a 2 percent decrease and 8 percent increase, respectively, of the total assets of \$121.6 million which was insignificant.
- General revenues from governmental activities accounted for \$20.3 million in revenue, or 72 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7.7 million or 28 percent of total governmental activities revenues. The City had \$16.5 million of program revenues and \$1.1 million in general revenues related to business-type activities.
- The City had \$30.4 million in expenses related to governmental activities; of which \$7.7 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$20.3 million provided for the majority of the remaining costs of these programs. The City had \$12.6 million in expenses related to business-type activities. Charges for services of \$16.5 million were adequate to offset the costs.
- Among major governmental funds, the General Fund had \$19.5 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 \$21.2 million. The General Fund's fund balance decreased \$683,222 to \$8.3 million as a result of a decline in urban revenue sharing funds. The Special Assessment Districts Fund had revenues of \$1.3 million and total expenditures of \$1.6 million. The fund balance of the Special Assessment Districts Fund decreased by \$362,532 from the prior year to \$3.2 million as the result of prepaid assessments. The Capital Projects Fund's fund balance increase of \$367,534 to \$874,445 was primarily due to an increase in room tax and development investment revenues.
- The Non-Major Governmental Funds' fund balance increase of \$134,632 to \$5.8 million was not significant.
- The Enterprise Fund net assets at the end of the year amounted to \$53.5 million. The increase in net assets of \$3.9 million was primarily due to an increase in water and wastewater rates charged of 2 percent and 25 percent, respectively; and continued construction to upgrade the City's wastewater treatment plants.
- Net assets of the Internal Service Funds decreased \$324,970, which was not significant.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

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, 2011**

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, 2011**

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.

During the year ended June 30, 2011, the City implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosures requirements, for fund balance classifications of the governmental funds and clarifies existing governmental fund type definitions. Additional information on the fund balance classifications, components of fund balance, and other information related to fund balance can be found in Note 2.

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 \$68.1 million at the end of the current fiscal year.

The largest portion of the City's governmental activities net assets 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, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

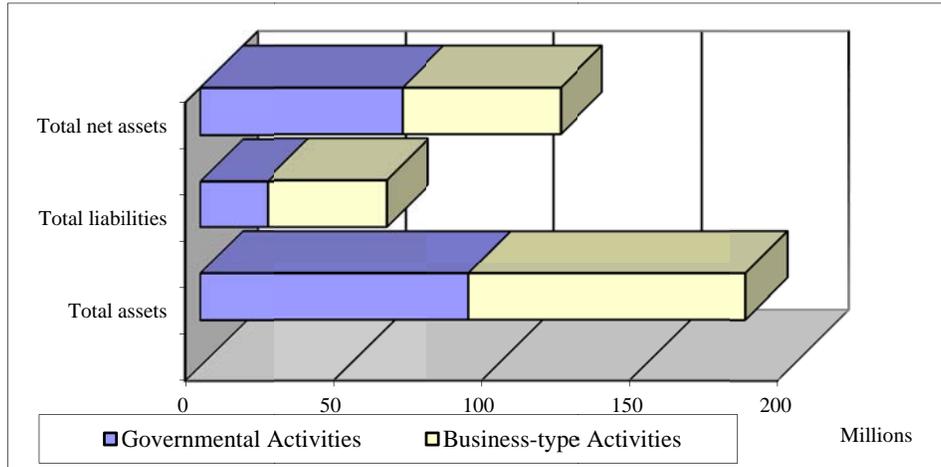
The following tables present a summary of the City's net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

	2011 Governmental Activities	2010 Governmental Activities	2011 Business-Type Activities	2010 Business-Type Activities	2011 Total	2010 Total
Current and other assets	\$ 36,297,718	\$ 38,707,117	\$ 24,768,952	\$ 22,670,733	\$ 61,066,670	\$ 61,377,850
Capital assets, net	54,287,896	55,115,273	68,919,118	61,831,407	123,207,014	116,946,680
Total assets	<u>90,585,614</u>	<u>93,822,390</u>	<u>93,688,070</u>	<u>84,502,140</u>	<u>184,273,684</u>	<u>178,324,530</u>
Current and other liabilities	4,446,122	5,313,939	2,280,322	4,691,595	6,726,444	10,005,534
Long-term liabilities	18,076,884	19,121,672	37,897,851	30,250,170	55,974,735	49,371,842
Total liabilities	<u>22,523,006</u>	<u>24,435,611</u>	<u>40,178,173</u>	<u>34,941,765</u>	<u>62,701,179</u>	<u>59,377,376</u>
Net assets						
Invested in capital assets, net of related debt	40,034,056	38,762,943	31,371,150	28,329,704	71,405,206	67,092,647
Restricted	15,125,063	329,125	2,335,931	1,452,506	17,460,994	1,781,631
Unrestricted	12,903,489	30,294,711	19,802,816	19,778,165	32,706,305	50,072,876
Total net assets	<u>\$ 68,062,608</u>	<u>\$ 69,386,779</u>	<u>\$ 53,509,897</u>	<u>\$ 49,560,375</u>	<u>\$ 121,572,505</u>	<u>\$118,947,154</u>

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

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, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The City's total revenues for the current fiscal year were \$45.6 million. The total cost of all programs and services was \$42.9 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

	2011 Governmental Activities	2010 Governmental Activities	2011 Business-Type Activities	2010 Business-Type Activities	2011 Total	2010 Total
Revenues						
Program revenues						
Charges for services	\$ 2,771,436	\$ 2,450,690	\$ 16,515,055	\$ 15,938,575	\$ 19,286,491	\$ 18,389,265
Operating grants and contributions	1,821,520	2,492,889			1,821,520	2,492,889
Capital grants and contributions	3,119,466	5,312,895			3,119,466	5,312,895
General revenues						
Sales taxes	11,264,735	11,648,543			11,264,735	11,648,543
Property taxes	1,495	20,169			1,495	20,169
Auto lieu taxes	1,275,096	1,290,144			1,275,096	1,290,144
Franchise taxes	744,872	657,793			744,872	657,793
Unrestricted state shared revenue	6,684,959	7,229,643			6,684,959	7,229,643
Investment income	247,903	207,908	211,220	154,924	459,123	362,832
Miscellaneous	70,562	17,850	841,095		911,657	17,850
Total revenues	<u>\$ 28,002,044</u>	<u>\$ 31,328,524</u>	<u>\$ 17,567,370</u>	<u>\$ 16,093,499</u>	<u>\$ 45,569,414</u>	<u>\$ 47,422,023</u>

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

	2011 Governmental Activities	2010 Governmental Activities	2011 Business-Type Activities	2010 Business-Type Activities	2011 Total	2010 Total
Expenses						
General government	\$ 5,315,740	\$ 4,616,031	\$	\$	\$ 5,315,740	\$ 4,616,031
Public safety	14,926,549	15,337,732			14,926,549	15,337,732
Highways and streets	4,269,435	4,499,627			4,269,435	4,499,627
Culture and recreation	3,873,742	3,826,798			3,873,742	3,826,798
Economic development	1,170,810	562,714			1,170,810	562,714
Interest on long-term debt	794,858	875,832			794,858	875,832
Water			6,938,517	7,081,551	6,938,517	7,081,551
Wastewater			2,723,165	2,098,760	2,723,165	2,098,760
Sanitation			2,931,247	2,721,958	2,931,247	2,721,958
Total expenses	<u>30,351,134</u>	<u>29,718,734</u>	<u>12,592,929</u>	<u>11,902,269</u>	<u>42,944,063</u>	<u>41,621,003</u>
Excess before transfers	<u>(2,349,090)</u>	<u>1,609,790</u>	<u>4,974,441</u>	<u>4,191,230</u>	<u>2,625,351</u>	<u>5,801,020</u>
Transfers	<u>1,024,919</u>	<u>961,651</u>	<u>(1,024,919)</u>	<u>(961,651)</u>		
Change in net assets	<u>\$ (1,324,171)</u>	<u>\$ 2,571,441</u>	<u>\$ 3,949,522</u>	<u>\$ 3,229,579</u>	<u>\$2,625,351</u>	<u>\$ 5,801,020</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.

	2011 Total Expenses	2011 Net (Expense)/ Revenue	2010 Total Expenses	2010 Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 5,315,740	\$ (3,769,362)	\$ 4,616,031	\$ (3,404,864)
Public safety	14,926,549	(13,278,611)	15,337,732	(13,675,348)
Highways and streets	4,269,435	(2,094,115)	4,499,627	829,424
Culture and recreation	3,873,742	(2,619,004)	3,826,798	(2,587,971)
Economic development	1,170,810	(82,762)	562,714	252,331
Interest on long-term debt	794,858	(794,858)	875,832	(875,832)
Total expenses	<u>\$ 30,351,134</u>	<u>\$ (22,638,712)</u>	<u>\$ 29,718,734</u>	<u>\$ (19,462,260)</u>
Business-Type Activities				
Water	6,938,517	1,286,356	7,081,551	1,705,457
Wastewater	2,723,165	2,237,397	2,098,760	1,747,319
Sanitation	2,931,247	398,373	2,721,958	583,530
Total expenses	<u>12,592,929</u>	<u>3,922,126</u>	<u>11,902,269</u>	<u>4,036,306</u>
Total	<u>\$ 42,944,063</u>	<u>\$ (18,716,586)</u>	<u>\$ 41,621,003</u>	<u>\$ (15,425,954)</u>

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

- The cost of all governmental activities this year was \$30.4 million. The cost of all business-type activities this year was \$12.6 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 \$24.2 million.
- The net cost of governmental activities of \$22.6 million, was financed by general revenues, which are made up of primarily sales taxes of \$11.3 million and state shared revenues of \$6.7 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, unassigned 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 \$18.1 million, a decrease of \$543,588. The General Fund comprises 46 percent of the total fund balance. Approximately \$7.3 million or 88 percent of the General Fund's fund balance constitutes unassigned fund balance.

The General Fund is the principal operating fund of the City. The decrease in fund balance in the General Fund for the fiscal year was \$683,222, which was the result of a decline in urban revenue sharing funds. The Special Assessment Districts Fund's fund balance decrease of \$362,532 to \$3.2 million was the result of prepaid assessments. The fund balance of the Capital Projects Fund showed an increase of \$367,534, which was primarily due to an increase in room tax and development investment fees revenues.

Proprietary funds. Net assets of the Enterprise Funds and the Internal Service Funds at the end of the year amounted to \$53.5 million and \$6.8 million, respectively. The increase in net assets in the Enterprise Funds of 8 percent can be attributed to the increased water and wastewater revenues as a result of an increase in fees charged and continued construction to upgrade the City's wastewater treatment plants. The decrease in net assets in the Internal Service Funds of 5 percent from the prior fiscal year was primarily due to a reduction in the year end stop loss receivable.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

BUDGETARY HIGHLIGHTS

The City did not revise the annual operating budget during the year.

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 \$71.4 million in capital assets net of related debt, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$4.1 million.

The following schedule presents capital asset balances and accumulated depreciation for the fiscal years ended June 30, 2011 and June 30, 2010.

	2011	2010	2011	2010	2011	2010
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
Land	\$ 10,409,846	\$ 10,346,724	\$ 2,292,881	\$ 2,292,881	\$ 12,702,727	\$ 12,639,605
Infrastructure	53,524,577	53,195,267	49,864,651	49,864,651	103,389,228	103,059,918
Buildings	8,638,423	8,504,815	9,839,816	9,839,816	18,478,239	18,344,631
Improvements other than buildings	6,308,189	5,965,045	593,978	593,978	6,902,167	6,559,023
Vehicles, machinery and equipment	14,091,053	13,744,352	8,250,779	7,983,958	22,341,832	21,728,310
Construction in progress	10,254,766	9,851,704	37,854,129	29,355,451	48,108,895	39,207,155
Accumulated depreciation	(48,938,958)	(46,492,634)	(39,777,116)	(38,099,328)	(88,716,074)	(84,591,962)
Total	\$ 54,287,896	\$ 55,115,273	\$ 68,919,118	\$ 61,831,407	\$123,207,014	\$116,946,680

The estimated cost to complete current construction projects is \$20.9 million.

Additional information on the City's capital assets can be found in Note 6 in the notes to the financial statements.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

Debt Administration. At year-end, the City had \$14.3 million in governmental long-term debt outstanding with \$2.0 million due within one year. The City had \$37.5 million in business-type long-term debt outstanding, \$2.0 million 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, 2011 and June 30, 2010.

	2011		2010	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Excise tax bonds payable	\$ 3,745,000	\$	\$ 4,160,000	\$
Special assessment bonds payable	9,328,616		10,364,859	
Obligations under capital leases	830,225	1,029,795	764,278	1,146,417
Loan payable	350,000	36,518,174	700,000	28,784,054
Total	\$ 14,253,841	\$ 37,547,969	\$ 15,989,137	\$ 29,930,471

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 \$61.9 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 \$18.6 million.

Additional information on the City's long-term debt can be found in Notes 7-10 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 2011-12 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 2011-12. Amounts available for appropriation in the General Fund budget are \$24.7 million, which is \$800,000 less than the amount from the prior year. The City's response to the economic downturn was the driving factor for the change in expenditures.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

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, 2011

	Governmental Activites	Business-type Activites	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 26,256,751	\$ 20,744,977	\$ 47,001,728
Taxes receivable	963,030		963,030
Intergovernmental receivable	1,795,406		1,795,406
Special assessments receivable	7,076,181		7,076,181
Accounts receivable	164,692	1,844,101	2,008,793
Inventories	41,658	196,947	238,605
Deposits		9,208	9,208
Total current assets	36,297,718	22,795,233	59,092,951
Noncurrent assets:			
Restricted cash and investments		1,973,719	1,973,719
Land	10,409,846	2,292,881	12,702,727
Infrastructure	53,524,577	49,864,651	103,389,228
Buildings	8,638,423	9,839,816	18,478,239
Improvements other than buildings	6,308,189	593,978	6,902,167
Vehicles, machinery, and equipment	14,091,053	8,250,779	22,341,832
Construction in progress	10,254,766	37,854,129	48,108,895
Accumulated depreciation	(48,938,958)	(39,777,116)	(88,716,074)
Total noncurrent assets	54,287,896	70,892,837	125,180,733
Total assets	90,585,614	93,688,070	184,273,684
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	541,716	1,127,549	1,669,265
Accrued payroll and employee benefits	437,951	105,384	543,335
Deposits held for others	11,377	362,212	373,589
Unearned revenue	2,446,006	685,177	3,131,183
Compensated absences payable	1,603,089	349,882	1,952,971
Bonds payable	450,000		450,000
Loan payable	350,000	1,885,272	2,235,272
Obligations under capital leases	127,201	123,396	250,597
Special assessment bonds payable	1,091,571		1,091,571
Claims payable	659,200		659,200
Accrued interest payable	349,872		349,872
Total current liabilities	8,067,983	4,638,872	12,706,855
Noncurrent liabilities:			
Non-current portion of long-term obligations	14,455,023	35,539,301	49,994,324
Total noncurrent liabilities	14,455,023	35,539,301	49,994,324
Total liabilities	22,523,006	40,178,173	62,701,179
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	40,034,056	31,371,150	71,405,206
Restricted for:			
Debt service	10,476,697	1,973,719	12,450,416
Special purposes	4,648,366		4,648,366
Customer deposits		362,212	362,212
Unrestricted	12,903,489	19,802,816	32,706,305
Total net assets	\$ 68,062,608	\$ 53,509,897	\$ 121,572,505

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

**CITY OF KINGMAN, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government						
Governmental activities:						
General government	\$ 5,315,740	\$ 178,022	\$	\$ 1,368,356	\$ (3,769,362)	
Public safety	14,926,549	372,227	1,019,297	256,414	(13,278,611)	
Highways and streets	4,269,435	708,034	432,911	1,034,375	(2,094,115)	
Culture and recreation	3,873,742	1,254,738			(2,619,004)	
Economic development	1,170,810	258,415	369,312	460,321	(82,762)	
Interest on long-term debt	794,858				(794,858)	
Total governmental activities	30,351,134	2,771,436	1,821,520	3,119,466	(22,638,712)	
Business-type activities:						
Water	6,938,517	8,224,873				
Wastewater	2,723,165	4,960,562				
Sanitation	2,931,247	3,329,620				
Total business-type activities	12,592,929	16,515,055				
Total primary government	\$ 42,944,063	\$ 19,286,491	\$ 1,821,520	\$ 3,119,466	(22,638,712)	
General revenues:						
Taxes:						
Sales taxes						11,264,735
Property taxes						1,495
Auto lieu taxes						1,275,096
Franchise taxes						744,872
Unrestricted state shared revenue						6,684,959
Investment income						247,903
Miscellaneous						70,562
Transfers						1,024,919
Total general revenues and transfers						21,314,541
Changes in net assets						(1,324,171)
Net assets, beginning of year						69,386,779
Net assets, end of year						\$ 68,062,608

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

Net (Expense) Revenue and
Changes in Net Assets

Business-type Activities	Totals
\$	\$ (3,769,362)
	(13,278,611)
	(2,094,115)
	(2,619,004)
	(82,762)
	(794,858)
	(22,638,712)
1,286,356	1,286,356
2,237,397	2,237,397
398,373	398,373
3,922,126	3,922,126
3,922,126	(18,716,586)
	11,264,735
	1,495
	1,275,096
	744,872
	6,684,959
211,220	459,123
841,095	911,657
(1,024,919)	
27,396	21,341,937
3,949,522	2,625,351
49,560,375	118,947,154
\$ 53,509,897	\$ 121,572,505

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FUND FINANCIAL STATEMENTS

**CITY OF KINGMAN, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Special Assessment Districts</u>	<u>Capital Projects</u>
<u>ASSETS</u>			
Cash and investments	\$ 7,750,882	\$ 3,417,379	\$ 3,212,902
Taxes receivable	963,030		
Intergovernmental receivable	185,949		
Special assessments receivable		7,076,181	
Accounts receivable	2,827		
Due from other funds	54,103		
Inventories	41,658		
Total assets	<u><u>\$ 8,998,449</u></u>	<u><u>\$ 10,493,560</u></u>	<u><u>\$ 3,212,902</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 284,390	\$ 13,148	\$ 140,385
Accrued payroll and employee benefits	372,853		
Interest payable		268,141	
Deposits held for others	11,377		
Due to other funds			
Deferred revenue	57,900	6,973,799	2,198,072
General obligation bonds payable			
Total liabilities	<u><u>726,520</u></u>	<u><u>7,255,088</u></u>	<u><u>2,338,457</u></u>
Fund balances:			
Restricted		3,238,472	
Committed	936,189		874,445
Assigned	78,600		
Unassigned	7,257,140		
Total fund balances	<u><u>8,271,929</u></u>	<u><u>3,238,472</u></u>	<u><u>874,445</u></u>
Total liabilities and fund balances	<u><u>\$ 8,998,449</u></u>	<u><u>\$ 10,493,560</u></u>	<u><u>\$ 3,212,902</u></u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 5,006,420	\$ 19,387,583
	963,030
1,609,457	1,795,406
	7,076,181
	2,827
	54,103
	41,658
<u>\$ 6,615,877</u>	<u>\$ 29,320,788</u>

\$ 46,669	\$ 484,592
35,790	408,643
81,731	349,872
	11,377
54,103	54,103
190,034	9,419,805
450,000	450,000
<u>858,327</u>	<u>11,178,392</u>

4,913,092	8,151,564
	1,810,634
844,458	923,058
	7,257,140
<u>5,757,550</u>	<u>18,142,396</u>
<u>\$ 6,615,877</u>	<u>\$ 29,320,788</u>

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**CITY OF KINGMAN, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total governmental fund balances **\$ 18,142,396**

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	\$ 101,074,179	
Less accumulated depreciation	<u>(47,784,001)</u>	53,290,178

Special assessments revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds. 6,973,799

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences payable	(1,566,949)	
Excise Tax bonds payable	(3,295,000)	
Special assessment bonds payable	(9,328,616)	
Obligations under capital leases	(486,960)	
Loan payable	(350,000)	
Other post employment benefits	<u>(2,164,035)</u>	(17,191,560)

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.

6,847,795

Net assets of governmental activities **\$ 68,062,608**

The notes to the basic 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, 2011

	General	Special Assessment Districts	Capital Projects
Revenues:			
Taxes	\$ 12,920,739	\$	\$ 363,964
Licenses and permits	314,819		
Intergovernmental	4,509,999		94,086
Charges for services	1,355,590		
Fines and forfeits	269,943		
Investment income	77,286	32,678	29,948
Special assessments	4,718	1,242,352	
Development investment fees			582,054
Miscellaneous	63,383		25,000
Total revenues	19,516,477	1,275,030	1,095,052
Expenditures:			
Current -			
General government	4,519,744		23,715
Public safety	12,711,778		
Highways and streets			
Culture and recreation	3,475,854		
Economic development	247,014		
Capital outlay	234,812		703,803
Debt service -			
Principal retirement	54,205	1,036,243	
Interest and fiscal charges		563,978	
Total expenditures	21,243,407	1,600,221	727,518
Excess (deficiency) of revenues over expenditures	(1,726,930)	(325,191)	367,534
Other financing sources (uses):			
Capital lease agreements	197,900		
Transfers out	(931,293)	(37,341)	
Transfers in	1,777,101		
Total other financing sources (uses):	1,043,708	(37,341)	
Changes in fund balances	(683,222)	(362,532)	367,534
Fund balances, beginning of year	8,955,151	3,601,004	506,911
Fund balances, end of year	\$ 8,271,929	\$ 3,238,472	\$ 874,445

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 1,495	\$ 13,286,198
	314,819
6,349,662	10,953,747
	1,355,590
	269,943
45,984	185,896
	1,247,070
	582,054
357,356	445,739
<u>6,754,497</u>	<u>28,641,056</u>
270,765	4,814,224
636,039	13,347,817
2,732,646	2,732,646
6,720	3,482,574
874,249	1,121,263
943,346	1,881,961
838,874	1,929,322
208,678	772,656
<u>6,511,317</u>	<u>30,082,463</u>
<u>243,180</u>	<u>(1,441,407)</u>
	197,900
(1,268,439)	(2,237,073)
1,159,891	2,936,992
<u>(108,548)</u>	<u>897,819</u>
<u>134,632</u>	<u>(543,588)</u>
5,622,918	18,685,984
<u>\$ 5,757,550</u>	<u>\$ 18,142,396</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, 2011

Net changes in fund balances - total governmental funds **\$ (543,588)**

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	\$ 1,618,947	
Less current year depreciation	<u>(2,362,779)</u>	(743,832)

Special assessment revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (746,580)

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.

Excise tax bond principal retirement	450,000	
Loan principal retirement	350,000	
Special assessment bond principal retirement	1,036,243	
Capital lease principal retirement	<u>93,079</u>	1,929,322

Issuance of long-term liabilities provides current financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Net Assets.

Capital lease agreements		(197,900)
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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	(737,205)	
Compensated absences	<u>40,582</u>	(696,623)

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. (324,970)

Change in net assets in governmental activities **\$ (1,324,171)**

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

**CITY OF KINGMAN, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	Enterprise Funds		
	Water	Wastewater	Sanitation
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 13,253,134	\$ 6,189,977	\$ 1,301,866
Accounts receivable	1,043,045	515,395	285,661
Inventories	196,947		
Deposits	9,208		
Total current assets	<u>14,502,334</u>	<u>6,705,372</u>	<u>1,587,527</u>
Noncurrent assets:			
Restricted cash and investments	362,212	1,611,507	
Land	1,128,881	597,000	567,000
Infrastructure	37,044,842	12,819,809	
Buildings	9,716,896	122,920	
Improvements other than buildings	149,328	444,650	
Vehicles, machinery, and equipment	3,489,850	671,541	4,089,388
Construction in progress	761,277	37,092,852	
Accumulated depreciation	(28,685,920)	(7,968,374)	(3,122,822)
Total noncurrent assets	<u>23,967,366</u>	<u>45,391,905</u>	<u>1,533,566</u>
Total assets	<u>38,469,700</u>	<u>52,097,277</u>	<u>3,121,093</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	110,679	923,079	93,791
Accrued payroll and employee benefits	67,495	16,134	21,755
Deposits held for others	362,212		
Deferred revenue	683,852	1,325	
Compensated absences payable	229,958	66,339	53,585
Loan payable		1,885,272	
Obligations under capital leases	41,132	41,132	41,132
Claims payable			
Total current liabilities	<u>1,495,328</u>	<u>2,933,281</u>	<u>210,263</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	302,133	34,935,035	302,133
Total noncurrent liabilities	<u>302,133</u>	<u>34,935,035</u>	<u>302,133</u>
Total liabilities	<u>1,797,461</u>	<u>37,868,316</u>	<u>512,396</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	23,261,890	6,918,959	1,190,301
Restricted for:			
Debt service		1,973,719	
Customer deposits	362,212		
Unrestricted	13,048,137	5,336,283	1,418,396
Total net assets	<u>\$ 36,672,239</u>	<u>\$ 14,228,961</u>	<u>\$ 2,608,697</u>

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

<u>Enterprise Funds</u>	
<u>Totals</u>	<u>Governmental Activites: Internal Service Funds</u>
\$ 20,744,977	\$ 6,869,168
1,844,101	161,865
196,947	
9,208	
<u>22,795,233</u>	<u>7,031,033</u>
1,973,719	
2,292,881	567,000
49,864,651	
9,839,816	576,100
593,978	78,660
8,250,779	930,915
37,854,129	
<u>(39,777,116)</u>	<u>(1,154,957)</u>
<u>70,892,837</u>	<u>997,718</u>
<u>93,688,070</u>	<u>8,028,751</u>
1,127,549	57,124
105,384	29,308
362,212	
685,177	
349,882	92,059
1,885,272	
123,396	41,132
	<u>659,200</u>
<u>4,638,872</u>	<u>878,823</u>
<u>35,539,301</u>	<u>302,133</u>
<u>35,539,301</u>	<u>302,133</u>
<u>40,178,173</u>	<u>1,180,956</u>
31,371,150	654,453
1,973,719	
362,212	
19,802,816	6,193,342
<u>\$ 53,509,897</u>	<u>\$ 6,847,795</u>

CITY OF KINGMAN, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds		
	Water	Wastewater	Sanitation
Operating revenues:			
Charges for services	\$ 8,224,873	\$ 4,960,562	\$ 3,329,620
Contributions			
Miscellaneous			
Total operating revenues	<u>8,224,873</u>	<u>4,960,562</u>	<u>3,329,620</u>
Operating expenses:			
Costs of sales and services	5,871,152	1,686,611	2,604,613
Depreciation	1,045,163	328,193	304,432
Claims			
Total operating expenses	<u>6,916,315</u>	<u>2,014,804</u>	<u>2,909,045</u>
Operating income (loss)	<u>1,308,558</u>	<u>2,945,758</u>	<u>420,575</u>
Nonoperating revenues (expenses):			
Investment income	119,030	79,453	12,737
Miscellaneous	823,736	7,505	9,854
Interest expense	(22,202)	(708,361)	(22,202)
Total nonoperating revenues (expenses)	<u>920,564</u>	<u>(621,403)</u>	<u>389</u>
Income (loss) before transfers	<u>2,229,122</u>	<u>2,324,355</u>	<u>420,964</u>
Transfers out	(813,317)	(978,773)	(239,218)
Transfers in	<u>1,006,389</u>		
Changes in net assets	<u>2,422,194</u>	<u>1,345,582</u>	<u>181,746</u>
Total net assets, beginning of year	34,250,045	12,883,379	2,426,951
Total net assets, end of year	<u>\$ 36,672,239</u>	<u>\$ 14,228,961</u>	<u>\$ 2,608,697</u>

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

<u>Enterprise Funds</u>	
<u>Totals</u>	<u>Governmental Activities: Internal Service Funds</u>
\$ 16,515,055	\$ 2,946,263
	4,114,530
	92,829
<u>16,515,055</u>	<u>7,153,622</u>
10,162,376	2,866,348
1,677,788	83,546
	4,939,065
<u>11,840,164</u>	<u>7,888,959</u>
<u>4,674,891</u>	<u>(735,337)</u>
211,220	62,007
841,095	45,562
(752,765)	(22,202)
<u>299,550</u>	<u>85,367</u>
<u>4,974,441</u>	<u>(649,970)</u>
(2,031,308)	
<u>1,006,389</u>	<u>325,000</u>
<u>3,949,522</u>	<u>(324,970)</u>
49,560,375	7,172,765
<u>\$ 53,509,897</u>	<u>\$ 6,847,795</u>

CITY OF KINGMAN, ARIZONA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Enterprise Funds</u>				Governmental Activities: Internal Service Fund
	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Total</u>	
<u>Increase in Cash and Cash Equivalents</u>					
Cash flows from operating activities:					
Cash received from customers	\$ 7,992,072	\$ 4,853,481	\$ 3,316,310	\$ 16,161,863	\$ 2,946,263
Cash received from contributions					4,207,359
Cash payments to employees for services	(2,079,977)	(394,821)	(666,259)	(3,141,057)	(869,512)
Cash payments to suppliers for goods/services	(3,816,054)	(3,905,599)	(1,900,886)	(9,622,539)	(1,994,196)
Cash payments for claims					(4,589,146)
Net cash provided by (used for) operating activities	<u>2,096,041</u>	<u>553,061</u>	<u>749,165</u>	<u>3,398,267</u>	<u>(299,232)</u>
Cash flows from non-capital financing activities:					
Nonoperating revenues	823,736	7,505	9,854	841,095	45,562
Transfers in	1,006,389			1,006,389	325,000
Transfers out	(813,317)	(978,773)	(239,218)	(2,031,308)	
Net cash provided by (used for) non-capital financing activities	<u>1,016,808</u>	<u>(971,268)</u>	<u>(229,364)</u>	<u>(183,824)</u>	<u>370,562</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	223,433	(8,498,679)	(255,440)	(8,530,686)	
Loan proceeds		9,623,246		9,623,246	
Principal paid on debt	(38,874)	(1,928,000)	(38,874)	(2,005,748)	(38,874)
Interest paid on debt	(22,202)	(708,361)	(22,202)	(752,765)	(22,202)
Net cash provided by (used for) capital and related financing activities	<u>162,357</u>	<u>(1,511,794)</u>	<u>(316,516)</u>	<u>(1,665,953)</u>	<u>(61,076)</u>
Cash flows from investing activities:					
Investment income	119,030	79,453	12,737	211,220	62,007
Net cash provided by investing activities	<u>119,030</u>	<u>79,453</u>	<u>12,737</u>	<u>211,220</u>	<u>62,007</u>
Net increase (decrease) in cash and cash equivalents	<u>3,394,236</u>	<u>(1,850,548)</u>	<u>216,022</u>	<u>1,759,710</u>	<u>72,261</u>
Cash and cash equivalents, beginning of year	<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>
Cash and cash equivalents, end of year	<u>\$ 13,615,346</u>	<u>\$ 7,801,484</u>	<u>\$ 1,301,866</u>	<u>\$ 22,718,696</u>	<u>\$ 6,869,168</u>

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

Cash	\$ 6,891,919	\$ 2,556,154	\$ 695,475	\$ 10,143,548	\$ 3,661,712
Investments	6,361,215	3,633,823	606,391	10,601,429	3,207,456
Restricted cash and investments	362,212	1,611,507		1,973,719	
Total cash and cash equivalents	<u>\$ 13,615,346</u>	<u>\$ 7,801,484</u>	<u>\$ 1,301,866</u>	<u>\$ 22,718,696</u>	<u>\$ 6,869,168</u>

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

Operating income (loss)	\$ 1,308,558	\$ 2,945,758	\$ 420,575	\$ 4,674,891	\$ (735,337)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	1,045,163	328,193	304,432	1,677,788	83,546
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(218,887)	(107,081)	(13,310)	(339,278)	279,573
Increase in inventory	769			769	
Increase (decrease) in compensated absences payable	17,220	5,882	7,082	30,184	(6,116)
Decrease in deposits held for others	(13,914)			(13,914)	
Increase in accrued payroll and employee benefits	4,220	5,234	2,510	11,964	1,960
Increase (decrease) in accounts payable	(47,088)	(2,624,925)	27,876	(2,644,137)	77,142
Total adjustments	<u>787,483</u>	<u>(2,392,697)</u>	<u>328,590</u>	<u>(1,276,624)</u>	<u>436,105</u>
Net cash provided by (used for) operating activities	<u>\$ 2,096,041</u>	<u>\$ 553,061</u>	<u>\$ 749,165</u>	<u>\$ 3,398,267</u>	<u>\$ (299,232)</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

During the year ended June 30, 2011, the City implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds, and clarifies existing governmental fund type definitions.

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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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.

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, 2011

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

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.

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. The General Fund includes the City's Improvement District Bond Repayment and Powerhouse Funds. These funds are maintained as separate funds for accounting and budgetary purposes but do not meet the criteria for separate reporting in the financial statements.

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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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.

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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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 year end 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.

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.

G. Property Tax Calendar

The City does not currently levy 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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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.

H. 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.

I. 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.

J. 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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

K. 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.

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:

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

L. 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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

M. 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.

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 – FUND BALANCE CLASSIFICATIONS

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

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

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Cont'd)

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those accounts.

Assigned. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a management official delegated that authority by the formal City Council action.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had be restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Concl'd)

The table below provides detail of the major components of the City's fund balance classifications at year end.

	General Fund	Special Assessment Districts Fund	Capital Projects Fund	Non-Major Governmental Funds
Fund Balances:				
Restricted:				
Debt service	\$	\$3,238,472	\$	\$ 264,726
Flood control				2,307,584
Bond projects				1,411,788
Grants				509,125
Streets				419,869
Committed:				
Tourism	936,189			
Capital purposes			874,445	
Assigned:				
Debt service	78,600			
Capital purposes				668,871
Operation of KART				111,744
Future City grant matches				63,843
Unassigned				
	7,257,140			
Total fund balances	\$ 8,271,929	\$3,238,472	\$ 874,445	\$ 5,757,550

The July 1, 2010 fund balances of the General Fund and Non-Major Governmental Funds do not agree to the prior year financial statements for the reclassification of certain funds due to the new fund type definitions specified in GASB Statement No. 54.

	General Fund	Non-Major Governmental Funds
Fund balance, June 30, 2010, as previously reported	\$ 8,855,139	\$ 5,722,930
Reclassification of funds	100,012	(100,012)
Fund balance, July 1, 2010, as restated	\$ 8,955,151	\$ 5,622,918

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess Expenditures Over Budget – At year end, the City had expenditures in a fund that exceeded the budget however this does not constitute a violation of any legal provisions.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 – 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 \$3,593,991 and the bank balance was \$810,123. At year end, the entire balance was covered by Federal depository insurance. The City had \$8,550 of petty cash on hand at year end.

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>
U.S. government bonds	\$ 22,444,174	<u>1-5</u>
		<u>\$ 22,444,174</u>
		<u>\$ 22,444,174</u>
State Treasurer’s investment pool 7	<u>22,928,732</u>	47 days average maturities
Total	<u><u>\$ 45,372,906</u></u>	

At year end, \$1,973,719 of the City’s pooled cash is restricted for the repayment of wastewater loans and for customer deposits.

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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 – CASH AND INVESTMENTS (Concl'd)

Credit Risk. The City has no investment policy that would further limit its investment choices. Investments in the State Treasurer's Investment Pool 7 are securities backed by the U.S. Government AAA weighted average rating.

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, the Federal Farm Credit Banks and the Federal National Mortgage Association. These investments are 12%, 6% and 37% of the City's total investments, respectively.

NOTE 5 – 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.

	General Fund	Non-Major Governmental Funds
Due from governmental entities:		
Due from Federal government	\$	\$ 517,733
Due from State government	185,949	236,546
Due from County government		855,178
Net due from governmental entities	\$ 185,949	\$ 1,609,457

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.

	Unavailable	Unearned
Miscellaneous (General Fund)	\$	\$ 57,900
Development investment fees (Capital Projects Fund)		2,198,072
Miscellaneous (Non-Major Governmental Funds)		190,034
Special assessments (Special Assessment Districts)	6,973,799	
Total deferred revenue for governmental funds	\$ 6,973,799	\$ 2,446,006

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 – CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 10,346,724	\$ 63,122	\$	\$ 10,409,846
Construction in progress	9,851,704	732,372	329,310	10,254,766
Total capital assets, not being depreciated	<u>20,198,428</u>	<u>795,494</u>	<u>329,310</u>	<u>20,664,612</u>
Capital assets, being depreciated:				
Infrastructure	53,195,267	329,310		53,524,577
Buildings	8,504,815	133,608		8,638,423
Improvements other than buildings	5,965,045	343,144		6,308,189
Vehicles, machinery and equipment	13,744,352	346,701		14,091,053
Total capital assets being depreciated	<u>81,409,479</u>	<u>1,152,763</u>		<u>82,562,242</u>
Less accumulated depreciation for:				
Infrastructure	(28,995,108)	(1,169,701)		(30,164,809)
Buildings	(3,496,715)	(187,814)		(3,684,529)
Improvements other than buildings	(3,718,347)	(175,680)		(3,894,027)
Vehicles, machinery and equipment	(10,282,464)	(913,129)		(11,195,593)
Total accumulated depreciation	<u>(46,492,634)</u>	<u>(2,446,324)</u>		<u>(48,938,958)</u>
Total capital assets, being depreciated, net	<u>34,916,845</u>	<u>(1,293,561)</u>		<u>33,623,284</u>
Governmental activities capital assets, net	<u>\$ 55,115,273</u>	<u>\$ (498,067)</u>	<u>\$ 329,310</u>	<u>\$ 54,287,896</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 – 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	29,355,451	8,498,678		37,854,129
Total	<u>31,648,332</u>	<u>8,498,678</u>		<u>40,147,010</u>
Capital assets, being depreciated:				
Infrastructure	49,864,651			49,864,651
Buildings	9,839,816			9,839,816
Improvements other than buildings	593,978			593,978
Vehicles, machinery and equipment	7,983,958	266,821		8,250,779
Total	<u>68,282,403</u>	<u>266,821</u>		<u>68,549,224</u>
Less accumulated depreciation for:				
Infrastructure	(28,656,458)	(980,918)		(29,637,376)
Buildings	(3,199,600)	(213,859)		(3,413,459)
Improvements other than buildings	(431,200)	(11,909)		(443,109)
Vehicles, machinery and equipment	(5,812,070)	(471,102)		(6,283,172)
Total accumulated depreciation	<u>(38,099,328)</u>	<u>(1,677,788)</u>		<u>(39,777,116)</u>
Total capital assets, being depreciated, net	30,183,075	(1,410,967)		28,772,108
Business-type activities capital assets, net	<u>\$ 61,831,407</u>	<u>\$ 7,087,711</u>	<u>\$</u>	<u>\$ 68,919,118</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 142,042
Public safety	539,310
Highways and streets	1,488,628
Culture and recreation	233,816
Economic development	42,528
Total depreciation expense	<u>\$ 2,446,324</u>
Business-type activities:	
Water	1,045,163
Wastewater	328,193
Sanitation	304,432
Total depreciation expense	<u>\$ 1,677,788</u>

Construction Commitments – At year end, the City had contractual commitments related to various capital projects. During the year, the City spent \$9.2 million on the projects and had estimated remaining contractual commitments of \$20.9 million.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – OBLIGATIONS UNDER CAPITAL LEASES

The City has acquired land and vehicles under the provisions of long-term lease agreements classified as capital leases. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. Revenues from the General Fund, HURF Fund, both governmental funds, 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
2012	\$ 176,357	\$ 183,229
2013	176,358	183,229
2014	176,357	183,229
2015	122,152	183,229
2016	122,152	183,227
2017-18	<u>244,304</u>	<u>366,457</u>
Total minimum lease payments	1,017,680	1,282,600
Less: amount representing interest	<u>187,455</u>	<u>252,805</u>
Present value of minimum lease payments	<u>\$ 830,225</u>	<u>\$ 1,029,795</u>
Due within one year	<u>\$ 127,201</u>	<u>\$ 123,396</u>

The assets acquired through capital leases that meet the City's capitalization threshold are as follows.

	Governmental Activities
Asset:	
Land	\$ 2,835,000
Vehicles, furniture and equipment	197,900
Less: Accumulated depreciation	<u>(16,492)</u>
Total	<u>\$ 3,016,408</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 – 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.

Description	Interest Rate (Including Fees)	Maturity	Outstanding Principal June 30, 2011	Due Within One Year
Governmental activities:				
HELP Loan	3.1%	11/15/11	\$ 350,000	\$ 350,000
Business-type activities:				
Wastewater Management				
Authority of Arizona Loan	3.4%	7/1/11-12	489,595	489,595
Water Infrastructure Finance				
Authority Loan 910114-09	3.6%	7/1/11-29	31,960,309	1,395,677
Water Infrastructure Finance				
Authority Loan 710139-11	3.185%	7/1/13-31	4,068,270	
Total			<u>\$ 36,868,174</u>	<u>\$ 2,235,272</u>

Annual debt service requirements to maturity on the governmental activities loans payable for principal was \$350,000, due in fiscal year 2012, and the interest due for this annual debt service requirement was \$10,882.

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

Year ending June 30,	Principal	Interest
2012	\$ 1,885,272	\$ 1,296,802
2013	1,616,791	1,229,902
2014	1,674,286	1,172,405
2015	1,733,829	1,112,863
2016	1,795,492	1,051,200
2017-21	9,982,056	4,251,407
2022-26	11,888,459	2,345,003
2027-31	5,941,989	352,284
Total	<u>\$36,518,174</u>	<u>\$ 12,811,866</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 – LOANS PAYABLE (Concl'd)

In fiscal year 2010-11, the City obtained a new WIFA loan (910149-11) in the amount of \$18.5 million. Loan 710139-10 in the amount of \$2.5 million was refinanced into the new loan. To date, the City has obtained \$53.5 million in financing from both WIFA loans. As of year end, the City has drawn down \$32.0 million of loan 910144-09, leaving \$3.0 million available for drawdown and has drawn down \$4.1 million of loan 910149-11 leaving \$14.5 million available for drawdown.

NOTE 9 – BONDS PAYABLE

Bonds payable at year end, consisted of the following excise tax revenue, 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 excise tax revenue bonds. Special assessments imposed on certain parcels of land within the assessment district are used to pay the Special Assessment District bonds.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:					
Excise Tax Revenue Obligations, Series 2005	\$ 2,850,000	3.125-4.25%	7/1/11-21	\$ 2,175,000	\$ 185,000
Municipal Property Corporation; Excise Tax Revenue Refunding Bonds Series 1997	4,455,000	5.0%	7/1/11-14	1,570,000	265,000
Wallapai Marlene	114,707	5.25%	1/1/12-21	83,616	6,571
East Golden Gate Improvement District	3,580,000	4.5%	1/1/12-17	1,970,000	285,000
Kingman Airway Avenue Railroad Crossing Improvement District	6,325,000	4.875%	1/1/12-16	3,545,000	640,000
Kingman Airport/Banks Airport Addition	3,880,000	7.25%	1/1/12-25	3,730,000	160,000
Total				<u>\$ 13,073,616</u>	<u>\$ 1,541,571</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 – BONDS PAYABLE (Concl'd)

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

Year ending June 30:	Principal	Interest
2012	\$ 1,541,571	\$ 689,998
2013	1,637,916	613,583
2014	1,805,279	530,455
2015	2,108,661	435,604
2016	1,563,063	346,235
2017-21	2,942,126	989,466
2022-25	1,475,000	276,950
Total	\$ 13,073,616	\$ 3,882,291

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, \$3.7 million in bonds remain outstanding to be repaid by future excise tax revenues. At year end, the revenues available for service of this debt were \$18.1 million. The debt principal and interest paid on this debt during fiscal year 2011 was \$614,713 (29.5% of available pledged revenues).

In addition, the City has pledged future wastewater utility revenues to repay \$36.0 million in Water Infrastructure Financing Authority loans. The loans were issued for the construction of two new wastewater treatment plants. At year end, \$36.0 remains outstanding to be repaid by future wastewater revenues. For the fiscal year ended June 30, 2011, the revenues available for service of this debt were \$5.0 million. The debt principal and interest paid on this debt during fiscal year 2011 was \$2,069,030 (70.2% of available pledged revenues).

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 – 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
Governmental activities:					
Bonds payable	\$ 4,160,000	\$	\$ 415,000	\$ 3,745,000	\$ 450,000
Special assessment bonds payable	10,364,859		1,036,243	9,328,616	1,091,571
Obligations under capital leases	764,278	197,900	131,953	830,225	127,201
Loan payable	700,000		350,000	350,000	350,000
Compensated absences payable	1,705,705	1,437,646	1,484,343	1,659,008	1,603,089
Other post employment benefits	1,426,830	877,752	140,547	2,164,035	
Governmental activity long-term liabilities	<u>\$ 19,121,672</u>	<u>\$ 2,513,298</u>	<u>\$ 3,558,086</u>	<u>\$ 18,076,884</u>	<u>\$ 3,621,861</u>
Business-type activities:					
Obligations under capital leases	\$ 1,146,417	\$	\$ 116,622	\$ 1,029,795	\$ 123,396
Loan payable	28,784,054	9,623,246	1,889,126	36,518,174	1,885,272
Compensated absences	319,698	359,675	329,491	349,882	349,882
Business-type activities long-term liabilities	<u>\$ 30,250,169</u>	<u>\$ 9,982,921</u>	<u>\$ 2,335,239</u>	<u>\$ 37,897,851</u>	<u>\$ 2,358,550</u>

NOTE 11 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balances were as follows.

Due to/from other funds:

Due to	Due from General Fund
Non-Major Governmental Funds	\$ 54,103
Total	<u>\$ 54,103</u>

At year end the Transit System Fund had a negative cash balance in the City's pooled cash accounts. Negative cash was reduced by interfund borrowing with other funds. All interfund balances are expected to be paid within one year.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Concl'd)

At year end, interfund transfers were as follows.

Interfund transfers:

	Transfers in			
	General Fund	Non-Major Governmental and Other Funds	Water	Total
Transfers out				
General Fund	\$	\$ 931,293	\$	\$ 931,293
Special Assessment Districts Fund	33,440	3,901		\$37,341
Non-Major Governmental Funds	840,501	195,694	232,244	1,268,439
Water Fund	632,212	181,105		813,317
Wastewater Fund	90,316	114,312	774,145	978,773
Sanitation Fund	180,632	58,586		239,218
Total	<u>\$1,777,101</u>	<u>\$ 1,484,891</u>	<u>\$1,006,389</u>	<u>\$4,268,381</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 and to close out inactive funds to the General Fund.

NOTE 12 – 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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 13 – 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.

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				
2010-11	\$ 560,000	\$ 4,939,065	\$ 4,839,865	\$ 659,200
2009-10	614,000	3,777,893	3,831,893	560,000

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

Plan Descriptions - The City contributes to the two plans as described below.

The *Arizona State Retirement System* (ASRS) benefits are established by state statute and the plan generally provides retirement, long-term disability, 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 retirees' 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 paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

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

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont’d)

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. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.60 percent for retirement and 0.25 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 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 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.

		Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Years ended June 30,				
2011	\$	781,208	\$ 51,156	\$ 21,676
2010		722,415	57,170	34,648
2009		725,042	87,113	45,372

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 19.24 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.4 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 18.42 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.36 percent of covered payroll.

Actuarial methods and assumptions – The contribution requirements for the current year end were established by the June 30, 2009 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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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 2011 contribution requirements are as follows.

Actuarial valuation date	June 30, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	27 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50% for PSPRS
Inflation rate	5.00%
Payroll growth	5.5%
Cost-of-living adjustments	None

Annual Pension/OPEB Cost – The City's pension/OPEB cost for the agent plans for the most recent year ended June 30, 2009, and related information follows.

	<u>PSPRS - Police</u>		<u>PSPRS – Fire</u>	
	<u>Pension</u>	<u>Health Insurance</u>	<u>Pension</u>	<u>Health Insurance</u>
Annual pension/OPEB cost	\$ 626,711	\$ 10,469	\$ 583,585	\$ 21,260
Contributions made	626,711	10,469	583,585	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) and prior two years is as follows.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Concl'd)

Plan	Year Ended June 30	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
PSPRS – Police				
Pension	2011	626,711	100%	0
	2010	N/A	N/A	N/A
	2009	638,010	100%	0
Health Insurance	2009	10,469	100%	0
	2008	10,099	100%	0
	2007	18,415	100%	0
PSPRS – Fire				
Pension	2011	583,585	100%	0
	2010	N/A	N/A	N/A
	2009	625,785	100%	0
Health Insurance	2009	21,260	100%	0
	2008	4,920	100%	0
	2007	25,863	100%	0

Funding Progress - As of June 30, 2009, the most recent actuarial calculation date, the firefighters plan was 76 percent funded and the police was 70 percent funded. The actuarial accrued liability for benefits was \$14.9 million and \$14.6 million and the actuarial value of assets was \$11.4 million and \$10.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.5 million and \$4.5 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 115 percent and 141.3 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, 2011

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN

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	308
Retired employees	<u>22</u>
Total	<u><u>330</u></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.

Annual required contribution	\$ 877,752
Interest on net OPEB obligation	-0-
Adjustment to annual required contribution	<u>-0-</u>
Annual OPEB cost (expense)	877,752
Contributions made	<u>(140,547)</u>
Increase in net OPEB obligation	737,205
Net OPEB obligation – beginning of year	<u>1,426,830</u>
Net OPEB obligation – end of year	<u><u>\$ 2,164,035</u></u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN
(Concl'd)

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, 2011 and the preceding two years are as follows.

Fiscal Year Ended	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 140,547	16%	\$ 2,164,035
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, 2010 actuarial valuation, the liabilities were computed using the entry age normal, level dollar amount actuarial cost method. The amortization method was 30 years open. 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 2010-11, 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.

NOTE 16 – SUBSEQUENT EVENT

Loan Issuance – The City has received approximately \$2.9 million from the Water Infrastructure Finance Authority (WIFA) in loan drawdowns through December 2011.

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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, 2011

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Non-GAAP Actual	
Revenues:			
Taxes	\$ 13,600,000	\$ 12,920,739	\$ (679,261)
Licenses and permits	65,000	314,819	249,819
Intergovernmental	4,397,000	4,509,999	112,999
Charges for services	1,346,500	1,355,590	9,090
Fines and forfeits	685,000	269,943	(415,057)
Investment income	50,000	77,284	27,284
Miscellaneous	347,625	13,542	(334,083)
Total revenues	<u>20,491,125</u>	<u>19,461,916</u>	<u>(1,029,209)</u>
Expenditures:			
Current -			
General government			
Magistrate court	1,321,948	1,261,978	59,970
Mayor and council	1,205,057	159,820	1,045,237
City manager	246,735	217,458	29,277
Finance department	885,234	736,498	148,736
City attorney	643,000	641,784	1,216
City clerk	273,475	259,249	14,226
Human resources director	570,000	569,703	297
Planning and zoning	562,045	535,163	26,882
Total general government	<u>5,707,494</u>	<u>4,381,653</u>	<u>1,325,841</u>
Public safety			
Police department	7,443,961	7,130,303	313,658
Fire department	5,187,296	4,951,414	235,882
Building inspections	655,842	630,061	25,781
Total public safety	<u>13,287,099</u>	<u>12,711,778</u>	<u>575,321</u>
Culture and recreation			
Recreation	531,265	503,480	27,785
Swimming	373,366	353,141	20,225
Municipal golf course	1,136,711	1,060,135	76,576
Parks	1,663,532	1,559,098	104,434
Total culture and recreation	<u>3,704,874</u>	<u>3,475,854</u>	<u>229,020</u>
Economic development			
Tourism commission	1,020,500	233,196	787,304
Marketing commission	64,125	13,818	50,307
Total economic development	<u>1,084,625</u>	<u>247,014</u>	<u>837,611</u>
Capital outlay	102,800	234,812	(132,012)
Total capital outlay	<u>102,800</u>	<u>234,812</u>	<u>(132,012)</u>
Debt services			
Principal retirement		54,205	(54,205)
Total debt services		<u>54,205</u>	<u>(54,205)</u>
Total expenditures	<u>23,886,892</u>	<u>21,105,316</u>	<u>2,835,781</u>
Excess (deficiency) of revenues over expenditures	<u>(3,395,767)</u>	<u>(1,643,400)</u>	<u>(1,752,367)</u>
Other financing sources (uses):			
Capital lease agreements		197,900	197,900
Transfers out	(1,662,824)	(1,031,293)	631,531
Transfers in	1,470,100	1,777,101	307,001
Total other financing sources (uses)	<u>(192,724)</u>	<u>943,708</u>	<u>1,136,432</u>
Change in fund balances	<u>(3,588,491)</u>	<u>(699,692)</u>	<u>(2,888,799)</u>
Fund balances, beginning of year	8,393,047	8,855,139	462,092
Fund balances, end of year	<u>\$ 4,804,556</u>	<u>\$ 8,155,447</u>	<u>\$ 3,350,891</u>

See accompanying notes to this schedule.

CITY OF KINGMAN, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

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 with the following exception: a portion of the General Fund activity is budgeted for separately as special revenue funds. Consequently, the following adjustments were necessary to present actual expenditures, fund balance at July 1, 2010, and fund balance at June 30, 2011 on a budgetary basis in order to provide a meaningful comparison.

	<u>Total Expenditures</u>	<u>Fund Balance, June 30, 2011</u>	<u>Fund Balance, July 1, 2010</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 21,243,407	\$ 8,271,929	\$ 8,955,151
Fiscal year 2010-11 activity budgeted as special revenue funds	<u>(138,091)</u>	<u>(116,482)</u>	<u>(100,012)</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	<u>\$ 21,105,316</u>	<u>\$ 8,155,447</u>	<u>\$ 8,855,139</u>

**CITY OF KINGMAN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

**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)
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
2009	10,143,378	14,601,989	4,458,611	69.5	3,156,153	141.3

**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)
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
2009	11,370,809	14,904,298	3,533,489	76.3	3,073,406	115.0

**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 ©	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
7-1-10	-0-	7,892,307	7,892,307	-0-	8,956,255	88.1

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

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GOVERNMENTAL FUNDS

CITY OF KINGMAN, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Fund</u>
<u>ASSETS</u>				
Cash and investments	\$ 676,898	\$ 796,457	\$ 3,533,065	\$ 5,006,420
Intergovernmental receivable	754,279		855,178	1,609,457
Total assets	<u>\$ 1,431,177</u>	<u>\$ 796,457</u>	<u>\$ 4,388,243</u>	<u>\$ 6,615,877</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 46,669	\$	\$	\$ 46,669
Accrued payroll and employee benefits	35,790			35,790
Interest payable		81,731		81,731
Due to other funds	54,103			54,103
Deferred revenue	190,034			190,034
General obligation bonds payable		450,000		450,000
Total liabilities	<u>326,596</u>	<u>531,731</u>	<u></u>	<u>858,327</u>
Fund balances:				
Restricted	928,994	264,726	3,719,372	4,913,092
Assigned	175,587		668,871	844,458
Total fund balances	<u>1,104,581</u>	<u>264,726</u>	<u>4,388,243</u>	<u>5,757,550</u>
Total liabilities and fund balances	<u>\$ 1,431,177</u>	<u>\$ 796,457</u>	<u>\$ 4,388,243</u>	<u>\$ 6,615,877</u>

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, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:				
Taxes	\$	\$ 1,495	\$	\$ 1,495
Intergovernmental	5,494,484		855,178	6,349,662
Investment income	9,231	3,910	32,843	45,984
Miscellaneous	185,647		171,709	357,356
Total revenues	<u>5,689,362</u>	<u>5,405</u>	<u>1,059,730</u>	<u>6,754,497</u>
Expenditures:				
Current -				
General government	255,819		14,946	270,765
Public safety	636,039			636,039
Highways and streets	2,732,646			2,732,646
Culture and recreation	6,720			6,720
Economic development	874,249			874,249
Capital outlay	746,565		196,781	943,346
Debt service -				
Principal retirement	38,874	800,000		838,874
Interest and fiscal charges	22,202	186,476		208,678
Total expenditures	<u>5,313,114</u>	<u>986,476</u>	<u>211,727</u>	<u>6,511,317</u>
Excess (deficiency) of revenues over expenditures	<u>376,248</u>	<u>(981,071)</u>	<u>848,003</u>	<u>243,180</u>
Other financing sources (uses):				
Transfers out	(870,431)	(352,314)	(45,694)	(1,268,439)
Transfers in	343,683	809,158	7,050	1,159,891
Total other financing sources (uses):	<u>(526,748)</u>	<u>456,844</u>	<u>(38,644)</u>	<u>(108,548)</u>
Changes in fund balances	<u>(150,500)</u>	<u>(524,227)</u>	<u>809,359</u>	<u>134,632</u>
Fund balances, beginning of year	1,255,081	788,953	3,578,884	5,622,918
Fund balances, end of year	<u>\$ 1,104,581</u>	<u>\$ 264,726</u>	<u>\$ 4,388,243</u>	<u>\$ 5,757,550</u>

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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 - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2011

	<u>HURF</u>	<u>Transit System</u>	<u>Grants</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and investments	\$ 435,626	\$	\$ 241,272	\$ 676,898
Intergovernmental receivable	206,829	179,155	368,295	754,279
Total assets	<u>\$ 642,455</u>	<u>\$ 179,155</u>	<u>\$ 609,567</u>	<u>\$ 1,431,177</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 9,630	\$ 440	\$ 36,599	\$ 46,669
Accrued payroll and employee benefits	22,922	12,868		35,790
Due to other funds		54,103		54,103
Deferred revenue	190,034			190,034
Total liabilities	<u>222,586</u>	<u>67,411</u>	<u>36,599</u>	<u>326,596</u>
Fund balances:				
Restricted	419,869		509,125	928,994
Assigned		111,744	63,843	175,587
Total fund balances	<u>419,869</u>	<u>111,744</u>	<u>572,968</u>	<u>1,104,581</u>
Total liabilities and fund balances	<u>\$ 642,455</u>	<u>\$ 179,155</u>	<u>\$ 609,567</u>	<u>\$ 1,431,177</u>

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>HURF</u>	<u>Transit System</u>	<u>Grants</u>	<u>Totals</u>
Revenues:				
Intergovernmental	\$ 2,151,524	\$ 702,027	\$ 2,640,933	\$ 5,494,484
Investment income	5,009	254	3,968	9,231
Miscellaneous	68,061	117,586		185,647
Total revenues	<u>2,224,594</u>	<u>819,867</u>	<u>2,644,901</u>	<u>5,689,362</u>
Expenditures:				
Current -				
General government			255,819	255,819
Public safety			636,039	636,039
Highways and streets	1,910,594	770,390	51,662	2,732,646
Culture and recreation			6,720	6,720
Economic development			874,249	874,249
Capital outlay	8,939	245,681	491,945	746,565
Debt service -				
Principal retirement	38,874			38,874
Interest and fiscal charges	22,202			22,202
Total expenditures	<u>1,980,609</u>	<u>1,016,071</u>	<u>2,316,434</u>	<u>5,313,114</u>
Excess (deficiency) of revenues over expenditures	<u>243,985</u>	<u>(196,204)</u>	<u>328,467</u>	<u>376,248</u>
Other financing sources (uses):				
Transfers out	(382,244)		(488,187)	(870,431)
Transfers in	229,003	100,000	14,680	343,683
Total other financing sources (uses):	<u>(153,241)</u>	<u>100,000</u>	<u>(473,507)</u>	<u>(526,748)</u>
Changes in fund balances	<u>90,744</u>	<u>(96,204)</u>	<u>(145,040)</u>	<u>(150,500)</u>
Fund balances, beginning of year	329,125	207,948	718,008	1,255,081
Fund balances, end of year	<u>\$ 419,869</u>	<u>\$ 111,744</u>	<u>\$ 572,968</u>	<u>\$ 1,104,581</u>

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	HURF		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ 2,150,000	\$ 2,151,524	\$ 1,524
Investment income		5,009	5,009
Special assessments			
Miscellaneous		68,061	68,061
Total revenues	<u>2,150,000</u>	<u>2,224,594</u>	<u>74,594</u>
Expenditures:			
Current -			
General government			
Public safety			
Highways and streets	2,671,983	1,910,594	761,389
Culture and recreation			
Economic development			
Capital outlay	5,124	8,939	(3,815)
Debt service -			
Principal retirement	38,874	38,874	
Interest and fiscal charges	22,202	22,202	
Total expenditures	<u>2,738,183</u>	<u>1,980,609</u>	<u>757,574</u>
Excess (deficiency) of revenues over expenditures	<u>(588,183)</u>	<u>243,985</u>	<u>832,168</u>
Other financing sources (uses):			
Transfers out	(382,244)	(382,244)	
Transfers in	904,003	229,003	(675,000)
Total other financing sources (uses):	<u>521,759</u>	<u>(153,241)</u>	<u>(675,000)</u>
Changes in fund balances	<u>(66,424)</u>	<u>90,744</u>	<u>157,168</u>
Fund balances, beginning of year	151,081	329,125	178,044
Fund balances, end of year	<u>\$ 84,657</u>	<u>\$ 419,869</u>	<u>\$ 335,212</u>

Transit System			Improvement District Bond Repayment		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ 1,948,867	\$ 702,027 254	\$ (1,246,840) 254	\$	\$ 2	\$ 2
113,000	117,586	4,586	4,718	4,718	
<u>2,061,867</u>	<u>819,867</u>	<u>(1,242,000)</u>	<u>4,718</u>	<u>4,720</u>	<u>2</u>
861,047	770,390	90,657			
1,484,304	245,681	1,238,623			
<u>2,345,351</u>	<u>1,016,071</u>	<u>1,329,280</u>			
<u>(283,484)</u>	<u>(196,204)</u>	<u>87,280</u>	<u>4,718</u>	<u>4,720</u>	<u>2</u>
100,000	100,000		(75,000)		75,000
<u>100,000</u>	<u>100,000</u>		<u>(75,000)</u>		<u>75,000</u>
<u>(183,484)</u>	<u>(96,204)</u>	<u>87,280</u>	<u>(70,282)</u>	<u>4,720</u>	<u>75,002</u>
251,313	207,948	(43,365)	73,790	73,880	90
<u>\$ 67,829</u>	<u>\$ 111,744</u>	<u>\$ 43,915</u>	<u>\$ 3,508</u>	<u>\$ 78,600</u>	<u>\$ 75,092</u>

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	Powerhouse		Variance - Positive (Negative)
	Budget	Non-GAAP Actual	
Revenues:			
Intergovernmental	\$	\$	\$
Investment income			
Special assessments			
Miscellaneous	<u>20,000</u>	<u>49,841</u>	<u>29,841</u>
Total revenues	<u>20,000</u>	<u>49,841</u>	<u>29,841</u>
Expenditures:			
Current -			
General government	139,550	138,091	1,459
Public safety			
Highways and streets			
Culture and recreation			
Economic development			
Capital outlay			
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>139,550</u>	<u>138,091</u>	<u>1,459</u>
Excess (deficiency) of revenues over expenditures	<u>(119,550)</u>	<u>(88,250)</u>	<u>31,300</u>
Other financing sources (uses):			
Transfers out			
Transfers in	<u>120,000</u>	<u>100,000</u>	<u>(20,000)</u>
Total other financing sources (uses):	<u>120,000</u>	<u>100,000</u>	<u>(20,000)</u>
Changes in fund balances	<u>450</u>	<u>11,750</u>	<u>11,300</u>
Fund balances, beginning of year	12,072	26,132	14,060
Fund balances, end of year	<u>\$ 12,522</u>	<u>\$ 37,882</u>	<u>\$ 25,360</u>

Grants			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ 6,307,841	\$ 2,640,933 3,968	\$ (3,666,908) 3,968	\$ 10,406,708	\$ 5,494,484 9,233	\$ (4,912,224) 9,233
			4,718	4,718	
			133,000	235,488	102,488
<u>6,307,841</u>	<u>2,644,901</u>	<u>(3,662,940)</u>	<u>10,544,426</u>	<u>5,743,923</u>	<u>(4,800,503)</u>
698,760	255,819	442,941	838,310	393,910	444,400
1,737,316	636,039	1,101,277	1,737,316	636,039	1,101,277
141,113	51,662	89,451	3,674,143	2,732,646	941,497
18,355	6,720	11,635	18,355	6,720	11,635
2,387,977	874,249	1,513,728	2,387,977	874,249	1,513,728
1,343,728	491,945	851,783	2,833,156	746,565	2,086,591
			38,874	38,874	
			22,202	22,202	
<u>6,327,249</u>	<u>2,316,434</u>	<u>4,010,815</u>	<u>11,550,333</u>	<u>5,451,205</u>	<u>6,099,128</u>
<u>(19,408)</u>	<u>328,467</u>	<u>347,875</u>	<u>(1,005,907)</u>	<u>292,718</u>	<u>1,298,625</u>
(293,500)	(488,187)	(194,687)	(750,744)	(870,431)	(119,687)
29,360	14,680	(14,680)	1,153,363	443,683	(709,680)
<u>(264,140)</u>	<u>(473,507)</u>	<u>(209,367)</u>	<u>402,619</u>	<u>(426,748)</u>	<u>(829,367)</u>
<u>(283,548)</u>	<u>(145,040)</u>	<u>138,508</u>	<u>(603,288)</u>	<u>(134,030)</u>	<u>469,258</u>
377,508	718,008	340,500	865,764	1,355,093	489,329
<u>\$ 93,960</u>	<u>\$ 572,968</u>	<u>\$ 479,008</u>	<u>\$ 262,476</u>	<u>\$ 1,221,063</u>	<u>\$ 958,587</u>

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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.

Special Assessment Districts – accounts for the special assessments and debt service for the City’s improvement districts.

CITY OF KINGMAN, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2011

	MPC Debt	HELP Loan Debt	Totals
<u>ASSETS</u>			
Cash and investments	\$ 642,515	\$ 153,942	\$ 796,457
Total assets	\$ 642,515	\$ 153,942	\$ 796,457
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Interest payable	\$ 81,731	\$	\$ 81,731
General obligation bonds payable	450,000	_____	450,000
Total liabilities	531,731	_____	531,731
Fund balances:			
Restricted	110,784	153,942	264,726
Total fund balances	110,784	153,942	264,726
 Total liabilities and fund balances	\$ 642,515	\$ 153,942	\$ 796,457

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>G.O. Bond Debt Service</u>	<u>MPC Debt</u>	<u>HELP Loan Debt</u>	<u>Totals</u>
Revenues:				
Taxes	\$ 1,495	\$	\$	\$ 1,495
Investment income	3,303	540	67	3,910
Total revenues	<u>4,798</u>	<u>540</u>	<u>67</u>	<u>5,405</u>
Expenditures:				
Debt service -				
Principal retirement		450,000	350,000	800,000
Interest and fiscal charges		164,713	21,763	186,476
Total expenditures		<u>614,713</u>	<u>371,763</u>	<u>986,476</u>
Excess (deficiency) of revenues over expenditures	<u>4,798</u>	<u>(614,173)</u>	<u>(371,696)</u>	<u>(981,071)</u>
Other financing sources (uses):				
Transfers out	(352,314)			(352,314)
Transfers in		613,464	195,694	809,158
Total other financing sources (uses):	<u>(352,314)</u>	<u>613,464</u>	<u>195,694</u>	<u>456,844</u>
Changes in fund balances	<u>(347,516)</u>	<u>(709)</u>	<u>(176,002)</u>	<u>(524,227)</u>
Fund balances, beginning of year	347,516	111,493	329,944	788,953
Fund balances, end of year	<u>\$</u>	<u>\$ 110,784</u>	<u>\$ 153,942</u>	<u>\$ 264,726</u>

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	G.O. Bond Debt Service		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$ 1,495	\$ 1,495
Investment income	750	3,303	2,553
Special assessments			
Total revenues	<u>750</u>	<u>4,798</u>	<u>4,048</u>
Expenditures:			
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u></u>	<u></u>	<u></u>
Excess (deficiency) of revenues over expenditures	<u>750</u>	<u>4,798</u>	<u>4,048</u>
Other financing sources (uses):			
Transfers out	(300,000)	(352,314)	(52,314)
Transfers in			
Total other financing sources (uses):	<u>(300,000)</u>	<u>(352,314)</u>	<u>(52,314)</u>
Changes in fund balances	<u>(299,250)</u>	<u>(347,516)</u>	<u>(48,266)</u>
Fund balances, beginning of year	348,730	347,516	(1,214)
Fund balances, end of year	<u>\$ 49,480</u>	<u>\$</u>	<u>\$ (49,480)</u>

MPC Debt			HELP Loan Debt		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 500	\$ 540	\$ 40	\$	\$ 67	\$ 67
<u>500</u>	<u>540</u>	<u>40</u>		<u>67</u>	<u>67</u>
450,000	450,000		350,000	350,000	
165,964	164,713	1,251	21,763	21,763	
<u>615,964</u>	<u>614,713</u>	<u>1,251</u>	<u>371,763</u>	<u>371,763</u>	
(615,464)	(614,173)	1,291	(371,763)	(371,696)	67
613,464	613,464		195,694	195,694	
<u>613,464</u>	<u>613,464</u>		<u>195,694</u>	<u>195,694</u>	
(2,000)	(709)	1,291	(176,069)	(176,002)	67
107,402	111,493	4,091	330,365	329,944	(421)
<u>\$ 105,402</u>	<u>\$ 110,784</u>	<u>\$ 5,382</u>	<u>\$ 154,296</u>	<u>\$ 153,942</u>	<u>\$ (354)</u>

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Special Assessment Districts		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Investment income	20,000	32,678	12,678
Special assessments	1,141,302	1,242,352	101,050
Total revenues	<u>1,161,302</u>	<u>1,275,030</u>	<u>113,728</u>
Expenditures:			
Debt service -			
Principal retirement	1,036,243	1,036,243	
Interest and fiscal charges	563,892	563,978	(86)
Total expenditures	<u>1,600,135</u>	<u>1,600,221</u>	<u>(86)</u>
Excess (deficiency) of revenues over expenditures	<u>(438,833)</u>	<u>(325,191)</u>	<u>113,642</u>
Other financing sources (uses):			
Transfers out	(37,341)	(37,341)	
Transfers in			
Total other financing sources (uses):	<u>(37,341)</u>	<u>(37,341)</u>	
Changes in fund balances	<u>(476,174)</u>	<u>(362,532)</u>	<u>113,642</u>
Fund balances, beginning of year	3,524,987	3,601,004	76,017
Fund balances, end of year	<u>\$ 3,048,813</u>	<u>\$ 3,238,472</u>	<u>\$ 189,659</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
21,250	1,495	1,495
	36,588	15,338
1,141,302	1,242,352	101,050
<u>1,162,552</u>	<u>1,280,435</u>	<u>117,883</u>
1,836,243	1,836,243	
751,619	750,454	1,165
<u>2,587,862</u>	<u>2,586,697</u>	<u>1,165</u>
(1,425,310)	(1,306,262)	119,048
(337,341)	(389,655)	(52,314)
809,158	809,158	
<u>471,817</u>	<u>419,503</u>	<u>(52,314)</u>
(953,493)	(886,759)	66,734
4,311,484	4,389,957	78,473
<u>\$ 3,357,991</u>	<u>\$ 3,503,198</u>	<u>\$ 145,207</u>

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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 Capital Projects funds.

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

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

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.

Rancho Santa Fe Parkway 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, 2011

	Local Construction	Airway Underpass	KAT and Banks Airport Construction
<u>ASSETS</u>			
Cash and investments	\$ 372,768	\$ 925,566	\$ 486,222
Intergovernmental receivable			
Total assets	\$ 372,768	\$ 925,566	\$ 486,222
 Fund balances:			
Restricted		925,566	486,222
Assigned	372,768		
Total fund balances	372,768	925,566	486,222
 Total liabilities and fund balances	\$ 372,768	\$ 925,566	\$ 486,222

<u>Kingman Crossing</u>	<u>Rancho Santa Fe Parkway</u>	<u>Flood Control</u>	<u>Totals</u>
\$ 86,199	\$ 209,904	\$ 1,452,406	\$ 3,533,065
		855,178	855,178
<u>\$ 86,199</u>	<u>\$ 209,904</u>	<u>\$ 2,307,584</u>	<u>\$ 4,388,243</u>
		2,307,584	3,719,372
86,199	209,904		668,871
<u>86,199</u>	<u>209,904</u>	<u>2,307,584</u>	<u>4,388,243</u>
<u>\$ 86,199</u>	<u>\$ 209,904</u>	<u>\$ 2,307,584</u>	<u>\$ 4,388,243</u>

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

	Local Construction	Airway Underpass	Bank Street Construction
Revenues:			
Intergovernmental	\$	\$	\$
Investment income	3,456	8,723	398
Miscellaneous			
Total revenues	<u>3,456</u>	<u>8,723</u>	<u>398</u>
Expenditures:			
Current -			
General government		14,946	
Capital outlay			
Total expenditures	<u></u>	<u>14,946</u>	<u></u>
Excess (deficiency) of revenues over expenditures	<u>3,456</u>	<u>(6,223)</u>	<u>398</u>
Other financing sources (uses):			
Transfers out			(45,694)
Transfers in	3,901		3,149
Total other financing sources (uses):	<u>3,901</u>	<u></u>	<u>(42,545)</u>
Changes in fund balances	<u>7,357</u>	<u>(6,223)</u>	<u>(42,147)</u>
Fund balances, beginning of year	365,411	931,789	42,147
Fund balances, end of year	<u>\$ 372,768</u>	<u>\$ 925,566</u>	<u>\$</u>

KAT and Banks Airport Construction	Kingman Crossing	Rancho Santa Fe Parkway	Flood Control	Totals
\$ 4,556	\$ 810	\$ 1,969	\$ 855,178	\$ 855,178
			12,931	32,843
			171,709	171,709
<u>4,556</u>	<u>810</u>	<u>1,969</u>	<u>1,039,818</u>	<u>1,059,730</u>
				14,946
<u>638</u>		<u>117,150</u>	<u>78,993</u>	<u>196,781</u>
<u>638</u>		<u>117,150</u>	<u>78,993</u>	<u>211,727</u>
<u>3,918</u>	<u>810</u>	<u>(115,181)</u>	<u>960,825</u>	<u>848,003</u>
				(45,694)
				<u>7,050</u>
				<u>(38,644)</u>
<u>3,918</u>	<u>810</u>	<u>(115,181)</u>	<u>960,825</u>	<u>809,359</u>
482,304	85,389	325,085	1,346,759	3,578,884
<u>\$ 486,222</u>	<u>\$ 86,199</u>	<u>\$ 209,904</u>	<u>\$ 2,307,584</u>	<u>\$ 4,388,243</u>

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

	Local Construction		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$	\$	\$
Intergovernmental			
Investment income	250	3,456	3,206
Development investment fees			
Miscellaneous			
Total revenues	<u>250</u>	<u>3,456</u>	<u>3,206</u>
Expenditures:			
Current -			
General government			
Capital outlay			
Total expenditures	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures	<u>250</u>	<u>3,456</u>	<u>3,206</u>
Other financing sources (uses):			
General obligation bonds issued			
Transfers out			
Transfers in	3,901	3,901	
Total other financing sources (uses):	<u>3,901</u>	<u>3,901</u>	<u> </u>
Changes in fund balances	<u>4,151</u>	<u>7,357</u>	<u>3,206</u>
Fund balances, beginning of year	362,735	365,411	2,676
Fund balances, end of year	<u>\$ 366,886</u>	<u>\$ 372,768</u>	<u>\$ 5,882</u>

Capital Projects			Airway Underpass		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 300,000	\$ 363,964	\$ 63,964	\$	\$	\$
2,231,000	94,086	(2,136,914)			
15,000	29,948	14,948	5,000	8,723	3,723
2,790,806	582,054	(2,208,752)			
50,000	25,000	(25,000)			
<u>5,386,806</u>	<u>1,095,052</u>	<u>(4,291,754)</u>	<u>5,000</u>	<u>8,723</u>	<u>3,723</u>
	23,715	(23,715)	100,000	14,946	85,054
14,282,685	703,803	13,578,882			
<u>14,282,685</u>	<u>727,518</u>	<u>13,555,167</u>	<u>100,000</u>	<u>14,946</u>	<u>85,054</u>
(8,895,879)	367,534	9,263,413	(95,000)	(6,223)	88,777
10,494,000		(10,494,000)			
250,000		(250,000)			
<u>10,744,000</u>		<u>(10,744,000)</u>			
1,848,121	367,534	(1,480,587)	(95,000)	(6,223)	88,777
2,421,408	506,911	(1,914,497)	914,358	931,789	17,431
<u>\$ 4,269,529</u>	<u>\$ 874,445</u>	<u>\$ (3,395,084)</u>	<u>\$ 819,358</u>	<u>\$ 925,566</u>	<u>\$ 106,208</u>

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

	Bank Street Construction		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Intergovernmental			
Investment income		398	398
Development investment fees			
Miscellaneous			
Total revenues		<u>398</u>	<u>398</u>
Expenditures:			
Current -			
General government			
Capital outlay			
Total expenditures			
Excess (deficiency) of revenues over expenditures		<u>398</u>	<u>398</u>
Other financing sources (uses):			
General obligation bonds issued			
Transfers out	(45,694)	(45,694)	
Transfers in		3,149	3,149
Total other financing sources (uses):	<u>(45,694)</u>	<u>(42,545)</u>	<u>3,149</u>
Changes in fund balances	<u>(45,694)</u>	<u>(42,147)</u>	<u>3,547</u>
Fund balances, beginning of year	45,694	42,147	(3,547)
Fund balances, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

KAT and Banks Airport Construction			Kingman Crossing		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	4,556	4,556		810	810
	<u>4,556</u>	<u>4,556</u>	<u>20,978,000</u>	<u>810</u>	<u>(20,978,000)</u>
			<u>20,978,000</u>		<u>(20,977,190)</u>
			1,352,000		1,352,000
<u>570,271</u>	<u>638</u>	<u>569,633</u>	<u>19,626,000</u>		<u>19,626,000</u>
<u>570,271</u>	<u>638</u>	<u>569,633</u>	<u>20,978,000</u>		<u>20,978,000</u>
<u>(570,271)</u>	<u>3,918</u>	<u>574,189</u>		<u>810</u>	<u>810</u>
<u>(570,271)</u>	<u>3,918</u>	<u>574,189</u>		<u>810</u>	<u>810</u>
<u>570,271</u>	<u>482,304</u>	<u>(87,967)</u>	<u>101,708</u>	<u>85,389</u>	<u>(16,319)</u>
<u>\$</u>	<u>\$ 486,222</u>	<u>\$ 486,222</u>	<u>\$ 101,708</u>	<u>\$ 86,199</u>	<u>\$ (15,509)</u>

(Continued)

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

	Rancho Santa Fe Parkway		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Intergovernmental	27,082,000		(27,082,000)
Investment income		1,969	1,969
Development investment fees			
Miscellaneous	1,712,000		(1,712,000)
Total revenues	28,794,000	1,969	(28,792,031)
Expenditures:			
Current -			
General government			
Capital outlay	49,020,500	117,150	48,903,350
Total expenditures	49,020,500	117,150	48,903,350
Excess (deficiency) of revenues over expenditures	(20,226,500)	(115,181)	20,111,319
Other financing sources (uses):			
General obligation bonds issued	19,953,000		(19,953,000)
Transfers out			
Transfers in			
Total other financing sources (uses):	19,953,000		(19,953,000)
Changes in fund balances	(273,500)	(115,181)	158,319
Fund balances, beginning of year	314,731	325,085	10,354
Fund balances, end of year	\$ 41,231	\$ 209,904	\$ 168,673

Flood Control			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 709,000	\$ 855,178	\$ 146,178	\$ 300,000	\$ 363,964	\$ 63,964
1,000	12,931	11,931	30,022,000	949,264	(29,072,736)
			21,250	62,791	41,541
	171,709	171,709	2,790,806	582,054	(2,208,752)
<u>710,000</u>	<u>1,039,818</u>	<u>329,818</u>	<u>22,740,000</u>	<u>196,709</u>	<u>(22,543,291)</u>
			<u>55,874,056</u>	<u>2,154,782</u>	<u>(53,719,274)</u>
			1,452,000	38,661	1,413,339
9,215,000	78,993	9,136,007	92,714,456	900,584	91,813,872
<u>9,215,000</u>	<u>78,993</u>	<u>9,136,007</u>	<u>94,166,456</u>	<u>939,245</u>	<u>93,227,211</u>
(8,505,000)	960,825	9,465,825	(38,292,400)	1,215,537	39,507,937
8,200,000		(8,200,000)	38,647,000		(38,647,000)
(250,000)		250,000	(295,694)	(45,694)	250,000
			253,901	7,050	(246,851)
<u>7,950,000</u>		<u>(7,950,000)</u>	<u>38,605,207</u>	<u>(38,644)</u>	<u>(38,643,851)</u>
(555,000)	960,825	1,515,825	312,807	1,176,893	864,086
1,745,911	1,346,759	(399,152)	6,476,816	4,085,795	(2,391,021)
<u>\$ 1,190,911</u>	<u>\$ 2,307,584</u>	<u>\$ 1,116,673</u>	<u>\$ 6,789,623</u>	<u>\$ 5,262,688</u>	<u>\$ (1,526,935)</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, 2011**

	Fleet Services	Insurance Services	Building Maintenance Services
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 230,787	\$ 1,359,695	\$ 427,588
Accounts receivable			
Total current assets	230,787	1,359,695	427,588
Noncurrent assets:			
Land	567,000		
Buildings	576,100		
Improvements other than buildings	78,660		
Vehicles, machinery, and equipment	163,318		
Accumulated depreciation	(512,478)		
Total noncurrent assets	872,600		
Total assets	1,103,387	1,359,695	427,588
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	30,379		5,576
Accrued payroll and employee benefits	9,876		5,152
Compensated absences payable	41,479		11,781
Obligations under capital leases	41,132		
Claims payable			
Total current liabilities	122,866		22,509
Noncurrent liabilities:			
Non-current portion of long-term obligations	302,133		
Total noncurrent liabilities	302,133		
Total liabilities	424,999		22,509
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	529,335		
Unrestricted	149,053	1,359,695	405,079
Total net assets	\$ 678,388	\$ 1,359,695	\$ 405,079

Information Systems	Employee Benefit Trust	Totals
\$ 455,485	\$ 4,395,613	\$ 6,869,168
	161,865	161,865
<u>455,485</u>	<u>4,557,478</u>	<u>7,031,033</u>
		567,000
		576,100
		78,660
767,597		930,915
(642,479)		(1,154,957)
<u>125,118</u>		<u>997,718</u>
<u>580,603</u>	<u>4,557,478</u>	<u>8,028,751</u>
		57,124
12,659	8,510	29,308
13,372	908	92,059
38,799		41,132
	659,200	659,200
<u>64,830</u>	<u>668,618</u>	<u>878,823</u>
		302,133
		302,133
<u>64,830</u>	<u>668,618</u>	<u>1,180,956</u>
		654,453
125,118		6,193,342
390,655	3,888,860	6,193,342
<u>\$ 515,773</u>	<u>\$ 3,888,860</u>	<u>\$ 6,847,795</u>

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, 2011

	<u>Fleet Services</u>	<u>Insurance Services</u>	<u>Building Maintenance Services</u>
Operating revenues:			
Charges for services	\$ 1,168,663	\$ 605,000	\$ 666,600
Contributions			
Miscellaneous			
Total operating revenues	<u>1,168,663</u>	<u>605,000</u>	<u>666,600</u>
Operating expenses:			
Costs of sales and services	1,053,583	391,785	575,322
Depreciation	25,425		
Claims			
Total operating expenses	<u>1,079,008</u>	<u>391,785</u>	<u>575,322</u>
Operating income (loss)	<u>89,655</u>	<u>213,215</u>	<u>91,278</u>
Nonoperating revenues (expenses):			
Investment income	2,133	11,970	3,680
Miscellaneous		45,562	
Interest expense	(22,202)		
Total nonoperating revenues (expenses)	<u>(20,069)</u>	<u>57,532</u>	<u>3,680</u>
Income (loss) before transfers	<u>69,586</u>	<u>270,747</u>	<u>94,958</u>
Transfers in			
Changes in net assets	<u>69,586</u>	<u>270,747</u>	<u>94,958</u>
Total net assets, beginning of year	608,802	1,088,948	310,121
Total net assets, end of year	<u>\$ 678,388</u>	<u>\$ 1,359,695</u>	<u>\$ 405,079</u>

Information Systems	Employee Benefit Trust	Totals
\$ 506,000	\$	\$ 2,946,263
	4,114,530	4,114,530
	92,829	92,829
<u>506,000</u>	<u>4,207,359</u>	<u>7,153,622</u>
845,658		2,866,348
58,121		83,546
	4,939,065	4,939,065
<u>903,779</u>	<u>4,939,065</u>	<u>7,888,959</u>
<u>(397,779)</u>	<u>(731,706)</u>	<u>(735,337)</u>
4,633	39,591	62,007
		45,562
		(22,202)
<u>4,633</u>	<u>39,591</u>	<u>85,367</u>
<u>(393,146)</u>	<u>(692,115)</u>	<u>(649,970)</u>
	325,000	325,000
<u>(393,146)</u>	<u>(367,115)</u>	<u>(324,970)</u>
908,919	4,255,975	7,172,765
<u>\$ 515,773</u>	<u>\$ 3,888,860</u>	<u>\$ 6,847,795</u>

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Fleet Services	Insurance Services	Building Maintenance Services	Information Systems
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 1,168,663	605,000	666,600	506,000
Cash received from contributions				
Cash payments to employees for service:	(309,117)		(154,815)	(405,580)
Cash payments to suppliers for goods/services:	(739,604)	(408,398)	(424,135)	(422,059)
Cash payments for claims				
Net cash provided by (used for) operating activities	119,942	196,602	87,650	(321,639)
Cash flows from non capital financing activities:				
Nonoperating revenues		45,562		
Transfers in				
Net cash provided by non capital financing activities:	45,562	45,562		
Cash flows from capital and related financing activities:				
Principal paid on debt	(38,874)			
Interest paid on debt	(22,202)			
Net cash used for capital and related financing activities:	(61,076)			
Cash flows from investing activities:				
Investment income	2,133	11,970	3,680	4,633
Net cash provided by investing activities	2,133	11,970	3,680	4,633
Net increase (decrease) in cash and cash equivalents	60,999	254,134	91,330	(317,006)
Cash and cash equivalents, beginning of year	169,788	1,105,561	336,258	772,491
Cash and cash equivalents, end of year	\$ 230,787	\$ 1,359,695	\$ 427,588	\$ 455,485
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</u>				
Cash	123,290	726,368	228,423	243,326
Investments	107,497	633,327	199,165	212,159
Total cash and cash equivalents	\$ 230,787	\$ 1,359,695	\$ 427,588	\$ 455,485
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Operating income (loss)	\$ 89,655	213,215	91,278	(397,779)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	25,425			58,121
Changes in assets and liabilities:				
Decrease in accounts receivable				
Increase (decrease) in compensated absences payable	(11,822)		(1,756)	7,462
Increase in accrued payroll and employee benefit:	417		429	1,114
Increase (decrease) in accounts payable	16,267	(16,613)	(2,301)	9,443
Total adjustments	30,287	(16,613)	(3,628)	76,140
Net cash provided by (used for) operating activities	\$ 119,942	\$ 196,602	\$ 87,650	\$ (321,639)

<u>Employee Benefit Trust</u>	<u>Totals</u>
	\$ 2,946,263
4,207,359	4,207,359
	(869,512)
	(1,994,196)
<u>(4,589,146)</u>	<u>(4,589,146)</u>
<u>(381,787)</u>	<u>(299,232)</u>
	45,562
<u>325,000</u>	<u>325,000</u>
<u>325,000</u>	<u>370,562</u>
	(38,874)
	<u>(22,202)</u>
	<u>(61,076)</u>
<u>39,591</u>	<u>62,007</u>
<u>39,591</u>	<u>62,007</u>
<u>(17,196)</u>	<u>72,261</u>
<u>4,412,809</u>	<u>6,796,907</u>
\$ <u><u>4,395,613</u></u>	\$ <u><u>6,869,168</u></u>
2,340,305	3,661,712
2,055,308	3,207,456
\$ <u><u>4,395,613</u></u>	\$ <u><u>6,869,168</u></u>

(731,706)	\$ (735,337)
	83,546
279,573	279,573
	(6,116)
	1,960
<u>70,346</u>	<u>77,142</u>
<u>349,919</u>	<u>436,105</u>
\$ <u><u>(381,787)</u></u>	\$ <u><u>(299,232)</u></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 NINE FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 40,034,056	\$ 38,762,943	\$ 37,891,064	\$ 37,438,313	\$ 37,343,856
Restricted	15,125,063	329,125	387,789	445,957	877,528
Unrestricted	12,903,489	30,294,711	28,536,485	28,310,524	25,907,666
Total governmental activities net assets	<u>\$ 68,062,608</u>	<u>\$ 69,386,779</u>	<u>\$ 66,815,338</u>	<u>\$ 66,194,794</u>	<u>\$ 64,129,050</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 31,371,150	\$ 31,861,904	\$ 29,906,112	\$ 30,578,796	\$ 31,505,500
Restricted	2,335,931	1,828,632	942,356	938,662	943,561
Unrestricted	19,802,816	15,869,839	15,482,328	13,468,732	9,389,716
Total business-type activities net assets	<u>\$ 53,509,897</u>	<u>\$ 49,560,375</u>	<u>\$ 46,330,796</u>	<u>\$ 44,986,190</u>	<u>\$ 41,838,777</u>
Primary government					
Invested in capital assets, net of related debt	\$ 71,405,206	\$ 70,624,847	\$ 67,797,176	\$ 68,017,109	\$ 68,849,356
Restricted	17,460,994	2,157,757	1,330,145	1,384,619	1,821,089
Unrestricted	32,706,305	46,164,550	44,018,813	41,779,256	35,297,382
Total net assets	<u>\$ 121,572,505</u>	<u>\$ 118,947,154</u>	<u>\$ 113,146,134</u>	<u>\$ 111,180,984</u>	<u>\$ 105,967,827</u>

(Continued)

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

	Fiscal Year Ended June 30			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 43,500,192	\$ 35,549,975	\$ 40,484,882	\$ 38,262,311
Restricted	1,244,463			
Unrestricted	10,551,246	17,550,843	12,472,748	8,961,390
Total governmental activities net assets	<u>\$ 55,295,901</u>	<u>\$ 53,100,818</u>	<u>\$ 52,957,630</u>	<u>\$ 47,223,701</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 30,029,791	\$ 29,058,678	\$ 28,022,369	\$ 27,144,951
Restricted	932,588	879,772	808,324	773,589
Unrestricted	9,703,202	8,952,050	8,534,046	9,403,917
Total business-type activities net assets	<u>\$ 40,665,581</u>	<u>\$ 38,890,500</u>	<u>\$ 37,364,739</u>	<u>\$ 37,322,457</u>
Primary government				
Invested in capital assets, net of related debt	\$ 73,529,983	\$ 64,608,653	\$ 68,507,251	\$ 65,407,262
Restricted	2,177,051	879,772	808,324	773,589
Unrestricted	20,254,448	26,502,893	21,006,794	18,365,307
Total net assets	<u>\$ 95,961,482</u>	<u>\$ 91,991,318</u>	<u>\$ 90,322,369</u>	<u>\$ 84,546,158</u>

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 nine years are shown.

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expenses					
Governmental activities:					
General government	\$ 5,315,740	\$ 4,616,031	\$ 4,761,050	\$ 4,812,710	\$ 5,338,793
Public safety	14,926,549	15,337,732	15,865,007	15,757,220	15,864,775
Highways and streets	4,269,435	4,499,627	4,085,526	5,548,153	1,314,715
Culture and recreation	3,873,742	3,826,798	4,574,132	4,916,992	4,662,109
Economic development	1,170,810	562,714	306,605	269,108	219,488
Interest on long-term debt	794,858	875,832	808,803	733,249	745,429
Total governmental activities	<u>30,351,134</u>	<u>29,718,734</u>	<u>30,401,123</u>	<u>32,037,432</u>	<u>28,145,309</u>
Business-type activities:					
Water	6,938,517	7,081,551	7,546,397	7,365,694	7,398,433
Wastewater	2,723,165	2,098,760	1,746,494	1,365,364	1,947,121
Sanitation	2,931,247	2,721,958	2,703,858	2,833,348	2,648,349
Total business-type activities	<u>12,592,929</u>	<u>11,902,269</u>	<u>11,996,749</u>	<u>11,564,406</u>	<u>11,993,903</u>
Total expenses	<u>42,944,063</u>	<u>41,621,003</u>	<u>42,397,872</u>	<u>43,601,838</u>	<u>40,139,212</u>
Program Revenues					
Governmental activities:					
Charges for services					
Culture and recreation	1,254,738	1,238,827	1,093,529	1,347,712	1,349,404
Economic development	258,415	463,055	737,699	878,552	1,033,205
Other	1,258,283	748,808	1,726,696	1,211,968	654,730
Operating grants and contributions	1,821,520	2,492,889	1,825,376	2,621,629	2,403,743
Capital grants and contributions	3,119,466	5,312,895	1,270,449	1,973,809	4,159,165
Total governmental activities	<u>7,712,422</u>	<u>10,256,474</u>	<u>6,653,749</u>	<u>8,033,670</u>	<u>9,600,247</u>
Business-type activities:					
Charges for services					
Water	8,224,873	8,787,008	7,723,005	9,153,960	8,602,871
Wastewater	4,960,562	3,846,079	3,370,892	2,791,018	2,301,410
Sanitation	3,329,620	3,305,488	3,336,841	3,292,757	3,152,197
Total business-type activities	<u>16,515,055</u>	<u>15,938,575</u>	<u>14,430,738</u>	<u>15,237,735</u>	<u>14,056,478</u>
Total program revenues	<u>24,227,477</u>	<u>26,195,049</u>	<u>21,084,487</u>	<u>23,271,405</u>	<u>23,656,725</u>
Net Expense	<u>\$ (18,716,586)</u>	<u>\$ (15,425,954)</u>	<u>\$ (21,313,385)</u>	<u>\$ (20,330,433)</u>	<u>\$ (16,482,487)</u>

(Continued)

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

	Fiscal Year Ended June 30			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses				
Governmental activities:				
General government	\$ 4,897,625	\$ 4,195,447	\$ 3,507,294	\$ 3,356,260
Public safety	13,804,815	12,305,483	10,400,692	9,618,155
Highways and streets	7,308,071	4,625,284	4,250,651	3,644,424
Culture and recreation	3,838,881	3,993,673	3,680,328	3,157,373
Economic development	336,274	146,783	253,145	230,917
Interest on long-term debt	816,331	432,666	480,284	513,086
Total governmental activities	<u>31,001,997</u>	<u>25,699,336</u>	<u>22,572,394</u>	<u>20,520,215</u>
Business-type activities:				
Water	7,124,977	6,219,710	5,889,553	5,005,387
Wastewater	1,311,188	1,064,738	1,271,322	1,287,841
Sanitation	2,460,861	2,196,194	1,953,622	1,921,553
Total business-type activities	<u>10,897,026</u>	<u>9,480,642</u>	<u>9,114,497</u>	<u>8,214,781</u>
Total expenses	<u>41,899,023</u>	<u>35,179,978</u>	<u>31,686,891</u>	<u>28,734,996</u>
Program Revenues				
Governmental activities:				
Charges for services				
Culture and recreation	1,306,201	1,143,172	1,229,385	1,201,245
Economic development	1,479,729	130,383	705,684	544,060
Other	699,664	1,571,405	658,287	691,339
Operating grants and contributions	1,173,316	919,890	917,746	891,142
Capital grants and contributions	3,069,691	1,046,252	6,002,229	1,527,008
Total governmental activities	<u>7,728,601</u>	<u>4,811,102</u>	<u>9,513,331</u>	<u>4,854,794</u>
Business-type activities:				
Charges for services				
Water	7,406,521	6,203,590	5,765,371	5,460,914
Wastewater	2,674,379	2,312,960	1,820,319	1,664,318
Sanitation	2,800,752	2,184,776	2,067,270	1,984,870
Total business-type activities	<u>12,881,652</u>	<u>10,701,326</u>	<u>9,652,960</u>	<u>9,110,102</u>
Total program revenues	<u>20,610,253</u>	<u>15,512,428</u>	<u>19,166,291</u>	<u>13,964,896</u>
Net Expense	<u>\$ (21,288,770)</u>	<u>\$ (19,667,550)</u>	<u>\$ (12,520,600)</u>	<u>\$ (14,770,100)</u>

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 nine years are shown.

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net Expense	\$ (18,716,586)	\$ (15,425,954)	\$ (21,313,385)	\$ (20,330,433)	\$ (16,482,487)
General Revenues:					
Governmental activities:					
Taxes:					
Sales taxes	11,264,735	11,648,543	12,024,409	12,990,502	14,070,401
Property taxes	1,495	20,169	437,457	430,630	430,666
Auto lieu taxes	1,275,096	1,290,144	1,375,193	1,501,803	1,569,940
Franchise taxes	744,872	657,793	804,964	730,892	711,893
Unrestricted state shared revenue	6,684,959	7,229,643	8,230,525	8,702,727	8,192,336
Investment income	247,903	207,908	259,194	778,418	1,000,211
Miscellaneous	70,562	17,850	14,631	12,796	
Transfers	<u>1,024,919</u>	<u>961,651</u>	<u>1,221,545</u>	<u>921,738</u>	<u>1,402,764</u>
Total governmental activities	<u>21,314,541</u>	<u>22,033,701</u>	<u>24,367,918</u>	<u>26,069,506</u>	<u>27,378,211</u>
General Revenues:					
Business-type activities:					
Investment income (loss)	211,220	154,924	132,162	395,822	513,385
Miscellaneous	841,095				
Transfers	<u>(1,024,919)</u>	<u>(961,651)</u>	<u>(1,221,545)</u>	<u>(921,738)</u>	<u>(1,402,764)</u>
Total business-type activities	<u>27,396</u>	<u>(806,727)</u>	<u>(1,089,383)</u>	<u>(525,916)</u>	<u>(889,379)</u>
Changes in Net Assets	<u>\$ 2,625,351</u>	<u>\$ 5,801,020</u>	<u>\$ 1,965,150</u>	<u>\$ 5,213,157</u>	<u>\$ 10,006,345</u>

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

	Fiscal Year Ended June 30			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net Expense	\$ (21,288,770)	\$ (19,667,550)	\$ (12,520,600)	\$ (14,770,100)
General Revenues:				
Governmental activities:				
Taxes:				
Sales taxes	14,359,943	12,090,746	10,042,792	9,016,740
Property taxes	311,232	520,167	444,768	418,737
Auto lieu taxes	1,441,076	1,254,006	1,143,439	867,168
Franchise taxes	680,628	532,972	506,033	470,842
Unrestricted state shared revenue	7,048,226	6,298,893	5,880,436	5,709,446
Investment income	915,471	331,888	160,478	12,217
Miscellaneous	12,243	55,496		48,725
Transfers	699,660	(52,746)	615,046	877,702
Total governmental activities	<u>25,468,479</u>	<u>21,031,422</u>	<u>18,792,992</u>	<u>17,421,577</u>
General Revenues:				
Business-type activities:				
Investment income (loss)	490,115	252,331	118,865	(232,766)
Transfers	(699,660)	52,746	(615,046)	(877,702)
Total business-type activities	<u>(209,545)</u>	<u>305,077</u>	<u>(496,181)</u>	<u>(1,110,468)</u>
Changes in Net Assets	<u>\$ 3,970,164</u>	<u>\$ 1,668,949</u>	<u>\$ 5,776,211</u>	<u>\$ 1,541,009</u>

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 nine years are shown.

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

	Fiscal Year Ended June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund:					
Nonspendable					
Restricted					
Committed	\$ 936,189				
Assigned	78,600				
Unassigned	7,257,140				
Unreserved		\$ 8,855,139	\$ 8,625,441	\$ 8,810,167	\$ 8,835,853
Total General Fund	<u>\$ 8,271,929</u>	<u>\$ 8,855,139</u>	<u>\$ 8,625,441</u>	<u>\$ 8,810,167</u>	<u>\$ 8,835,853</u>
All Other Governmental Funds:					
Nonspendable					
Restricted	\$ 8,151,564				
Committed	874,445				
Assigned	844,458				
Unassigned					
Unreserved, reported in:					
Special revenue funds		\$ 1,355,093	\$ 1,643,226	\$ 1,540,129	\$ 1,646,709
Capital projects funds		4,085,795	5,806,257	4,127,878	3,869,683
Debt service funds		4,389,957	5,364,014	3,279,316	3,249,476
Total all other governmental funds	<u>\$ 9,870,467</u>	<u>\$ 9,830,845</u>	<u>\$ 12,813,497</u>	<u>\$ 8,947,323</u>	<u>\$ 8,765,868</u>

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

	Fiscal Year Ended June 30				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund:					
Unreserved	\$ 8,115,165	\$ 6,717,374	\$ 5,633,713	\$ 6,250,325	\$ 6,993,456
Total General Fund	<u>\$ 8,115,165</u>	<u>\$ 6,717,374</u>	<u>\$ 5,633,713</u>	<u>\$ 6,250,325</u>	<u>\$ 6,993,456</u>
All Other Governmental Funds:					
Unreserved, reported in:					
Special revenue funds	\$ 1,864,903	\$ 1,962,659	\$ 2,055,078	\$ 1,212,943	\$ 1,318,119
Capital projects funds	4,423,864	1,903,521	1,558,676	3,359,430	1,260,353
Debt service funds	3,056,969	1,137,857	850,756	887,016	1,016,471
Total all other governmental funds	<u>\$ 9,345,736</u>	<u>\$ 5,004,037</u>	<u>\$ 4,464,510</u>	<u>\$ 5,459,389</u>	<u>\$ 3,594,943</u>

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

Note: The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted in fiscal year 2011. The standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned fund balance.

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

	Fiscal Year Ended June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Taxes	\$ 13,286,198	\$ 13,616,649	\$ 14,642,023	\$ 15,661,691	\$ 16,776,012
Licenses and permits	314,819	74,280	75,476	78,852	78,245
Intergovernmental	10,953,747	10,567,956	10,760,995	12,489,710	12,993,888
Charges for services	1,355,590	1,819,751	2,084,053	2,556,038	2,334,372
Fines and forfeits	269,943	260,767	296,701	343,852	432,907
Investment income	185,896	153,841	207,536	619,192	837,405
Special assessments	1,247,070	1,072,622	3,232,765	808,455	1,472,051
Miscellaneous	445,739	365,075	236,569	459,490	481,120
Development investment fees	582,054	99,817	898,950		
Total revenues	<u>\$ 28,641,056</u>	<u>\$ 28,030,758</u>	<u>\$ 32,435,068</u>	<u>\$ 33,017,280</u>	<u>\$ 35,406,000</u>
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Taxes	\$ 16,924,397	\$ 14,285,265	\$ 12,137,032	\$ 10,773,487	\$ 10,434,683
Licenses and permits	67,308	99,093	91,712	93,567	89,318
Intergovernmental	8,667,943	8,002,527	7,739,706	7,023,321	7,328,384
Charges for services	2,802,844	2,328,004	2,118,659	1,955,204	1,801,552
Fines and forfeits	369,574	262,451	220,164	235,158	252,959
Investment income	796,102	272,219	135,203	56,228	315,985
Special assessments	2,420,938	745,432	666,365	992,874	607,820
Miscellaneous	460,463	337,943	410,941	422,597	228,361
Development investment fees					
Total revenues	<u>\$ 32,509,569</u>	<u>\$ 26,332,934</u>	<u>\$ 23,519,782</u>	<u>\$ 21,552,436</u>	<u>\$ 21,059,062</u>

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

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

	Fiscal Year Ended June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expenditures:					
Current -					
General government	\$ 4,814,224	\$ 4,455,010	\$ 4,455,724	\$ 5,082,263	\$ 5,063,071
Public safety	13,347,817	13,930,915	14,635,020	15,131,180	14,544,337
Highways and streets	2,732,646	2,995,398	3,018,176	3,717,739	4,387,787
Culture and recreation	3,482,574	3,431,368	3,635,466	4,568,448	4,226,004
Economic development	1,121,263	488,824	263,220	235,850	227,364
Capital outlay	1,881,961	3,563,268	4,614,786	2,406,306	7,820,600
Debt service -					
Bond issuance costs			112,230		
Principal retirement	1,929,322	1,704,085	2,115,553	1,998,234	1,518,059
Interest and fiscal charges	772,656	851,495	670,219	733,249	745,429
Total expenditures	<u>\$ 30,082,463</u>	<u>\$ 31,420,363</u>	<u>\$ 33,520,394</u>	<u>\$ 33,873,269</u>	<u>\$ 38,532,651</u>
Expenditures for capitalized assets	\$ 1,618,947	\$ 2,705,171	\$ 3,693,462	\$ 1,848,135	\$ 6,916,188
Debt service as a percentage of noncapital expenditures	9%	9%	10%	9%	7%

(Continued)

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

	Fiscal Year Ended June 30				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenditures:					
Current -					
General government	\$ 4,854,321	\$ 3,940,385	\$ 3,473,875	\$ 3,704,519	\$ 3,361,467
Public safety	13,325,125	11,558,946	10,048,924	9,632,401	8,001,057
Highways and streets	3,450,186	3,174,550	2,927,820	2,540,273	1,867,451
Culture and recreation	3,585,219	3,673,432	3,374,117	3,063,432	3,285,662
Economic development	269,440	231,201	229,980	231,116	192,700
Capital outlay	9,189,659	1,900,640	4,190,857	4,380,084	5,617,396
Debt service -					
Bond issuance costs	218,294				
Principal retirement	904,458	919,346	780,295	851,299	1,013,359
Interest and fiscal charges	728,462	432,666	480,284	513,086	430,720
Total expenditures	<u>\$ 36,525,164</u>	<u>\$ 25,831,166</u>	<u>\$ 25,506,152</u>	<u>\$ 24,916,210</u>	<u>\$ 23,769,812</u>
Expenditures for capitalized assets	\$ 8,980,940	\$ 315,678	\$ 3,702,986	\$ 4,973,617	\$ 5,511,088
Debt service as a percentage of noncapital expenditures	7%	5%	6%	7%	8%

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

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Excess (deficiency) of revenues over expenditures	\$ (1,441,407)	\$ (3,389,605)	\$ (1,085,326)	\$ (855,989)	\$ (3,126,651)
Other financing sources (uses):					
Obligations under capital leases	197,900			453,600	
Special assessment bonds issued			3,880,000		114,707
Loan proceeds					2,000,000
Premium on sale of bonds					
Capital contributions					
Transfers in	2,936,992	3,557,643	4,596,935	3,095,978	4,270,883
Transfers out	(2,237,073)	(2,920,992)	(3,710,161)	(2,537,820)	(3,118,119)
Total other financing sources (uses)	<u>897,819</u>	<u>636,651</u>	<u>4,766,774</u>	<u>1,011,758</u>	<u>3,267,471</u>
Changes in fund balances	<u>\$ (543,588)</u>	<u>\$ (2,752,954)</u>	<u>\$ 3,681,448</u>	<u>\$ 155,769</u>	<u>\$ 140,820</u>
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Excess (deficiency) of revenues over expenditures	\$ (4,015,595)	\$ 501,768	\$ (1,986,370)	\$ (3,363,774)	\$ (2,710,750)
Other financing sources (uses):					
Obligations under capital leases					
General obligation bonds issued	2,850,000			3,580,000	
Special assessment bonds issued	6,325,000				
Loan proceeds					
Premium on sale of bonds	130,425			27,387	
Capital contributions		55,496			
Transfers in	2,905,740	3,046,894	2,564,824	2,834,574	3,008,774
Transfers out	(2,456,080)	(1,980,970)	(2,189,945)	(1,956,872)	(2,260,228)
Total other financing sources (uses)	<u>9,755,085</u>	<u>1,121,420</u>	<u>374,879</u>	<u>4,485,089</u>	<u>748,546</u>
Changes in fund balances	<u>\$ 5,739,490</u>	<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**

Overlapping Rates				
Fiscal Year Ended June 30	City of Kingman	City of Kingman Hospitality	Mohave County	Arizona State
2011	2.00	4.00	0.25	6.60
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

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

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

	Fiscal Year Ended June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Construction	\$ 705,221	\$ 1,204,811	\$ 1,419,917	\$ 1,132,750	\$ 1,586,084
Manufacturing	230,986	370,772	283,793	340,977	475,834
Transportation, Communications and Utilities	707,440	679,552	620,639	645,208	619,258
Wholesale Trade	451,072	462,183	444,032	614,780	631,538
Retail Trade	5,600,574	5,574,966	6,142,681	6,994,596	7,439,939
Restaurants and Bars	1,186,983	1,138,191	1,165,015	1,139,837	1,114,941
Finance Insurance and Real Estate	697,416	625,439	626,006	633,877	610,601
Hotels and Other Lodging	1,163,676	824,189	705,129	771,648	765,665
Services	379,871	494,812	402,171	508,895	539,178
Arts, Entertainment, Government and All Others Not Specified	141,495	273,508	215,027	207,934	287,363
Total	<u><u>\$ 11,264,734</u></u>	<u><u>\$ 11,648,423</u></u>	<u><u>\$ 12,024,410</u></u>	<u><u>\$ 12,990,502</u></u>	<u><u>\$ 14,070,401</u></u>

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Construction	\$ 2,231,440	\$ 1,620,707	\$ 1,232,459	\$ 1,011,271	\$ 904,980
Manufacturing	434,644	435,791	247,029	246,032	242,451
Transportation, Communications and Utilities	613,590	540,625	527,317	343,981	324,333
Wholesale Trade	653,994	536,807	312,971	405,040	427,797
Retail Trade	7,491,628	6,132,314	5,096,470	4,588,910	4,341,836
Restaurants and Bars	1,083,975	944,326	724,323	758,499	716,753
Finance Insurance and Real Estate	621,219	509,074	299,781	261,803	222,685
Hotels and Other Lodging	702,596	645,808	588,854	472,289	466,445
Services	532,846	487,646	650,023	810,684	743,754
Arts, Entertainment, Government and All Others Not Specified	211,986	237,649	588,563	118,231	67,413
Total	<u><u>\$ 14,577,918</u></u>	<u><u>\$ 12,090,747</u></u>	<u><u>\$ 10,267,790</u></u>	<u><u>\$ 9,016,740</u></u>	<u><u>\$ 8,458,447</u></u>

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

**CITY OF KINGMAN, ARIZONA
OUTSTANDING DEBT BY TYPE
LAST TEN 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
2011	\$ 3,295,000	\$ 110,784	\$ 9,328,616	\$ 3,238,472	9,274,360	\$ 830,225	\$ 350,000	10,454,585	0.41 %	N/A %	373
2010	4,160,000	415,000	10,364,859	1,036,243	13,073,616	764,278	700,000	14,537,894	0.56	0.19	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 TEN FISCAL YEARS**

Legal Debt Margin Calculation for Fiscal Year 2011:

Secondary assessed valuation	\$ 309,668,069
Debt limit (6% of assessed value)	18,580,084
Debt applicable to limit	<u>3,295,000</u>
Legal debt margin	<u><u>\$ 15,285,084</u></u>

	Fiscal Year Ended June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt limit equal to 6% of assessed valuation	\$ 18,580,084	\$ 18,689,250	\$ 20,061,270	\$ 14,810,118	\$ 11,675,549
Total net debt applicable to limit	<u>3,295,000</u>	<u>4,160,000</u>	<u>2,945,000</u>	<u>3,500,000</u>	<u>4,025,000</u>
Legal debt margin	<u><u>\$ 15,285,084</u></u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	18%	22%	15%	24%	34%
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Debt limit	\$ 9,564,761	\$ 8,923,919	\$ 8,420,763	\$ 8,050,809	\$ 7,559,810
Total net debt applicable to limit	<u>4,370,000</u>	<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>\$ 5,194,761</u></u>	<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	46%	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 \$61,933,614.

**CITY OF KINGMAN, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2011**

<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	\$ 71,985,000	35.27 %	<u>\$ 25,389,110</u>
Subtotal, Overlapping Debt			<u>25,389,110</u>
Direct:			
City of Kingman, AZ			<u>10,454,585</u>
Total Direct and Overlapping Debt			<u><u>\$ 35,843,695</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.

- Notes:**
- 1) Outstanding debt as of June 30, 2010 is presented for the overlapping governments as this is the most recent available information.
 - 2) 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**

	Fiscal Year Ended June 30									
	<u>2011</u>	<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>
Excise Tax Revenue Bonds										
Excise Tax Revenue	18,106,118	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
Debt Service										
Principal	450,000	460,125	445,750	436,125	421,125	255,875	255,500	244,750	363,150	347,713
Interest	164,713	137,188	146,875	157,200	167,400	65,875	70,500	74,750	83,150	92,713
Total Annual Requirement	614,713	597,313	592,625	593,325	588,525	321,750	326,000	319,500	446,300	440,426
Estimated Coverage	29.5	32.4	35.8	38.6	40.0	70.2	57.5	49.9	33.7	32.8
Water Infrastructure Financing Authority Loans										
Wastewater Utility Revenue	2,945,758	1,745,223	1,927,194							
Debt Payments										
Principal	1,415,635									
Interest	653,395	305,760	50,956							
Total Annual Requirement	2,069,030	305,760	50,956							
Estimated Coverage	1.4	5.7	37.8							

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

Note: Only three years are presented, as the Water Infrastructure Financing Authority Loan was entered into during fiscal year 2008-09.

**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>
2010	28,029	\$ 5,249,000	\$ N/A	10.8 %
2009	29,189	5,101,000	28,018	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

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>2011</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	2.87 %	1,147	2.31 %
Kingman Regional Medical Center	1,274	2.77	800	1.61
Kingman Unified School District No. 20	985	2.14	881	1.78
Mohave Community College	700	1.52	197	0.40
American Woodmark Corporation	650	1.41	360	0.73
Wal-Mart	540	1.17	220	0.44
Citizens Utilities (Unisource)	380	0.83	450	0.91
City of Kingman	376	0.82	282	0.57
State of Arizona	318	0.69	263	0.53
K-Mart	165	0.36	165	0.33
Petro Truck Stop	145	0.31	150	0.30
Proving Grounds Company	115	0.25	200	0.40
TruServ	85	0.18	165	0.33
Total	<u>7,055</u>	<u>15.32 %</u>	<u>5,280</u>	<u>10.65 %</u>
Total Employment	<u>46,059</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 2011 employee figures is City of Kingman Planning and Zoning 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

	Full-time Equivalent Employees as of June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Government					
City Administration	12	12	10	10	12
Human Resources	4	4	4	4	5
City Clerk	4	4	3	3	3
City Attorney	7	7	7	7	7
Municipal Court	9	9	9	9	9
Finance	14	14	14	14	14
Total general government	<u>50</u>	<u>50</u>	<u>47</u>	<u>47</u>	<u>50</u>
Public Safety					
Police	87	87	87	87	87
Firefighters	56	56	59	59	59
Total public safety	<u>143</u>	<u>143</u>	<u>146</u>	<u>146</u>	<u>146</u>
Public Works					
Engineering	23	22	22	22	23
Others	45	44	44	44	44
Total public works	<u>68</u>	<u>66</u>	<u>66</u>	<u>66</u>	<u>67</u>
Parks and Recreation	40	40	40	40	40
Information Systems	7	7	7	7	7
City Development	18	19	19	19	21
Sanitation	17	17	17	17	17
Water and Wastewater	33	30	30	30	30
Total support and administration	<u>115</u>	<u>113</u>	<u>113</u>	<u>113</u>	<u>115</u>
Total	<u><u>376</u></u>	<u><u>372</u></u>	<u><u>372</u></u>	<u><u>372</u></u>	<u><u>378</u></u>

(Continued)

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

	Full-time Equivalent Employees as of June 30				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Government					
City Administration	9	8	8	8	8
Human Resources	4	3	2	2	2
City Clerk	3	4	4	4	4
City Attorney	6	6	6	6	6
Municipal Court	8	7	7	7	7
Finance	12	11	11	11	11
Total general government	<u>42</u>	<u>39</u>	<u>38</u>	<u>38</u>	<u>38</u>
Public Safety					
Police	83	80	78	75	74
Firefighters	56	54	46	46	38
Total public safety	<u>139</u>	<u>134</u>	<u>124</u>	<u>121</u>	<u>112</u>
Public Works					
Engineering	23	21	18	18	18
Others	40	35	33	32	28
Total public works	<u>63</u>	<u>56</u>	<u>51</u>	<u>50</u>	<u>46</u>
Parks and Recreation	40	39	38	36	35
Information Systems	6	4	4	3	2
City Development	24	18	15	14	13
Sanitation	15	14	13	13	13
Water and Wastewater	30	27	25	24	24
Total support and administration	<u>115</u>	<u>102</u>	<u>95</u>	<u>90</u>	<u>87</u>
Total	<u>359</u>	<u>331</u>	<u>308</u>	<u>299</u>	<u>283</u>

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

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

Function	Fiscal Year Ended June 30									
	<u>2011</u>	<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>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	78	74	74	78	78	67	62	60	60	60
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire vehicles	27	27	27	28	28	27	24	23	22	22
Streets										
Streets (miles)	215	215	215	215	215	215	215	210	210	210
Streetlights	851	851	851	851	851	851	848	845	845	845
Traffic signals	24	24	20	20	18	17	16	14	14	14
Solid Waste										
Collection trucks	23	23	21	21	19	18	17	16	14	13
Parks and Recreation										
Parks developed	13	13	13	13	13	13	12	12	11	10
Parks acreage	146	146	146	146	146	146	144	144	142	140
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	1	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
Water										
Water mains (miles)	564	564	564	564	562	560	555	552	549	549
Fire hydrants	2,485	2,485	2,485	2,485	2,485	2,218	2,215	2,212	2,212	2,209
Wastewater										
Sanitary sewers (miles)	199	199	199	198	191	134	130	130	127	127
Manholes	2,997	2,997	2,997	2,997	2,885	1,842	1,839	1,839	1,835	1,835

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

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

	Fiscal Year Ended June 30					
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Governmental Activities						
General Government						
Business licenses issued	2,825	2,892	2,392	2,704	2,250	2,109
Voters served	17,000	19,000	18,000	17,528	14,124	14,485
Public records requests	50	210	156	102	76	N/A
Prosecutions	1,300	1,150	1,020	1,200	1,300	1,300
Legal opinions	40-50	40-50	40-50	30-40	40	40
Civil litigation	2-5	3-7	2-5	4	5-10	5-15
Case filings	5,600	5,580	5,073	4,612	5,100	N/A
Case terminations	6,000	6,132	5,575	5,068	6,000	N/A
Computers installed and supported	295	295	295	290	271	N/A
Phones installed and supported	244	244	244	232	200	N/A
Public Safety						
Total calls for service	31,911	32,000	29,161	31,313	37,000	35,000
Total arrests	3,117	3,300	3,136	3,512	3,300	3,200
Traffic accidents	999	1,200	1,139	1,253	1,500	1,500
Alarm runs	794	900	892	979	1,500	3,000
VIP program - volunteers	14	20	15	3	8	N/A
Clearance Rate - Part I offenses	60%	65%	63%	63%	65%	N/A
Clearance Rate - Part II offenses	60%	65%	63%	63%	65%	N/A
Response Time - Under 5 min. emergency	69%	70%	45%	45%	70%	N/A
Response Time - Under 8 min. non-emergency	61%	60%	51%	51%	60%	N/A
Fire inspections	2,100	2,100	1,950	2,299	1,986	1,839
Plan reviews - fire	144	150	120	326	2,390	2,214
Public education programs - fire	257	150	200	222	180	167
Nuisance abatement	169	200	180	135	331	307
Highway & Streets						
Paved streets maintained (miles)	208	208	208	204	204	188
Dirt streets maintained (miles)	16	16	17	17	17	19
Traffic signals maintained	18	17	17	17	17	17
Street lights maintained	850	850	850	850	850	750
Culture and Recreation						
Acres of ground maintained	269	269	268	263	263	260
Miles of medians and trails maintained	15.5	15.5	15.0	14.5	15	13
Number of sites maintained	19	19	19	18	18	17
Business-type Activities						
Water						
Acre feet of water pumped	7,895	7,982	8,235	9,082	8,677	9,497
Number of meters	19,723	19,652	19,652	19,382	19,382	19,382
Percentage of water loss	4.00	N/A	4.79	5.80	7.70	6.70
Wastewater						
Total influent Hilltop WWPT (gallons)	547,000,000	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	113,150,000
Number of sewer lines cleaned/televised (feet)	325,000	325,000	325,000	300,000	450,000	350,000
Sanitation						
Landfill tonnage	21,614	21,560	22,047	23,228	24,470	25,418
Number of landfill trips	3,536	3,496	3,649	3,836	3,951	4,110
Number of residential accounts	9,899	10,308	9,877	9,777	9,695	9,501
Number of commercial accounts	925	1,059	926	936	925	896

Source: City of Kingman Adopted Budget performance measures

Notes: N/A indicates that the information is not available.
Information prior to 2006 is not available.

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