
CITY OF KINGMAN, ARIZONA

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2009

310 North Fourth Street ☞ Kingman, Arizona 86401

CITY OF KINGMAN, ARIZONA

KINGMAN, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 22, 2009

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, 2009.

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, 2009, 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, 2009, 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 28,823 and enjoys a mild climate at an elevation of 3,345 feet.

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy. In its early years, Kingman's economy was based upon the mining of gold, silver, copper, and later molybdenum. 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 28,823. The City supports a market area trade population of some 50,000 persons. The unemployment rate, as of June 2009, was 9.7 percent. This is between the state's rate of 8.7 percent and the county's rate of 9.8 percent.

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

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

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

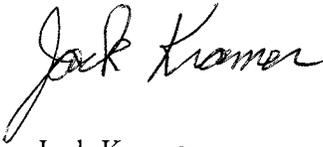
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the fourth 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 2008-09 certificate. We believe that our current comprehensive annual financial report for fiscal year ending June 30, 2009 will meet the Certificate of Achievement Program's requirements.

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

Respectfully submitted,



Jack Kramer
City Manager



Coral Loyd
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kingman
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



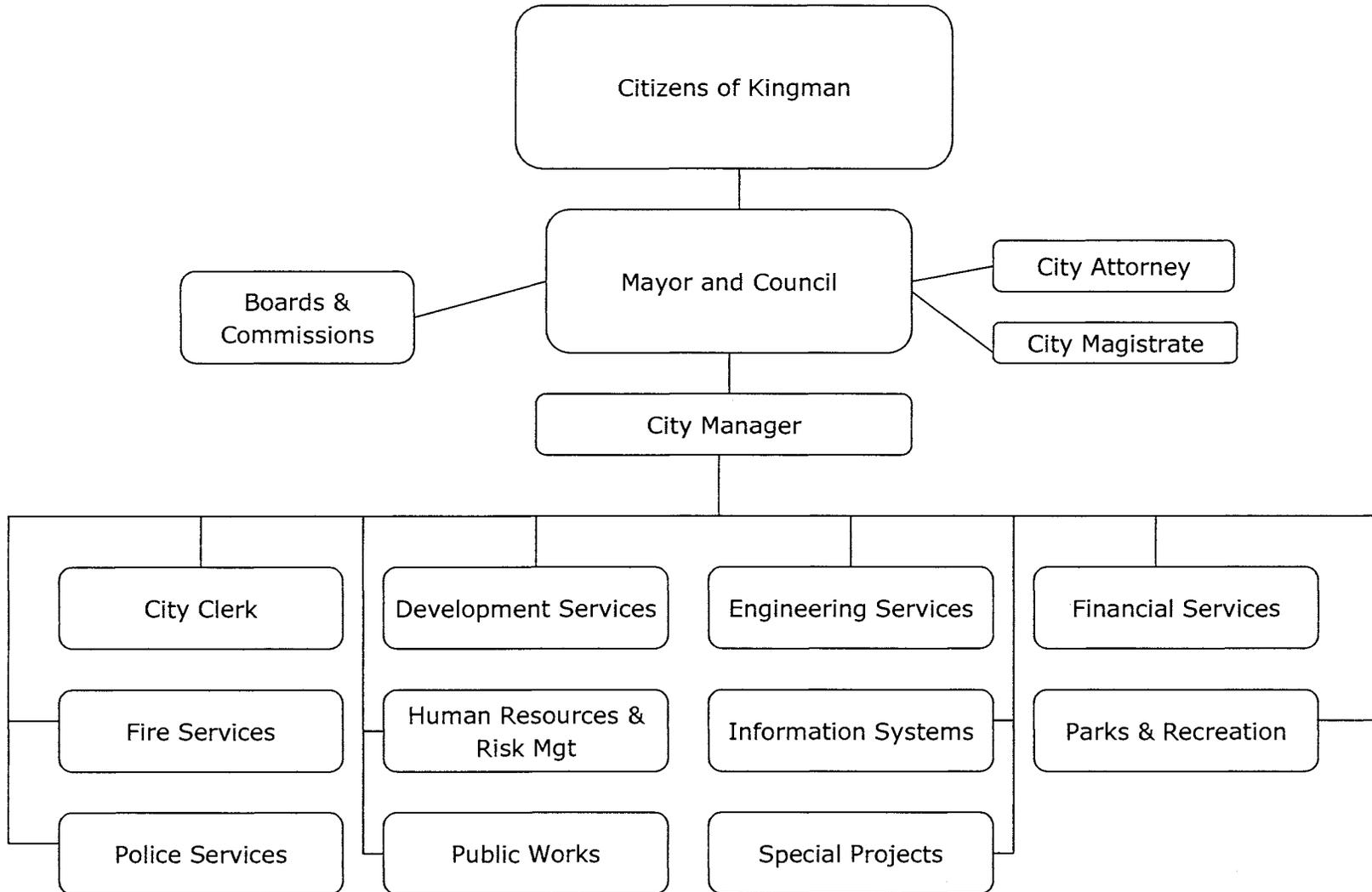
A handwritten signature in black ink, appearing to read "M. L. Post".

President

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

Executive Director

City of Kingman Organization Chart



City of Kingman

City Council Members

Mayor, John Salem
Vice Mayor, Janet Watson
Kerry Deering
Robin Gordon
Ray Lyons
Keith Walker
Carole Young

City Manager

Jack Kramer

City Attorney

Carl Cooper

Magistrate

Kathy McCoy

Departments

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

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FINANCIAL SECTION

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

3033 N. Central Avenue, Suite 300
Phoenix, Arizona 85012
Tel (602) 277-9449
Fax (602) 277-9297

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 (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2009, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009, 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.

The management's discussion and analysis on pages 5 through 16 and budgetary comparison information on pages 64 and 65 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Heinfeld, Meech & Co., P.C.

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

December 22, 2009

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, 2009**

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, 2009. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The City's total net assets of governmental activities increased \$620,544 to \$66.8 million and of the business-type activities increased \$1.3 million to \$46.3 million, representing a less than one percent and three percent increase, respectively, of the total net assets of \$113.1 million, which was insignificant.
- General revenues from governmental activities accounted for \$23.1 million in revenue, or 78 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 22 percent of total governmental activities revenues. The City had \$14.4 million of program revenues and \$132,162 in general revenues related to business-type activities.
- The City had \$30.4 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 \$23.1 million were adequate to provide for the remaining costs of these programs. The City had \$12.0 million in expenses related to business-type activities. Charges for services of \$14.4 million were adequate to offset the costs.
- Among major governmental funds, the General Fund had \$22.6 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 \$22.2 million. The General Fund's fund balance decreased \$184,726 to \$8.6 million. The Special Assessment Districts Fund had revenues of \$2.7 million and total expenditures of \$1.2 million. The fund balance of the Special Assessment Districts Fund increased by \$1.5 million from the prior year to \$3.9 million as the result of prepaid assessments. The Capital Projects Fund's fund balance increase of \$75,183 to \$373,718 was not significant.
- The Non-Major Governmental Funds' fund balance increase of \$2.3 million to \$8.6 million was the result of the funding for construction of the KAT/Banks Improvement District.
- The Enterprise Funds net assets at the end of the year amounted to \$46.3 million. The increase in net assets of \$1.3 million was not significant.
- Net assets of the Internal Service Funds increased \$290,515, which was not significant.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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, 2009**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Special Assessment Districts Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

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

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

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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 \$66.8 million at the end of the current fiscal year.

The largest portion of the City's governmental activities net assets (57 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, improvements other than buildings, vehicles, machinery and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding.

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

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

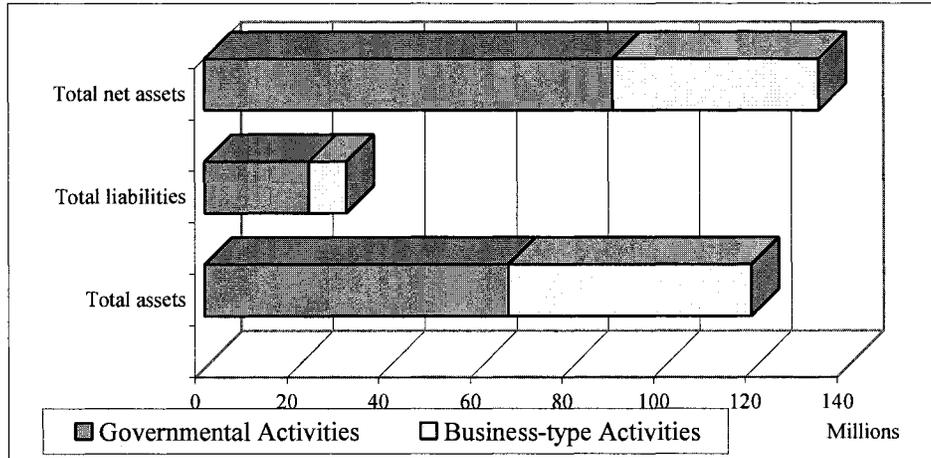
The following tables present a summary of the City's net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

	2009 Governmental Activities	2008 Governmental Activities	2009 Business-Type Activities	2008 Business-Type Activities	2009 Total	2008 Total
Current and other assets	\$ 37,691,520	\$ 35,243,343	\$ 20,053,704	\$ 15,858,255	\$ 57,745,224	\$ 51,101,598
Restricted assets			942,356	938,662	942,356	938,662
Capital assets, net	54,921,025	53,793,549	38,469,967	36,335,310	93,390,992	90,128,859
Total assets	<u>92,612,545</u>	<u>89,036,892</u>	<u>59,466,027</u>	<u>53,132,227</u>	<u>152,078,572</u>	<u>142,169,119</u>
Current and other liabilities	5,079,269	4,337,279	4,222,406	2,035,371	9,301,675	6,372,650
Long-term liabilities	20,717,938	18,504,819	8,912,825	6,110,666	29,630,763	24,615,485
Total liabilities	<u>25,797,207</u>	<u>22,842,098</u>	<u>13,135,231</u>	<u>8,146,037</u>	<u>38,932,438</u>	<u>30,988,135</u>
Net assets						
Invested in capital assets, net of related debt	37,891,064	37,438,313	29,906,112	30,578,796	67,797,176	68,017,109
Restricted for highways and streets	387,789	445,957			387,789	445,957
Restricted for debt service			559,823	559,823	559,823	559,823
Restricted for customer deposits			382,533	378,839	382,533	378,839
Unrestricted	28,536,485	28,310,524	15,482,328	13,468,732	44,018,813	41,779,256
Total net assets	<u>\$ 66,815,338</u>	<u>\$ 66,194,794</u>	<u>\$ 46,330,796</u>	<u>\$ 44,986,190</u>	<u>\$ 113,146,134</u>	<u>\$111,180,984</u>

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Statement of Net Assets



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

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

The following is a significant current year transaction that had an impact on the change in net assets.

- Beginning of construction to upgrade and expand the Hilltop Wastewater Treatment Plant.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The City's total revenues for the current fiscal year were \$44.4 million. The total cost of all programs and services was \$42.4 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

	2009 Governmental Activities	2008 Governmental Activities	2009 Business-Type Activities	2008 Business-Type Activities	2009 Total	2008 Total
Revenues						
Program revenues						
Charges for services	\$ 3,557,924	\$ 3,438,232	\$ 14,430,738	\$ 15,237,735	\$ 17,988,662	\$ 18,675,967
Operating grants and contributions	1,825,376	2,621,629			1,825,376	2,621,629
Capital grants and contributions	1,270,449	1,973,809			1,270,449	1,973,809
General revenues						
Sales taxes	12,024,409	12,990,502			12,024,409	12,990,502
Property taxes	437,457	430,630			437,457	430,630
Auto lieu taxes	1,375,193	1,501,803			1,375,193	1,501,803
Franchise taxes	804,964	730,892			804,964	730,892
Unrestricted state shared revenue	8,230,525	8,702,727			8,230,525	8,702,727
Investment income	259,194	778,418	132,162	395,822	391,356	1,174,240
Miscellaneous	14,631	12,796			14,631	12,796
Total revenues	\$ 29,800,122	\$ 33,181,438	\$ 14,562,900	\$ 15,633,557	\$ 44,363,022	\$ 48,814,995

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

	2009 Governmental Activities	2008 Governmental Activities	2009 Business-Type Activities	2008 Business-Type Activities	2009 Total	2008 Total
Expenses						
General government	\$ 4,761,050	\$ 4,812,710	\$	\$	\$4,761,050	\$ 4,812,710
Public safety	15,865,007	15,757,220			15,865,007	15,757,220
Highways and streets	4,085,526	5,548,153			4,085,526	5,548,153
Culture and recreation	4,574,132	4,916,992			4,574,132	4,916,992
Economic development	306,605	269,108			306,605	269,108
Interest on long-term debt	808,803	733,249			808,803	733,249
Water			7,546,397	7,365,694	7,546,397	7,365,694
Wastewater			1,746,494	1,365,364	1,746,494	1,365,364
Sanitation			2,703,858	2,833,348	2,703,858	2,833,348
Total expenses	<u>30,401,123</u>	<u>32,037,432</u>	<u>11,996,749</u>	<u>11,564,406</u>	<u>42,397,872</u>	<u>43,601,838</u>
Excess before transfers	<u>(601,001)</u>	<u>1,144,006</u>	<u>2,566,151</u>	<u>4,069,151</u>	<u>1,965,150</u>	<u>5,213,157</u>
Transfers	<u>1,221,545</u>	<u>921,738</u>	<u>(1,221,545)</u>	<u>(921,738)</u>		
Increase in net assets	<u>\$ 620,544</u>	<u>\$ 2,065,744</u>	<u>\$ 1,344,606</u>	<u>\$ 3,147,413</u>	<u>\$ 1,965,150</u>	<u>\$ 5,213,157</u>

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

	2009 Total Expenses	2009 Net (Expense)/ Revenue	2008 Total Expenses	2008 Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 4,761,050	\$ (3,640,578)	\$ 4,812,710	\$ (3,962,794)
Public safety	15,865,007	(14,350,522)	15,757,220	(13,824,239)
Highways and streets	4,085,526	(1,979,326)	5,548,153	(3,298,006)
Culture and recreation	4,574,132	(3,480,603)	4,916,992	(3,569,280)
Economic development	306,605	512,458	269,108	1,383,806
Interest on long-term debt	808,803	(808,803)	733,249	(733,249)
Total expenses	<u>30,401,123</u>	<u>(23,747,374)</u>	<u>32,037,432</u>	<u>(24,003,762)</u>
Business-Type Activities				
Water	7,546,397	176,608	7,365,694	1,788,266
Wastewater	1,746,494	1,624,398	1,365,364	1,425,654
Sanitation	2,703,858	632,983	2,833,348	459,409
Total expenses	<u>11,996,749</u>	<u>2,433,989</u>	<u>11,564,406</u>	<u>3,673,329</u>
Total	<u>\$ 42,397,872</u>	<u>\$ (21,313,385)</u>	<u>\$ 43,601,838</u>	<u>\$ (20,330,433)</u>

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

- The cost of all governmental activities this year was \$30.4 million. The cost of all business-type activities this year was \$12.0 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 \$21.1 million.
- The net cost of governmental activities of \$23.7 million, was financed by general revenues, which are made up of primarily sales taxes of \$12.0 million and state shared revenues of \$8.2 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$21.4 million, an increase of \$3.7 million. Total fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion.

The General Fund is the principal operating fund of the City. The decrease in fund balance in the General Fund for the fiscal year was \$184,726, which was not significant. The Special Assessment Districts Fund's fund balance increase of \$1.5 million to \$3.9 million was the result of prepaid assessments. The fund balance of the Capital Projects Fund showed an increase of \$75,183, which was not significant.

Proprietary funds. Net assets of the Enterprise Funds and the Internal Service Funds at the end of the year amounted to \$46.3 million and \$6.5 million, respectively. The increase in net assets in the Enterprise Funds and Internal Service Funds from the prior fiscal year was not significant.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of the end of the current fiscal year, the City had invested \$67.8 million in capital assets net of related debt, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$4.2 million.

The following schedule presents capital asset balances and accumulated depreciation for the fiscal years ended June 30, 2009 and June 30, 2008.

	2009 Governmental Activities	2008 Governmental Activities	2009 Business-Type Activities	2008 Business-Type Activities	2009 Total	2008 Total
Land	\$ 10,279,787	\$ 10,121,751	\$ 2,292,881	\$ 2,292,881	\$ 12,572,668	\$ 12,414,632
Infrastructure	49,269,047	49,262,636	49,656,924	49,582,509	98,925,971	98,845,145
Buildings	8,504,815	7,299,267	9,839,816	9,839,816	18,344,631	17,139,083
Improvements other than buildings	5,928,759	5,833,355	593,978	593,978	6,522,737	6,427,333
Vehicles, machinery and equipment	13,279,422	13,391,274	7,527,164	7,458,824	20,806,586	20,850,098
Construction in progress	11,624,865	9,544,435	4,996,281	1,554,266	16,621,146	11,098,701
Accumulated depreciation	(43,965,670)	(41,659,169)	(36,437,077)	(34,986,964)	(80,402,747)	(76,646,133)
Total	\$ 54,921,025	\$ 53,793,549	\$ 38,469,967	\$ 36,335,310	\$ 93,390,992	\$ 90,128,859

The estimated cost to complete current construction projects is \$42.9 million.

Additional information on the City's capital assets can be found in Note 5 in the notes to the financial statements.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

Debt Administration. At year-end, the City had \$18.1 million in governmental long-term debt outstanding with \$2.1 million due within one year. The City had \$8.6 million in business-type long-term debt outstanding, \$568,128 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, 2009 and June 30, 2008.

	2009		2008	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
General obligation bonds payable	\$ 420,000	\$	\$ 810,000	\$
Excise tax bonds payable	4,555,000		4,935,000	
Special assessment bonds payable	11,217,205		8,153,036	
Obligations under capital leases	837,756	1,256,634	907,200	1,360,800
Loan payable	1,100,000	7,307,221	1,550,000	4,395,714
Total	\$ 18,129,961	\$ 8,563,855	\$ 16,355,236	\$ 5,756,514

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 \$66.9 million. The City has no outstanding general obligation debt for these purposes. State statutes also currently limit the amount of general obligation debt a City may issue to 6 percent of its total assessed valuation for all other purposes. The current debt limitation for the City is \$17.1 million.

Additional information on the City's long-term debt can be found in Notes 6-9 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Many factors were considered by the City's officials during the process of developing the fiscal year 2009-10 budget. The primary factor was the constricted 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 .7 percent.

These indicators were considered when adopting the budget for fiscal year 2009-10. Amounts available for appropriation in the General Fund budget are \$25.3 million, a decrease of 8.3 percent. The City's response to the economic downturn was the driving factor for a decrease in expenditures.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**CITY OF KINGMAN, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 30,884,158	\$ 16,384,806	\$ 47,268,964
Taxes receivable	8,240		8,240
Special assessments receivable	4,454,311		4,454,311
Accounts receivable	313,087	1,479,451	1,792,538
Loan receivable		2,017,661	2,017,661
Due from governmental entities	1,915,052		1,915,052
Inventories	116,672	162,578	279,250
Deposits		9,208	9,208
Total current assets	37,691,520	20,053,704	57,745,224
Noncurrent assets:			
Restricted cash and investments		942,356	942,356
Land	10,279,787	2,292,881	12,572,668
Infrastructure	49,269,047	49,656,924	98,925,971
Buildings	8,504,815	9,839,816	18,344,631
Improvements other than buildings	5,928,759	593,978	6,522,737
Vehicles, machinery, and equipment	13,279,422	7,527,164	20,806,586
Construction in progress	11,624,865	4,996,281	16,621,146
Accumulated depreciation	(43,965,670)	(36,437,077)	(80,402,747)
Total noncurrent assets	54,921,025	39,412,323	94,333,348
Total assets	92,612,545	59,466,027	152,078,572
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	728,677	2,649,059	3,377,736
Accrued payroll and employee benefits	461,926	84,551	546,477
Deposits held for others		382,533	382,533
Unearned revenue	2,607,913	1,106,263	3,714,176
Compensated absences payable	1,400,000	348,970	1,748,970
General obligation bonds payable	815,000		815,000
Loan payable	400,000	457,911	857,911
Obligations under capital leases	73,480	110,217	183,697
Special assessment bonds payable	852,346		852,346
Claims payable	614,000		614,000
Accrued interest payable	666,753		666,753
Total current liabilities	8,620,095	5,139,504	13,759,599
Noncurrent liabilities:			
Non-current portion of long-term obligations	17,177,112	7,995,727	25,172,839
Total non-current liabilities	17,177,112	7,995,727	25,172,839
Total liabilities	25,797,207	13,135,231	38,932,438
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	37,891,064	29,906,112	67,797,176
Restricted for highways and streets	387,789		387,789
Restricted for debt service		559,823	559,823
Restricted for customer deposits		382,533	382,533
Unrestricted	28,536,485	15,482,328	44,018,813
Total net assets	\$ 66,815,338	\$ 46,330,796	\$ 113,146,134

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

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

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	\$ 4,761,050	\$ 320,135	\$ 85,000	\$ 715,337	\$ (3,640,578)
Public safety	15,865,007	366,076	1,148,409		(14,350,522)
Highways and streets	4,085,526	1,040,485	510,603	555,112	(1,979,326)
Culture and recreation	4,574,132	1,093,529			(3,480,603)
Economic development	306,605	737,699	81,364		512,458
Interest on long-term debt	808,803				(808,803)
Total governmental activities	<u>30,401,123</u>	<u>3,557,924</u>	<u>1,825,376</u>	<u>1,270,449</u>	<u>(23,747,374)</u>
Business-type activities:					
Water	7,546,397	7,723,005			
Wastewater	1,746,494	3,370,892			
Sanitation	2,703,858	3,336,841			
Total business-type activities	<u>11,996,749</u>	<u>14,430,738</u>			
Total primary government	<u>\$ 42,397,872</u>	<u>\$ 17,988,662</u>	<u>\$ 1,825,376</u>	<u>\$ 1,270,449</u>	<u>(23,747,374)</u>

General revenues:

Taxes:

Sales taxes	12,024,409
Property taxes	437,457
Auto lieu taxes	1,375,193
Franchise taxes	804,964
Unrestricted state shared revenue	8,230,525
Investment income	259,194
Miscellaneous	14,631

Transfers	<u>1,221,545</u>
Total general revenues and transfers	<u>24,367,918</u>

Changes in net assets 620,544

Net assets, beginning of year 66,194,794

Net assets, end of year \$ 66,815,338

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

Net (Expense) Revenue
and Changes in Net Assets

Business-type Activities	Totals
\$	\$ (3,640,578)
	(14,350,522)
	(1,979,326)
	(3,480,603)
	512,458
	(808,803)
	(23,747,374)
176,608	176,608
1,624,398	1,624,398
632,983	632,983
2,433,989	2,433,989
2,433,989	(21,313,385)
	12,024,409
	437,457
	1,375,193
	804,964
	8,230,525
132,162	391,356
	14,631
(1,221,545)	23,278,535
(1,089,383)	
1,344,606	1,965,150
44,986,190	111,180,984
\$ 46,330,796	\$113,146,134

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FUND FINANCIAL STATEMENTS

**CITY OF KINGMAN, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General	Special Assessment Districts	Capital Projects
<u>ASSETS</u>			
Cash and investments	\$ 7,454,522	\$ 4,465,774	\$ 2,826,982
Taxes receivable			
Special assessments receivable		4,454,311	
Accounts receivable	173,553		
Due from governmental entities	1,557,739		
Inventories	116,672		
Total assets	\$ 9,302,486	\$ 8,920,085	\$ 2,826,982
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 251,415	\$ 3,369	\$ 6,456
Accrued payroll and employee benefits	404,559		
Interest payable		555,866	
Deferred revenue	21,071	4,494,530	2,446,808
General obligation bonds payable			
Total liabilities	677,045	5,053,765	2,453,264
Fund balances:			
Unreserved:			
Undesignated	8,625,441	3,866,320	373,718
Unreserved reported in:			
Special revenue funds			
Capital projects funds			
Debt service funds			
Total fund balances	8,625,441	3,866,320	373,718
Total liabilities and fund balances	\$ 9,302,486	\$ 8,920,085	\$ 2,826,982

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 9,591,659	\$ 24,338,937
8,240	8,240
	4,454,311
108,288	281,841
357,313	1,915,052
	116,672
<u>\$ 10,065,500</u>	<u>\$ 31,115,053</u>

\$ 393,924	\$ 655,164
32,196	436,755
110,887	666,753
140,034	7,102,443
815,000	815,000
<u>1,492,041</u>	<u>9,676,115</u>

12,865,479

1,643,226	1,643,226
5,432,539	5,432,539
1,497,694	1,497,694
<u>8,573,459</u>	<u>21,438,938</u>
<u>\$ 10,065,500</u>	<u>\$ 31,115,053</u>

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**CITY OF KINGMAN, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total governmental fund balances **\$ 21,438,938**

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	\$ 96,750,061	
Less accumulated depreciation	<u>(42,984,375)</u>	53,765,686

Special assessments revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds. 4,494,530

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

Compensated absences payable	(1,784,771)	
General obligation bonds payable	(4,160,000)	
Special assessment bonds payable	(11,217,205)	
Obligations under capital leases	(418,878)	
Loan payable	(1,100,000)	
Other post employment benefits	<u>(719,451)</u>	(19,400,305)

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.

6,516,489

Net assets of governmental activities **\$ 66,815,338**

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

CITY OF KINGMAN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Special Assessment Districts	Capital Projects
Revenues:			
Taxes	\$ 14,204,566	\$	\$
Licenses and permits	75,476		
Intergovernmental	5,875,000		
Charges for services	2,084,053		
Fines and forfeits	296,701		
Investment income	65,454	32,964	22,648
Special assessments		2,701,235	
Miscellaneous	26,755		22,300
Development investment fees			868,950
Total revenues	22,628,005	2,734,199	913,898
Expenditures:			
Current -			
General government	4,314,877		
Public safety	13,706,522		
Highways and streets			
Culture and recreation	3,632,751		
Economic development	234,178		
Capital outlay	263,110		1,528,351
Debt service -			
Bond issuance costs			
Principal retirement		815,831	
Interest and fiscal charges		372,650	
Total expenditures	22,151,438	1,188,481	1,528,351
Excess (deficiency) of revenues over expenditures	476,567	1,545,718	(614,453)
Other financing sources (uses):			
Special assessment bonds issued			
Transfers in	1,215,996		689,636
Transfers out	(1,877,289)	(27,670)	
Total other financing sources (uses)	(661,293)	(27,670)	689,636
Changes in fund balances	(184,726)	1,518,048	75,183
Fund balances, beginning of year	8,810,167	2,348,272	298,535
Fund balances, end of year	\$ 8,625,441	\$ 3,866,320	\$ 373,718

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 437,457	\$ 14,642,023
	75,476
4,885,995	10,760,995
	2,084,053
	296,701
86,470	207,536
531,530	3,232,765
187,514	236,569
30,000	898,950
<u>6,158,966</u>	<u>32,435,068</u>
140,847	4,455,724
928,498	14,635,020
3,018,176	3,018,176
2,715	3,635,466
29,042	263,220
2,823,325	4,614,786
112,230	112,230
1,299,722	2,115,553
297,569	670,219
<u>8,652,124</u>	<u>33,520,394</u>
<u>(2,493,158)</u>	<u>(1,085,326)</u>
3,880,000	3,880,000
2,691,303	4,596,935
<u>(1,805,202)</u>	<u>(3,710,161)</u>
<u>4,766,101</u>	<u>4,766,774</u>
<u>2,272,943</u>	<u>3,681,448</u>
6,300,516	17,757,490
<u>\$ 8,573,459</u>	<u>\$ 21,438,938</u>

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

Net changes in fund balances - total governmental funds **\$ 3,681,448**

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	\$ 3,693,462	
Less current year depreciation	<u>(2,458,774)</u>	1,234,688

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

Special assessments		(2,377,720)
---------------------	--	-------------

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

General obligation bond principal retirement	815,000	
Loan principal retirement	450,000	
Special assessment bond principal retirement	815,831	
Capital lease principal retirement	<u>34,722</u>	2,115,553

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

Issuance of special assessment bonds		(3,880,000)
--------------------------------------	--	-------------

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	(719,451)	
Compensated absences	<u>275,511</u>	(443,940)

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>290,515</u>
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Change in net assets in governmental activities **\$ 620,544**

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

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

	Enterprise Funds			
	Water	Wastewater	Sanitation	Total
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 8,757,580	\$ 6,645,131	\$ 982,095	\$ 16,384,806
Accounts receivable	954,725	273,435	251,291	1,479,451
Loan receivable		2,017,661		2,017,661
Inventories	162,578			162,578
Deposits	9,208			9,208
Total current assets	9,884,091	8,936,227	1,233,386	20,053,704
Noncurrent assets:				
Restricted cash and investments	382,533	559,823		942,356
Land	1,128,881	597,000	567,000	2,292,881
Infrastructure	36,954,176	12,702,748		49,656,924
Buildings	9,716,896	122,920		9,839,816
Improvements other than buildings	149,328	444,650		593,978
Vehicles, machinery, and equipment	3,478,469	671,541	3,377,154	7,527,164
Construction in progress	45,882	4,950,399		4,996,281
Accumulated depreciation	(26,582,151)	(7,310,876)	(2,544,050)	(36,437,077)
Total noncurrent assets	25,274,014	12,738,205	1,400,104	39,412,323
Total assets	35,158,105	21,674,432	2,633,490	59,466,027
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	314,009	2,265,552	69,498	2,649,059
Accrued payroll and employee benefits	57,116	9,351	18,084	84,551
Deposits held for others	382,533			382,533
Deferred revenue	1,104,938	1,325		1,106,263
Compensated absences payable	238,657	57,183	53,130	348,970
Loan payable		457,911		457,911
Obligations under capital leases	36,739	36,739	36,739	110,217
Claims payable				
Total current liabilities	2,133,992	2,828,061	177,451	5,139,504
Noncurrent liabilities:				
Non-current portion of long-term obligations	382,139	7,231,449	382,139	7,995,727
Total non-current liabilities	382,139	7,231,449	382,139	7,995,727
Total liabilities	2,516,131	10,059,510	559,590	13,135,231
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	24,472,603	4,452,283	981,226	29,906,112
Restricted for:				
Restricted for debt service		559,823		559,823
Customer deposits	382,533			382,533
Unrestricted	7,786,838	6,602,816	1,092,674	15,482,328
Total net assets	\$ 32,641,974	\$ 11,614,922	\$ 2,073,900	\$ 46,330,796

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

Governmental
Activities:
Internal Service
Funds

\$ 6,545,221
31,246

6,576,467

567,000

576,100

78,660

914,874

(981,295)

1,155,339

7,731,806

73,513

25,171

83,755

36,740

614,000

833,179

382,138

382,138

1,215,317

736,461

5,780,028

\$ 6,516,489

CITY OF KINGMAN, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Funds			
	Water	Wastewater	Sanitation	Total
Operating revenues:				
Miscellaneous	\$	\$	\$	\$
Charges for services	7,322,157	3,350,999	3,336,841	14,009,997
Contributions				
Total operating revenues	<u>7,322,157</u>	<u>3,350,999</u>	<u>3,336,841</u>	<u>14,009,997</u>
Operating expenses:				
Costs of sales and services	6,451,785	1,274,457	2,447,763	10,174,005
Depreciation	1,068,258	331,319	229,741	1,629,318
Claims				
Total operating expenses	<u>7,520,043</u>	<u>1,605,776</u>	<u>2,677,504</u>	<u>11,803,323</u>
Operating income (loss)	<u>(197,886)</u>	<u>1,745,223</u>	<u>659,337</u>	<u>2,206,674</u>
Nonoperating revenues (expenses):				
Investment income	72,284	53,052	6,826	132,162
Miscellaneous	400,848	19,893		420,741
Interest expense	(26,354)	(140,718)	(26,354)	(193,426)
Total nonoperating revenues (expenses)	<u>446,778</u>	<u>(67,773)</u>	<u>(19,528)</u>	<u>359,477</u>
Income (loss) before capital contributions and transfers	<u>248,892</u>	<u>1,677,450</u>	<u>639,809</u>	<u>2,566,151</u>
Transfers out	(947,601)	(233,511)	(252,633)	(1,433,745)
Transfers in	212,200			212,200
Changes in net assets	<u>(486,509)</u>	<u>1,443,939</u>	<u>387,176</u>	<u>1,344,606</u>
Total net assets, beginning of year	33,128,483	10,170,983	1,686,724	44,986,190
Total net assets, end of year	<u>\$ 32,641,974</u>	<u>\$ 11,614,922</u>	<u>\$ 2,073,900</u>	<u>\$ 46,330,796</u>

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

Governmental
Activities:
Internal Service
Funds

\$ 98,740
2,796,604
4,102,984
6,998,328

3,009,562
116,985
3,955,972
7,082,519

(84,191)

51,658
14,631
(26,354)

39,935

(44,256)

334,771

290,515

6,225,974

\$ 6,516,489

CITY OF KINGMAN, ARIZONA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	<u>Enterprise Funds</u>				<u>Governmental</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Total</u>	<u>Activities:</u> <u>Internal Service</u> <u>Fund</u>
<u>Increase in Cash and Cash Equivalents</u>					
Cash flows from operating activities:					
Cash received from customers	\$ 7,296,669	\$ 3,280,489	\$ 3,388,596	\$ 13,965,754	\$ 2,796,604
Cash received from contributions					4,201,724
Cash payments to employees for services	(2,149,577)	(346,840)	(649,508)	(3,145,925)	(921,274)
Cash payments to suppliers for goods/services	(4,058,159)	1,138,730	(1,785,236)	(4,704,665)	(2,111,688)
Cash payments for claims					(4,023,806)
Net cash provided by (used for) operating activities	<u>1,088,933</u>	<u>4,072,379</u>	<u>953,852</u>	<u>6,115,164</u>	<u>(58,440)</u>
Cash flows from non-capital financing activities:					
Nonoperating revenues	400,848	19,893		420,741	14,631
Transfers in	212,200			212,200	334,771
Transfers out	(947,601)	(233,511)	(252,633)	(1,433,745)	
Net cash provided by (used for) non-capital financing activities	<u>(334,553)</u>	<u>(213,618)</u>	<u>(252,633)</u>	<u>(800,804)</u>	<u>349,402</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	226,596	(3,856,615)	(247,546)	(3,877,565)	(9,773)
Loan proceeds		3,868,565		3,868,565	
Principal paid on debt	(34,722)	(477,567)	(34,722)	(547,011)	(34,722)
Interest paid on debt	(26,354)	(140,718)	(26,354)	(193,426)	(26,354)
Net cash provided by (used for) capital and related financing activities	<u>165,520</u>	<u>(606,335)</u>	<u>(308,622)</u>	<u>(749,437)</u>	<u>(70,849)</u>
Cash flows from investing activities:					
Investment income	72,284	53,052	6,826	132,162	51,658
Net cash provided by investing activities	<u>72,284</u>	<u>53,052</u>	<u>6,826</u>	<u>132,162</u>	<u>51,658</u>
Net increase in cash and cash equivalents	<u>992,184</u>	<u>3,305,478</u>	<u>399,423</u>	<u>4,697,085</u>	<u>271,771</u>
Cash and cash equivalents, beginning of year	<u>8,147,929</u>	<u>3,899,476</u>	<u>582,672</u>	<u>12,630,077</u>	<u>6,273,450</u>
Cash and cash equivalents, end of year	<u>\$ 9,140,113</u>	<u>\$ 7,204,954</u>	<u>\$ 982,095</u>	<u>\$ 17,327,162</u>	<u>\$ 6,545,221</u>
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</u>					
Cash and investments	\$ 8,757,580	\$ 6,645,131	\$ 982,095	\$ 16,384,806	\$ 6,545,221
Restricted cash and investments	382,533	559,823		942,356	
Total cash and cash equivalents	<u>\$ 9,140,113</u>	<u>\$ 7,204,954</u>	<u>\$ 982,095</u>	<u>\$ 17,327,162</u>	<u>\$ 6,545,221</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Operating income (loss)	\$ (197,886)	\$ 1,745,223	\$ 659,337	\$ 2,206,674	\$ (84,191)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	1,068,258	331,319	229,741	1,629,318	116,985
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(29,182)	(70,510)	51,755	(47,937)	(31,246)
Decrease in inventory	31,666			31,666	
Increase (decrease) in compensated absences payable	(3,366)	(6,987)	5,171	(5,182)	(5,546)
Increase in claims payable					(48,000)
Increase in deposits held for others	3,694			3,694	
Increase in accrued payroll and employee benefits	3,290	1,116	1,361	5,767	1,597
Increase (decrease) in accounts payable	212,459	2,072,218	6,487	2,291,164	(8,039)
Total adjustments	<u>1,286,819</u>	<u>2,327,156</u>	<u>294,515</u>	<u>3,908,490</u>	<u>25,751</u>
Net cash provided by (used for) operating activities	<u>\$ 1,088,933</u>	<u>\$ 4,072,379</u>	<u>\$ 953,852</u>	<u>\$ 6,115,164</u>	<u>\$ (58,440)</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the year ended June 30, 2009, the City implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes governmental employer accounting and financial reporting requirements for postemployment benefits other than pensions.

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, 2009

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, 2009**

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

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

Delinquent property taxes have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

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

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

The City reports the following major governmental funds.

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

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

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

The City reports the following major proprietary funds.

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

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

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

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

Additionally, the City reports the following fund type:

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

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

The Proprietary Fund financial statements are reported using the economic resources measurement focus.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for water, wastewater and sanitation services.

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

D. Cash and Investments

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2009 were cash on hand, cash in bank and cash and investments held by State Treasurer.

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

E. Investment Income

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

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

F. Receivables and Payables

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

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

Property taxes are levied by the City and collected by the Mohave County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date.

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

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

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

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

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

G. Inventory

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

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

J. 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.

K. 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.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At year end, the City had no reservations or designations of fund balance.

M. 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.

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

N. Estimates

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

NOTE 2 - CASH AND INVESTMENTS

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of bank failure the City's deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. As of year end, the carrying amount of the City's deposits was \$8,982,503 and the bank balance was \$8,755,267. At year end, \$500,000 of the City's deposits were covered by Federal depository insurance and \$8,255,267 were covered under the transaction account guarantee component of the Temporary Liquidity Guarantee Program. Cash held by trustee in the amount of \$1,476,093 is not subject to custodial credit risk. The City had \$8,425 of petty cash on hand at year end.

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

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – CASH AND INVESTMENTS (Cont'd)

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Treasuries	7/28/11-6/17/14	\$ 7,749,258
City of Kingman bonds-Wallapai Marlene	1-1-21	95,792
City of Kingman bonds-Banks Airport Addition	1-1-10	11,414
State Treasurer's investment pool 5	45 days average	29,887,835
Total		<u>\$37,744,299</u>

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. At year end, the City's investment in the State Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

Custodial Credit Risk - Investments. The City's investment in the State Treasurer's investment pool 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.

NOTE 3 - RECEIVABLES

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

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>
Due from governmental entities:		
Due from Federal government	\$	\$ 130,933
Due from State government	1,557,739	226,380
Net due from governmental entities	<u>\$1,557,739</u>	<u>\$ 357,313</u>

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 – RECEIVABLES (Concl'd)

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

	<u>Unavailable</u>	<u>Unearned</u>
Miscellaneous (General Fund)	\$	\$ 21,071
Development investment fees (Capital Projects Fund)		2,446,808
Miscellaneous (Non-Major Governmental Funds)		140,034
Special assessments (Special Assessment Districts)	4,494,530	
Total deferred revenue for governmental funds	<u>\$ 4,494,530</u>	<u>\$ 2,607,913</u>

NOTE 4 - CAPITAL ASSETS

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

Governmental Activities	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 10,121,751	\$ 158,036	\$	\$10,279,787
Construction in progress	9,544,435	2,123,425	42,995	11,624,865
Total capital assets, not being depreciated	<u>19,666,186</u>	<u>2,281,461</u>	<u>42,995</u>	<u>21,904,652</u>
Capital assets, being depreciated:				
Infrastructure	49,262,636	6,411		49,269,047
Buildings	7,299,267	1,205,548		8,504,815
Improvements other than buildings	5,833,355	95,404		5,928,759
Vehicles, machinery and equipment	13,391,274	157,405	269,257	13,279,422
Total capital assets being depreciated	<u>75,786,532</u>	<u>1,464,768</u>	<u>269,257</u>	<u>76,982,043</u>
Less accumulated depreciation for:				
Infrastructure	(26,712,643)	(1,138,780)		(27,851,423)
Buildings	(3,127,718)	(182,669)		(3,310,387)
Improvements other than buildings	(3,244,633)	(247,606)		(3,492,239)
Vehicles, machinery and equipment	(8,574,175)	(1,006,703)	(269,257)	(9,311,621)
Total accumulated depreciation	<u>(41,659,169)</u>	<u>(2,575,758)</u>	<u>(269,257)</u>	<u>(43,965,670)</u>
Total capital assets, being depreciated, net	<u>34,127,363</u>	<u>(1,110,990)</u>		<u>33,016,373</u>
Governmental activities capital assets, net	<u>\$ 53,793,549</u>	<u>\$ 1,170,471</u>	<u>\$ 42,995</u>	<u>\$54,921,025</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS (Concl'd)

<u>Business-Type Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,292,881	\$	\$	\$ 2,292,881
Construction in progress	1,554,266	3,506,915	64,900	4,996,281
Total	<u>3,847,147</u>	<u>3,506,915</u>	<u>64,900</u>	<u>7,289,162</u>
Capital assets, being depreciated:				
Infrastructure	49,582,509	74,415		49,656,924
Buildings	9,839,816			9,839,816
Improvements other than buildings	593,978			593,978
Vehicles, machinery and equipment	7,458,824	247,545	179,205	7,527,164
Total	<u>67,475,127</u>	<u>321,960</u>	<u>179,205</u>	<u>67,617,882</u>
Less accumulated depreciation for:				
Infrastructure	(26,700,852)	(976,765)		(27,677,617)
Buildings	(2,771,881)	(213,859)		(2,985,740)
Improvements other than buildings	(401,832)	(14,760)		(416,592)
Vehicles, machinery and equipment	(5,112,399)	(423,934)	(179,205)	(5,357,128)
Total accumulated depreciation	<u>(34,986,964)</u>	<u>(1,629,318)</u>	<u>(179,205)</u>	<u>(36,437,077)</u>
Total capital assets, being depreciated, net	<u>32,488,163</u>	<u>(1,307,358)</u>		<u>31,180,805</u>
Business-type activities capital assets, net	<u>\$ 36,335,310</u>	<u>\$ 2,199,557</u>	<u>\$ 64,900</u>	<u>\$ 38,469,967</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 279,411
Public safety	613,228
Highways and streets	1,329,004
Culture and recreation	295,527
Economic development	58,589
Total depreciation expense	<u>2,575,759</u>
Business-type activities:	
Water	1,068,258
Wastewater	331,319
Sanitation	229,741
Total depreciation expense	<u>\$ 1,629,318</u>

Construction Commitments – At year end, the City had contractual commitments related to various capital projects. At year end, the City had spent \$16.6 million on the projects and had estimated remaining contractual commitments of \$42.9 million.

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 – OBLIGATIONS UNDER CAPITAL LEASES

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

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

Year Ending June 30:	Governmental Activities	Business- type Activities
2010	\$ 122,152	\$ 183,229
2011	122,152	183,229
2012	122,152	183,229
2013	122,152	183,229
2014	122,152	183,229
2015-18	488,610	732,910
Total minimum lease payments	<u>1,099,370</u>	<u>1,649,055</u>
Less: amount representing interest	<u>261,614</u>	<u>392,421</u>
Present value of minimum lease payments	<u>837,756</u>	<u>1,256,634</u>
Due within one year	<u>\$ 73,480</u>	<u>\$ 110,217</u>

NOTE 6 - LOANS PAYABLE

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

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 - LOANS PAYABLE (Concl'd)

Description	Interest Rate (Including Fees)	Maturity	Outstanding Principal June 30, 2009	Due Within One Year
Governmental activities:				
HELP Loan	3.1%	7/1/09-12	\$ 1,100,000	\$ 400,000
Business-type activities:				
Wastewater Management Authority of Arizona Loan	3.4%	7/1/09-12	1,420,995	457,911
Water Infrastructure Finance Authority Loan	3.6%	7/1/12	5,886,226	
Total			<u>\$ 8,407,221</u>	<u>\$ 857,911</u>

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

Fiscal year ending June 30,	Principal	Interest	Total
2010	\$ 400,000	\$ 34,199	\$ 434,199
2011	350,000	21,763	371,763
2012	350,000	10,882	360,882
Total	<u>\$ 1,100,000</u>	<u>\$ 66,844</u>	<u>\$ 1,166,844</u>

During 2008, the City obtained \$4,200,000 in financing from WIFA for the construction of a new wastewater plant. In fiscal year 2008-09, the original WIFA loan was rolled forward into a new \$35 million loan. As of year end, the City has drawn on \$5,886,226 of the loan, leaving \$29,113,774 available for drawdown. The interest rate at June 30 on the outstanding balance is 3.6 percent.

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

Year	Principal	Interest	Total
2010	\$ 457,911	\$ 260,246	\$ 718,157
2011	711,568	244,668	956,236
2012	736,245	219,989	956,234
2013	255,529	194,454	449,983
2014	264,728	185,255	449,983
2015-2019	1,473,642	776,272	2,249,914
2020-2024	1,758,696	491,218	2,249,914
2025-2028	1,648,902	151,027	1,799,929
Total	<u>\$ 7,307,221</u>	<u>\$ 2,523,129</u>	<u>\$ 9,830,350</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 - BONDS PAYABLE

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

Purpose	Original Amount Issued	Interest Rates	Maturity	Outstanding Principal June 30, 2009	Due Within One Year
Governmental activities:					
General Obligation Bonds Series 1994	\$ 3,560,000	5.75%	7/1/09	\$ 420,000	\$ 420,000
Excise Tax Revenue Obligations, Series 2005	2,850,000	3.125-4.25%	7/1/09-21	2,525,000	170,000
Municipal Property Corporation; Excise Tax Revenue Refunding Bonds Series 1997	4,455,000	5.0%	7/1/09-14	2,030,000	225,000
Wallapai Marlene	114,707	5.25%	1/1/09-21	95,791	5,932
Banks Airport Addition	124,153	6.0%	1/1/09-10	11,414	11,414
East Golden Gate Improvement District	3,580,000	4.5%	1/1/09-17	2,495,000	255,000
Kingman Airway Avenue Railroad Crossing Improvement District	6,325,000	4.875%	1/1/09-16	4,735,000	580,000
Kingman Airport/Banks Airport Addition	3,880,000	7.25%	1/1/11-25	3,880,000	
Total				<u>\$ 16,192,205</u>	<u>\$ 1,667,346</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
2010	\$ 1,667,346	\$ 878,422	\$ 2,545,768
2011	1,451,243	761,636	2,212,879
2012	1,541,571	689,999	2,231,570
2013	1,637,916	613,583	2,251,499
2014	1,805,279	530,455	2,335,734
2015-19	5,503,542	1,470,425	6,973,967
2020-24	2,175,308	548,105	2,723,413
2025	410,000	29,725	439,725
Total	<u>\$ 16,192,205</u>	<u>\$ 5,522,350</u>	<u>\$ 21,714,555</u>

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 - BONDS PAYABLE (Concl'd)

Pledged Revenues

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

The City has pledged future excise tax revenues to repay \$7.3 million in Excise Tax Revenue Bonds issued in 1997 and 2005. The various bonds were issued for the construction of certain street improvements and for the funding for the Kingman Municipal Golf Course Projects. At year end, \$4.6 million in bonds remain outstanding to be repaid by future excise tax revenues. At year end, the net revenues available for service of this debt were \$21.2 million. The debt principal and interest paid on this debt fiscal year 2009 was \$593,125 (36% of available net pledged revenues).

In addition, the City has pledged future wastewater utility revenues to repay a \$5.9 million Water Infrastructure Financing Authority loan. The loan was issued for the construction of a new wastewater treatment plant. At year end, \$5.9 remains outstanding to be repaid by future wastewater revenues. For the fiscal year ended June 30, 2009, the net revenues available for service of this debt were \$3.4 million. The debt interest (no principal was paid this year) paid on this debt fiscal year 2009 was \$50,956 (2% of available net pledged revenues). For further information on long-term debt, refer to Notes 8 and 9.

NOTE 8 - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended year end was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 5,745,000	\$	\$ 770,000	\$ 4,975,000	\$ 815,000
Special assessment bonds payable	8,153,036	3,880,000	815,831	11,217,205	852,346
Obligations under capital leases	907,200		69,444	837,756	73,480
Loan payable	1,550,000		450,000	1,100,000	400,000
Compensated absences payable	2,149,583	1,507,921	1,788,978	1,868,526	1,400,000
Other post employment benefits		719,451		719,451	
Governmental activity long-term liabilities	\$ 18,504,819	\$ 6,107,372	\$ 3,894,253	\$ 20,717,938	\$ 3,540,826

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Loan payable	\$ 4,395,714	\$ 3,354,352	\$ 442,845	\$ 7,307,221	\$ 457,911
Obligations under capital leases	1,360,800		104,166	1,256,634	110,217
Compensated absences	354,152	351,851	357,033	348,970	348,970
Business-type activities long-term liabilities	<u>\$ 6,110,666</u>	<u>\$ 3,706,203</u>	<u>\$ 904,044</u>	<u>\$ 8,912,825</u>	<u>\$ 917,098</u>

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund transfers were as follows.

Interfund transfers:

	Transfers in				
	General Fund	Capital Projects Fund	Non-Major Governmental and Other Funds	Water	Total
General Fund	\$	\$ 689,636	\$ 1,187,653	\$	\$ 1,877,289
Special Assessment Districts Fund	27,670				27,670
Non-Major Governmental Funds	278,611		1,420,491	106,100	1,805,202
Water Fund	643,812		303,789		947,601
Wastewater Fund	73,761		53,650	106,100	233,511
Sanitation Fund	192,142		60,491		252,633
Total	<u>\$ 1,215,996</u>	<u>\$ 689,636</u>	<u>\$ 3,026,074</u>	<u>\$ 212,200</u>	<u>\$ 5,143,906</u>

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

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 10 - CONTINGENT LIABILITIES

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

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

NOTE 11 - RISK MANAGEMENT

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

The City was unable to obtain worker's compensation insurance at a cost considered to be economically justifiable. Therefore the City joined the Arizona Municipal Workers' Compensation Pool (AMWCP). AMWCP is a public entity risk pool currently operating as a common worker's compensation insurance program for 67 member cities and towns. The City is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among members.

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

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 11 - RISK MANAGEMENT (Concl'd)

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

	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable at End of Year
Employee Benefit Trust				
2008-09	\$ 662,000	\$ 3,955,972	4,003,972	\$614,000
2007-08	730,990	3,448,144	3,517,134	662,000

NOTE 12 - RETIREMENT PLANS

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

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

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 12 - RETIREMENT PLANS (Cont'd)

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

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

ASRS

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

PSPRS

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

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

Cost-sharing plans - For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement and 0.5 percent for long-term disability) of the members’ annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, .96 percent for health insurance premium, and 0.5 percent for long-term disability) of the members’ annual covered payroll.

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

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Years ended June 30,			
2009	\$ 725,042	\$ 87,113	\$ 45,372
2008	764,087	99,663	47,459
2007	686,580	95,485	45,469

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 12 - RETIREMENT PLANS (Cont'd)

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

Actuarial methods and assumptions – The contribution requirements for the year ended June 30, 2009 were established by the June 30, 2008 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projects of benefits are based on 1) the plans as understood by the City and plans’ members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the City and plans’ members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial assumptions used to establish the fiscal year 2009 contribution requirements are as follows.

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

CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 12 - RETIREMENT PLANS (Cont'd)

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

	PSPRS - Police		PSPRS – Fire	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 425,757	\$ 10,099	\$ 431,222	\$ 4,920
Contributions made	425,757	10,099	431,222	4,920

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

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

Funding Progress - An analysis of funding progress for each of the agent plans as of the most recent actuarial valuations, June 30, 2008 follows.

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 12 - RETIREMENT PLANS (Cont'd)

Kingman Police Plan:

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

Kingman Fire Plan:

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

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

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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

	Participants
Active employees	331
Retired employees	19
Total	350

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

Annual OPEB Cost and Net OPEB Obligation – The City’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The 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	\$ 833,753
Interest on net OPEB obligation	-0-
Adjustment to annual required contribution	-0-
Annual OPEB cost (expense)	833,753
Contributions made	(114,302)
Increase in net OPEB obligation	719,451
Net OPEB obligation – beginning of year	-0-
Net OPEB obligation – end of year	\$ 719,451

**CITY OF KINGMAN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Concl'd)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended June 30, 2009 is as follows. The City implemented GASB Statement No. 45 in the current fiscal year; therefore the two preceding years are not included in the schedule.

Fiscal Year Ended	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 114,302	14%	\$ 719,451

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

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

Schedule of Funding Progress – The following schedule of funding progress 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 City implemented GASB Statement No. 45 in the current fiscal year; therefore only the current year is included in the schedule.

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

NOTE 14 – SUBSEQUENT EVENT

Loan Issuance – The City has received approximately \$10.6 million from the Water Infrastructure Finance Authority (WIFA) in loan drawdowns through November 2009.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
(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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 14,960,000	\$ 14,960,000	\$ 14,204,566	\$ (755,434)
Licenses and permits	66,500	66,500	75,476	8,976
Intergovernmental	6,151,119	6,151,119	5,875,000	(276,119)
Charges for services	2,487,000	2,132,000	2,084,053	(47,947)
Fines and forfeits	317,000	372,000	296,701	(75,299)
Investment income		250,000	65,454	(184,546)
Miscellaneous		50,000	26,755	(23,245)
Total revenues	23,981,619	23,981,619	22,628,005	(1,353,614)
Expenditures:				
Current -				
General government				
Magistrate court	1,327,711	1,327,711	1,129,476	238,835
Mayor and council	1,386,559	1,216,723	167,784	19,475
City manager	388,620	287,586	223,149	77,187
Finance department	713,425	684,425	744,148	5,527
City attorney	644,157	604,157	536,152	116,855
City clerk	257,945	286,379	280,918	19,511
Human resources director	486,601	460,601	552,853	19,598
Planning and zoning	720,189	642,989	680,397	48,542
Total general government	5,925,207	5,510,571	4,314,877	545,530
Public safety				
Police department	7,866,408	7,825,408	7,753,886	597,872
Fire department	5,413,910	5,375,910	5,082,850	473,160
Building inspections	806,739	796,739	869,786	21,603
Total public safety	14,087,057	13,998,057	13,706,522	1,092,635
Culture and recreation				
Recreation	503,595	511,595	510,124	2,821
Swimming	376,392	376,392	370,290	6,352
Municipal golf course	1,145,158	1,125,158	1,055,965	75,393
Parks	1,714,231	1,703,031	1,696,372	113,859
Total culture and recreation	3,739,376	3,716,176	3,632,751	198,425
Economic development				
Tourism commission	792,000	792,000	234,178	457,822
Total economic development	792,000	792,000	234,178	457,822
Capital outlay	390,500	310,700	263,110	47,590
Total capital outlay	390,500	310,700	263,110	47,590
Total expenditures	24,934,140	24,327,504	22,151,438	2,342,002
Excess (deficiency) of revenues over expenditures	(952,521)	(345,885)	476,567	988,388
Other financing sources (uses):				
Transfers in	1,174,494	1,174,494	1,215,996	41,502
Transfers out	(2,602,814)	(3,209,450)	(1,877,289)	554,361
Total other financing sources (uses)	(1,428,320)	(2,034,956)	(661,293)	595,863
Change in fund balances	(2,380,841)	(2,380,841)	(184,726)	1,584,251
Fund balances, July 1, 2008	7,792,698	7,792,698	8,810,167	1,017,469
Fund balances, June 30, 2009	\$ 5,411,857	\$ 5,411,857	\$ 8,625,441	\$ 2,601,720

CITY OF KINGMAN, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**CITY OF KINGMAN, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL ASSESSMENT DISTRICTS
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment income	\$ 126,800	\$ 32,964	\$ (93,836)
Special assessments	783,875	2,701,235	1,917,360
Total revenues	<u>910,675</u>	<u>2,734,199</u>	<u>1,823,524</u>
Expenditures:			
Debt service -			
Principal retirement	815,831	815,831	
Interest and fiscal charges	371,094	372,650	(1,556)
Total expenditures	<u>1,186,925</u>	<u>1,188,481</u>	<u>(1,556)</u>
Excess (deficiency) of revenues over expenditures	<u>(276,250)</u>	<u>1,545,718</u>	<u>1,821,968</u>
Other financing sources (uses):			
Transfers in	854,615		(854,615)
Transfers out	(27,670)	(27,670)	
Total other financing sources (uses)	<u>826,945</u>	<u>(27,670)</u>	<u>(854,615)</u>
Change in fund balances	<u>550,695</u>	<u>1,518,048</u>	<u>967,353</u>
Fund balances, July 1, 2008	3,870,406	2,348,272	(1,522,134)
Fund balances, June 30, 2009	<u>\$ 4,421,101</u>	<u>\$ 3,866,320</u>	<u>\$ (554,781)</u>

**CITY OF KINGMAN, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$	\$ 30,000	\$ 22,648	\$ (7,352)
Miscellaneous	174,000	2,061,993	22,300	(2,039,693)
Development investment fees	2,429,993		868,950	868,950
Total revenues	<u>2,603,993</u>	<u>2,091,993</u>	<u>913,898</u>	<u>(1,178,095)</u>
Expenditures:				
Capital outlay	25,694,250	25,182,250	1,528,351	23,653,899
Total expenditures	<u>25,694,250</u>	<u>25,182,250</u>	<u>1,528,351</u>	<u>23,653,899</u>
Excess (deficiency) of revenues over expenditures	<u>(23,090,257)</u>	<u>(23,090,257)</u>	<u>(614,453)</u>	<u>22,475,804</u>
Other financing sources (uses):				
General obligation bonds issued	24,132,250	23,732,250		(23,732,250)
Transfers in	835,000	1,235,000	689,636	(545,364)
Total other financing sources (uses)	<u>24,967,250</u>	<u>24,967,250</u>	<u>689,636</u>	<u>(24,277,614)</u>
Change in fund balances	<u>1,876,993</u>	<u>1,876,993</u>	<u>75,183</u>	<u>(1,801,810)</u>
Fund balances, July 1, 2008	1,900,662	1,900,662	298,535	(1,602,127)
Fund balances, June 30, 2009	<u>\$ 3,777,655</u>	<u>\$ 3,777,655</u>	<u>\$ 373,718</u>	<u>\$ (3,403,937)</u>

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NON-MAJOR GOVERNMENTAL FUNDS

CITY OF KINGMAN, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2009

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$ 1,425,276	\$ 2,415,341	\$ 5,751,042	\$ 9,591,659
Taxes receivable		8,240		8,240
Accounts receivable	108,288			108,288
Due from governmental entities	357,313			357,313
Total assets	\$ 1,890,877	\$ 2,423,581	\$ 5,751,042	\$ 10,065,500
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 75,421	\$	\$ 318,503	\$ 393,924
Accrued payroll and employee benefits	32,196			32,196
Interest payable		110,887		110,887
Deferred revenue	140,034			140,034
General obligation bonds payable		815,000		815,000
Total liabilities	247,651	925,887	318,503	1,492,041
Fund balances:				
Unreserved:				
Undesignated	1,643,226	1,497,694	5,432,539	8,573,459
Total fund balances	1,643,226	1,497,694	5,432,539	8,573,459
Total liabilities and fund balances	\$ 1,890,877	\$ 2,423,581	\$ 5,751,042	\$ 10,065,500

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, 2009

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$	\$ 437,457	\$	\$ 437,457
Intergovernmental	4,170,658		715,337	4,885,995
Investment income	11,245	9,416	65,809	86,470
Special assessments	6,838		524,692	531,530
Miscellaneous	187,316	147	51	187,514
Development investment fees			30,000	30,000
Total revenues	<u>4,376,057</u>	<u>447,020</u>	<u>1,335,889</u>	<u>6,158,966</u>
Expenditures:				
Current -				
General government	140,847			140,847
Public safety	928,498			928,498
Highways and streets	3,018,176			3,018,176
Culture and recreation	2,715			2,715
Economic development	29,042			29,042
Capital outlay	23,582		2,799,743	2,823,325
Debt service -				
Bond issuance costs			112,230	112,230
Principal retirement	34,722	1,265,000		1,299,722
Interest and fiscal charges	26,354	271,215		297,569
Total expenditures	<u>4,203,936</u>	<u>1,536,215</u>	<u>2,911,973</u>	<u>8,652,124</u>
Excess (deficiency) of revenues over expenditures	<u>172,121</u>	<u>(1,089,195)</u>	<u>(1,576,084)</u>	<u>(2,493,158)</u>
Other financing sources (uses):				
Special assessment bonds issued			3,880,000	3,880,000
Transfers in	560,458	1,655,845	475,000	2,691,303
Transfers out	(629,482)		(1,175,720)	(1,805,202)
Total other financing sources (uses)	<u>(69,024)</u>	<u>1,655,845</u>	<u>3,179,280</u>	<u>4,766,101</u>
Change in fund balances	<u>103,097</u>	<u>566,650</u>	<u>1,603,196</u>	<u>2,272,943</u>
Fund balances, beginning of year	1,540,129	931,044	3,829,343	6,300,516
Fund balances, end of year	<u>\$ 1,643,226</u>	<u>\$ 1,497,694</u>	<u>\$ 5,432,539</u>	<u>\$ 8,573,459</u>

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NON-MAJOR SPECIAL REVENUE FUNDS

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

HURF (Highway User Revenue) Fund - accounts for the City's share of motor fuel tax revenues.

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

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

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

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

CITY OF KINGMAN, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009

	<u>HURF</u>	<u>Transit System</u>	<u>Improvement District Bond Repayment</u>	<u>Powerhouse</u>
<u>ASSETS</u>				
Cash and investments	\$ 341,139	\$ 312,217	\$ 218,075	\$ 9,159
Accounts receivable				
Due from governmental entities	209,010	85,098		
Total assets	<u>\$ 550,149</u>	<u>\$ 397,315</u>	<u>\$ 218,075</u>	<u>\$ 9,159</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 3,334	\$ 800		\$ 1,511
Accrued payroll and employee benefits	18,992	13,204		
Deferred revenue	140,034			
Total liabilities	<u>162,360</u>	<u>14,004</u>		<u>1,511</u>
Fund balances:				
Unreserved:				
Undesignated	387,789	383,311	218,075	7,648
Total fund balances	<u>387,789</u>	<u>383,311</u>	<u>218,075</u>	<u>7,648</u>
Total liabilities and fund balances	<u>\$ 550,149</u>	<u>\$ 397,315</u>	<u>\$ 218,075</u>	<u>\$ 9,159</u>

<u>Grants</u>	<u>Totals</u>
\$ 544,686	\$ 1,425,276
108,288	108,288
63,205	357,313
<u>\$ 716,179</u>	<u>\$ 1,890,877</u>

\$ 69,776	\$ 75,421
	32,196
	140,034
<u>69,776</u>	<u>247,651</u>

<u>646,403</u>	<u>1,643,226</u>
<u>646,403</u>	<u>1,643,226</u>
<u>\$ 716,179</u>	<u>\$ 1,890,877</u>

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009

	HURF	Transit System	Improvement District Bond Repayment
Revenues:			
Intergovernmental	\$ 2,303,984	\$ 551,901	\$
Investment income	3,984	1,080	954
Special assessments			6,838
Miscellaneous	4,364	148,549	
Total revenues	<u>2,312,332</u>	<u>701,530</u>	<u>7,792</u>
Expenditures:			
Current -			
General government			
Public safety			
Highways and streets	2,136,254	877,122	
Culture and recreation			
Economic development			
Capital outlay		23,582	
Debt service -			
Principal retirement	34,722		
Interest and fiscal charges	26,354		
Total expenditures	<u>2,197,330</u>	<u>900,704</u>	
Excess (deficiency) of revenues over expenditures	<u>115,002</u>	<u>(199,174)</u>	<u>7,792</u>
Other financing sources (uses):			
Transfers in	167,930	314,528	
Transfers out	(341,100)		
Total other financing sources (uses)	<u>(173,170)</u>	<u>314,528</u>	
Change in fund balances	<u>(58,168)</u>	<u>115,354</u>	<u>7,792</u>
Fund balances, beginning of year	445,957	267,957	210,283
Fund balances, end of year	<u>\$ 387,789</u>	<u>\$ 383,311</u>	<u>\$ 218,075</u>

Powerhouse	Grants	Totals
\$	\$	\$
67	1,314,773	4,170,658
	5,160	11,245
		6,838
34,403		187,316
<u>34,470</u>	<u>1,319,933</u>	<u>4,376,057</u>
139,733	1,114	140,847
	928,498	928,498
	4,800	3,018,176
	2,715	2,715
	29,042	29,042
		23,582
		34,722
		26,354
<u>139,733</u>	<u>966,169</u>	<u>4,203,936</u>
<u>(105,263)</u>	<u>353,764</u>	<u>172,121</u>
78,000		560,458
	(288,382)	(629,482)
<u>78,000</u>	<u>(288,382)</u>	<u>(69,024)</u>
<u>(27,263)</u>	<u>65,382</u>	<u>103,097</u>
34,911	581,021	1,540,129
<u>\$ 7,648</u>	<u>\$ 646,403</u>	<u>\$ 1,643,226</u>

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009

	HURF		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 2,966,693	\$ 2,303,984	\$ (662,709)
Investment income	25,000	3,984	(21,016)
Special assessments			
Miscellaneous	25,000	4,364	(20,636)
Total revenues	<u>3,016,693</u>	<u>2,312,332</u>	<u>(704,361)</u>
Expenditures:			
Current -			
General government			
Public safety			
Highways and streets	3,035,825	2,136,254	899,571
Culture and recreation			
Economic development			
Capital outlay	25,124		25,124
Debt service -			
Principal retirement	34,722	34,722	
Interest and fiscal charges	26,354	26,354	
Total expenditures	<u>3,122,025</u>	<u>2,197,330</u>	<u>924,695</u>
Excess (deficiency) of revenues over expenditures	<u>(105,332)</u>	<u>115,002</u>	<u>220,334</u>
Other financing sources (uses):			
Transfers in	167,930	167,930	
Transfers out	(341,100)	(341,100)	
Total other financing sources (uses)	<u>(173,170)</u>	<u>(173,170)</u>	
Change in fund balances	<u>(278,502)</u>	<u>(58,168)</u>	<u>220,334</u>
Fund balances, July 1, 2008	503,951	445,957	(57,994)
Fund balances, June 30, 2009	<u>\$ 225,449</u>	<u>\$ 387,789</u>	<u>\$ 162,340</u>

Transit System			Improvement District Bond Repayment		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 527,189	\$ 551,901	\$ 24,712	\$	\$	\$
	1,080	1,080	3,000	954	(2,046)
85,000	148,549	63,549	6,838	6,838	
612,189	701,530	89,341	9,838	7,792	(2,046)
941,184	877,122	64,062			
45,000	23,582	21,418			
986,184	900,704	85,480			
(373,995)	(199,174)	174,821	9,838	7,792	(2,046)
314,528	314,528				
314,528	314,528				
(59,467)	115,354	174,821	9,838	7,792	(2,046)
248,809	267,957	19,148	202,748	210,283	7,535
\$ 189,342	\$ 383,311	\$ 193,969	\$ 212,586	\$ 218,075	\$ 5,489

(Continued)

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009
(Concluded)

	Powerhouse		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Intergovernmental	\$	\$	\$
Investment income		67	67
Special assessments			
Miscellaneous	36,000	34,403	(1,597)
Total revenues	<u>36,000</u>	<u>34,470</u>	<u>(1,530)</u>
Expenditures:			
Current -			
General government	141,550	139,733	1,817
Public safety			
Highways and streets			
Culture and recreation			
Economic development			
Capital outlay			
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>141,550</u>	<u>139,733</u>	<u>1,817</u>
Excess (deficiency) of revenues over expenditures	<u>(105,550)</u>	<u>(105,263)</u>	<u>287</u>
Other financing sources (uses):			
Transfers in	78,000	78,000	
Transfers out			
Total other financing sources (uses)	<u>78,000</u>	<u>78,000</u>	
Change in fund balances	<u>(27,550)</u>	<u>(27,263)</u>	<u>287</u>
Fund balances, July 1, 2008	34,341	34,911	570
Fund balances, June 30, 2009	<u>\$ 6,791</u>	<u>\$ 7,648</u>	<u>\$ 857</u>

Grants			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 5,214,365	\$ 1,314,773	\$ (3,899,592)	\$ 8,708,247	\$ 4,170,658	\$ (4,537,589)
5,000	5,160	160	33,000	11,245	(21,755)
			6,838	6,838	
			146,000	187,316	41,316
<u>5,219,365</u>	<u>1,319,933</u>	<u>(3,899,432)</u>	<u>8,894,085</u>	<u>4,376,057</u>	<u>(4,518,028)</u>
	1,114	(1,114)	141,550	140,847	703
1,464,908	928,498	536,410	1,464,908	928,498	536,410
2,713,062	4,800	2,708,262	6,690,071	3,018,176	3,671,895
1,081,883	2,715	1,079,168	1,081,883	2,715	1,079,168
170,000	29,042	140,958	170,000	29,042	140,958
			70,124	23,582	46,542
			34,722	34,722	
			26,354	26,354	
<u>5,429,853</u>	<u>966,169</u>	<u>4,463,684</u>	<u>9,679,612</u>	<u>4,203,936</u>	<u>5,475,676</u>
(210,488)	353,764	564,252	(785,527)	172,121	957,648
40,061		(40,061)	600,519	560,458	(40,061)
(237,109)	(288,382)	(51,273)	(578,209)	(629,482)	(51,273)
(197,048)	(288,382)	(91,334)	22,310	(69,024)	(91,334)
(407,536)	65,382	472,918	(763,217)	103,097	866,314
467,435	581,021	113,586	1,457,284	1,540,129	82,845
<u>\$ 59,899</u>	<u>\$ 646,403</u>	<u>\$ 586,504</u>	<u>\$ 694,067</u>	<u>\$ 1,643,226</u>	<u>\$ 949,159</u>

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NON-MAJOR DEBT SERVICE FUNDS

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

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

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

CITY OF KINGMAN, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2009

	<u>G.O. Bond Debt Service</u>	<u>MPC Debt</u>	<u>HELP Loan Debt</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and investments	\$ 1,248,061	\$ 603,215	\$ 564,065	\$ 2,415,341
Taxes receivable	8,240			8,240
Total assets	<u>\$ 1,256,301</u>	<u>\$ 603,215</u>	<u>\$ 564,065</u>	<u>\$ 2,423,581</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Interest payable	\$ 12,075	\$ 98,812	\$	\$ 110,887
General obligation bonds payable	420,000	395,000		815,000
Total liabilities	<u>432,075</u>	<u>493,812</u>		<u>925,887</u>
Fund balances:				
Unreserved:				
Undesignated	824,226	109,403	564,065	1,497,694
Total fund balances	<u>824,226</u>	<u>109,403</u>	<u>564,065</u>	<u>1,497,694</u>
Total liabilities and fund balances	<u>\$ 1,256,301</u>	<u>\$ 603,215</u>	<u>\$ 564,065</u>	<u>\$ 2,423,581</u>

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2009

	G.O. Bond Debt Service	MPC Debt	HELP Loan Debt	Totals
Revenues:				
Taxes	\$ 437,457	\$	\$	\$ 437,457
Investment income	7,090	791	1,535	9,416
Miscellaneous		147		147
Total revenues	<u>444,547</u>	<u>938</u>	<u>1,535</u>	<u>447,020</u>
Expenditures:				
Debt service -				
Principal retirement	420,000	395,000	450,000	1,265,000
Interest and fiscal charges	24,150	198,875	48,190	271,215
Total expenditures	<u>444,150</u>	<u>593,875</u>	<u>498,190</u>	<u>1,536,215</u>
Excess (deficiency) of revenues over expenditures	<u>397</u>	<u>(592,937)</u>	<u>(496,655)</u>	<u>(1,089,195)</u>
Other financing sources (uses):				
Transfers in		595,125	1,060,720	1,655,845
Total other financing sources (uses)		<u>595,125</u>	<u>1,060,720</u>	<u>1,655,845</u>
Change in fund balances	<u>397</u>	<u>2,188</u>	<u>564,065</u>	<u>566,650</u>
Fund balances, beginning of year	823,829	107,215		931,044
Fund balances, end of year	<u>\$ 824,226</u>	<u>\$ 109,403</u>	<u>\$ 564,065</u>	<u>\$ 1,497,694</u>

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2009

	G.O. Bond Debt Service		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 444,150	\$ 437,457	\$ (6,693)
Investment income	30,000	7,090	(22,910)
Miscellaneous			
Total revenues	474,150	444,547	(29,603)
Expenditures:			
Debt service -			
Principal retirement	420,000	420,000	
Interest and fiscal charges	24,150	24,150	
Total expenditures	444,150	444,150	
Excess (deficiency) of revenues over expenditures	30,000	397	(29,603)
Other financing sources (uses):			
Transfers in			
Total other financing sources (uses)			
Change in fund balances	30,000	397	(29,603)
Fund balances, July 1, 2008	932,115	823,829	(108,286)
Fund balances, June 30, 2009	\$ 962,115	\$ 824,226	\$ (137,889)

MPC Debt		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	791	791
	147	147
	938	938
395,000	395,000	
200,125	198,875	1,250
595,125	593,875	1,250
(595,125)	(592,937)	2,188
595,125	595,125	
595,125	595,125	
	2,188	2,188
5,702	107,215	101,513
\$ 5,702	\$ 109,403	\$ 103,701

HELP Loan Debt		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	1,535	1,535
	1,535	1,535
450,000	450,000	
48,190	48,190	
498,190	498,190	
(498,190)	(496,655)	1,535
1,060,720	1,060,720	
1,060,720	1,060,720	
	562,530	564,065
	562,530	564,065
\$ 562,530	\$ 564,065	\$ 1,535

(Continued)

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2009
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 444,150	\$ 437,457	\$ (6,693)
Investment income	30,000	9,416	(20,584)
Miscellaneous		147	147
Total revenues	474,150	447,020	(27,130)
Expenditures:			
Debt service -			
Principal retirement	1,265,000	1,265,000	
Interest and fiscal charges	272,465	271,215	1,250
Total expenditures	1,537,465	1,536,215	1,250
Excess (deficiency) of revenues over expenditures	(1,063,315)	(1,089,195)	(25,880)
Other financing sources (uses):			
Transfers in	1,655,845	1,655,845	
Total other financing sources (uses)	1,655,845	1,655,845	
Change in fund balances	592,530	566,650	(25,880)
Fund balances, July 1, 2008	937,817	931,044	(6,773)
Fund balances, June 30, 2009	\$ 1,530,347	\$ 1,497,694	\$ (32,653)

NON-MAJOR CAPITAL PROJECTS FUNDS

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

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

Airway Underpass Fund - accounts for the Airway Underpass project.

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

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

Kingman Crossing Fund – accounts for the Kingman Crossing project.

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

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

CITY OF KINGMAN, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2009

	<u>Local Construction</u>	<u>Airway Underpass</u>	<u>Bank Street Construction</u>	<u>KAT and Banks Airport Construction</u>
<u>ASSETS</u>				
Cash and investments	\$ 461,723	\$ 934,359	\$ 41,694	\$ 2,764,363
Total assets	<u>\$ 461,723</u>	<u>\$ 934,359</u>	<u>\$ 41,694</u>	<u>\$ 2,764,363</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$	\$	\$ 300,342
Total liabilities				<u>300,342</u>
Fund balances:				
Unreserved:				
Undesignated	461,723	934,359	41,694	2,464,021
Total fund balances	<u>461,723</u>	<u>934,359</u>	<u>41,694</u>	<u>2,464,021</u>
Total liabilities and fund balances	<u>\$ 461,723</u>	<u>\$ 934,359</u>	<u>\$ 41,694</u>	<u>\$ 2,764,363</u>

Kingman Crossing	Rattlesnake Wash Construction	Flood Control	Totals
\$ 105,742	\$ 108,314	\$ 1,334,847	\$ 5,751,042
\$ 105,742	\$ 108,314	\$ 1,334,847	\$ 5,751,042
\$ 4,284	\$	\$ 13,877	\$ 318,503
4,284		13,877	318,503
101,458	108,314	1,320,970	5,432,539
101,458	108,314	1,320,970	5,432,539
\$ 105,742	\$ 108,314	\$ 1,334,847	\$ 5,751,042

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2009

	Local Construction	Airway Underpass	Bank Street Construction
Revenues:			
Intergovernmental	\$	\$	\$
Investment income	5,728	7,783	5,604
Special assessments			
Miscellaneous			
Development investment fees			
Total revenues	5,728	7,783	5,604
Expenditures:			
Capital outlay		23,704	
Debt service -			
Bond issuance costs			
Total expenditures		23,704	
Excess (deficiency) of revenues over expenditures	5,728	(15,921)	5,604
Other financing sources (uses):			
Special assessment bonds issued			
Transfers in			
Transfers out	(315,000)		(860,720)
Total other financing sources (uses)	(315,000)		(860,720)
Change in fund balances	(309,272)	(15,921)	(855,116)
Fund balances (deficits), beginning of year	770,995	950,280	896,810
Fund balances, end of year	\$ 461,723	\$ 934,359	\$ 41,694

KAT and Banks Airport Construction	Kingman Crossing	Rattlesnake Wash Construction	Flood Control	Totals
\$	\$	\$	\$	\$
38,387	264	264	715,337	715,337
524,692			7,779	65,809
			51	524,692
		30,000		51
		30,264		30,000
563,079	264	30,264	723,167	1,335,889
2,023,833	1,456	136,950	613,800	2,799,743
112,230				112,230
2,136,063	1,456	136,950	613,800	2,911,973
(1,572,984)	(1,192)	(106,686)	109,367	(1,576,084)
3,880,000				3,880,000
160,000	100,000	215,000		475,000
				(1,175,720)
4,040,000	100,000	215,000		3,179,280
2,467,016	98,808	108,314	109,367	1,603,196
(2,995)	2,650		1,211,603	3,829,343
\$ 2,464,021	\$ 101,458	\$ 108,314	\$ 1,320,970	\$ 5,432,539

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2009

	Local Construction		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$	\$	\$
Investment income	15,000	5,728	(9,272)
Special assessments			
Miscellaneous			
Development investment fees			
Total revenues	15,000	5,728	(9,272)
Expenditures:			
Capital outlay			
Debt service -			
Bond issuance costs			
Total expenditures			
Excess (deficiency) of revenues over expenditures	15,000	5,728	(9,272)
Other financing sources (uses):			
Special assessment bonds issued			
Transfers in			
Transfers out	(800,000)	(315,000)	485,000
Total other financing sources (uses)	(800,000)	(315,000)	485,000
Change in fund balances	(785,000)	(309,272)	475,728
Fund balances (deficits), July 1, 2008	867,371	770,995	(96,376)
Fund balances, June 30, 2009	\$ 82,371	\$ 461,723	\$ 379,352

Airway Underpass		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	7,783	7,783
	7,783	7,783
50,000	23,704	26,296
50,000	23,704	26,296
(50,000)	(15,921)	34,079
(854,615)		854,615
(854,615)		854,615
(904,615)	(15,921)	888,694
904,615	950,280	45,665
\$	\$ 934,359	\$ 934,359

Bank Street Construction		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	5,604	5,604
	5,604	5,604
	5,604	5,604
(860,720)	(860,720)	
(860,720)	(860,720)	
(860,720)	(855,116)	5,604
860,720	896,810	36,090
\$	\$ 41,694	\$ 41,694

(Continued)

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2009
(Continued)

	KAT and Banks Airport Construction		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$	\$	\$
Investment income		38,387	38,387
Special assessments		524,692	524,692
Miscellaneous			
Development investment fees			
Total revenues		563,079	563,079
Expenditures:			
Capital outlay	6,160,000	2,023,833	4,136,167
Debt service -			
Bond issuance costs		112,230	(112,230)
Total expenditures	6,160,000	2,136,063	4,023,937
Excess (deficiency) of revenues over expenditures	(6,160,000)	(1,572,984)	4,587,016
Other financing sources (uses):			
Special assessment bonds issued	6,000,000	3,880,000	(2,120,000)
Transfers in	160,000	160,000	
Transfers out			
Total other financing sources (uses)	6,160,000	4,040,000	(2,120,000)
Change in fund balances		2,467,016	2,467,016
Fund balances (deficits), July 1, 2008		(2,995)	(2,995)
Fund balances, June 30, 2009	\$	\$ 2,464,021	\$ 2,464,021

Kingman Crossing		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	264	264
	264	264
10,036	1,456	8,580
10,036	1,456	8,580
(10,036)	(1,192)	8,844
	100,000	100,000
	100,000	100,000
(10,036)	98,808	108,844
10,036	2,650	(7,386)
\$	\$ 101,458	\$ 101,458

Rattlesnake Wash Construction		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	264	264
512,000		(512,000)
	30,000	30,000
512,000	30,264	(481,736)
512,000	136,950	375,050
512,000	136,950	375,050
	(106,686)	(106,686)
	215,000	215,000
	215,000	215,000
	108,314	108,314
\$	\$ 108,314	\$ 108,314

(Continued)

CITY OF KINGMAN, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2009
(Concluded)

	Flood Control		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 715,334	\$ 715,337	\$ 3
Investment income	15,000	7,779	(7,221)
Special assessments			
Miscellaneous		51	51
Development investment fees			
Total revenues	<u>730,334</u>	<u>723,167</u>	<u>(7,167)</u>
Expenditures:			
Capital outlay	1,121,000	613,800	507,200
Debt service -			
Bond issuance costs			
Total expenditures	<u>1,121,000</u>	<u>613,800</u>	<u>507,200</u>
Excess (deficiency) of revenues over expenditures	<u>(390,666)</u>	<u>109,367</u>	<u>500,033</u>
Other financing sources (uses):			
Special assessment bonds issued			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Change in fund balances	<u>(390,666)</u>	<u>109,367</u>	<u>500,033</u>
Fund balances (deficits), July 1, 2008	493,980	1,211,603	717,623
Fund balances, June 30, 2009	<u>\$ 103,314</u>	<u>\$ 1,320,970</u>	<u>\$ 1,217,656</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 715,334	\$ 715,337	\$ 3
30,000	65,809	35,809
	524,692	524,692
512,000	51	(511,949)
	30,000	30,000
<u>1,257,334</u>	<u>1,335,889</u>	<u>78,555</u>
7,853,036	2,799,743	5,053,293
	112,230	(112,230)
<u>7,853,036</u>	<u>2,911,973</u>	<u>4,941,063</u>
<u>(6,595,702)</u>	<u>(1,576,084)</u>	<u>5,019,618</u>
6,000,000	3,880,000	(2,120,000)
160,000	475,000	315,000
<u>(2,515,335)</u>	<u>(1,175,720)</u>	<u>1,339,615</u>
<u>3,644,665</u>	<u>3,179,280</u>	<u>(465,385)</u>
<u>(2,951,037)</u>	<u>1,603,196</u>	<u>4,554,233</u>
3,136,722	3,829,343	692,621
<u>\$ 185,685</u>	<u>\$ 5,432,539</u>	<u>\$ 5,246,854</u>

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INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2009

	Fleet Services	Insurance Services	Building Maintenance Services	Information Systems
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 196,123	\$ 859,896	\$ 214,488	\$ 1,111,189
Accounts receivable				
Total current assets	<u>196,123</u>	<u>859,896</u>	<u>214,488</u>	<u>1,111,189</u>
Noncurrent assets:				
Land	567,000			
Buildings	576,100			
Improvements other than buildings	78,660			
Vehicles, machinery, and equipment	163,318			751,556
Accumulated depreciation	(461,223)			(520,072)
Total noncurrent assets	<u>923,855</u>			<u>231,484</u>
Total assets	<u>1,119,978</u>	<u>859,896</u>	<u>214,488</u>	<u>1,342,673</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 35,980	\$ 6,062	\$ 5,478	\$ 5,855
Accrued payroll and employee benefits	8,576		4,508	11,144
Compensated absences payable	46,432		10,022	27,301
Obligations under capital leases	36,740			
Claims payable				
Total current liabilities	<u>127,728</u>	<u>6,062</u>	<u>20,008</u>	<u>44,300</u>
Noncurrent liabilities:				
Non-current portion of long-term obligations	<u>382,138</u>			
Total non-current liabilities	<u>382,138</u>			
Total liabilities	<u>509,866</u>	<u>6,062</u>	<u>20,008</u>	<u>44,300</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	504,977			231,484
Unrestricted	<u>105,135</u>	<u>853,834</u>	<u>194,480</u>	<u>1,066,889</u>
Total net assets	<u>\$ 610,112</u>	<u>\$ 853,834</u>	<u>\$ 194,480</u>	<u>\$ 1,298,373</u>

Employee Benefit Trust	Totals
\$ 4,163,525	\$ 6,545,221
31,246	31,246
4,194,771	6,576,467

	567,000
	576,100
	78,660
	914,874
	(981,295)
	1,155,339
4,194,771	7,731,806

\$ 20,138	\$ 73,513
943	25,171
	83,755
	36,740
614,000	614,000
635,081	833,179

	382,138
	382,138
635,081	1,215,317

	736,461
3,559,690	5,780,028
\$ 3,559,690	\$ 6,516,489

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, 2009

	Fleet Services	Insurance Services	Building Maintenance Services	Information Systems
Operating revenues:				
Miscellaneous	\$	\$	\$	\$
Charges for services	1,023,360	606,644	666,600	500,000
Contributions				
Total operating revenues	<u>1,023,360</u>	<u>606,644</u>	<u>666,600</u>	<u>500,000</u>
Operating expenses:				
Costs of sales and services	1,075,102	429,565	644,940	859,955
Depreciation	25,855			91,130
Claims				
Total operating expenses	<u>1,100,957</u>	<u>429,565</u>	<u>644,940</u>	<u>951,085</u>
Operating income (loss)	<u>(77,597)</u>	<u>177,079</u>	<u>21,660</u>	<u>(451,085)</u>
Nonoperating revenues (expenses):				
Investment income	2,023	6,365	1,624	10,540
Miscellaneous	6,151			
Interest expense	(26,354)			
Total nonoperating revenues (expenses)	<u>(18,180)</u>	<u>6,365</u>	<u>1,624</u>	<u>10,540</u>
Income (loss) before capital contributions and transfers	<u>(95,777)</u>	<u>183,444</u>	<u>23,284</u>	<u>(440,545)</u>
Transfers in				9,771
Change in net assets	<u>(95,777)</u>	<u>183,444</u>	<u>23,284</u>	<u>(430,774)</u>
Total net assets, beginning of year	705,889	670,390	171,196	1,729,147
Total net assets, end of year	<u>\$ 610,112</u>	<u>\$ 853,834</u>	<u>\$ 194,480</u>	<u>\$ 1,298,373</u>

Employee Benefit Trust	Totals
\$ 98,740	\$ 98,740
	2,796,604
4,102,984	4,102,984
<u>4,201,724</u>	<u>6,998,328</u>
	3,009,562
	116,985
3,955,972	3,955,972
<u>3,955,972</u>	<u>7,082,519</u>
<u>245,752</u>	<u>(84,191)</u>
31,106	51,658
8,480	14,631
	<u>(26,354)</u>
<u>39,586</u>	<u>39,935</u>
<u>285,338</u>	<u>(44,256)</u>
<u>325,000</u>	<u>334,771</u>
<u>610,338</u>	<u>290,515</u>
2,949,352	6,225,974
<u>\$ 3,559,690</u>	<u>\$ 6,516,489</u>

CITY OF KINGMAN, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2009

	Fleet Services	Insurance Services	Building Maintenance Services	Information Systems
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 1,023,360	\$ 606,644	\$ 666,600	\$ 500,000
Cash received from contributions				
Cash payments to employees for services	(329,150)		(176,893)	(415,231)
Cash payments to suppliers for goods/services	(733,069)	(437,707)	(475,564)	(465,348)
Cash payments for claims				
Net cash provided by (used for) operating activities	(38,859)	168,937	14,143	(380,579)
Cash flows from non capital financing activities:				
Nonoperating revenues	6,151			
Transfers in				9,771
Net cash provided by non capital financing activities:	6,151			9,771
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1)			(9,772)
Principal paid on debt	(34,722)			
Interest paid on debt	(26,354)			
Net cash used for capital and related financing activities:	(61,077)			(9,772)
Cash flows from investing activities:				
Investment income	2,023	6,365	1,624	10,540
Net cash provided by investing activities	2,023	6,365	1,624	10,540
Net increase (decrease) in cash and cash equivalents	(91,762)	175,302	15,767	(370,040)
Cash and cash equivalents, beginning of year	287,885	684,594	198,721	1,481,229
Cash and cash equivalents, end of year	\$ 196,123	\$ 859,896	\$ 214,488	\$ 1,111,189
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Operating income (loss)	\$ (77,597)	\$ 177,079	\$ 21,660	\$ (451,085)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	25,855			91,130
Changes in assets and liabilities:				
Increase in accounts receivable				
Decrease in compensated absences payable	(1,916)		(1,776)	(1,854)
Decrease in claims payable				
Increase in accrued payroll and employee benefits	545		272	780
Increase (decrease) in accounts payable	14,254	(8,142)	(6,013)	(19,550)
Total adjustments	38,738	(8,142)	(7,517)	70,506
Net cash provided by (used for) operating activities	\$ (38,859)	\$ 168,937	\$ 14,143	\$ (380,579)

<u>Employee Benefit Trust</u>	<u>Totals</u>
\$ 4,201,724	\$ 2,796,604
	4,201,724
	(921,274)
	(2,111,688)
<u>(4,023,806)</u>	<u>(4,023,806)</u>
<u>177,918</u>	<u>(58,440)</u>
8,480	14,631
<u>325,000</u>	<u>334,771</u>
<u>333,480</u>	<u>349,402</u>
	(9,773)
	(34,722)
	(26,354)
	<u>(70,849)</u>
<u>31,106</u>	<u>51,658</u>
<u>31,106</u>	<u>51,658</u>
<u>542,504</u>	<u>271,771</u>
<u>3,621,021</u>	<u>6,273,450</u>
\$ <u><u>4,163,525</u></u>	\$ <u><u>6,545,221</u></u>
\$ 245,752	\$ (84,191)
	116,985
(31,246)	(31,246)
	(5,546)
(48,000)	(48,000)
	1,597
<u>11,412</u>	<u>(8,039)</u>
<u>(67,834)</u>	<u>25,751</u>
\$ <u><u>177,918</u></u>	\$ <u><u>(58,440)</u></u>

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STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	Fiscal Year Ended June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 37,891,064	\$ 37,438,313	\$ 37,343,856	\$ 43,500,192	\$ 35,549,975
Restricted	387,789	445,957	877,528	1,244,463	
Unrestricted	28,536,485	28,310,524	25,907,666	10,551,246	17,550,843
Total governmental activities net assets	<u>\$ 66,815,338</u>	<u>\$ 66,194,794</u>	<u>\$ 64,129,050</u>	<u>\$ 55,295,901</u>	<u>\$ 53,100,818</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 29,906,112	\$ 30,578,796	\$ 31,505,500	\$ 30,029,791	\$ 29,058,678
Restricted	942,356	938,662	943,561	932,588	879,772
Unrestricted	15,482,328	13,468,732	9,389,716	9,703,202	8,952,050
Total business-type activities net assets	<u>\$ 46,330,796</u>	<u>\$ 44,986,190</u>	<u>\$ 41,838,777</u>	<u>\$ 40,665,581</u>	<u>\$ 38,890,500</u>
Primary government					
Invested in capital assets, net of related debt	\$ 67,797,176	\$ 68,017,109	\$ 68,849,356	\$ 73,529,983	\$ 64,608,653
Restricted	1,330,145	1,384,619	1,821,089	2,177,051	879,772
Unrestricted	44,018,813	41,779,256	35,297,382	20,254,448	26,502,893
Total net assets	<u>\$ 113,146,134</u>	<u>\$ 111,180,984</u>	<u>\$ 105,967,827</u>	<u>\$ 95,961,482</u>	<u>\$ 91,991,318</u>

(Continued)

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

	<u>Fiscal Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Governmental activities:		
Invested in capital assets, net of related debt	\$ 40,484,882	\$ 38,262,311
Restricted		
Unrestricted	12,472,748	8,961,390
Total governmental activities net assets	<u>\$ 52,957,630</u>	<u>\$ 47,223,701</u>
Business-type activities:		
Invested in capital assets, net of related debt	\$ 28,022,369	\$ 27,144,951
Restricted	808,324	773,589
Unrestricted	8,534,046	9,403,917
Total business-type activities net assets	<u>\$ 37,364,739</u>	<u>\$ 37,322,457</u>
Primary government		
Invested in capital assets, net of related debt	\$ 68,507,251	\$ 65,407,262
Restricted	808,324	773,589
Unrestricted	21,006,794	18,365,307
Total net assets	<u>\$ 90,322,369</u>	<u>\$ 84,546,158</u>

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

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

(Concluded)

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

	Fiscal Year Ended June 30				
	2009	2008	2007	2006	2005
Expenses					
Governmental activities:					
General government	\$ 4,761,050	\$ 4,812,710	\$ 5,338,793	\$ 4,897,625	\$ 4,195,447
Public safety	15,865,007	15,757,220	15,864,775	13,804,815	12,305,483
Highways and streets	4,085,526	5,548,153	1,314,715	7,308,071	4,625,284
Culture and recreation	4,574,132	4,916,992	4,662,109	3,838,881	3,993,673
Economic development	306,605	269,108	219,488	336,274	146,783
Interest on long-term debt	808,803	733,249	745,429	816,331	432,666
Total governmental activities	<u>30,401,123</u>	<u>32,037,432</u>	<u>28,145,309</u>	<u>31,001,997</u>	<u>25,699,336</u>
Business-type activities:					
Water	7,546,397	7,365,694	7,398,433	7,124,977	6,219,710
Wastewater	1,746,494	1,365,364	1,947,121	1,311,188	1,064,738
Sanitation	2,703,858	2,833,348	2,648,349	2,460,861	2,196,194
Total business-type activities	<u>11,996,749</u>	<u>11,564,406</u>	<u>11,993,903</u>	<u>10,897,026</u>	<u>9,480,642</u>
Total expenses	<u>42,397,872</u>	<u>43,601,838</u>	<u>40,139,212</u>	<u>41,899,023</u>	<u>35,179,978</u>
Program Revenues					
Governmental activities:					
Charges for services					
Culture and recreation	1,093,529	1,347,712	1,349,404	1,306,201	1,143,172
Economic development	737,699	878,552	1,033,205	1,479,729	130,383
Other	1,726,696	1,211,968	654,730	699,664	1,571,405
Operating grants and contributions	1,825,376	2,621,629	2,403,743	1,173,316	919,890
Capital grants and contributions	1,270,449	1,973,809	4,159,165	3,069,691	1,046,252
Total governmental activities	<u>6,653,749</u>	<u>8,033,670</u>	<u>9,600,247</u>	<u>7,728,601</u>	<u>4,811,102</u>
Business-type activities:					
Charges for services					
Water	7,723,005	9,153,960	8,602,871	7,406,521	6,203,590
Wastewater	3,370,892	2,791,018	2,301,410	2,674,379	2,312,960
Sanitation	3,336,841	3,292,757	3,152,197	2,800,752	2,184,776
Total business-type activities	<u>14,430,738</u>	<u>15,237,735</u>	<u>14,056,478</u>	<u>12,881,652</u>	<u>10,701,326</u>
Total program revenues	<u>21,084,487</u>	<u>23,271,405</u>	<u>23,656,725</u>	<u>20,610,253</u>	<u>15,512,428</u>
Net Expense	<u>\$ (21,313,385)</u>	<u>\$ (20,330,433)</u>	<u>\$ (16,482,487)</u>	<u>\$ (21,288,770)</u>	<u>\$ (19,667,550)</u>

(Continued)

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

	<u>Fiscal Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Expenses		
Governmental activities:		
General government	\$ 3,507,294	\$ 3,356,260
Public safety	10,400,692	9,618,155
Highways and streets	4,250,651	3,644,424
Culture and recreation	3,680,328	3,157,373
Economic development	253,145	230,917
Interest on long-term debt	480,284	513,086
Total governmental activities	<u>22,572,394</u>	<u>20,520,215</u>
Business-type activities:		
Water	5,889,553	5,005,387
Wastewater	1,271,322	1,287,841
Sanitation	1,953,622	1,921,553
Total business-type activities	<u>9,114,497</u>	<u>8,214,781</u>
Total expenses	<u>31,686,891</u>	<u>28,734,996</u>
 Program Revenues		
Governmental activities:		
Charges for services		
Culture and recreation	1,229,385	1,201,245
Economic development	705,684	544,060
Other	658,287	691,339
Operating grants and contributions	917,746	891,142
Capital grants and contributions	6,002,229	1,527,008
Total governmental activities	<u>9,513,331</u>	<u>4,854,794</u>
Business-type activities:		
Charges for services		
Water	5,765,371	5,460,914
Wastewater	1,820,319	1,664,318
Sanitation	2,067,270	1,984,870
Total business-type activities	<u>9,652,960</u>	<u>9,110,102</u>
Total program revenues	<u>19,166,291</u>	<u>13,964,896</u>
 Net Expense	 <u><u>\$ (12,520,600)</u></u>	 <u><u>\$ (14,770,100)</u></u>

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

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

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

	Fiscal Year Ended June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net Expense	\$ (21,313,385)	\$ (20,330,433)	\$ (16,482,487)	\$ (21,288,770)	\$ (19,667,550)
General Revenues:					
Governmental activities:					
Taxes:					
Sales taxes	12,024,409	12,990,502	14,070,401	14,359,943	12,090,746
Property taxes	437,457	430,630	430,666	311,232	520,167
Auto lieu taxes	1,375,193	1,501,803	1,569,940	1,441,076	1,254,006
Franchise taxes	804,964	730,892	711,893	680,628	532,972
Unrestricted state shared revenue	8,230,525	8,702,727	8,192,336	7,048,226	6,298,893
Investment income	259,194	778,418	1,000,211	915,471	331,888
Miscellaneous	14,631	12,796		12,243	55,496
Transfers	<u>1,221,545</u>	<u>921,738</u>	<u>1,402,764</u>	<u>699,660</u>	<u>(52,746)</u>
Total governmental activities	<u>24,367,918</u>	<u>26,069,506</u>	<u>27,378,211</u>	<u>25,468,479</u>	<u>21,031,422</u>
General Revenues:					
Business-type activities:					
Investment income (loss)	132,162	395,822	513,385	490,115	252,331
Transfers	<u>(1,221,545)</u>	<u>(921,738)</u>	<u>(1,402,764)</u>	<u>(699,660)</u>	<u>52,746</u>
Total business-type activities	<u>(1,089,383)</u>	<u>(525,916)</u>	<u>(889,379)</u>	<u>(209,545)</u>	<u>305,077</u>
Changes in Net Assets	<u>\$ 1,965,150</u>	<u>\$ 5,213,157</u>	<u>\$ 10,006,345</u>	<u>\$ 3,970,164</u>	<u>\$ 1,668,949</u>

(Continued)

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

	Fiscal Year Ended June 30	
	2004	2003
Net Expense	\$ (12,520,600)	\$ (14,770,100)
General Revenues:		
Governmental activities:		
Taxes:		
Sales taxes	10,042,792	9,016,740
Property taxes	444,768	418,737
Auto lieu taxes	1,143,439	867,168
Franchise taxes	506,033	470,842
Unrestricted state shared revenue	5,880,436	5,709,446
Investment income	160,478	12,217
Miscellaneous		48,725
Transfers	615,046	877,702
Total governmental activities	18,792,992	17,421,577
General Revenues:		
Business-type activities:		
Investment income (loss)	118,865	(232,766)
Transfers	(615,046)	(877,702)
Total business-type activities	(496,181)	(1,110,468)
Changes in Net Assets	\$ 5,776,211	\$ 1,541,009

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

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

(Concluded)

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

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

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

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

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

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

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

	Fiscal Year Ended June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenditures:					
Current -					
General government	\$ 4,455,724	\$ 5,082,263	\$ 5,063,071	\$ 4,854,321	\$ 3,940,385
Public safety	14,635,020	15,131,180	14,544,337	13,325,125	11,558,946
Highways and streets	3,018,176	3,717,739	4,387,787	3,450,186	3,174,550
Culture and recreation	3,635,466	4,568,448	4,226,004	3,585,219	3,673,432
Economic development	263,220	235,850	227,364	269,440	231,201
Capital outlay	4,614,786	2,406,306	7,820,600	9,189,659	1,900,640
Debt service -					
Bond issuance costs	112,230			218,294	
Principal retirement	2,115,553	1,998,234	1,518,059	904,458	919,346
Interest and fiscal charges	670,219	733,249	745,429	728,462	432,666
Total expenditures	<u>\$ 33,520,394</u>	<u>\$ 33,873,269</u>	<u>\$ 38,532,651</u>	<u>\$ 36,525,164</u>	<u>\$ 25,831,166</u>
Expenditures for capitalized assets	\$ 3,693,462	\$ 1,848,135	\$ 6,916,188	\$ 8,980,940	\$ 315,678
Debt service as a percentage of noncapital expenditures	10%	9%	7%	7%	5%

(Continued)

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

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

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

(Concluded)

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

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

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

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

Overlapping Rates				
Fiscal Year Ended June 30	City of Kingman	City of Kingman Hospitality	Mohave County	Arizona State
2009	2.00	2.00	0.25	5.60
2008	2.00	2.00	0.25	5.60
2007	2.00	2.00	0.25	5.60
2006	2.00	2.00	0.25	5.60
2005	2.00	2.00	0.25	5.60
2004	2.00	2.00	0.25	5.60
2003	2.00	2.00	0.25	5.60
2002	2.00	2.00	0.25	5.60
2001	2.00	2.00	0.25	5.00
2000	2.00	2.00	0.25	5.00

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

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

	Fiscal Year Ended June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Construction	\$ 1,419,917	\$ 1,132,750	\$ 1,586,084	\$ 2,231,440	\$ 1,620,707
Manufacturing	283,793	340,977	475,834	434,644	435,791
Transportation, Communications and Utilities	620,639	645,208	619,258	613,590	540,625
Wholesale Trade	444,032	614,780	631,538	653,994	536,807
Retail Trade	6,142,681	6,994,596	7,439,939	7,491,628	6,132,314
Restaurants and Bars	1,165,015	1,139,837	1,114,941	1,083,975	944,326
Fire Insurance and Real Estate	626,006	633,877	610,601	621,219	509,074
Hotels and Other Lodging	705,129	771,648	765,665	702,596	645,808
Services	402,171	508,895	539,178	532,846	487,646
Arts, Entertainment, Government and All Others Not Specified	215,027	207,934	287,363	211,986	237,649
Total	<u>\$ 12,024,410</u>	<u>\$ 12,990,502</u>	<u>\$ 14,070,401</u>	<u>\$ 14,577,918</u>	<u>\$ 12,090,747</u>

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

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

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2009:

Secondary assessed valuation	\$ 334,354,505
Debt limit (6% of assessed value)	20,061,270
Debt applicable to limit	<u>2,945,000</u>
Legal debt margin	<u><u>\$ 17,116,270</u></u>

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

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

Note: The City has no debt applicable to the 20% debt limit of \$66,870,901.

**CITY OF KINGMAN, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2009**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable to School District</u>	<u>Estimated Amount Applicable to School District</u>
Kingman Unified School District	\$ 30,740,000	35.27 %	<u>\$ 10,841,998</u>
Subtotal, Overlapping Debt			<u>10,841,998</u>
Direct:			
City of Kingman, AZ			<u>16,462,615</u>
Total Direct and Overlapping Debt			<u><u>\$ 27,304,613</u></u>

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

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

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>	
2008	28,823	N/A	N/A	9.7	%
2007	28,635	4,682,940	23,908	3.9	
2006	27,605	4,512,952	23,548	3.6	
2005	26,100	4,115,919	22,055	2.8	
2004	24,600	3,743,202	20,846	2.5	
2003	22,785	3,444,542	20,013	3.3	
2002	22,045	3,235,607	19,523	3.7	
2001	21,240	3,088,727	19,305	2.8	
2000	20,069	2,908,159	18,610	2.9	
1999	19,617	2,661,835	17,704	2.9	

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

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

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

<u>Employer</u>	<u>2009</u>		<u>2002</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Kingman Hospital Inc.	1,130	15.55 %		%
Mohave County	1,100	15.14	1,147	20.74
Kingman Unified School District No. 20	960	13.21	881	15.93
American Woodmark Corporation	650	8.95	360	6.51
Wal-Mart	500	6.88	220	3.98
Mohave County Miner Inc.	500	6.88		
City of Kingman	370	5.09	282	5.10
Mohave Community College	305	4.20	197	3.56
Indiana Western Express Inc.	240	3.30		
Healthcare Management	200	2.75		
K-Mart	165	2.27	165	2.98
Citizens Communications Co. (Frontier)	155	2.13		
Laron Inc.	140	1.93		
Guardian Fiberglass Inc.	125	1.72		
Ford Proving Grounds Company	115	1.58	200	3.62
Mineral Park Inc.	105	1.45		
Mohave Mental Health Clinic	105	1.45		
Cascade Tissue Group Inc.	100	1.38		
Kingman 1 LLC	100	1.38		
MMI Products Inc.	100	1.38		
Sun State Comp. of North AZ Inc.	100	1.38		
Kingman Regional Medical Center			800	14.47
Citizens Utilities (Unisource)			450	8.14
State of Arizona			263	4.76
General Cable (Southwire Corporation)			250	4.52
TruServ			165	2.98
Petro Truck Stop			150	2.71
Total	<u>7,265</u>	<u>100.00 %</u>	<u>5,530</u>	<u>100.00 %</u>
Total Employment	<u>7,265</u>		<u>5,530</u>	

- Sources:** 1) The source of the 2002 employee figures is City of Kingman Planning and Zoning.
2) The source of the 2009 employee figures is the 2008 Arizona Industrial Directory and 2008 Arizona Services Directory, publications of Harris InfoSource, the City and an individual employer survey.

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

	Full-time Equivalent Employees as of June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Government					
City Administration	10	10	12	9	8
Human Resources	4	4	5	4	3
City Clerk	3	3	3	3	4
City Attorney	7	7	7	6	6
Municipal Court	9	9	9	8	7
Finance	14	14	14	12	11
Total general government	<u>47</u>	<u>47</u>	<u>50</u>	<u>42</u>	<u>39</u>
Public Safety					
Police	87	87	87	83	80
Firefighters	59	59	59	56	54
Total public safety	<u>146</u>	<u>146</u>	<u>146</u>	<u>139</u>	<u>134</u>
Public Works					
Engineering	22	22	23	23	21
Others	44	44	44	40	35
Total public works	<u>66</u>	<u>66</u>	<u>67</u>	<u>63</u>	<u>56</u>
Parks and Recreation	40	40	40	40	39
Information Systems	7	7	7	6	4
City Development	19	19	21	24	18
Sanitation	17	17	17	15	14
Water and Wastewater	30	30	30	30	27
Total support and administration	<u>113</u>	<u>113</u>	<u>115</u>	<u>115</u>	<u>102</u>
Total	<u><u>372</u></u>	<u><u>372</u></u>	<u><u>378</u></u>	<u><u>359</u></u>	<u><u>331</u></u>

(Continued)

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

	Full-time Equivalent Employees as of June 30				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General Government					
City Administration	8	8	8	8	8
Human Resources	2	2	2	1	1
City Clerk	4	4	4	4	4
City Attorney	6	6	6	6	5
Municipal Court	7	7	7	7	6
Finance	11	11	11	13	13
Total general government	<u>38</u>	<u>38</u>	<u>38</u>	<u>39</u>	<u>37</u>
Public Safety					
Police	78	75	74	74	70
Firefighters	46	46	38	37	37
Total public safety	<u>124</u>	<u>121</u>	<u>112</u>	<u>111</u>	<u>107</u>
Public Works					
Engineering	18	18	18	17	17
Others	33	32	28	27	26
Total public works	<u>51</u>	<u>50</u>	<u>46</u>	<u>44</u>	<u>43</u>
Parks and Recreation	38	36	35	35	34
Information Systems	4	3	2		
City Development	15	14	13	13	11
Sanitation	13	13	13	13	12
Water and Wastewater	25	24	24	22	22
Total support and administration	<u>95</u>	<u>90</u>	<u>87</u>	<u>83</u>	<u>79</u>
Total	<u><u>308</u></u>	<u><u>299</u></u>	<u><u>283</u></u>	<u><u>277</u></u>	<u><u>266</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 10 FISCAL YEARS**

Function	Fiscal Year Ended June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	74	78	78	67	62	60	60	60	55	55
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire vehicles	27	28	28	27	24	23	22	22	20	20
Streets										
Streets (miles)	215	215	215	215	215	210	210	210	205	205
Streetlights	851	851	851	851	848	845	845	845	845	840
Traffic signals	20	20	18	17	16	14	14	14	14	13
Solid Waste										
Collection trucks	21	21	19	18	17	16	14	13	12	12
Parks and Recreation										
Parks developed	13	13	13	13	12	12	11	10	10	10
Parks acreage	146	146	146	146	144	144	142	140	140	140
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	4	4	4	4	4	4	4	4	4	4
Community centers	1	1	1	1	1	1	1	1	1	1
Golf courses	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	564	564	562	560	555	552	549	549	545	540
Fire hydrants	2,485	2,485	2,485	2,218	2,215	2,212	2,212	2,209	2,205	2,200
Wastewater										
Sanitary sewers (miles)	199	198	191	134	130	130	127	127	125	125
Manholes	2,997	2,997	2,885	1,842	1,839	1,839	1,835	1,835	1,832	1,832

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