
CITY OF KINGMAN, ARIZONA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012



CITY OF KINGMAN, ARIZONA

KINGMAN, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 14, 2012

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, 2012.

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, 2012, 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, 2012, 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 28,068 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 for all funds 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. The budget is prepared by fund and by department (e.g. police, fire, court, etc.). Department heads may transfer resources within a department as necessary to provide essential services in the most cost-effective way as long as the appropriation transfer is within the total amount of available departmental resources, with the exception of personnel and capital expenditure transfers which require approval of the City Manager. Transfers between departments also require approval of the City Manager and transfers between funds require special approval from the City Council.

Arizona state law requires only two budgetary funds be established, however, additional budgetary funds may be created. The first fund required by state statute is the general fund which stipulates that each city or town prepare a full and complete statement of the financial matters of the political subdivision for the preceding fiscal year and an estimate of the amounts which will be required to meet the public expense for the next fiscal year. The second fund that each city and town in Arizona must establish is the Highway User Revenue Fund (HURF). The monies included in this fund are collected by the state from the tax on the sale of gasoline, sale of diesel fuels and other transportation related fees. The state then shares a certain amount of this revenue with cities and towns. The expenditure of highway user revenues is limited to projects within the public right-of-way.

As indicated in the previous paragraph, a total of two funds are required as a minimum in a city or town budget in the state of Arizona; however a state law requires a budget be shown for all governmental funds established. Therefore, the City of Kingman prepared budget to actual schedules for all governmental funds.

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 28,068. The City supports a market area trade population of some 50,000 persons. The unemployment rate, as of June 2012, was 9.8 percent. This is above the state's rate of 8.2 percent and slightly above the county's rate of 9.6 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 was constructed this past year 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 phase include the public safety narrow banding project, security and safety upgrades at the police and fire department facilities, water expansion in the east bench area and a public/private memo of understanding in regard to a traffic interchange in the east bench area 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, 2011. This was the seventh 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 2011-12 certificate.

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, 2011

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.



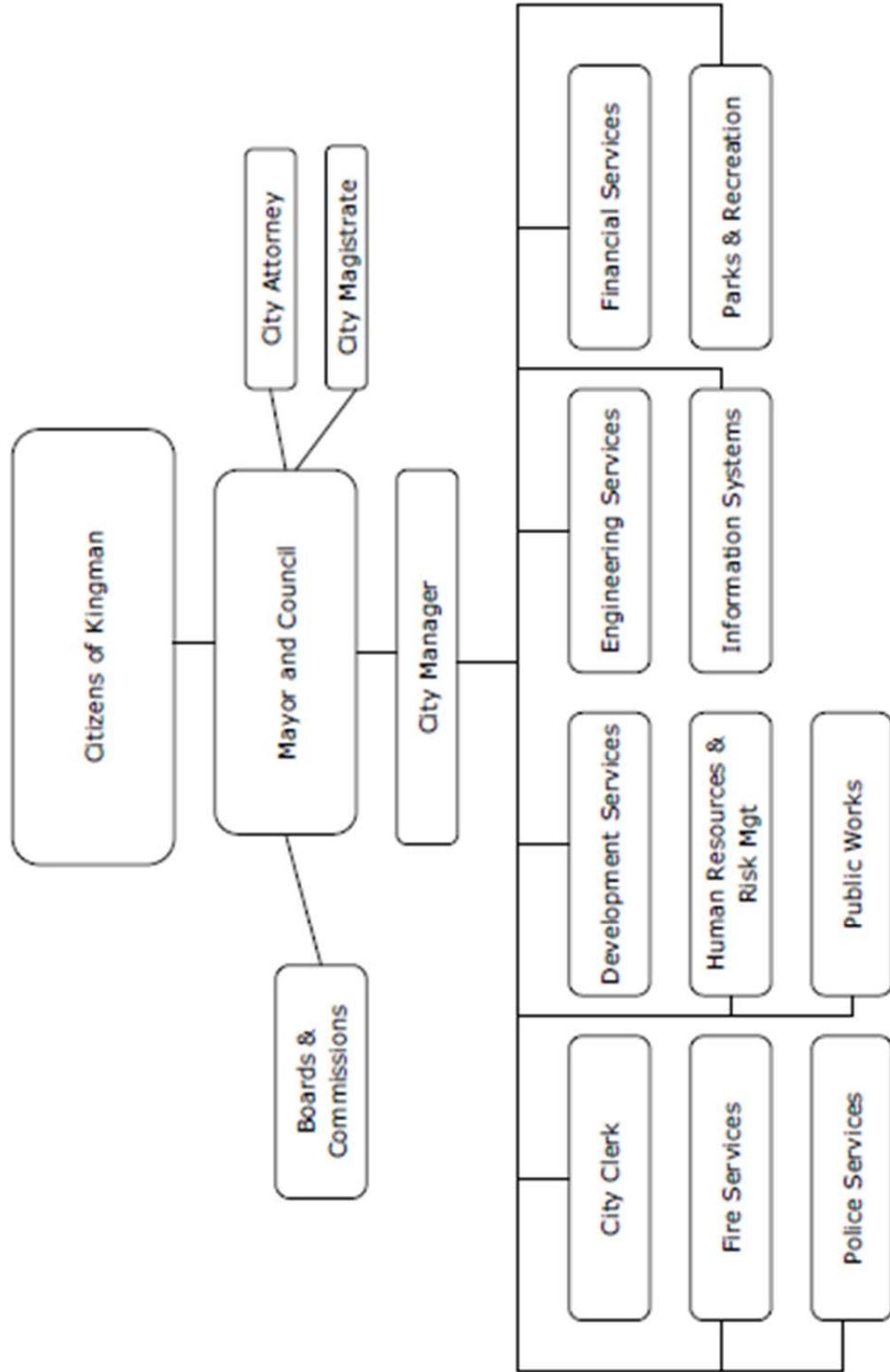
Christopher P. Morrill

President

Jeffrey R. Emer

Executive Director

City of Kingman Organization Chart



City of Kingman

City Council Members

Mayor, John Salem
Vice Mayor, Janet Watson
Richard Anderson
Larry Carver
Erin Cochran
Mark Wimpee
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 Technology	Joe Clos
Parks & Recreation	Mike Meersman
Police Services	Robert DeVries
Public Works	Rob Owen

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kingman, Arizona (City), as of and for the year ended June 30, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, 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 17, budgetary comparison information on pages 72 and 73, and schedules of funding progress on page 74 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.
CPAs and Business Consultants

December 14, 2012

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, 2012**

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, 2012. 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 \$3.0 million to \$65.1 million and the business-type activities increased \$7.2 million to \$60.7 million, representing a 4 percent decrease and 14 percent increase, respectively, of the total assets of \$125.8 million. The increase in net assets for business-type activities was primarily due to an increase in wastewater rates charged and continued construction to upgrade the City's Downtown and Hilltop wastewater treatment plants.
- General revenues from governmental activities accounted for \$20.4 million in revenue, or 75 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6.7 million or 25 percent of total governmental activities revenues. The City had \$19.9 million of program revenues and \$847,157 in general revenues related to business-type activities.
- The City had \$29.7 million in expenses related to governmental activities; of which \$6.7 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$20.4 million provided for the majority of the remaining costs of these programs. The City had \$14.0 million in expenses related to business-type activities. Charges for services of \$17.9 million were adequate to offset the costs.
- Among major governmental funds, the General Fund had \$19.8 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 \$21.5 million. The General Fund's fund balance decreased \$673,639 to \$7.6 million primarily due to a small decrease in urban revenue sharing funds combined with a slight increase in public safety expenditures.
- The Enterprise Fund net assets at the end of the year amounted to \$60.7 million. The increase in net assets of \$7.2 million was primarily due to an increase in wastewater rates charged and continued construction to upgrade the City's Downtown and Hilltop wastewater treatment plants.
- Net assets of the Internal Service Funds decreased \$733,215 from the prior fiscal year as a result of utilizing favorable year-end balances as a soft landing to maintain the current level of service thus preventing internal service fund rate fluctuations.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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, 2012**

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 and the Special Assessment Districts Fund, both 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 911 dispatch services, fleet services, insurance services, building maintenance services, information systems services, and employee benefit services.

Because the internal service funds 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, 2012**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, governmental activities assets exceeded liabilities by \$65.1 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.

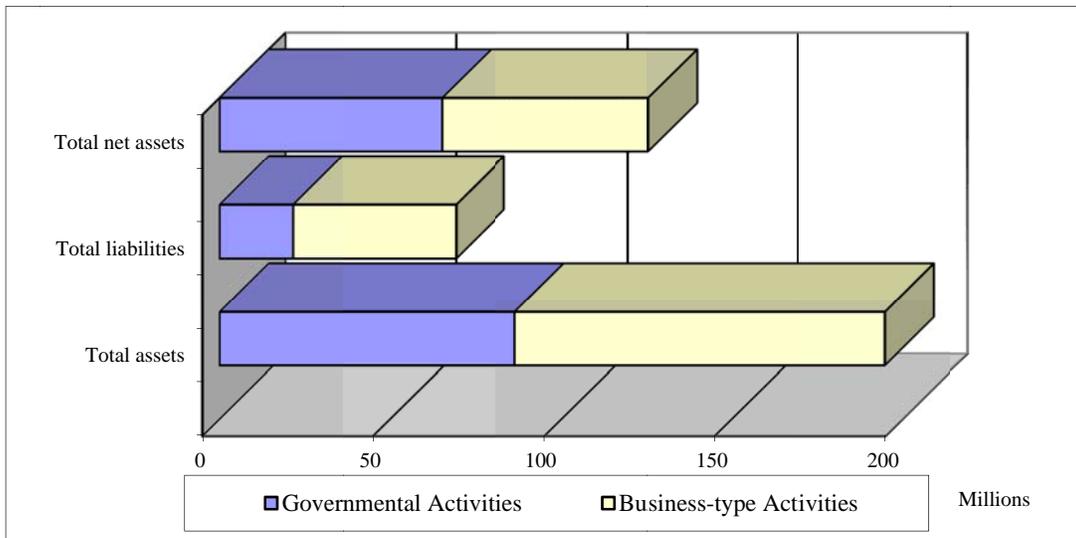
**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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, 2012 and June 30, 2011.

	2012 Governmental Activities	2011 Governmental Activities	2012 Business-Type Activities	2011 Business-Type Activities	2012 Total	2011 Total
Current and other assets	\$ 32,708,024	\$ 36,297,718	\$ 27,742,791	\$ 24,768,952	\$ 60,450,815	\$ 61,066,670
Capital assets, net	53,744,465	54,287,896	80,667,246	68,919,118	134,411,711	123,207,014
Total assets	86,452,489	90,585,614	108,410,037	93,688,070	194,862,526	184,273,684
Current and other liabilities	4,742,182	4,446,122	2,816,915	2,280,322	7,559,097	6,726,444
Long-term liabilities	16,656,154	18,076,884	44,856,579	37,897,851	61,512,733	55,974,735
Total liabilities	21,398,336	22,523,006	47,673,494	40,178,173	69,071,830	62,701,179
Net assets:						
Invested in capital assets, net of related debt	41,509,396	40,034,056	34,934,099	31,371,150	76,443,495	71,405,206
Restricted	12,533,340	15,125,063	1,848,801	2,335,931	14,382,141	17,460,994
Unrestricted	11,011,417	12,903,489	23,953,643	19,802,816	34,965,060	32,706,305
Total net assets	\$ 65,054,153	\$ 68,062,608	\$ 60,736,543	\$ 53,509,897	\$ 125,790,696	\$ 121,572,505

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.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

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

Changes in net assets. The City's total revenues for the current fiscal year were \$47.9 million. The total cost of all programs and services was \$43.7 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

	2012	2011	2012	2011	2012	2011
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
Revenues						
Program revenues						
Charges for services	\$ 2,802,162	\$ 2,771,436	\$ 17,854,876	\$ 16,515,055	\$ 20,657,038	\$ 19,286,491
Operating grants and contributions	2,250,529	1,821,520			2,250,529	1,821,520
Capital grants and Contributions	1,678,832	3,119,466	2,061,111		3,739,943	3,119,466
General revenues						
Sales taxes	11,641,816	11,264,735			11,641,816	11,264,735
Property taxes		1,495				1,495
Auto lieu taxes	1,309,913	1,275,096			1,309,913	1,275,096
Franchise taxes	702,454	744,872			702,454	744,872
Unrestricted state shared revenue	6,541,472	6,684,959			6,541,472	6,684,959
Investment income	125,298	247,903	108,061	211,220	233,359	459,123
Miscellaneous	79,443	70,562	739,096	841,095	818,539	911,657
Total revenues	\$ 27,131,919	\$ 28,002,044	\$ 20,763,144	\$ 17,567,370	\$ 47,895,063	\$ 45,569,414

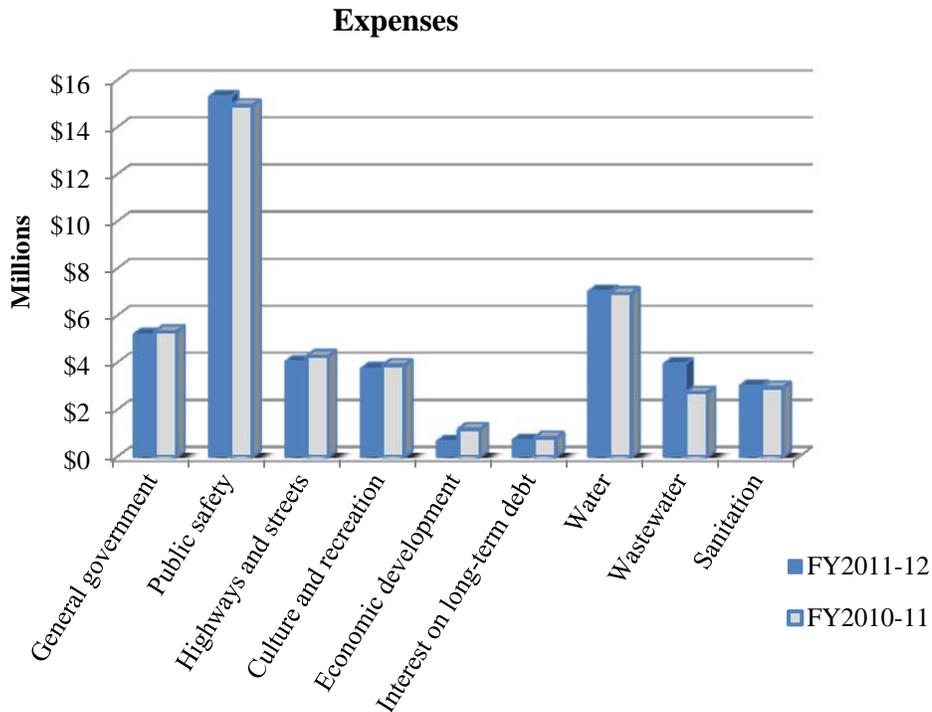
**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

	2012 Governmental Activities	2011 Governmental Activities	2012 Business-Type Activities	2011 Business-Type Activities	2012 Total	2011 Total
Expenses						
General government	\$ 5,198,867	\$ 5,315,740	\$	\$	\$ 5,198,867	\$ 5,315,740
Public safety	15,306,386	14,926,549			15,306,386	14,926,549
Highways and streets	4,038,716	4,269,435			4,038,716	4,269,435
Culture and recreation	3,751,168	3,873,742			3,751,168	3,873,742
Economic development	661,862	1,170,810			661,862	1,170,810
Interest on long-term debt	714,704	794,858			714,704	794,858
Water			7,029,281	6,938,517	7,029,281	6,938,517
Wastewater			3,961,335	2,723,165	3,961,335	2,723,165
Sanitation			3,014,553	2,931,247	3,014,553	2,931,247
Total expenses	<u>29,671,703</u>	<u>30,351,134</u>	<u>14,005,169</u>	<u>12,592,929</u>	<u>43,676,872</u>	<u>42,944,063</u>
Excess before transfers	<u>(2,539,784)</u>	<u>(2,349,090)</u>	<u>6,757,975</u>	<u>4,974,441</u>	<u>4,218,191</u>	<u>2,625,351</u>
Transfers	<u>(468,671)</u>	<u>1,024,919</u>	<u>468,671</u>	<u>(1,024,919)</u>		
Change in net assets	<u>(3,008,455)</u>	<u>(1,324,171)</u>	<u>7,226,646</u>	<u>3,949,522</u>	<u>4,218,191</u>	<u>2,625,351</u>
Net assets, beginning	<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>
Net assets, ending	<u>\$ 65,054,153</u>	<u>\$ 68,062,608</u>	<u>\$ 60,736,543</u>	<u>\$ 53,509,897</u>	<u>\$125,790,696</u>	<u>\$121,572,505</u>

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)



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

- Program revenues for governmental activities decreased \$980,899 primarily due to a decrease in ARRA funding.
- Increase in charges for services for business-type activities primarily due to an increase in wastewater rates charged, as a result of continued construction to upgrade and expand the City's Downtown and Hilltop wastewater treatment plants.
- Increase of \$2.1 million in capital grants and contributions for business-type activities due to a forgivable principal component for one of the City's loans financed through the Water Infrastructure Finance Authority (WIFA).

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

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.

	2012 Total Expenses	2012 Net (Expense)/ Revenue	2011 Total Expenses	2011 Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 5,198,867	\$ (4,286,022)	\$ 5,315,740	\$ (3,769,362)
Public safety	15,306,386	(12,952,664)	14,926,549	(13,278,611)
Highways and streets	4,038,716	(2,493,526)	4,269,435	(2,094,115)
Culture and recreation	3,751,168	(2,538,547)	3,873,742	(2,619,004)
Economic development	661,862	45,283	1,170,810	(82,762)
Interest on long-term debt	714,704	(714,704)	794,858	(794,858)
Total expenses	<u>\$ 29,671,703</u>	<u>\$ (22,940,180)</u>	<u>\$ 30,351,134</u>	<u>\$ (22,638,712)</u>
Business-Type Activities				
Water	\$ 7,029,281	\$ 1,391,422	\$ 6,938,517	\$ 1,286,356
Wastewater	3,961,335	4,219,812	2,723,165	2,237,397
Sanitation	3,014,553	299,584	2,931,247	398,373
Total expenses	<u>14,005,169</u>	<u>5,910,818</u>	<u>12,592,929</u>	<u>3,922,126</u>
Total	<u>\$ 43,676,872</u>	<u>\$ (17,029,362)</u>	<u>\$ 42,944,063</u>	<u>\$ (18,716,586)</u>

- The cost of all governmental activities this year was \$29.7 million. The cost of all business-type activities this year was \$14.0 million.
- Federal, state, and county governments and charges for services subsidized certain governmental and business-type programs with grants and contributions and other local revenues of \$26.6 million.
- The net cost of governmental activities of \$22.9 million, was financed by general revenues, which are made up of primarily sales taxes of \$11.6 million and state shared revenues of \$6.5 million.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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 \$15.3 million, a decrease of \$2.9 million. The General Fund comprises 50 percent of the total fund balance. Approximately \$6.6 million or 86 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 \$673,639, which was the result of a decrease in urban revenue sharing funds combined with an increase in public safety expenditures.

The Special Assessment Districts Fund's fund balance decrease of \$351,289 to \$2.9 million was the result of the retirement of debt from balances funded by prepaid assessments.

Proprietary funds. Net assets of the Enterprise Funds and the Internal Service Funds at the end of the year amounted to \$60.7 million and \$6.1 million, respectively. The increase in net assets in the Enterprise Funds of 14 percent can be attributed to the increased wastewater revenues as a result of an increase in fees charged and continued construction to upgrade the City's Downtown and Hilltop wastewater treatment plants. The decrease in net assets in the Internal Service Funds of 11 percent from the prior fiscal year occurred as a result of utilizing favorable year-end balances as a soft landing to maintain the current level of service thus preventing internal service fund rate fluctuations.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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. The significant variances are summarized as follows:

- The favorable variance of \$1,305,049 in Public Safety was attributable to contingency funds remaining after the remodeling and opening of the consolidated 911 Dispatch Center.
- The favorable variance of \$821,251 in Economic Development was a result of budgeting for construction and remodeling costs of building improvements at the Powerhouse Visitor Center that were deferred to a future year pending various approval processes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of the end of the current fiscal year, the City had invested \$74.4 million in capital assets net of related debt, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$4.9 million.

The following schedule presents capital asset balances and accumulated depreciation for the fiscal years ended June 30, 2012 and June 30, 2011.

	2012	2011	2012	2011	2012	2011
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
Land	\$ 10,415,239	\$ 10,409,846	\$ 2,292,881	\$ 2,292,881	\$ 12,708,120	\$ 12,702,727
Infrastructure	63,438,064	53,524,577	82,410,848	49,864,651	145,848,912	103,389,228
Buildings	9,063,693	8,638,423	12,586,111	9,839,816	21,649,804	18,478,239
Improvements other than buildings	6,373,016	6,308,189	593,978	593,978	6,966,994	6,902,167
Vehicles, machinery and equipment	14,281,288	14,091,053	8,756,571	8,250,779	23,037,859	22,341,832
Construction in progress	1,495,752	10,254,766	16,180,028	37,854,129	17,675,780	48,108,895
Accumulated depreciation	(51,322,587)	(48,938,958)	(42,153,171)	(39,777,116)	(93,475,758)	(88,716,074)
Total	<u>\$ 53,744,465</u>	<u>\$ 54,287,896</u>	<u>\$ 80,667,246</u>	<u>\$ 68,919,118</u>	<u>\$ 134,411,711</u>	<u>\$ 123,207,014</u>

The estimated cost to complete current construction projects is \$2.3 million.

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

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

Debt Administration. At year-end, the City had \$12.2 million in governmental long-term debt outstanding with \$1.8 million due within one year. The City had \$44.5 million in business-type long-term debt outstanding, \$2.3 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, 2012 and June 30, 2011.

	2012		2011	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Excise tax bonds payable	\$ 3,295,000	\$	\$ 3,745,000	\$
Special assessment bonds payable	8,237,045		9,328,616	
Obligations under capital leases	703,024	906,399	830,225	1,029,795
Loan payable		43,574,689	350,000	36,518,174
Total	\$ 12,235,069	\$ 44,481,088	\$ 14,253,841	\$ 37,547,969

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 \$52.7 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 \$15.8 million, which is more than the outstanding debt.

Additional information on the City's long-term debt can be found in Notes 8-11.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Many factors were considered by the City's officials during the process of developing the fiscal year 2012-13 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 2012-13. Amounts available for appropriation in the General Fund budget are \$25.7 million, which is \$2.0 million more than the amount from the prior year. The City's response to the necessity of investing in public safety security improvements, technology upgrades and facility repairs as well as public safety equipment replacements were the driving factor for the change in expenditures.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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.

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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, 2012**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 23,789,721	\$ 21,840,664	\$ 45,630,385
Restricted assets-customer deposits		367,793	367,793
Taxes receivable	770,110		770,110
Intergovernmental receivable	1,685,900		1,685,900
Special assessments receivable	6,394,868		6,394,868
Accounts receivable	23,479	1,979,987	2,003,466
Loan receivable		1,504,963	1,504,963
Inventories	43,946	191,375	235,321
Deposits		9,208	9,208
Total current assets	32,708,024	25,893,990	58,602,014
Noncurrent assets:			
Restricted cash and investments		1,848,801	1,848,801
Land	10,415,239	2,292,881	12,708,120
Infrastructure	63,438,064	82,410,848	145,848,912
Buildings	9,063,693	12,586,111	21,649,804
Improvements other than buildings	6,373,016	593,978	6,966,994
Vehicles, machinery, and equipment	14,281,288	8,756,571	23,037,859
Construction in progress	1,495,752	16,180,028	17,675,780
Accumulated depreciation	(51,322,587)	(42,153,171)	(93,475,758)
Total noncurrent assets	53,744,465	82,516,047	136,260,512
Total assets	86,452,489	108,410,037	194,862,526
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	651,170	362,810	1,013,980
Construction contracts payable		1,252,059	1,252,059
Accrued payroll and employee benefits	575,051	123,876	698,927
Judgments payable	695,497		695,497
Deposits held for others	12,647	367,793	380,440
Unearned revenue	2,081,090	710,377	2,791,467
Compensated absences payable	1,568,794	375,491	1,944,285
Bonds payable	485,000		485,000
Loan payable		2,211,589	2,211,589
Obligations under capital leases	134,880	130,566	265,446
Special assessment bonds payable	1,152,916		1,152,916
Claims payable	414,588		414,588
Accrued interest payable	312,139		312,139
Total current liabilities	8,083,772	5,534,561	13,618,333
Noncurrent liabilities:			
Non-current portion of long-term obligations	13,314,564	42,138,933	55,453,497
Total noncurrent liabilities	13,314,564	42,138,933	55,453,497
Total liabilities	21,398,336	47,673,494	69,071,830
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	41,509,396	34,934,099	76,443,495
Restricted for:			
Debt service	9,161,899	1,848,801	11,010,700
Highways and streets	886,867		886,867
Capital projects	2,017,926		2,017,926
Grants	466,648		466,648
Unrestricted	11,011,417	23,953,643	34,965,060
Total net assets	\$ 65,054,153	\$ 60,736,543	\$ 125,790,696

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, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities:					
General government	\$ 5,198,867	\$ 252,104	\$ 245	\$ 660,496	\$ (4,286,022)
Public safety	15,306,386	801,363	1,493,866	58,493	(12,952,664)
Highways and streets	4,038,716	181,340	404,007	959,843	(2,493,526)
Culture and recreation	3,751,168	1,212,621			(2,538,547)
Economic development	661,862	354,734	352,411		45,283
Interest on long-term debt	714,704				(714,704)
Total governmental activities	<u>29,671,703</u>	<u>2,802,162</u>	<u>2,250,529</u>	<u>1,678,832</u>	<u>(22,940,180)</u>
Business-type activities:					
Water	7,029,281	8,420,703			
Wastewater	3,961,335	6,120,036		2,061,111	
Sanitation	3,014,553	3,314,137			
Total business-type activities	<u>14,005,169</u>	<u>17,854,876</u>		<u>2,061,111</u>	
Total primary government	<u>\$ 43,676,872</u>	<u>\$ 20,657,038</u>	<u>\$ 2,250,529</u>	<u>\$ 3,739,943</u>	<u>(22,940,180)</u>
General revenues:					
Taxes:					
Sales taxes					
					11,641,816
Auto lieu taxes					
					1,309,913
Franchise taxes					
					702,454
Unrestricted state shared revenue					
					6,541,472
Investment income					
					125,298
Miscellaneous					
					79,443
Transfers					
					(468,671)
Total general revenues and transfers					
					<u>19,931,725</u>
Changes in net assets					
					(3,008,455)
Net assets, beginning of year					
					<u>68,062,608</u>
Net assets, end of year					
					<u>\$ 65,054,153</u>

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
\$	\$ (4,286,022)
	(12,952,664)
	(2,493,526)
	(2,538,547)
	45,283
	(714,704)
	(22,940,180)
1,391,422	1,391,422
4,219,812	4,219,812
299,584	299,584
5,910,818	5,910,818
5,910,818	(17,029,362)
	11,641,816
	1,309,913
	702,454
	6,541,472
108,061	233,359
739,096	818,539
468,671	
1,315,828	21,247,553
7,226,646	4,218,191
53,509,897	121,572,505
\$ 60,736,543	\$ 125,790,696

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FUND FINANCIAL STATEMENTS

CITY OF KINGMAN, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Special Assessment Districts	Non-Major Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ 7,424,089	\$ 2,897,194	\$ 7,359,154
Taxes receivable	770,110		
Intergovernmental receivable	186,256		1,499,644
Special assessments receivable		6,394,868	
Accounts receivable	11,427		
Due from other funds	1,381		
Inventories	43,946		
Total assets	\$ 8,437,209	\$ 9,292,062	\$ 8,858,798
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 276,504	\$ 3,270	\$ 248,771
Accrued payroll and employee benefits	484,003		39,507
Judgments payable			695,497
Interest payable		240,155	71,984
Deposits held for others	12,647		
Due to other funds			1,381
Deferred revenue	65,765	6,161,454	2,525,218
Bonds payable			485,000
Total liabilities	838,919	6,404,879	4,067,358
Fund balances:			
Restricted		2,887,183	2,974,810
Committed	958,534		515,350
Assigned	83,026		1,301,280
Unassigned	6,556,730		
Total fund balances	7,598,290	2,887,183	4,791,440
Total liabilities and fund balances	\$ 8,437,209	\$ 9,292,062	\$ 8,858,798

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

Total
Governmental
Funds

\$ 17,680,437
770,110
1,685,900
6,394,868
11,427
1,381
43,946

\$ 26,588,069

\$ 528,545
523,510
695,497
312,139
12,647
1,381
8,752,437
485,000

11,311,156

5,861,993
1,473,884
1,384,306
6,556,730

15,276,913

\$ 26,588,069

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**CITY OF KINGMAN, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total governmental fund balances **\$ 15,276,913**

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	\$ 102,848,754	
Less accumulated depreciation	<u>(50,100,823)</u>	52,747,931

Some revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Special assessments	6,161,454	
Intergovernmental	<u>509,893</u>	6,671,347

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

Compensated absences payable	(1,456,391)	
Excise tax bonds payable	(2,810,000)	
Special assessment bonds payable	(8,237,045)	
Obligations under capital leases	(400,891)	
Other post employment benefits	<u>(2,852,291)</u>	(15,756,618)

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.

6,114,580

Net assets of governmental activities **\$ 65,054,153**

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, 2012

	General	Special Assessment Districts	Non-Major Governmental Funds
Revenues:			
Taxes	\$ 12,917,160	\$	\$ 737,023
Licenses and permits	108,992		
Intergovernmental	4,562,202		4,724,238
Charges for services	1,687,949		
Fines and forfeits	290,488		
Investment income	47,808	16,594	25,523
Special assessments	4,390	1,267,074	11,643
Development investment fees			399,094
Miscellaneous	135,587		255,760
Total revenues	19,754,576	1,283,668	6,153,281
Expenditures:			
Current -			
General government	4,652,471		25,873
Public safety	13,010,994		1,232,352
Highways and streets			2,499,309
Culture and recreation	3,369,620		
Economic development	350,749		297,093
Capital outlay	34,094		1,814,082
Debt service -			
Principal retirement	44,937	1,091,571	876,132
Interest and fiscal charges	9,268	509,447	176,045
Total expenditures	21,472,133	1,601,018	6,920,886
Excess (deficiency) of revenues over expenditures	(1,717,557)	(317,350)	(767,605)
Other financing sources (uses):			
Transfers out	(712,969)	(33,939)	(2,363,412)
Transfers in	1,756,887		1,290,462
Total other financing sources (uses):	1,043,918	(33,939)	(1,072,950)
Changes in fund balances	(673,639)	(351,289)	(1,840,555)
Fund balances, beginning of year	8,271,929	3,238,472	6,631,995
Fund balances, end of year	\$ 7,598,290	\$ 2,887,183	\$ 4,791,440

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

Total
Governmental
Funds

\$ 13,654,183
108,992
9,286,440
1,687,949
290,488
89,925
1,283,107
399,094
391,347

27,191,525

4,678,344
14,243,346
2,499,309
3,369,620
647,842
1,848,176

2,012,640
694,760

29,994,037

(2,802,512)

(3,110,320)
3,047,349

(62,971)

(2,865,483)

18,142,396

\$ 15,276,913

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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, 2012

Net changes in fund balances - total governmental funds **\$ (2,865,483)**

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	\$ 1,739,465	
Less current year depreciation	<u>(2,432,105)</u>	(692,640)

Donated capital assets are recognized as capital grants and contributions revenue in the Statement of Activities, however are not recorded in the fund statements.		150,393
--	--	---------

Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Special assessments	(812,345)	
Intergovernmental	<u>509,893</u>	(302,452)

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	485,000	
Loan principal retirement	350,000	
Special assessment bond principal retirement	1,091,571	
Capital lease principal retirement	<u>86,069</u>	2,012,640

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	(688,256)	
Compensated absences	<u>110,558</u>	(577,698)

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.		<u>(733,215)</u>
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Change in net assets in governmental activities **\$ (3,008,455)**

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, 2012**

	Enterprise Funds		
	Water	Wastewater	Sanitation
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 14,682,242	\$ 5,988,126	\$ 1,170,296
Restricted assets-customer deposits	367,793		
Accounts receivable	1,059,578	641,232	279,177
Loan receivable		1,504,963	
Inventories	191,375		
Deposits	9,208		
Total current assets	<u>16,310,196</u>	<u>8,134,321</u>	<u>1,449,473</u>
Noncurrent assets:			
Restricted cash and investments		1,848,801	
Land	1,128,881	597,000	567,000
Infrastructure	37,044,842	45,366,006	
Buildings	12,463,191	122,920	
Improvements other than buildings	149,328	444,650	
Vehicles, machinery, and equipment	3,489,851	671,541	4,595,179
Construction in progress	53,895	16,126,133	
Accumulated depreciation	(29,771,502)	(8,940,556)	(3,441,113)
Total noncurrent assets	<u>24,558,486</u>	<u>56,236,495</u>	<u>1,721,066</u>
Total assets	<u>40,868,682</u>	<u>64,370,816</u>	<u>3,170,539</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	170,396	127,201	65,213
Construction contracts payable		1,252,059	
Accrued payroll and employee benefits	77,457	21,547	24,872
Deposits held for others	367,793		
Deferred revenue	709,052	1,325	
Compensated absences payable	246,599	69,259	59,633
Loan payable		2,211,589	
Obligations under capital leases	43,522	43,522	43,522
Claims payable			
Total current liabilities	<u>1,614,819</u>	<u>3,726,502</u>	<u>193,240</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	258,611	41,621,711	258,611
Total noncurrent liabilities	<u>258,611</u>	<u>41,621,711</u>	<u>258,611</u>
Total liabilities	<u>1,873,430</u>	<u>45,348,213</u>	<u>451,851</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	24,256,353	9,258,813	1,418,933
Restricted for:			
Debt service		1,848,801	
Unrestricted	14,738,899	7,914,989	1,299,755
Total net assets	<u>\$ 38,995,252</u>	<u>\$ 19,022,603</u>	<u>\$ 2,718,688</u>

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

<u>Enterprise Funds</u>	Governmental Activities: Internal Service Funds
<u>Totals</u>	<u>Funds</u>
\$ 21,840,664	\$ 6,109,284
367,793	
1,979,987	12,052
1,504,963	
191,375	
9,208	
<u>25,893,990</u>	<u>6,121,336</u>
1,848,801	
2,292,881	567,000
82,410,848	
12,586,111	576,100
593,978	78,660
8,756,571	996,538
16,180,028	
(42,153,171)	(1,221,764)
<u>82,516,047</u>	<u>996,534</u>
<u>108,410,037</u>	<u>7,117,870</u>
362,810	122,625
1,252,059	
123,876	51,541
367,793	
710,377	
375,491	112,403
2,211,589	
130,566	43,522
	<u>414,588</u>
<u>5,534,561</u>	<u>744,679</u>
42,138,933	258,611
<u>42,138,933</u>	<u>258,611</u>
<u>47,673,494</u>	<u>1,003,290</u>
34,934,099	694,401
1,848,801	
23,953,643	5,420,179
<u>\$ 60,736,543</u>	<u>\$ 6,114,580</u>

CITY OF KINGMAN, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds		
	Water	Wastewater	Sanitation
Operating revenues:			
Charges for services	\$ 8,420,703	\$ 6,120,036	\$ 3,314,137
Contributions			
Miscellaneous			
Total operating revenues	<u>8,420,703</u>	<u>6,120,036</u>	<u>3,314,137</u>
Operating expenses:			
Costs of sales and services	5,923,755	1,603,268	2,676,318
Depreciation	1,085,582	972,182	318,291
Claims			
Total operating expenses	<u>7,009,337</u>	<u>2,575,450</u>	<u>2,994,609</u>
Operating income (loss)	<u>1,411,366</u>	<u>3,544,586</u>	<u>319,528</u>
Nonoperating revenues (expenses):			
Intergovernmental		2,061,111	
Investment income	55,522	45,348	7,191
Miscellaneous	689,407	7,255	42,434
Interest expense	(19,944)	(1,385,885)	(19,944)
Total nonoperating revenues (expenses)	<u>724,985</u>	<u>727,829</u>	<u>29,681</u>
Income (loss) before capital contributions and transfers	<u>2,136,351</u>	<u>4,272,415</u>	<u>349,209</u>
Capital contributions			
Transfers out	(813,317)	(978,773)	(239,218)
Transfers in	<u>999,979</u>	<u>1,500,000</u>	
Changes in net assets	<u>2,323,013</u>	<u>4,793,642</u>	<u>109,991</u>
Total net assets, beginning of year	36,672,239	14,228,961	2,608,697
Total net assets, end of year	<u>\$ 38,995,252</u>	<u>\$ 19,022,603</u>	<u>\$ 2,718,688</u>

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

Enterprise Funds

<u>Totals</u>	<u>Governmental Activities: Internal Service Funds</u>
\$ 17,854,876	\$ 4,871,002
	4,156,687
	3,068
<u>17,854,876</u>	<u>9,030,757</u>
10,203,341	4,372,428
2,376,055	66,807
	4,991,546
<u>12,579,396</u>	<u>9,430,781</u>
<u>5,275,480</u>	<u>(400,024)</u>
2,061,111	43,205
108,061	35,373
739,096	3,980
<u>(1,425,773)</u>	<u>(19,944)</u>
<u>1,482,495</u>	<u>62,614</u>
<u>6,757,975</u>	<u>(337,410)</u>
	9,895
(2,031,308)	(536,700)
<u>2,499,979</u>	<u>131,000</u>
<u>7,226,646</u>	<u>(733,215)</u>
53,509,897	6,847,795
<u>\$ 60,736,543</u>	<u>\$ 6,114,580</u>

CITY OF KINGMAN, ARIZONA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Enterprise Funds</u>				Governmental Activities: Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Total</u>	
<u>Increase (Decrease) in Cash and Cash Equivalents</u>					
Cash flows from operating activities:					
Cash received from customers	\$ 8,409,751	\$ 5,994,199	\$ 3,320,621	\$ 17,724,571	\$ 4,871,002
Cash received from contributions					4,156,687
Cash payments to employees for services	(2,043,152)	(556,087)	(669,749)	(3,268,988)	(1,363,886)
Cash payments to suppliers for goods/services	(3,788,711)	(582,667)	(2,025,982)	(6,397,360)	(2,892,819)
Cash payments for claims					(5,093,990)
Other receipts	23,504	7,255	42,434	73,193	7,048
Net cash provided by (used for) operating activities	<u>2,601,392</u>	<u>4,862,700</u>	<u>667,324</u>	<u>8,131,416</u>	<u>(315,958)</u>
Cash flows from non-capital financing activities:					
Transfers in	999,979	1,500,000		2,499,979	131,000
Transfers out	(813,317)	(978,773)	(239,218)	(2,031,308)	(536,700)
Net cash provided by (used for) non-capital financing activities	<u>186,662</u>	<u>521,227</u>	<u>(239,218)</u>	<u>468,671</u>	<u>(405,700)</u>
Cash flows from capital and related financing activities:					
Capital grants		2,061,111		2,061,111	43,205
Acquisition of capital assets	(2,013,714)	(11,579,478)	(505,791)	(14,098,983)	(55,728)
Loan proceeds		7,507,745		7,507,745	
Principal paid on debt	(41,132)	(1,997,325)	(41,132)	(2,079,589)	(41,132)
Interest paid on debt	(19,944)	(1,385,885)	(19,944)	(1,425,773)	(19,944)
Proceeds from sale of previously transferred assets	665,903			665,903	
Net cash used for capital and related financing activities	<u>(1,408,887)</u>	<u>(5,393,832)</u>	<u>(566,867)</u>	<u>(7,369,586)</u>	<u>(73,599)</u>
Cash flows from investing activities:					
Investment income	55,522	45,348	7,191	108,061	35,373
Net cash provided by investing activities	<u>55,522</u>	<u>45,348</u>	<u>7,191</u>	<u>108,061</u>	<u>35,373</u>
Net increase (decrease) in cash and cash equivalents	<u>1,434,689</u>	<u>35,443</u>	<u>(131,570)</u>	<u>1,338,562</u>	<u>(759,884)</u>
Cash and cash equivalents, beginning 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>
Cash and cash equivalents, end of year	<u>\$ 15,050,035</u>	<u>\$ 7,836,927</u>	<u>\$ 1,170,296</u>	<u>\$ 24,057,258</u>	<u>\$ 6,109,284</u>
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</u>					
Cash	\$ 7,416,181	\$ 2,205,307	\$ 603,831	\$ 10,225,319	\$ 3,158,369
Investments	7,266,061	3,782,819	566,465	11,615,345	2,950,915
Restricted cash and investments	367,793	1,848,801		2,216,594	
Total cash and cash equivalents	<u>\$ 15,050,035</u>	<u>\$ 7,836,927</u>	<u>\$ 1,170,296</u>	<u>\$ 24,057,258</u>	<u>\$ 6,109,284</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities</u>					
Operating income (loss)	\$ 1,411,366	\$ 3,544,586	\$ 319,528	\$ 5,275,480	\$ (400,024)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	1,085,582	972,182	318,291	2,376,055	66,807
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	6,971	(118,582)	6,484	(105,127)	149,813
Increase in inventory	5,572			5,572	
Increase in compensated absences payable	16,641	2,920	6,048	25,609	20,344
Decrease in deposits held for others	5,581			5,581	
Increase in accrued payroll and employee benefits	9,962	5,413	3,117	18,492	23,141
Increase (decrease) in accounts payable	59,717	456,181	13,856	529,754	(176,039)
Total adjustments	<u>1,190,026</u>	<u>1,318,114</u>	<u>347,796</u>	<u>2,855,936</u>	<u>84,066</u>
Net cash provided by (used for) operating activities	<u>\$ 2,601,392</u>	<u>\$ 4,862,700</u>	<u>\$ 667,324</u>	<u>\$ 8,131,416</u>	<u>\$ (315,958)</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City. For the most part, the effect of internal activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation.

These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

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

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

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service resources are provided during the current year for payment of long-term debt principal and interest due early in the following year (not to exceed one month) and therefore the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

The City reports the following major proprietary funds.

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

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

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

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Additionally, the City reports the following fund type:

Internal Service Funds – Internal Service Funds are established to account for financing of goods and services provided by one department or agency to other departments or agencies for the City on a cost reimbursement basis. The Internal Service Funds consist of a 911 Dispatch Center Fund, 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 911 dispatch services, fleet services, maintenance services, and information system services. Operating expenses for these funds include the cost of sales and services, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

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

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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 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.

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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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 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 assets because their use is limited to the repayment to those customers.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, except land, 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. All land is capitalized, regardless of cost. 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:

<u>Assets</u>	<u>Years</u>
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, 2012

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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Cont'd)

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.

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 amounts.

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.

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, 2012

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	Non-Major Governmental Funds
Fund Balances:			
Restricted:			
Debt service	\$	\$ 2,887,183	\$ 113,262
Flood control			803,094
Capital projects			704,939
Grants			466,648
Streets			886,867
Committed:			
Tourism	958,534		
Capital projects			515,350
Assigned:			
Debt service	83,026		
Capital projects			1,260,954
Operation of KART			40,326
Unassigned			
	6,556,730		
Total fund balances	\$ 7,598,290	\$ 2,887,183	\$ 4,791,440

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 – CASH AND INVESTMENTS (Cont'd)

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 \$4,141,248 and the bank balance was \$1,284,261. 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 activity and performance of the pools are reviewed monthly by the State Board of Investment. 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.

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	\$ 22,724,602	<u>1-5</u> \$ 22,724,602
State Treasurer's investment pool 7	20,972,579	29 days average maturities
Total	<u>\$ 43,697,181</u>	

At year end, \$2,216,594 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.

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 AA+ weighted average rating.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 – CASH AND INVESTMENTS (Concl'd)

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City would not be able to recover the value of its 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 6%, 17% and 29% 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 intergovernmental receivables. Intergovernmental receivables, 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
Intergovernmental receivables:		
Due from Federal government	\$	\$ 788,149
Due from State government	186,256	201,602
Due from County government		509,893
Total	\$ 186,256	\$ 1,499,644

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)	\$	\$ 65,765
Development investment fees (Non-Major Governmental Funds)		1,836,933
Intergovernmental (Non-Major Governmental Funds)	509,893	
Miscellaneous (Non-Major Governmental Funds)		178,392
Special assessments (Special Assessment Districts)	6,161,454	
Total deferred revenue for governmental funds	\$ 6,671,347	\$ 2,081,090

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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	\$ 10,409,846	\$ 5,393	\$	\$ 10,415,239
Construction in progress	10,254,766	1,219,300	9,978,314	1,495,752
Total capital assets, not being depreciated	<u>20,664,612</u>	<u>1,224,693</u>	<u>9,978,314</u>	<u>11,910,991</u>
Capital assets, being depreciated:				
Infrastructure	53,524,577	9,913,487		63,438,064
Buildings	8,638,423	425,270		9,063,693
Improvements other than buildings	6,308,189	64,827		6,373,016
Vehicles, machinery and equipment	14,091,053	305,518	115,283	14,281,288
Total capital assets being depreciated	<u>82,562,242</u>	<u>10,709,102</u>	<u>115,283</u>	<u>93,156,061</u>
Less accumulated depreciation for:				
Infrastructure	(30,164,809)	(1,293,678)		(31,458,487)
Buildings	(3,684,529)	(194,024)		(3,878,553)
Improvements other than buildings	(3,894,027)	(178,221)		(4,072,248)
Vehicles, machinery and equipment	(11,195,593)	(832,989)	(115,283)	(11,913,299)
Total accumulated depreciation	<u>(48,938,958)</u>	<u>(2,498,912)</u>	<u>(115,283)</u>	<u>(51,322,587)</u>
Total capital assets, being depreciated, net	33,623,284	8,210,190		41,833,474
Governmental activities capital assets, net	<u>\$ 54,287,896</u>	<u>\$ 9,434,883</u>	<u>\$ 9,978,314</u>	<u>\$ 53,744,465</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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	37,854,129	13,618,391	35,292,492	16,180,028
Total	<u>40,147,010</u>	<u>13,618,391</u>	<u>35,292,492</u>	<u>18,472,909</u>
Capital assets, being depreciated:				
Infrastructure	49,864,651	32,546,197		82,410,848
Buildings	9,839,816	2,746,295		12,586,111
Improvements other than buildings	593,978			593,978
Vehicles, machinery and equipment	8,250,779	505,792		8,756,571
Total	<u>68,549,224</u>	<u>35,798,284</u>		<u>104,347,508</u>
Less accumulated depreciation for:				
Infrastructure	(29,637,376)	(1,625,331)		(31,262,707)
Buildings	(3,413,459)	(268,225)		(3,681,684)
Improvements other than buildings	(443,109)	(11,890)		(454,999)
Vehicles, machinery and equipment	(6,283,172)	(470,609)		(6,753,781)
Total accumulated depreciation	<u>(39,777,116)</u>	<u>(2,376,055)</u>		<u>(42,153,171)</u>
Total capital assets, being depreciated, net	<u>28,772,108</u>	<u>33,422,229</u>		<u>62,194,337</u>
Business-type activities capital assets, net	<u>\$ 68,919,118</u>	<u>\$ 47,040,620</u>	<u>\$ 35,292,492</u>	<u>\$ 80,667,246</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 215,467
Public safety	523,294
Highways and streets	1,523,772
Culture and recreation	224,693
Economic development	11,686
Total depreciation expense	<u>2,498,912</u>
Business-type activities:	
Water	1,085,582
Wastewater	972,182
Sanitation	318,291
Total depreciation expense	<u>\$ 2,376,055</u>

Construction Commitments – At year end, the City had contractual commitments related to various capital projects. During the year, the City spent \$14.8 million on the projects and had estimated remaining contractual commitments of \$2.3 million.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 – JUDGMENTS PAYABLE

Judgments that would normally be liquidated with expendable available resources are recorded during the year as expenditures in the governmental fund financial statements; however, judgments are recorded in the government-wide statements when the related liability is incurred. During fiscal year 2011-12, a City vendor was awarded a judgment of \$695,497 for increase raw materials costs related to a construction project. Resources from the Airway Underpass Fund will be used to pay the judgment.

NOTE 8 – 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 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
2013	\$ 176,358	\$ 183,229
2014	176,357	183,229
2015	122,152	183,229
2016	122,152	183,229
2017	122,152	183,229
2018	122,152	183,228
Total minimum lease payments	<u>841,323</u>	<u>1,099,373</u>
Less: amount representing interest	<u>138,299</u>	<u>192,974</u>
Present value of minimum lease payments	<u>\$ 703,024</u>	<u>\$ 906,399</u>
Due within one year	<u>\$ 134,880</u>	<u>\$ 130,566</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – OBLIGATIONS UNDER CAPITAL LEASES (Concl'd)

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

	Governmental Activities	Business-type Activities
Asset:		
Land	\$ 1,134,000	\$ 1,701,000
Vehicles, furniture and equipment	197,900	
Less: Accumulated depreciation	49,475	
Total	\$ 1,282,425	\$ 1,701,000

NOTE 9 – 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. This loan was retired during the year.

Business-type activities loans payable consists of a loan from the Wastewater Management Authority of Arizona (WMAA) which was retired during the year, and two loans from the Water Infrastructure Finance Authority (WIFA), the proceeds of which were used to upgrade and expand the Hilltop Wastewater Treatment Plant and for the design and construction of the Downtown Wastewater Treatment Plant. The loans are to be repaid in annual principal payments, plus semiannual interest payments, and a semiannual servicing fee.

Description	Original Amount Issued to Date	Interest Rate (Including Fees)	Remaining Maturities	Outstanding Principal June 30, 2012	Due Within One Year
Business-type activities:					
Water Infrastructure Finance Authority Loan 910114-09	\$ 33,783,632	3.6%	7/1/13-28	\$ 30,901,399	\$ 1,519,395
Water Infrastructure Finance Authority Loan 910149-11	12,673,290	3.185%	7/1/13-27	12,673,290	692,194
Total				\$ 43,574,689	\$ 2,211,589

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9 – LOANS PAYABLE (Concl'd)

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

Year ending June 30,	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
2013	\$ 2,211,589	\$ 1,681,146	\$ 3,892,735
2014	2,288,334	1,604,400	3,892,734
2015	2,367,750	1,524,984	3,892,734
2016	2,449,930	1,442,804	3,892,734
2017	2,534,972	1,357,762	3,892,734
2018-22	14,057,814	5,405,860	19,463,674
2023-27	16,298,008	2,788,893	19,086,901
2028	1,366,292	313,782	1,680,074
Total	<u>\$ 43,574,689</u>	<u>\$ 16,119,631</u>	<u>\$ 59,694,320</u>

As of year end, the City has drawn down \$33.8 million of loan 910144-09, which represents the entire amount that will be drawn down and has drawn down \$14.7 million of loan 910149-11 leaving \$1.7 million available for drawdown. Loan 910149-11 contains a forgivable principal component amounting to \$2,061,111, therefore, of the \$14.7 million drawn down, the City is only required to repay \$12.7 million.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 – BONDS PAYABLE

Bonds payable at year end, consisted of the following excise tax revenue 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.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2012	Due Within One Year
Governmental activities:					
Excise Tax Revenue Obligations, Series 2005	\$ 2,850,000	3.5-4.25%	7/1/12-20	\$ 1,990,000	\$ 190,000
Municipal Property Corporation; Excise Tax Revenue Refunding Bonds Series 1997	4,455,000	5.0%	7/1/12-14	1,305,000	295,000
Wallapai Marlene East Golden Gate Improvement District	114,707	5.25%	1/1/12-21	77,045	6,916
Kingman Airway Avenue Railroad Crossing Improvement District	3,580,000	4.5%	1/1/12-17	1,685,000	301,000
Kingman Airport/Banks Airport Addition	6,325,000	4.875%	1/1/12-16	2,905,000	675,000
Total	3,880,000	7.25%	1/1/12-25	<u>3,570,000</u>	<u>170,000</u>
				<u>\$ 11,532,045</u>	<u>\$ 1,637,916</u>

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

Year ending June 30:	Principal	Interest	Total
2013	\$ 1,637,916	\$ 613,583	\$ 2,251,499
2014	1,805,279	530,455	2,335,734
2015	2,108,661	435,604	2,544,265
2016	1,563,063	346,235	1,909,298
2017	833,486	267,974	1,101,460
2018-22	2,438,640	828,431	3,267,071
2023-25	1,145,000	170,012	1,315,012
Total	<u>\$ 11,532,045</u>	<u>\$ 3,192,294</u>	<u>\$ 14,724,339</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 – BONDS PAYABLE (Concl'd)

Pledged Revenues

The City has pledged certain future revenues to repay specific debts 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. Debt covenants related to the 2005 Series require available receipts for the fiscal year to be 2.5 times the annual debt service requirement. Debt covenants for the 1997 Series require available receipts for the fiscal year to be three times the annual debt service requirement. At year end, \$2.8 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 \$18.3 million. The debt principal and interest paid on this debt during fiscal year 2012 was \$630,219 (29% of available pledged revenues).

In addition, the City has pledged future wastewater utility revenues to repay \$43.6 million in Water Infrastructure Financing Authority loans. The loans were issued for the upgrade and expansion of the Hilltop Wastewater Treatment Plant and for the design and construction of the Downtown Wastewater Treatment Plant. Loan covenants require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. At year end, \$43.6 remains outstanding to be repaid by future wastewater revenues. For the fiscal year ended June 30, 2012, the revenues available for service of this debt were \$3.5 million. The debt principal and interest and fees paid on this debt during fiscal year 2012 was \$1,956,193 and \$1,365,941, respectively (94% of available pledged revenues). WIFA waived the City's rate covenant for fiscal year 2011-12 based on projections made at the time the agreement for Loan 910149-11 was executed.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 3,745,000	\$	\$ 450,000	\$ 3,295,000	\$ 485,000
Special assessment bonds payable	9,328,616		1,091,571	8,237,045	1,152,916
Judgments payable		695,497	695,497		
Obligations under capital leases	830,225		127,201	703,024	134,880
Loan payable	350,000		350,000		
Compensated absences payable	1,659,008	1,413,740	1,503,954	1,568,794	1,568,794
Other post employment benefits	2,164,035	851,654	163,398	2,852,291	
Governmental activity long-term liabilities	<u>\$ 18,076,884</u>	<u>\$ 2,960,891</u>	<u>\$ 4,381,621</u>	<u>\$ 16,656,154</u>	<u>\$ 3,341,590</u>
Business-type activities:					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Obligations under capital leases	\$ 1,029,795	\$	\$ 123,396	\$ 906,399	\$ 130,566
Loan payable	36,518,174	11,072,082	4,015,567	43,574,689	2,211,589
Compensated absences	349,882	367,834	342,225	375,491	375,491
Business-type activities long-term liabilities	<u>\$ 37,897,851</u>	<u>\$ 11,439,916</u>	<u>\$ 4,481,188</u>	<u>\$ 44,856,579</u>	<u>\$ 2,717,646</u>

NOTE 12 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balances were as follows.

Due to/from other funds:

<u>Due to</u>	<u>Due from General Fund</u>
Non-Major Governmental Funds	\$ 1,381
Total	<u>\$ 1,381</u>

At year end, the Transit System Fund had a negative 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, 2012**

NOTE 12 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Concl'd)

At year end, interfund transfers were as follows.

Interfund transfers:

	Transfers in				
Transfers out	General Fund	Non-Major Governmental and Other Funds	Water Fund	Wastewater Fund	Total
General Fund	\$	\$ 712,969	\$	\$	\$ 712,969
Special Assessment Districts Fund	33,440	499			33,939
Non-Major and Other					
Governmental Funds	820,287	353,991	225,834	1,500,000	2,900,112
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	\$ 1,756,887	\$ 1,421,462	\$ 999,979	\$ 1,500,000	\$ 5,678,328

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 13 – 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, 2012

NOTE 14 – 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 joined the Arizona Municipal Risk Pool (Pool) as an alternative to escalating general liability insurance costs. The Pool is made up of various towns and cities within Arizona that operates a common risk management and insurance program.

The agreement provides that the Pool will be self-sustaining through member premiums. The City pays an annual premium to the Pool for its general insurance coverage. If the Pool becomes insolvent or is otherwise unable to discharge its legal obligations, the City (and all other participants) may be assessed an additional contribution based on the City's current year's contribution divided by the current year's contributions of all participants times the deficiency. The assessment may not exceed the original contribution to the Pool for the year in which the assessment is made.

At the end of the tenth year of the Pool's existence and each year thereafter, any surplus fund in the Pool shall be distributed among the then existing participants in the Pool who were participating during the previous ten years. The allocation shall be based on the proportion of contributions made by each participant.

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.

The City carries commercial insurance for risks of loss related to employee life insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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, dental and vision claims. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 14 – RISK MANAGEMENT (Concl'd)

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

	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable at End of Year
Employee Benefit Trust				
2011-12	\$ 659,200	\$ 4,991,546	\$ 5,236,158	\$ 414,588
2010-11	560,000	4,939,065	4,839,865	659,200

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS).

Plan Descriptions - The two plans are described below.

Arizona State Retirement System - 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. 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.

Public Safety Personnel Retirement System - The 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.

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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
www.azasrs.gov.

PSPRS

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

Funding Policy – The Arizona State Legislature establishes and may amend active plan members’ and the City’s contribution rates for the plans of the ASRS and PSPRS. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.5 percent for retirement and 0.24 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 10.74 percent (9.87 percent for retirement, 0.63 percent for health insurance premium, and 0.24 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,						
2012	\$	798,735	\$	50,983	\$	19,422
2011		781,208		51,156		21,676
2010		722,415		57,170		34,648

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 19.6 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.37 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 19.64 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.41 percent of covered payroll.

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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

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

Projects of benefits are based on 1) the plans as understood by the City and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial assumptions used to establish the fiscal year 2011-2012 contribution requirements are as follows.

Actuarial valuation date	June 30, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	26 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

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Annual Pension/OPEB Cost – The City’s pension/OPEB cost for the agent plans for the most recent year ended June 30, 2012, and related information follows.

	PSPRS - Police		PSPRS – Fire	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 610,702	\$ 14,640	\$ 616,409	\$ 10,500
Contributions made	\$ 560,322	\$ 14,640	\$ 512,283	\$ 10,500

The City’s annual pension/OPEB cost is estimated based on projected payroll expenditures. The City made the required contributions for the most recent year ended June 30, 2012 based on actual payroll expenditures.

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.

Plan	Year Ended June 30	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
PSPRS – Police				
Pension	2012	\$ 610,702	100%	0
	2011	626,711	100%	0
	2010	550,350	100%	0
Health Insurance	2012	\$ 14,640	100%	0
	2011	12,000	100%	0
	2010	10,475	100%	0
PSPRS – Fire				
Pension	2012	\$ 616,409	100%	0
	2011	583,585	100%	0
	2010	575,970	100%	0
Health Insurance	2012	\$ 10,500	100%	0
	2011	10,570	100%	0
	2010	10,460	100%	0

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Concl'd)

Funding Progress - As of June 30, 2012, the most recent actuarial calculation date, the firefighters plan was 69 percent funded and the police was 63 percent funded. The actuarial accrued liability for benefits was \$20.1 million and \$18.9 million and the actuarial value of assets was \$13.9 million and \$11.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$6.2 million and \$7.0 million, respectively. The covered payrolls (annual payrolls of active employees covered by the plans) were \$2.8 million and \$3.0 million, and the ratio of the UAAL to the covered payroll was 220 percent and 236 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.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN

Plan Description – Under authority of the City Council, the City provides postretirement insurance (health, dental and vision) 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. Generally, resources from the General Fund are used to pay for postemployment benefits.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN
(Cont'd)

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 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	71,648
Adjustment to annual required contribution	<u>(97,746)</u>
Annual OPEB cost (expense)	851,654
Contributions made	<u>(163,398)</u>
Increase in net OPEB obligation	688,256
Net OPEB obligation – beginning of year	<u>2,164,035</u>
Net OPEB obligation – end of year	<u>\$ 2,852,291</u>

The City’s annual OPEB cost, the annual OPEB cost contributed, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended June 30, 2012 and the preceding two years are as follows.

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 851,654	\$ 163,398	19%	\$ 2,852,291
June 30, 2011	877,752	140,547	16	2,164,035
June 30, 2010	833,753	126,374	15	1,426,830

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 projection of future benefit payments involve estimates of the value of reported amounts and assumptions about the probability of events into the future. 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.

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

**NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN
(Concl'd)**

Amounts determined and the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The more significant actuarial assumptions and methods used in the calculation of the employer contributions for the current fiscal year were as follows.

Valuation date	July 1, 2010
Actuarial cost method	Entry age normal
Amortization method for actuarial accrued liabilities	30 years open, level dollar amount
Remaining amortization period	30 years as of July 1, 2010
Interest rate	4.50%
Inflation rate	N/A
Projected salary increases	N/A
Health care cost trend rate:	
Medical and Prescription Drug	10% or 9%, respectively, graded down to an ultimate rate of 5%
Retiree contribution increase	Consistent with medical/drug trends
ASRS subsidy increases	None
Cost of living adjustments	N/A

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. The plan is currently not funded.

NOTE 17 – SUBSEQUENT EVENT

In fiscal year 2012-13, the City will be dissolving the Employee Benefit Trust Fund to partner with the cities of Lake Havasu City and Bullhead City to establish the Northwest Arizona Employee Benefit Trust (NAEBT). The City's medical benefits will be administered through the NABET to realize savings in premiums.

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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, 2012

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Non-GAAP Actual	
Revenues:			
Taxes	\$ 12,740,000	\$ 12,917,160	\$ 177,160
Licenses and permits	122,000	108,992	(13,008)
Intergovernmental	4,420,000	4,562,202	142,202
Charges for services	1,689,500	1,687,949	(1,551)
Fines and forfeits	275,000	290,488	15,488
Investment income	100,000	47,412	(52,588)
Miscellaneous	307,000	74,285	(232,715)
Total revenues	<u>19,653,500</u>	<u>19,688,488</u>	<u>34,988</u>
Expenditures:			
Current -			
General government			
Magistrate court	1,408,909	1,405,079	3,830
Mayor and council	111,357	109,559	1,798
City manager	211,152	214,719	(3,567)
Finance department	769,205	719,568	49,637
City attorney	605,924	584,960	20,964
City clerk	366,431	365,243	1,188
Human resources director	563,731	533,026	30,705
Planning and zoning	598,679	581,544	17,135
Total general government	<u>4,635,388</u>	<u>4,513,698</u>	<u>121,690</u>
Public safety			
Police department	8,479,024	7,307,187	1,171,837
Fire department	5,308,851	5,213,764	95,087
Building inspections	528,168	490,043	38,125
Total public safety	<u>14,316,043</u>	<u>13,010,994</u>	<u>1,305,049</u>
Culture and recreation			
Recreation	518,251	508,833	9,418
Swimming	374,566	313,651	60,915
Municipal golf course	1,029,497	970,865	58,632
Parks	1,599,072	1,576,271	22,801
Total culture and recreation	<u>3,521,386</u>	<u>3,369,620</u>	<u>151,766</u>
Economic development			
Tourism commission	1,127,000	339,581	787,419
Marketing commission	45,000	11,168	33,832
Total economic development	<u>1,172,000</u>	<u>350,749</u>	<u>821,251</u>
Capital outlay	83,000	34,094	48,906
Total capital outlay	<u>83,000</u>	<u>34,094</u>	<u>48,906</u>
Debt services			
Principal retirement		44,937	(44,937)
Interest and fiscal charges		9,268	(9,268)
Total debt services		<u>54,205</u>	<u>(54,205)</u>
Total expenditures	<u>23,727,817</u>	<u>21,333,360</u>	<u>2,394,457</u>
Excess (deficiency) of revenues over expenditures	<u>(4,074,317)</u>	<u>(1,644,872)</u>	<u>(2,429,445)</u>
Other financing sources (uses):			
Transfers out	(978,969)	(812,969)	166,000
Transfers in	1,807,800	1,756,887	(50,913)
Total other financing sources (uses)	<u>828,831</u>	<u>943,918</u>	<u>115,087</u>
Change in fund balances	<u>(3,245,486)</u>	<u>(700,954)</u>	<u>(2,544,532)</u>
Fund balances, beginning of year	7,601,252	8,155,447	554,195
Fund balances, end of year	<u>\$ 4,355,766</u>	<u>\$ 7,454,493</u>	<u>\$ 3,098,727</u>

See accompanying notes to this schedule.

CITY OF KINGMAN, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The City adopts a legal budget for all governmental funds. 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, 2011, and fund balance at June 30, 2012 on a budgetary basis in order to provide a meaningful comparison.

	<u>Total Expenditures</u>	<u>Fund Balance, June 30, 2012</u>	<u>Fund Balance, July 1, 2011</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 21,472,133	\$ 7,598,290	\$ 8,271,929
Fiscal year 2011-12 activity budgeted as special revenue funds	<u>(138,773)</u>	<u>(143,797)</u>	<u>(116,482)</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	<u>\$ 21,333,360</u>	<u>\$ 7,454,493</u>	<u>\$ 8,155,447</u>

**CITY OF KINGMAN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

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

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent Age of Covered Payroll $([a-b]/c)$
2010	\$10,707,545	\$15,016,198	\$ 4,308,653	71.3%	\$ 3,009,802	143.2%
2011	11,553,980	17,086,416	5,532,436	67.6%	2,809,275	196.9%
2012	11,847,807	18,855,075	7,007,268	62.8%	2,973,701	235.6%

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

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as Percentage of Covered Payroll $([a-b]/c)$
2010	\$11,636,314	\$15,636,227	\$ 3,999,913	74.4%	\$ 3,037,925	131.7%
2011	12,704,610	17,598,817	4,894,207	72.2%	2,952,005	165.8%
2012	13,881,709	20,095,748	6,214,039	69.1%	2,819,425	220.4%

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll $((b-1)/c)$
7-1-08	-0-	\$ 6,570,672	\$ 6,570,072	-0-	\$ 9,309,667	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, 2012

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS</u>			
Cash and investments	\$ 927,322	\$ 670,246	\$ 5,761,586
Intergovernmental receivable	866,558		633,086
Total assets	<u>\$ 1,793,880</u>	<u>\$ 670,246</u>	<u>\$ 6,394,672</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 180,759	\$	\$ 68,012
Accrued payroll and employee benefits	39,507		
Judgments payable			695,497
Interest payable		71,984	
Due to other funds	1,381		
Deferred revenue	178,392		2,346,826
Bonds payable		485,000	
Total liabilities	<u>400,039</u>	<u>556,984</u>	<u>3,110,335</u>
Fund balances:			
Restricted	1,353,515	113,262	1,508,033
Committed			515,350
Assigned	40,326		1,260,954
Total fund balances	<u>1,393,841</u>	<u>113,262</u>	<u>3,284,337</u>
Total liabilities and fund balances	<u>\$ 1,793,880</u>	<u>\$ 670,246</u>	<u>\$ 6,394,672</u>

Total Non-
Major
Governmental
Fund

\$	7,359,154
	<u>1,499,644</u>
\$	<u>8,858,798</u>

\$	248,771
	39,507
	695,497
	71,984
	1,381
	2,525,218
	<u>485,000</u>
	<u>4,067,358</u>

	2,974,810
	515,350
	<u>1,301,280</u>
	<u>4,791,440</u>

\$	<u>8,858,798</u>
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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, 2012

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:			
Taxes	\$ 374,786	\$	\$ 362,237
Intergovernmental	4,290,997		433,241
Investment income	6,058	677	18,788
Special assessments	11,643		
Development investment fees			399,094
Miscellaneous	181,340		74,420
Total revenues	<u>4,864,824</u>	<u>677</u>	<u>1,287,780</u>
Expenditures:			
Current -			
General government	7,861		18,012
Public safety	727,789		504,563
Highways and streets	2,499,309		
Economic development	297,093		
Capital outlay	570,027		1,244,055
Debt service -			
Principal retirement	41,132	835,000	
Interest and fiscal charges	19,944	156,101	
Total expenditures	<u>4,163,155</u>	<u>991,101</u>	<u>1,766,630</u>
Excess (deficiency) of revenues over expenditures	<u>701,669</u>	<u>(990,424)</u>	<u>(478,850)</u>
Other financing sources (uses):			
Transfers out	(863,412)		(1,500,000)
Transfers in	451,003	838,960	499
Total other financing sources (uses):	<u>(412,409)</u>	<u>838,960</u>	<u>(1,499,501)</u>
Changes in fund balances	<u>289,260</u>	<u>(151,464)</u>	<u>(1,978,351)</u>
Fund balances, beginning of year	1,104,581	264,726	5,262,688
Fund balances, end of year	<u>\$ 1,393,841</u>	<u>\$ 113,262</u>	<u>\$ 3,284,337</u>

Total Non-
Major
Governmental
Funds

\$ 737,023
4,724,238
25,523
11,643
399,094
255,760
6,153,281

25,873
1,232,352
2,499,309
297,093
1,814,082

876,132
176,045
6,920,886

(767,605)

(2,363,412)
1,290,462
(1,072,950)

(1,840,555)

6,631,995

\$ 4,791,440

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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, 2012**

	<u>HURF</u>	<u>Transit System</u>	<u>Grants</u>
<u>ASSETS</u>			
Cash and investments	\$ 903,161	\$	\$ 24,161
Intergovernmental receivable	201,602	60,403	604,553
Total assets	<u>\$ 1,104,763</u>	<u>\$ 60,403</u>	<u>\$ 628,714</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 14,963	\$ 3,730	\$ 162,066
Accrued payroll and employee benefits	24,541	14,966	
Due to other funds		1,381	
Deferred revenue	178,392		
Total liabilities	<u>217,896</u>	<u>20,077</u>	<u>162,066</u>
Fund balances:			
Restricted	886,867		466,648
Assigned		40,326	
Total fund balances	<u>886,867</u>	<u>40,326</u>	<u>466,648</u>
 Total liabilities and fund balances	 <u>\$ 1,104,763</u>	 <u>\$ 60,403</u>	 <u>\$ 628,714</u>

Totals

\$	927,322
	<u>866,558</u>
\$	<u><u>1,793,880</u></u>

\$	180,759
	39,507
	1,381
	<u>178,392</u>
	<u><u>400,039</u></u>

	1,353,515
	<u>40,326</u>
	<u><u>1,393,841</u></u>
\$	<u><u>1,793,880</u></u>

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2012

	<u>HURF</u>	<u>Transit System</u>	<u>Grants</u>
Revenues:			
Taxes	\$ 374,786	\$	\$
Intergovernmental	1,979,270	404,007	1,907,720
Investment income	5,378		680
Special assessments	11,643		
Miscellaneous	41,177	140,163	
Total revenues	<u>2,412,254</u>	<u>544,170</u>	<u>1,908,400</u>
Expenditures:			
Current -			
General government			7,861
Public safety			727,789
Highways and streets	1,744,998	741,299	13,012
Economic development			297,093
Capital outlay	2,360	26,289	541,378
Debt service -			
Principal retirement	41,132		
Interest and fiscal charges	19,944		
Total expenditures	<u>1,808,434</u>	<u>767,588</u>	<u>1,587,133</u>
Excess (deficiency) of revenues over expenditures	<u>603,820</u>	<u>(223,418)</u>	<u>321,267</u>
Other financing sources (uses):			
Transfers out	(435,825)		(427,587)
Transfers in	299,003	152,000	
Total other financing sources (uses):	<u>(136,822)</u>	<u>152,000</u>	<u>(427,587)</u>
Changes in fund balances	<u>466,998</u>	<u>(71,418)</u>	<u>(106,320)</u>
Fund balances, beginning of year	419,869	111,744	572,968
Fund balances, end of year	<u>\$ 886,867</u>	<u>\$ 40,326</u>	<u>\$ 466,648</u>

Totals

\$ 374,786
4,290,997
6,058
11,643
181,340
4,864,824

7,861
727,789
2,499,309
297,093
570,027

41,132
19,944
4,163,155

701,669

(863,412)
451,003
(412,409)

289,260

1,104,581

\$ 1,393,841

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, 2012

	HURF		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$ 750,000	\$ 374,786	\$ (375,214)
Intergovernmental	2,150,000	1,979,270	(170,730)
Investment income	4,500	5,378	878
Special assessments		11,643	11,643
Miscellaneous		41,177	41,177
Total revenues	<u>2,904,500</u>	<u>2,412,254</u>	<u>(492,246)</u>
Expenditures:			
Current -			
General government			
Public safety			
Highways and streets	2,861,080	1,744,998	1,116,082
Economic development			
Capital outlay	67,200	2,360	64,840
Debt service -			
Principal retirement		41,132	(41,132)
Interest and fiscal charges		19,944	(19,944)
Total expenditures	<u>2,928,280</u>	<u>1,808,434</u>	<u>1,119,846</u>
Excess (deficiency) of revenues over expenditures	<u>(23,780)</u>	<u>603,820</u>	<u>627,600</u>
Other financing sources (uses):			
Transfers out	(435,825)	(435,825)	
Transfers in	299,003	299,003	
Total other financing sources (uses):	<u>(136,822)</u>	<u>(136,822)</u>	
Changes in fund balances	<u>(160,602)</u>	<u>466,998</u>	<u>627,600</u>
Fund balances, beginning of year	284,370	419,869	135,499
Fund balances, end of year	<u>\$ 123,768</u>	<u>\$ 886,867</u>	<u>\$ 763,099</u>

Transit System			Improvement District Bond Repayment		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ 580,605	\$ 404,007	\$ (176,598)	\$	\$	\$
125,000	140,163	15,163	4,390	36	36
<u>705,605</u>	<u>544,170</u>	<u>(161,435)</u>	<u>4,390</u>	<u>4,426</u>	<u>36</u>
819,935	741,299	78,636			
38,462	26,289	12,173			
<u>858,397</u>	<u>767,588</u>	<u>90,809</u>			
<u>(152,792)</u>	<u>(223,418)</u>	<u>(70,626)</u>	<u>4,390</u>	<u>4,426</u>	<u>36</u>
50,000	152,000	102,000	(75,000)		75,000
<u>50,000</u>	<u>152,000</u>	<u>102,000</u>	<u>(75,000)</u>		<u>75,000</u>
<u>(102,792)</u>	<u>(71,418)</u>	<u>31,374</u>	<u>(70,610)</u>	<u>4,426</u>	<u>75,036</u>
111,203	111,744	541	78,599	78,600	1
<u>\$ 8,411</u>	<u>\$ 40,326</u>	<u>\$ 31,915</u>	<u>\$ 7,989</u>	<u>\$ 83,026</u>	<u>\$ 75,037</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, 2012

	Powerhouse		Variance - Positive (Negative)
	Budget	Non-GAAP Actual	
Revenues:			
Taxes	\$	\$	\$
Intergovernmental			
Investment income		360	360
Special assessments			
Miscellaneous	31,000	61,302	30,302
Total revenues	<u>31,000</u>	<u>61,662</u>	<u>30,662</u>
Expenditures:			
Current -			
General government	138,630	138,773	(143)
Public safety			
Highways and streets			
Economic development			
Capital outlay			
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>138,630</u>	<u>138,773</u>	<u>(143)</u>
Excess (deficiency) of revenues over expenditures	<u>(107,630)</u>	<u>(77,111)</u>	<u>30,519</u>
Other financing sources (uses):			
Transfers out			
Transfers in	100,000	100,000	
Total other financing sources (uses):	<u>100,000</u>	<u>100,000</u>	
Changes in fund balances	<u>(7,630)</u>	<u>22,889</u>	<u>30,519</u>
Fund balances, beginning of year	20,825	37,882	17,057
Fund balances, end of year	<u>\$ 13,195</u>	<u>\$ 60,771</u>	<u>\$ 47,576</u>

Grants			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ 4,966,903	\$ 1,907,720	\$ (3,059,183)	\$ 750,000	\$ 374,786	\$ (375,214)
	680	680	7,697,508	4,290,997	(3,406,511)
			4,500	6,454	1,954
			4,390	16,033	11,643
			156,000	242,642	86,642
<u>4,966,903</u>	<u>1,908,400</u>	<u>(3,058,503)</u>	<u>8,612,398</u>	<u>4,930,912</u>	<u>(3,681,486)</u>
	7,861	(7,861)	138,630	146,634	(8,004)
3,598,236	727,789	2,870,447	3,598,236	727,789	2,870,447
580,197	13,012	567,185	4,261,212	2,499,309	1,761,903
696,845	297,093	399,752	696,845	297,093	399,752
	541,378	(541,378)	105,662	570,027	(464,365)
				41,132	(41,132)
				19,944	(19,944)
<u>4,875,278</u>	<u>1,587,133</u>	<u>3,288,145</u>	<u>8,800,585</u>	<u>4,301,928</u>	<u>4,498,657</u>
<u>91,625</u>	<u>321,267</u>	<u>229,642</u>	<u>(188,187)</u>	<u>628,984</u>	<u>817,171</u>
(323,800)	(427,587)	(103,787)	(834,625)	(863,412)	(28,787)
			449,003	551,003	102,000
<u>(323,800)</u>	<u>(427,587)</u>	<u>(103,787)</u>	<u>(385,622)</u>	<u>(312,409)</u>	<u>73,213</u>
<u>(232,175)</u>	<u>(106,320)</u>	<u>125,855</u>	<u>(573,809)</u>	<u>316,575</u>	<u>890,384</u>
634,449	572,968	(61,481)	1,129,446	1,221,063	91,617
<u>\$ 402,274</u>	<u>\$ 466,648</u>	<u>\$ 64,374</u>	<u>\$ 555,637</u>	<u>\$ 1,537,638</u>	<u>\$ 982,001</u>

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DEBT SERVICE FUNDS

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, 2012

	MPC Debt	HELP Loan Debt	Totals
<u>ASSETS</u>			
Cash and investments	\$ 667,163	\$ 3,083	\$ 670,246
Total assets	\$ 667,163	\$ 3,083	\$ 670,246
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Interest payable	\$ 71,984	\$	\$ 71,984
Bonds payable	485,000	_____	485,000
Total liabilities	556,984	_____	556,984
Fund balances:			
Restricted	110,179	3,083	113,262
Total fund balances	110,179	3,083	113,262
 Total liabilities and fund balances	 \$ 667,163	 \$ 3,083	 \$ 670,246

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	<u>MPC Debt</u>	<u>HELP Loan Debt</u>	<u>Totals</u>
Revenues:			
Investment income	\$ 645	\$ 32	\$ 677
Total revenues	<u>645</u>	<u>32</u>	<u>677</u>
Expenditures:			
Debt service -			
Principal retirement	485,000	350,000	835,000
Interest and fiscal charges	145,219	10,882	156,101
Total expenditures	<u>630,219</u>	<u>360,882</u>	<u>991,101</u>
Excess (deficiency) of revenues over expenditures	<u>(629,574)</u>	<u>(360,850)</u>	<u>(990,424)</u>
Other financing sources (uses):			
Transfers in	628,969	209,991	838,960
Total other financing sources (uses):	<u>628,969</u>	<u>209,991</u>	<u>838,960</u>
Changes in fund balances	<u>(605)</u>	<u>(150,859)</u>	<u>(151,464)</u>
Fund balances, beginning of year	110,784	153,942	264,726
Fund balances, end of year	<u>\$ 110,179</u>	<u>\$ 3,083</u>	<u>\$ 113,262</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, 2012**

	MPC Debt		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Investment income	\$ 1,000	\$ 645	\$ (355)
Special assessments			
Total revenues	<u>1,000</u>	<u>645</u>	<u>(355)</u>
Expenditures:			
Debt service -			
Principal retirement	485,000	485,000	
Interest and fiscal charges	146,469	145,219	1,250
Total expenditures	<u>631,469</u>	<u>630,219</u>	<u>1,250</u>
Excess (deficiency) of revenues over expenditures	<u>(630,469)</u>	<u>(629,574)</u>	<u>895</u>
Other financing sources (uses):			
Transfers out			
Transfers in	628,969	628,969	
Total other financing sources (uses):	<u>628,969</u>	<u>628,969</u>	
Changes in fund balances	<u>(1,500)</u>	<u>(605)</u>	<u>895</u>
Fund balances, beginning of year	109,991	110,784	793
Fund balances, end of year	<u>\$ 108,491</u>	<u>\$ 110,179</u>	<u>\$ 1,688</u>

HELP Loan Debt			Special Assessment Districts		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 32	\$ 32	\$ 425,867	\$ 16,594	\$ (409,273)
			726,133	1,267,074	540,941
	32	32	1,152,000	1,283,668	131,668
350,000	350,000		1,091,571	1,091,571	
10,882	10,882		509,197	509,447	(250)
360,882	360,882		1,600,768	1,601,018	(250)
(360,882)	(360,850)	32	(448,768)	(317,350)	131,418
			(33,939)	(33,939)	
209,991	209,991		433,787		(433,787)
209,991	209,991		399,848	(33,939)	(433,787)
(150,891)	(150,859)	32	(48,920)	(351,289)	(302,369)
150,891	153,942	3,051	3,683,095	3,238,472	(444,623)
\$	\$ 3,083	\$ 3,083	\$ 3,634,175	\$ 2,887,183	\$ (746,992)

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, 2012

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Investment income	\$ 426,867	\$ 17,271	\$ (409,596)
Special assessments	726,133	1,267,074	540,941
Total revenues	1,153,000	1,284,345	131,345
Expenditures:			
Debt service -			
Principal retirement	1,926,571	1,926,571	
Interest and fiscal charges	666,548	665,548	1,000
Total expenditures	2,593,119	2,592,119	1,000
Excess (deficiency) of revenues over expenditures	(1,440,119)	(1,307,774)	132,345
Other financing sources (uses):			
Transfers out	(33,939)	(33,939)	
Transfers in	1,272,747	838,960	(433,787)
Total other financing sources (uses):	1,238,808	805,021	(433,787)
Changes in fund balances	(201,311)	(502,753)	(301,442)
Fund balances, beginning of year	3,943,977	3,503,198	(440,779)
Fund balances, end of year	\$ 3,742,666	\$ 3,000,445	\$ (742,221)

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 Rancho Santa Fe Parkway 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 - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2012

	<u>Local Construction</u>	<u>Capital Projects</u>	<u>Airway Underpass</u>
<u>ASSETS</u>			
Cash and investments	\$ 375,532	\$ 2,869,413	\$ 926,966
Intergovernmental receivable		123,193	
Total assets	<u>\$ 375,532</u>	<u>\$ 2,992,606</u>	<u>\$ 926,966</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$ 52,310	\$ 15,702
Judgments payable			695,497
Deferred revenue		1,836,933	
Total liabilities		<u>1,889,243</u>	<u>711,199</u>
Fund balances:			
Restricted			215,767
Committed		515,350	
Assigned	375,532	588,013	
Total fund balances	<u>375,532</u>	<u>1,103,363</u>	<u>215,767</u>
Total liabilities and fund balances	<u>\$ 375,532</u>	<u>\$ 2,992,606</u>	<u>\$ 926,966</u>

<u>KAT and Banks Airport Construction</u>	<u>Kingman Crossing</u>	<u>Rancho Santa Fe Parkway</u>	<u>Flood Control</u>	<u>Totals</u>
\$ 489,172	\$ 86,232	\$ 211,177	\$ 803,094	\$ 5,761,586
			509,893	633,086
<u>\$ 489,172</u>	<u>\$ 86,232</u>	<u>\$ 211,177</u>	<u>\$ 1,312,987</u>	<u>\$ 6,394,672</u>
\$	\$	\$	\$	\$ 68,012
				695,497
			509,893	2,346,826
			<u>509,893</u>	<u>3,110,335</u>
489,172			803,094	1,508,033
	86,232	211,177		515,350
<u>489,172</u>	<u>86,232</u>	<u>211,177</u>	<u>803,094</u>	<u>1,260,954</u>
<u>\$ 489,172</u>	<u>\$ 86,232</u>	<u>\$ 211,177</u>	<u>\$ 1,312,987</u>	<u>\$ 6,394,672</u>

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2012

	Local Construction	Capital Projects	Airway Underpass
Revenues:			
Taxes	\$	\$ 362,237	\$
Intergovernmental		433,241	
Investment income	2,265	1,303	5,591
Development investment fees		399,094	
Miscellaneous		72,643	1,777
Total revenues	2,265	1,268,518	7,368
Expenditures:			
Current -			
General government		7,285	10,727
Public safety		504,563	
Capital outlay		527,752	706,440
Total expenditures		1,039,600	717,167
Excess (deficiency) of revenues over expenditures	2,265	228,918	(709,799)
Other financing sources (uses):			
Transfers out			
Transfers in	499		
Total other financing sources (uses):	499		
Changes in fund balances	2,764	228,918	(709,799)
Fund balances, beginning of year	372,768	874,445	925,566
Fund balances, end of year	\$ 375,532	\$ 1,103,363	\$ 215,767

<u>KAT and Banks Airport Construction</u>	<u>Kingman Crossing</u>	<u>Rancho Santa Fe Parkway</u>	<u>Flood Control</u>	<u>Totals</u>
\$	\$	\$	\$	\$
2,950	33	1,273	5,373	362,237
				433,241
				18,788
				399,094
				74,420
<u>2,950</u>	<u>33</u>	<u>1,273</u>	<u>5,373</u>	<u>1,287,780</u>
				18,012
				504,563
			<u>9,863</u>	<u>1,244,055</u>
			<u>9,863</u>	<u>1,766,630</u>
<u>2,950</u>	<u>33</u>	<u>1,273</u>	<u>(4,490)</u>	<u>(478,850)</u>
			(1,500,000)	(1,500,000)
				499
			<u>(1,500,000)</u>	<u>(1,499,501)</u>
<u>2,950</u>	<u>33</u>	<u>1,273</u>	<u>(1,504,490)</u>	<u>(1,978,351)</u>
486,222	86,199	209,904	2,307,584	5,262,688
<u>\$ 489,172</u>	<u>\$ 86,232</u>	<u>\$ 211,177</u>	<u>\$ 803,094</u>	<u>\$ 3,284,337</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, 2012

	Local Construction		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$	\$	\$
Intergovernmental			
Investment income	1,500	2,265	765
Development investment fees			
Miscellaneous			
Total revenues	<u>1,500</u>	<u>2,265</u>	<u>765</u>
Expenditures:			
Current -			
General government			
Public safety			
Capital outlay	350,000		350,000
Total expenditures	<u>350,000</u>		<u>350,000</u>
Excess (deficiency) of revenues over expenditures	<u>(348,500)</u>	<u>2,265</u>	<u>350,765</u>
Other financing sources (uses):			
General obligation bonds issued			
Transfers out			
Transfers in	499	499	
Total other financing sources (uses):	<u>499</u>	<u>499</u>	
Changes in fund balances	<u>(348,001)</u>	<u>2,764</u>	<u>350,765</u>
Fund balances, beginning of year	372,813	372,768	(45)
Fund balances, end of year	<u>\$ 24,812</u>	<u>\$ 375,532</u>	<u>\$ 350,720</u>

Capital Projects			Airway Underpass		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 350,000	\$ 362,237	\$ 12,237	\$	\$	\$
2,431,000	433,241	(1,997,759)			
30,000	1,303	(28,697)	5,000	5,591	591
2,889,652	399,094	(2,490,558)		1,777	1,777
	72,643	72,643		7,368	2,368
<u>5,700,652</u>	<u>1,268,518</u>	<u>(4,432,134)</u>	<u>5,000</u>		
	7,285	(7,285)	500,000	10,727	489,273
	504,563	(504,563)		706,440	(706,440)
8,220,200	527,752	7,692,448		717,167	(217,167)
<u>8,220,200</u>	<u>1,039,600</u>	<u>7,180,600</u>	<u>500,000</u>		
(2,519,548)	228,918	2,748,466	(495,000)	(709,799)	(214,799)
5,589,200		(5,589,200)			
(554,034)		554,034	(433,787)		433,787
<u>5,035,166</u>		<u>(5,035,166)</u>	<u>(433,787)</u>		<u>433,787</u>
2,515,618	228,918	(2,286,700)	(928,787)	(709,799)	218,988
2,469,335	874,445	(1,594,890)	928,787	925,566	(3,221)
<u>\$ 4,984,953</u>	<u>\$ 1,103,363</u>	<u>\$ (3,881,590)</u>	<u>\$</u>	<u>\$ 215,767</u>	<u>\$ 215,767</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, 2012

	KAT and Banks Airport Construction		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Intergovernmental			
Investment income		2,950	2,950
Development investment fees			
Miscellaneous			
Total revenues		2,950	2,950
Expenditures:			
Current -			
General government			
Public safety			
Capital outlay			
Total expenditures			
Excess (deficiency) of revenues over expenditures		2,950	2,950
Other financing sources (uses):			
General obligation bonds issued			
Transfers out			
Transfers in			
Total other financing sources (uses):			
Changes in fund balances		2,950	2,950
Fund balances, beginning of year		486,222	486,222
Fund balances, end of year	\$	\$ 489,172	\$ 489,172

Kingman Crossing			Rancho Santa Fe Parkway		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	33	33	27,082,000	1,273	(27,082,000) 1,273
<u>20,978,000</u>		<u>(20,978,000)</u>	<u>1,712,000</u>		<u>(1,712,000)</u>
<u>20,978,000</u>	<u>33</u>	<u>(20,977,967)</u>	<u>28,794,000</u>	<u>1,273</u>	<u>(28,792,727)</u>
1,352,000		1,352,000			
<u>19,626,000</u>		<u>19,626,000</u>	<u>48,807,000</u>		<u>48,807,000</u>
<u>20,978,000</u>		<u>20,978,000</u>	<u>48,807,000</u>		<u>48,807,000</u>
	33	33	(20,013,000)	1,273	20,014,273
			19,953,000		(19,953,000)
			<u>19,953,000</u>		<u>(19,953,000)</u>
	33	33	(60,000)	1,273	61,273
75,038	86,199	11,161	144,784	209,904	65,120
<u>\$ 75,038</u>	<u>\$ 86,232</u>	<u>\$ 11,194</u>	<u>\$ 84,784</u>	<u>\$ 211,177</u>	<u>\$ 126,393</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, 2012

	Flood Control		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$	\$	\$
Intergovernmental	577,835		(577,835)
Investment income	5,000	5,373	373
Development investment fees			
Miscellaneous			
Total revenues	<u>582,835</u>	<u>5,373</u>	<u>(577,462)</u>
Expenditures:			
Current -			
General government			
Public safety			
Capital outlay	480,000	9,863	470,137
Total expenditures	<u>480,000</u>	<u>9,863</u>	<u>470,137</u>
Excess (deficiency) of revenues over expenditures	<u>102,835</u>	<u>(4,490)</u>	<u>(107,325)</u>
Other financing sources (uses):			
General obligation bonds issued			
Transfers out	(1,500,000)	(1,500,000)	
Transfers in			
Total other financing sources (uses):	<u>(1,500,000)</u>	<u>(1,500,000)</u>	
Changes in fund balances	<u>(1,397,165)</u>	<u>(1,504,490)</u>	<u>(107,325)</u>
Fund balances, beginning of year	1,779,468	2,307,584	528,116
Fund balances, end of year	<u>\$ 382,303</u>	<u>\$ 803,094</u>	<u>\$ 420,791</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 350,000	\$ 362,237	\$ 12,237
30,090,835	433,241	(29,657,594)
41,500	18,788	(22,712)
2,889,652	399,094	(2,490,558)
22,690,000	74,420	(22,615,580)
<u>56,061,987</u>	<u>1,287,780</u>	<u>(54,774,207)</u>
1,852,000	18,012	1,833,988
	504,563	(504,563)
<u>77,483,200</u>	<u>1,244,055</u>	<u>76,239,145</u>
<u>79,335,200</u>	<u>1,766,630</u>	<u>77,568,570</u>
<u>(23,273,213)</u>	<u>(478,850)</u>	<u>22,794,363</u>
25,542,200		(25,542,200)
(2,487,821)	(1,500,000)	987,821
499	499	
<u>23,054,878</u>	<u>(1,499,501)</u>	<u>(24,554,379)</u>
<u>(218,335)</u>	<u>(1,978,351)</u>	<u>(1,760,016)</u>
5,770,225	5,262,688	(507,537)
<u>\$ 5,551,890</u>	<u>\$ 3,284,337</u>	<u>\$ (2,267,553)</u>

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INTERNAL SERVICE FUNDS

911 Dispatch Center Fund – accounts for the City’s 911 operations.

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, 2012**

	911 Dispatch Center	Fleet Services	Insurance Services
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 229,283	\$ 261,139	\$ 1,196,317
Accounts receivable			
Total current assets	<u>229,283</u>	<u>261,139</u>	<u>1,196,317</u>
Noncurrent assets:			
Land		567,000	
Buildings		576,100	
Improvements other than buildings		78,660	
Vehicles, machinery, and equipment	59,366	163,318	
Accumulated depreciation	(2,320)	(536,376)	
Total noncurrent assets	<u>57,046</u>	<u>848,702</u>	
Total assets	<u>286,329</u>	<u>1,109,841</u>	<u>1,196,317</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,827	61,779	3,013
Accrued payroll and employee benefits	18,022	11,522	
Compensated absences payable	24,000	43,182	
Obligations under capital leases		43,522	
Claims payable			
Total current liabilities	<u>43,849</u>	<u>160,005</u>	<u>3,013</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations		258,611	
Total noncurrent liabilities		<u>258,611</u>	
Total liabilities	<u>43,849</u>	<u>418,616</u>	<u>3,013</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	57,046	546,569	
Unrestricted	185,434	144,656	1,193,304
Total net assets	<u>\$ 242,480</u>	<u>\$ 691,225</u>	<u>\$ 1,193,304</u>

Building Maintenance Services	Information Systems	Employee Benefit Trust	Totals
\$ 546,527	\$ 262,031	\$ 3,613,987	\$ 6,109,284
		12,052	12,052
<u>546,527</u>	<u>262,031</u>	<u>3,626,039</u>	<u>6,121,336</u>
			567,000
			576,100
			78,660
6,257	767,597		996,538
(209)	(682,859)		(1,221,764)
<u>6,048</u>	<u>84,738</u>		<u>996,534</u>
<u>552,575</u>	<u>346,769</u>	<u>3,626,039</u>	<u>7,117,870</u>
			122,625
13,413	40,820	1,773	51,541
6,396	15,601		112,403
10,385	34,836		43,522
		414,588	414,588
<u>30,194</u>	<u>91,257</u>	<u>416,361</u>	<u>744,679</u>
			258,611
			258,611
<u>30,194</u>	<u>91,257</u>	<u>416,361</u>	<u>1,003,290</u>
			694,401
6,048	84,738		5,420,179
516,333	170,774	3,209,678	5,420,179
<u>\$ 522,381</u>	<u>\$ 255,512</u>	<u>\$ 3,209,678</u>	<u>\$ 6,114,580</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, 2012

	911 Dispatch Center	Fleet Services	Insurance Services
Operating revenues:			
Charges for services	\$ 1,780,738	\$ 1,168,662	\$ 605,002
Contributions			
Miscellaneous			
Total operating revenues	1,780,738	1,168,662	605,002
Operating expenses:			
Costs of sales and services	1,521,038	1,063,561	363,978
Depreciation	2,320	23,898	
Claims			
Total operating expenses	1,523,358	1,087,459	363,978
Operating income (loss)	257,380	81,203	241,024
Nonoperating revenues (expenses):			
Intergovernmental	43,205		
Investment income		1,578	7,305
Miscellaneous			3,980
Interest expense		(19,944)	
Total nonoperating revenues (expenses)	43,205	(18,366)	11,285
Income (loss) before capital contributions and transfers	300,585	62,837	252,309
Capital contributions	9,895		
Transfers out	(68,000)	(50,000)	(418,700)
Transfers in			
Changes in net assets	242,480	12,837	(166,391)
Total net assets, beginning of year		678,388	1,359,695
Total net assets, end of year	\$ 242,480	\$ 691,225	\$ 1,193,304

Building Maintenance Services	Information Systems	Employee Benefit Trust	Totals
\$ 682,600	\$ 634,000	\$	\$ 4,871,002
		4,156,687	4,156,687
		3,068	3,068
<u>682,600</u>	<u>634,000</u>	<u>4,159,755</u>	<u>9,030,757</u>
568,367	855,484		4,372,428
209	40,380		66,807
<u>568,576</u>	<u>895,864</u>	<u>4,991,546</u>	<u>4,991,546</u>
<u>114,024</u>	<u>(261,864)</u>	<u>(831,791)</u>	<u>(400,024)</u>
			43,205
3,278	1,603	21,609	35,373
			3,980
<u>3,278</u>	<u>1,603</u>	<u>21,609</u>	<u>(19,944)</u>
<u>117,302</u>	<u>(260,261)</u>	<u>(810,182)</u>	<u>62,614</u>
			9,895
		131,000	(536,700)
<u>117,302</u>	<u>(260,261)</u>	<u>(679,182)</u>	<u>131,000</u>
405,079	515,773	3,888,860	6,847,795
<u>\$ 522,381</u>	<u>\$ 255,512</u>	<u>\$ 3,209,678</u>	<u>\$ 6,114,580</u>

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	911 Dispatch Center	Fleet Services	Insurance Services	Building Maintenance Services
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 1,780,738	1,168,662	605,002	682,600
Cash received from contributions				
Cash payments to employees for services	(521,297)	(302,523)		(135,975)
Cash payments to suppliers for goods/services	(955,892)	(726,289)	(360,965)	(424,707)
Cash payments for claims				
Other receipts			3,980	
Net cash provided by (used for) operating activities	303,549	139,850	248,017	121,918
Cash flows from non capital financing activities:				
Transfers out	(68,000)	(50,000)	(418,700)	
Transfers in				
Net cash provided by (used for) non capital financing activities:	(68,000)	(50,000)	(418,700)	
Cash flows from capital and related financing activities:				
Capital grants	43,205			
Acquisition of capital assets	(49,471)			(6,257)
Principal paid on debt		(41,132)		
Interest paid on debt		(19,944)		
Net cash used for capital and related financing activities:	(6,266)	(61,076)		(6,257)
Cash flows from investing activities:				
Investment income		1,578	7,305	3,278
Net cash provided by investing activities		1,578	7,305	3,278
Net increase (decrease) in cash and cash equivalents	229,283	30,352	(163,378)	118,939
Cash and cash equivalents, beginning of year		230,787	1,359,695	427,588
Cash and cash equivalents, end of year	\$ 229,283	\$ 261,139	\$ 1,196,317	\$ 546,527
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</u>				
Cash	117,469	134,349	619,087	282,410
Investments	111,814	126,790	577,230	264,117
Total cash and cash equivalents	\$ 229,283	\$ 261,139	\$ 1,196,317	\$ 546,527
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Operating income (loss)	\$ 257,380	81,203	241,024	114,024
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,320	23,898		209
Changes in assets and liabilities:				
Decrease in accounts receivable				
Increase (decrease) in compensated absences payable	24,000	1,703		(1,396)
Increase in accrued payroll and employee benefits	18,022	1,646		1,244
Increase (decrease) in accounts payable	1,827	31,400	6,993	7,837
Total adjustments	46,169	58,647	6,993	7,894
Net cash provided by (used for) operating activities	\$ 303,549	\$ 139,850	\$ 248,017	\$ 121,918
Schedule of non-cash capital and related financing activities:				
Contributions of capital assets	9,885			

<u>Information Systems</u>	<u>Employee Benefit Trust</u>	<u>Totals</u>
634,000		\$ 4,871,002
	4,156,687	4,156,687
(404,091)		(1,363,886)
(424,966)		(2,892,819)
	(5,093,990)	(5,093,990)
	3,068	7,048
<u>(195,057)</u>	<u>(934,235)</u>	<u>(315,958)</u>
		(536,700)
	131,000	131,000
	131,000	(405,700)
		43,205
		(55,728)
		(41,132)
		(19,944)
		<u>(73,599)</u>
1,603	21,609	35,373
<u>1,603</u>	<u>21,609</u>	<u>35,373</u>
(193,454)	(781,626)	(759,884)
455,485	4,395,613	6,869,168
<u>\$ 262,031</u>	<u>\$ 3,613,987</u>	<u>\$ 6,109,284</u>
134,524	1,870,530	3,158,369
127,507	1,743,457	2,950,915
<u>\$ 262,031</u>	<u>\$ 3,613,987</u>	<u>\$ 6,109,284</u>
(261,864)	(831,791)	\$ (400,024)
40,380		66,807
	149,813	149,813
(3,963)		20,344
2,229		23,141
28,161	(252,257)	(176,039)
<u>66,807</u>	<u>(102,444)</u>	<u>84,066</u>
<u>\$ (195,057)</u>	<u>\$ (934,235)</u>	<u>\$ (315,958)</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.

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

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 41,509,396	\$ 40,034,056	\$ 38,762,943	\$ 37,891,064	\$ 37,438,313
Restricted	12,533,340	15,125,063	329,125	387,789	445,957
Unrestricted	11,011,417	12,903,489	30,294,711	28,536,485	28,310,524
Total governmental activities net assets	<u>\$ 65,054,153</u>	<u>\$ 68,062,608</u>	<u>\$ 69,386,779</u>	<u>\$ 66,815,338</u>	<u>\$ 66,194,794</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 34,934,099	\$ 31,371,150	\$ 31,861,904	\$ 29,906,112	\$ 30,578,796
Restricted	1,848,801	2,335,931	1,828,632	942,356	938,662
Unrestricted	23,953,643	19,802,816	15,869,839	15,482,328	13,468,732
Total business-type activities net assets	<u>\$ 60,736,543</u>	<u>\$ 53,509,897</u>	<u>\$ 49,560,375</u>	<u>\$ 46,330,796</u>	<u>\$ 44,986,190</u>
Primary government					
Invested in capital assets, net of related debt	\$ 76,443,495	\$ 71,405,206	\$ 70,624,847	\$ 67,797,176	\$ 68,017,109
Restricted	14,382,141	17,460,994	2,157,757	1,330,145	1,384,619
Unrestricted	34,965,060	32,706,305	46,164,550	44,018,813	41,779,256
Total net assets	<u>\$ 125,790,696</u>	<u>\$ 121,572,505</u>	<u>\$ 118,947,154</u>	<u>\$ 113,146,134</u>	<u>\$ 111,180,984</u>

(Continued)

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

	Fiscal Year Ended June 30				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 37,343,856	\$ 43,500,192	\$ 35,549,975	\$ 40,484,882	\$ 38,262,311
Restricted	877,528	1,244,463			
Unrestricted	25,907,666	10,551,246	17,550,843	12,472,748	8,961,390
Total governmental activities net assets	<u>\$ 64,129,050</u>	<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	\$ 31,505,500	\$ 30,029,791	\$ 29,058,678	\$ 28,022,369	\$ 27,144,951
Restricted	943,561	932,588	879,772	808,324	773,589
Unrestricted	9,389,716	9,703,202	8,952,050	8,534,046	9,403,917
Total business-type activities net assets	<u>\$ 41,838,777</u>	<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	\$ 68,849,356	\$ 73,529,983	\$ 64,608,653	\$ 68,507,251	\$ 65,407,262
Restricted	1,821,089	2,177,051	879,772	808,324	773,589
Unrestricted	35,297,382	20,254,448	26,502,893	21,006,794	18,365,307
Total net assets	<u>\$ 105,967,827</u>	<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.

(Concluded)

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

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses					
Governmental activities:					
General government	\$ 5,198,867	\$ 5,315,740	\$ 4,616,031	\$ 4,761,050	\$ 4,812,710
Public safety	15,306,386	14,926,549	15,337,732	15,865,007	15,757,220
Highways and streets	4,038,716	4,269,435	4,499,627	4,085,526	5,548,153
Culture and recreation	3,751,168	3,873,742	3,826,798	4,574,132	4,916,992
Economic development	661,862	1,170,810	562,714	306,605	269,108
Interest on long-term debt	714,704	794,858	875,832	808,803	733,249
Total governmental activities	<u>29,671,703</u>	<u>30,351,134</u>	<u>29,718,734</u>	<u>30,401,123</u>	<u>32,037,432</u>
Business-type activities:					
Water	7,029,281	6,938,517	7,081,551	7,546,397	7,365,694
Wastewater	3,961,335	2,723,165	2,098,760	1,746,494	1,365,364
Sanitation	3,014,553	2,931,247	2,721,958	2,703,858	2,833,348
Total business-type activities	<u>14,005,169</u>	<u>12,592,929</u>	<u>11,902,269</u>	<u>11,996,749</u>	<u>11,564,406</u>
Total expenses	<u>43,676,872</u>	<u>42,944,063</u>	<u>41,621,003</u>	<u>42,397,872</u>	<u>43,601,838</u>
Program Revenues					
Governmental activities:					
Charges for services					
Culture and recreation	1,212,621	1,254,738	1,238,827	1,093,529	1,347,712
Economic development	354,734	258,415	463,055	737,699	878,552
Other	1,234,807	1,258,283	748,808	1,726,696	1,211,968
Operating grants and contributions	2,250,529	1,821,520	2,492,889	1,825,376	2,621,629
Capital grants and contributions	1,678,832	3,119,466	5,312,895	1,270,449	1,973,809
Total governmental activities	<u>6,731,523</u>	<u>7,712,422</u>	<u>10,256,474</u>	<u>6,653,749</u>	<u>8,033,670</u>
Business-type activities:					
Charges for services					
Water	8,420,703	8,224,873	8,787,008	7,723,005	9,153,960
Wastewater	6,120,036	4,960,562	3,846,079	3,370,892	2,791,018
Sanitation	3,314,137	3,329,620	3,305,488	3,336,841	3,292,757
Capital grants and contributions	2,061,111				
Total business-type activities	<u>19,915,987</u>	<u>16,515,055</u>	<u>15,938,575</u>	<u>14,430,738</u>	<u>15,237,735</u>
Total program revenues	<u>26,647,510</u>	<u>24,227,477</u>	<u>26,195,049</u>	<u>21,084,487</u>	<u>23,271,405</u>
Net Expense	<u>\$ (17,029,362)</u>	<u>\$ (18,716,586)</u>	<u>\$ (15,425,954)</u>	<u>\$ (21,313,385)</u>	<u>\$ (20,330,433)</u>

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

	Fiscal Year Ended June 30				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses					
Governmental activities:					
General government	\$ 5,338,793	\$ 4,897,625	\$ 4,195,447	\$ 3,507,294	\$ 3,356,260
Public safety	15,864,775	13,804,815	12,305,483	10,400,692	9,618,155
Highways and streets	1,314,715	7,308,071	4,625,284	4,250,651	3,644,424
Culture and recreation	4,662,109	3,838,881	3,993,673	3,680,328	3,157,373
Economic development	219,488	336,274	146,783	253,145	230,917
Interest on long-term debt	745,429	816,331	432,666	480,284	513,086
Total governmental activities	<u>28,145,309</u>	<u>31,001,997</u>	<u>25,699,336</u>	<u>22,572,394</u>	<u>20,520,215</u>
Business-type activities:					
Water	7,398,433	7,124,977	6,219,710	5,889,553	5,005,387
Wastewater	1,947,121	1,311,188	1,064,738	1,271,322	1,287,841
Sanitation	2,648,349	2,460,861	2,196,194	1,953,622	1,921,553
Total business-type activities	<u>11,993,903</u>	<u>10,897,026</u>	<u>9,480,642</u>	<u>9,114,497</u>	<u>8,214,781</u>
Total expenses	<u>40,139,212</u>	<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	1,349,404	1,306,201	1,143,172	1,229,385	1,201,245
Economic development	1,033,205	1,479,729	130,383	705,684	544,060
Other	654,730	699,664	1,571,405	658,287	691,339
Operating grants and contributions	2,403,743	1,173,316	919,890	917,746	891,142
Capital grants and contributions	4,159,165	3,069,691	1,046,252	6,002,229	1,527,008
Total governmental activities	<u>9,600,247</u>	<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	8,602,871	7,406,521	6,203,590	5,765,371	5,460,914
Wastewater	2,301,410	2,674,379	2,312,960	1,820,319	1,664,318
Sanitation	3,152,197	2,800,752	2,184,776	2,067,270	1,984,870
Total business-type activities	<u>14,056,478</u>	<u>12,881,652</u>	<u>10,701,326</u>	<u>9,652,960</u>	<u>9,110,102</u>
Total program revenues	<u>23,656,725</u>	<u>20,610,253</u>	<u>15,512,428</u>	<u>19,166,291</u>	<u>13,964,896</u>
Net Expense	<u>\$ (16,482,487)</u>	<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.

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

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net Expense	\$ (17,029,362)	\$ (18,716,586)	\$ (15,425,954)	\$ (21,313,385)	\$ (20,330,433)
General Revenues:					
Governmental activities:					
Taxes:					
Sales taxes	11,641,816	11,264,735	11,648,543	12,024,409	12,990,502
Property taxes		1,495	20,169	437,457	430,630
Auto lieu taxes	1,309,913	1,275,096	1,290,144	1,375,193	1,501,803
Franchise taxes	702,454	744,872	657,793	804,964	730,892
Unrestricted state shared revenue	6,541,472	6,684,959	7,229,643	8,230,525	8,702,727
Investment income	125,298	247,903	207,908	259,194	778,418
Miscellaneous	79,443	70,562	17,850	14,631	12,796
Transfers	<u>(468,671)</u>	<u>1,024,919</u>	<u>961,651</u>	<u>1,221,545</u>	<u>921,738</u>
Total governmental activities	<u>19,931,725</u>	<u>21,314,541</u>	<u>22,033,701</u>	<u>24,367,918</u>	<u>26,069,506</u>
General Revenues:					
Business-type activities:					
Investment income (loss)	108,061	211,220	154,924	132,162	395,822
Miscellaneous	739,096	841,095			
Transfers	<u>468,671</u>	<u>(1,024,919)</u>	<u>(961,651)</u>	<u>(1,221,545)</u>	<u>(921,738)</u>
Total business-type activities	<u>1,315,828</u>	<u>27,396</u>	<u>(806,727)</u>	<u>(1,089,383)</u>	<u>(525,916)</u>
Changes in Net Assets	<u>\$ 4,218,191</u>	<u>\$ 2,625,351</u>	<u>\$ 5,801,020</u>	<u>\$ 1,965,150</u>	<u>\$ 5,213,157</u>

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

	Fiscal Year Ended June 30				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net Expense	\$ (16,482,487)	\$ (21,288,770)	\$ (19,667,550)	\$ (12,520,600)	\$ (14,770,100)
General Revenues:					
Governmental activities:					
Taxes:					
Sales taxes	14,070,401	14,359,943	12,090,746	10,042,792	9,016,740
Property taxes	430,666	311,232	520,167	444,768	418,737
Auto lieu taxes	1,569,940	1,441,076	1,254,006	1,143,439	867,168
Franchise taxes	711,893	680,628	532,972	506,033	470,842
Unrestricted state shared revenue	8,192,336	7,048,226	6,298,893	5,880,436	5,709,446
Investment income	1,000,211	915,471	331,888	160,478	12,217
Miscellaneous	1,402,764	12,243	55,496	615,046	48,725
Transfers	<u>1,402,764</u>	<u>699,660</u>	<u>(52,746)</u>	<u>615,046</u>	<u>877,702</u>
Total governmental activities	<u>27,378,211</u>	<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)	513,385	490,115	252,331	118,865	(232,766)
Transfers	<u>(1,402,764)</u>	<u>(699,660)</u>	<u>52,746</u>	<u>(615,046)</u>	<u>(877,702)</u>
Total business-type activities	<u>(889,379)</u>	<u>(209,545)</u>	<u>305,077</u>	<u>(496,181)</u>	<u>(1,110,468)</u>
Changes in Net Assets	<u>\$ 10,006,345</u>	<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.

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

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund:					
Nonspendable					
Restricted					
Committed	\$ 958,534	\$ 936,189			
Assigned	83,026	78,600			
Unassigned	6,556,730	7,257,140			
Unreserved			\$ 8,855,139	\$ 8,625,441	\$ 8,810,167
Total General Fund	\$ 7,598,290	\$ 8,271,929	\$ 8,855,139	\$ 8,625,441	\$ 8,810,167
All Other Governmental Funds:					
Nonspendable					
Restricted	\$ 5,861,993	\$ 8,151,564			
Committed	515,350	874,445			
Assigned	1,301,280	844,458			
Unassigned					
Unreserved, reported in:					
Special revenue funds			\$ 1,355,093	\$ 1,643,226	\$ 1,540,129
Capital projects funds			4,085,795	5,806,257	4,127,878
Debt service funds			4,389,957	5,364,014	3,279,316
Total all other governmental funds	\$ 7,678,623	\$ 9,870,467	\$ 9,830,845	\$ 12,813,497	\$ 8,947,323

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

	Fiscal Year Ended June 30				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund:					
Unreserved	\$ 8,835,853	\$ 8,115,165	\$ 6,717,374	\$ 5,633,713	\$ 6,250,325
Total General Fund	\$ 8,835,853	\$ 8,115,165	\$ 6,717,374	\$ 5,633,713	\$ 6,250,325
All Other Governmental Funds:					
Unreserved, reported in:					
Special revenue funds	\$ 1,646,709	\$ 1,864,903	\$ 1,962,659	\$ 2,055,078	\$ 1,212,943
Capital projects funds	3,869,683	4,423,864	1,903,521	1,558,676	3,359,430
Debt service funds	3,249,476	3,056,969	1,137,857	850,756	887,016
Total all other governmental funds	\$ 8,765,868	\$ 9,345,736	\$ 5,004,037	\$ 4,464,510	\$ 5,459,389

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				
	2012	2011	2010	2009	2008
Taxes	\$ 13,654,183	\$ 13,286,198	\$ 13,616,649	\$ 14,642,023	\$ 15,661,691
Licenses and permits	108,992	314,819	74,280	75,476	78,852
Intergovernmental	9,286,440	10,953,747	10,567,956	10,760,995	12,489,710
Charges for services	1,687,949	1,355,590	1,819,751	2,084,053	2,556,038
Fines and forfeits	290,488	269,943	260,767	296,701	343,852
Investment income	89,925	185,896	153,841	207,536	619,192
Special assessments	1,283,107	1,247,070	1,072,622	3,232,765	808,455
Development investment fees	399,094	582,054	99,817	898,950	
Miscellaneous	391,347	445,739	365,075	236,569	459,490
Total revenues	\$ 27,191,525	\$ 28,641,056	\$ 28,030,758	\$ 32,435,068	\$ 33,017,280
	2007	2006	2005	2004	2003
Taxes	\$ 16,776,012	\$ 16,924,397	\$ 14,285,265	\$ 12,137,032	\$ 10,773,487
Licenses and permits	78,245	67,308	99,093	91,712	93,567
Intergovernmental	12,993,888	8,667,943	8,002,527	7,739,706	7,023,321
Charges for services	2,334,372	2,802,844	2,328,004	2,118,659	1,955,204
Fines and forfeits	432,907	369,574	262,451	220,164	235,158
Investment income	837,405	796,102	272,219	135,203	56,228
Special assessments	1,472,051	2,420,938	745,432	666,365	992,874
Miscellaneous	481,120	460,463	337,943	410,941	422,597
Total revenues	\$ 35,406,000	\$ 32,509,569	\$ 26,332,934	\$ 23,519,782	\$ 21,552,436

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenditures:					
Current -					
General government	\$ 4,678,344	\$ 4,814,224	\$ 4,455,010	\$ 4,455,724	\$ 5,082,263
Public safety	14,243,346	13,347,817	13,930,915	14,635,020	15,131,180
Highways and streets	2,499,309	2,732,646	2,995,398	3,018,176	3,717,739
Culture and recreation	3,369,620	3,482,574	3,431,368	3,635,466	4,568,448
Economic development	647,842	1,121,263	488,824	263,220	235,850
Capital outlay	1,848,176	1,881,961	3,563,268	4,614,786	2,406,306
Debt service -					
Bond issuance costs				112,230	
Principal retirement	2,012,640	1,929,322	1,704,085	2,115,553	1,998,234
Interest and fiscal charges	694,760	772,656	851,495	670,219	733,249
Total expenditures	<u>\$ 29,994,037</u>	<u>\$ 30,082,463</u>	<u>\$ 31,420,363</u>	<u>\$ 33,520,394</u>	<u>\$ 33,873,269</u>
Expenditures for capitalized assets	\$ 1,739,465	\$ 1,618,947	\$ 2,705,171	\$ 3,693,462	\$ 1,848,135
Debt service as a percentage of noncapital expenditures	10%	9%	9%	9%	9%

(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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenditures:					
Current -					
General government	\$ 5,063,071	\$ 4,854,321	\$ 3,940,385	\$ 3,473,875	\$ 3,704,519
Public safety	14,544,337	13,325,125	11,558,946	10,048,924	9,632,401
Highways and streets	4,387,787	3,450,186	3,174,550	2,927,820	2,540,273
Culture and recreation	4,226,004	3,585,219	3,673,432	3,374,117	3,063,432
Economic development	227,364	269,440	231,201	229,980	231,116
Capital outlay	7,820,600	9,189,659	1,900,640	4,190,857	4,380,084
Debt service -					
Bond issuance costs		218,294			
Principal retirement	1,518,059	904,458	919,346	780,295	851,299
Interest and fiscal charges	745,429	728,462	432,666	480,284	513,086
Total expenditures	<u>\$ 38,532,651</u>	<u>\$ 36,525,164</u>	<u>\$ 25,831,166</u>	<u>\$ 25,506,152</u>	<u>\$ 24,916,210</u>
Expenditures for capitalized assets	\$ 6,916,188	\$ 8,980,940	\$ 315,678	\$ 3,702,986	\$ 4,973,617
Debt service as a percentage of noncapital expenditures	7%	6%	5%	6%	7%

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Excess (deficiency) of revenues over expenditures	\$ (2,802,512)	\$ (1,441,407)	\$ (3,389,605)	\$ (1,085,326)	\$ (855,989)
Other financing sources (uses):					
Obligations under capital leases		197,900			453,600
Special assessment bonds issued				3,880,000	
Transfers in	3,047,349	2,936,992	3,557,643	4,596,935	3,095,978
Transfers out	<u>(3,110,320)</u>	<u>(2,237,073)</u>	<u>(2,920,992)</u>	<u>(3,710,161)</u>	<u>(2,537,820)</u>
Total other financing sources (uses)	<u>(62,971)</u>	<u>897,819</u>	<u>636,651</u>	<u>4,766,774</u>	<u>1,011,758</u>
Changes in fund balances	<u>\$ (2,865,483)</u>	<u>\$ (543,588)</u>	<u>\$ (2,752,954)</u>	<u>\$ 3,681,448</u>	<u>\$ 155,769</u>
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Excess (deficiency) of revenues over expenditures	\$ (3,126,651)	\$ (4,015,595)	\$ 501,768	\$ (1,986,370)	\$ (3,363,774)
Other financing sources (uses):					
General obligation bonds issued		2,850,000			3,580,000
Special assessment bonds issued	114,707	6,325,000			
Loan proceeds	2,000,000				
Premium on sale of bonds		130,425			27,387
Capital contributions			55,496		
Transfers in	4,270,883	2,905,740	3,046,894	2,564,824	2,834,574
Transfers out	<u>(3,118,119)</u>	<u>(2,456,080)</u>	<u>(1,980,970)</u>	<u>(2,189,945)</u>	<u>(1,956,872)</u>
Total other financing sources (uses)	<u>3,267,471</u>	<u>9,755,085</u>	<u>1,121,420</u>	<u>374,879</u>	<u>4,485,089</u>
Changes in fund balances	<u>\$ 140,820</u>	<u>\$ 5,739,490</u>	<u>\$ 1,623,188</u>	<u>\$ (1,611,491)</u>	<u>\$ 1,121,315</u>

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

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

Overlapping Rates					
Fiscal Year Ended June 30	City of Kingman	City of Kingman Hospitality	City of Kingman Restaurant/Bar	Mohave County	Arizona State
2012	2.00	4.00	2.00	0.25	6.60
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

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

Note: The City of Kingman Restaurant/Bar tax began in the fiscal year ended 2012, therefore information prior to 2012 is not presented.

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

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Construction	\$ 639,713	\$ 705,221	\$ 1,204,811	\$ 1,419,917	\$ 1,132,750
Manufacturing	238,510	230,986	370,772	283,793	340,977
Transportation, Communications and Utilities	675,308	707,440	679,552	620,639	645,208
Wholesale Trade	440,940	451,072	462,183	444,032	614,780
Retail Trade	5,876,279	5,600,574	5,574,966	6,142,681	6,994,596
Restaurants and Bars	1,683,031	1,186,983	1,138,191	1,165,015	1,139,837
Finance Insurance and Real Estate	588,454	697,416	625,439	626,006	633,877
Hotels and Other Lodging	1,115,913	1,163,676	824,189	705,129	771,648
Services	433,964	379,871	494,812	402,171	508,895
Arts, Entertainment, Government and All Others Not Specified	219,374	141,495	273,508	215,027	207,934
Total	<u><u>\$ 11,911,486</u></u>	<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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Construction	\$ 1,586,084	\$ 2,231,440	\$ 1,620,707	\$ 1,232,459	\$ 1,011,271
Manufacturing	475,834	434,644	435,791	247,029	246,032
Transportation, Communications and Utilities	619,258	613,590	540,625	527,317	343,981
Wholesale Trade	631,538	653,994	536,807	312,971	405,040
Retail Trade	7,439,939	7,491,628	6,132,314	5,096,470	4,588,910
Restaurants and Bars	1,114,941	1,083,975	944,326	724,323	758,499
Finance Insurance and Real Estate	610,601	621,219	509,074	299,781	261,803
Hotels and Other Lodging	765,665	702,596	645,808	588,854	472,289
Services	539,178	532,846	487,646	650,023	810,684
Arts, Entertainment, Government and All Others Not Specified	287,363	211,986	237,649	588,563	118,231
Total	<u><u>\$ 14,070,401</u></u>	<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>

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			
	Excise Tax Revenue Bonds	Less: Amounts Restricted for Principal	Special Assessment Bonds	Less: Amounts Restricted for Principal	Net Total	Capital Leases	Loans Payable	Gross Total Debt	Percentage of Estimated Actual Value	Percentage of Personal Income	Per Capita
2012	\$ 3,295,000	\$ 110,179	\$ 8,237,045	\$ 2,887,183	\$ 8,534,683	\$ 703,024	\$	\$ 12,235,069	0.47 %	0.21 %	436
2011	3,745,000	110,784	9,328,616	3,238,472	9,724,360	830,225	350,000	10,904,585	0.42	0.23	389
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

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 2012:

Secondary assessed valuation	\$ 263,396,671
Debt limit (6% of assessed value)	15,803,800
Debt applicable to limit	<u>3,295,000</u>
Legal debt margin	<u><u>\$ 12,508,800</u></u>

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt limit equal to 6% of assessed valuation	\$ 15,803,800	\$ 18,580,084	\$ 18,689,250	\$ 20,061,270	\$ 14,810,118
Total net debt applicable to limit	<u>3,295,000</u>	<u>3,745,000</u>	<u>4,160,000</u>	<u>2,945,000</u>	<u>3,500,000</u>
Legal debt margin	<u><u>\$ 12,508,800</u></u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	21%	18%	22%	15%	24%
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Debt limit	\$ 11,675,549	\$ 9,564,761	\$ 8,923,919	\$ 8,420,763	\$ 8,050,809
Total net debt applicable to limit	<u>4,025,000</u>	<u>4,370,000</u>	<u>4,660,000</u>	<u>5,130,000</u>	<u>5,695,000</u>
Legal debt margin	<u><u>\$ 7,650,549</u></u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	34%	46%	52%	61%	71%

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 \$52,679,334.

**CITY OF KINGMAN, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2012**

<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	\$ 72,630,947	35.27 %	<u>\$ 25,616,935</u>
Subtotal, Overlapping Debt			<u>25,616,935</u>
Direct:			
City of Kingman, AZ			<u>12,235,069</u>
Total Direct and Overlapping Debt			<u><u>\$ 37,852,004</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, 2011 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 TEN FISCAL YEARS**

	Fiscal Year Ended June 30									
	<u>2012</u>	<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>
Excise Tax Revenue Bonds										
Excise Tax Revenue	\$ 18,344,361	\$ 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
Debt Service										
Principal	485,000	450,000	460,125	445,750	436,125	421,125	255,875	255,500	244,750	363,150
Interest	145,219	164,713	137,188	146,875	157,200	167,400	65,875	70,500	74,750	83,150
Total Annual Requirement	630,219	614,713	597,313	592,625	593,325	588,525	321,750	326,000	319,500	446,300
Estimated Coverage	29.1	29.5	32.4	35.8	38.6	40.0	70.2	57.5	49.9	33.7
Water Infrastructure Financing Authority (WIFA) Loans										
Wastewater Utility Revenue	\$ 3,544,586	\$ 2,945,758	\$ 1,745,223	\$ 1,927,194						
Debt Payments										
Principal	1,956,193	1,415,635								
Interest and fees	1,365,941	653,395	305,760	50,956						
Total Annual Requirement	3,322,134	2,069,030	305,760	50,956						
Estimated Coverage	1.1	1.4	5.7	37.8						

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

Notes: 1) Only four years are presented, as the WIFA Loans were entered into during fiscal year 2008-09.

2) WIFA waived the City's rate covenant requirement for the fiscal year 2011-12 based on projections made at the time the agreement for Loan 910149-11 was executed.

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

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2011	28,068	\$ 5,290,530	\$ 26,145	10.8 %
2010	28,029	5,249,000	25,165	10.7
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

Sources: The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Analysis.
The source of the "Population" and "Unemployment Rate" information is the State of Arizona, Department of Economic Security.

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

<u>Employer</u>	<u>2012</u>		<u>2003</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Kingman Regional Medical Center	1,630	3.55 %	800	1.62 %
Mohave County	1,325	2.89	1,147	2.33
Kingman Unified School District No. 20	985	2.15	881	1.79
Mohave Community College	700	1.53	197	0.40
American Woodmark Corporation	650	1.42	360	0.73
Wal-Mart	540	1.18	220	0.45
Citizens Utilities (Unisource)	360	0.78	450	0.91
City of Kingman	331	0.72	282	0.57
State of Arizona	278	0.61	263	0.53
K-Mart	160	0.35	165	0.34
Petro Truck Stop	145	0.32	150	0.30
Proving Grounds Company	115	0.25	200	0.41
TruServ	90	0.20	165	0.34
Total	<u>7,309</u>	<u>15.95 %</u>	<u>5,280</u>	<u>10.72 %</u>
Total Employment	<u>45,900</u>		<u>49,250</u>	

- Sources:** 1) The source of the 2003 and 2012 employee figures is City of Kingman Planning and Zoning and an individual employer survey.
2) 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 TEN FISCAL YEARS

	Full-time Equivalent Employees as of June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Government					
City Administration	8	12	12	10	10
Human Resources	4	4	4	4	4
City Clerk	3	4	4	3	3
City Attorney	6	7	7	7	7
Municipal Court	9	9	9	9	9
Finance	13	14	14	14	14
Total general government	<u>43</u>	<u>50</u>	<u>50</u>	<u>47</u>	<u>47</u>
Public Safety					
Police	85	87	87	87	87
Firefighters	53	56	56	59	59
Total public safety	<u>138</u>	<u>143</u>	<u>143</u>	<u>146</u>	<u>146</u>
Public Works					
Engineering	15	23	22	22	22
Others	22	45	44	44	44
Total public works	<u>37</u>	<u>68</u>	<u>66</u>	<u>66</u>	<u>66</u>
Parks and Recreation	35	40	40	40	40
Information Systems	7	7	7	7	7
City Development	10	18	19	19	19
Sanitation	17	17	17	17	17
Water and Wastewater	44	33	30	30	30
Total support and administration	<u>113</u>	<u>115</u>	<u>113</u>	<u>113</u>	<u>113</u>
Total	<u><u>331</u></u>	<u><u>376</u></u>	<u><u>372</u></u>	<u><u>372</u></u>	<u><u>372</u></u>

(Continued)

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

	Full-time Equivalent Employees as of June 30				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Government					
City Administration	12	9	8	8	8
Human Resources	5	4	3	2	2
City Clerk	3	3	4	4	4
City Attorney	7	6	6	6	6
Municipal Court	9	8	7	7	7
Finance	14	12	11	11	11
Total general government	<u>50</u>	<u>42</u>	<u>39</u>	<u>38</u>	<u>38</u>
Public Safety					
Police	87	83	80	78	75
Firefighters	59	56	54	46	46
Total public safety	<u>146</u>	<u>139</u>	<u>134</u>	<u>124</u>	<u>121</u>
Public Works					
Engineering	23	23	21	18	18
Others	44	40	35	33	32
Total public works	<u>67</u>	<u>63</u>	<u>56</u>	<u>51</u>	<u>50</u>
Parks and Recreation	40	40	39	38	36
Information Systems	7	6	4	4	3
City Development	21	24	18	15	14
Sanitation	17	15	14	13	13
Water and Wastewater	30	30	27	25	24
Total support and administration	<u>115</u>	<u>115</u>	<u>102</u>	<u>95</u>	<u>90</u>
Total	<u><u>378</u></u>	<u><u>359</u></u>	<u><u>331</u></u>	<u><u>308</u></u>	<u><u>299</u></u>

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

(Concluded)

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

Function	Fiscal Year Ended June 30									
	<u>2012</u>	<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>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	80	78	74	74	78	78	67	62	60	60
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire vehicles	27	27	27	27	28	28	27	24	23	22
Streets										
Streets (miles)	215	215	215	215	215	215	215	215	210	210
Streetlights	851	851	851	851	851	851	851	848	845	845
Traffic signals	24	24	24	20	20	18	17	16	14	14
Solid Waste										
Collection trucks	25	23	23	21	21	19	18	17	16	14
Parks and Recreation										
Parks developed	13	13	13	13	13	13	13	12	12	11
Parks acreage	146	146	146	146	146	146	146	144	144	142
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	4	1	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	564	562	560	555	552	549
Fire hydrants	2,485	2,485	2,485	2,485	2,485	2,485	2,218	2,215	2,212	2,212
Wastewater										
Sanitary sewers (miles)	199	199	199	199	198	191	134	130	130	127
Manholes	2,997	2,997	2,997	2,997	2,997	2,885	1,842	1,839	1,839	1,835

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

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

	Fiscal Year Ended June 30						
	2012	2011	2010	2009	2008	2007	2006
Governmental Activities							
General Government							
Business licenses issued	2,441	2,825	2,892	2,392	2,704	2,250	2,109
Voters served	16,000	17,000	19,000	18,000	17,528	14,124	14,485
Public records requests	46	50	210	156	102	76	N/A
Prosecutions	1,300	1,300	1,150	1,020	1,200	1,300	1,300
Legal opinions	40-50	40-50	40-50	40-50	30-40	40	40
Civil litigation	3-7	2-5	3-7	2-5	4	5-10	5-15
Case filings	5,600	5,600	5,580	5,073	4,612	5,100	N/A
Case terminations	6,000	6,000	6,132	5,575	5,068	6,000	N/A
Computers installed and supported	295	295	295	295	290	271	N/A
Phones installed and supported	244	244	244	244	232	200	N/A
Public Safety							
Total calls for service	40,453	31,911	32,000	29,161	31,313	37,000	35,000
Total arrests	3,153	3,117	3,300	3,136	3,512	3,300	3,200
Traffic accidents	996	999	1,200	1,139	1,253	1,500	1,500
Alarm runs	715	794	900	892	979	1,500	3,000
VIP program - volunteers	14	14	20	15	3	8	N/A
Clearance Rate - Part I offenses	70%	60%	65%	63%	63%	65%	N/A
Clearance Rate - Part II offenses	70%	60%	65%	63%	63%	65%	N/A
Response Time - Under 5 min. emergency	N/A	69%	70%	45%	45%	70%	N/A
Response Time - Under 8 min. non-emergency	N/A	61%	60%	51%	51%	60%	N/A
Fire inspections	2,129	2,100	2,100	1,950	2,299	1,986	1,839
Plan reviews - fire	160	144	150	120	326	2,390	2,214
Public education programs - fire	245	257	150	200	222	180	167
Nuisance abatement	238	169	200	180	135	331	307
Highway & Streets							
Paved streets maintained (miles)	208	208	208	208	204	204	188
Dirt streets maintained (miles)	16	16	16	17	17	17	19
Traffic signals maintained	17	18	17	17	17	17	17
Street lights maintained	850	850	850	850	850	850	750
Culture and Recreation							
Acres of ground maintained	269	269	269	268	263	263	260
Miles of medians and trails maintained	15.5	15.5	15.5	15.0	14.5	15	13
Number of sites maintained	19	19	19	19	18	18	17
Business-type Activities							
Water							
Acre feet of water pumped	7,963	7,895	7,982	8,235	9,082	8,677	9,497
Number of meters	19,763	19,723	19,652	19,652	19,382	19,382	19,382
Percentage of water loss	9.00	4.00	N/A	4.79	5.80	7.70	6.70
Wastewater							
Total influent Hilltop WWPT (gallons)	569,430,000	547,000,000	575,000,000	555,440,000	549,449,000	668,239,000	557,000,000
Total influent Downtown WWTP (gallons)	76,322,000	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)	457,800	325,000	325,000	325,000	300,000	450,000	350,000
Sanitation							
Landfill tonnage	22,104	21,614	21,560	22,047	23,228	24,470	25,418
Number of landfill trips	3,623	3,536	3,496	3,649	3,836	3,951	4,110
Number of residential accounts	10,075	9,899	10,308	9,877	9,777	9,695	9,501
Number of commercial accounts	910	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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