

# City of Kingman, Arizona



**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2018  
With Report of  
Certified Public Accountants**

**CITY OF KINGMAN, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

# CITY OF KINGMAN, ARIZONA

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## **INTRODUCTORY SECTION**



# City of Kingman

310 NORTH FOURTH STREET • KINGMAN • ARIZONA • 86401 • (928)753-5561  
[www.cityofkingman.gov](http://www.cityofkingman.gov)

December 27, 2018

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

The 2018 Comprehensive Annual Financial Report (CAFR) of the City of Kingman, Arizona for the fiscal year ended June 30, 2018, is submitted in accordance with Arizona Revised Statutes, Section 9-481. 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 HintonBurdick, 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, 2018, 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 unmodified opinion that the City of Kingman's financial statement for the fiscal year ended June 30, 2018, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 as part of the Comprehensive Annual Financial Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Kingman's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The City of Kingman, incorporated in 1952, is located in northwestern Arizona at the intersection of Interstate 40 and U.S. 93. The City's boundaries enclose 33 square miles in Mohave County and serve a population of 29,600 and enjoy a mild climate at an elevation of 3,345 feet.

The City of Kingman operates under the council-manager form of government. The City Council, which as the 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 and life safety; the construction and maintenance of streets and other infrastructure; recreational activities and cultural events; economic development and tourism; a public transit system; and, as of this year, an airport. The City of Kingman also operates a municipal water, sewer and sanitation utility that presently serves approximately 20,000 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 or May of each year. The proposed budget with any additions or deletions then becomes the tentative budget which is presented for adoption before fiscal year-end. The tentative budget for all funds is then presented to the City Council for final adoption. The budget is prepared by fund and by department (e.g. police, fire, court, etc.). Department heads may transfer resources within a department as necessary to provide essential services in the most cost-effective way as long as the appropriation transfer is within the total amount of available departmental resources, with the exception of personnel and capital expenditure transfers which require approval of the City Manager. Transfers between departments also require approval of the City Manager, and transfers between funds require special approval from the City Council.

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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

**Local Economy.** Kingman is 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 is the Mohave County's seat and, as a result, is home to many county offices and court-related businesses. Several state offices also call Kingman home as it allows them to serve the northwestern Arizona region.

Kingman enjoys a favorable economic environment and has experienced considerable growth during the last 20 years. The Arizona Department of Administration estimates Kingman's current population at 29,600. The City supports a market area trade population of some 50,000 persons. The unemployment rate, as of June 2018, was 5.7 percent. This is above the state's rate of 4.7 percent and equal to the county's rate of 5.7 percent.

Fiscal year 2018 represented economic improvement. Recent growth of the City's economy is highlighted below.

- New single family residential building permits increased by 31% to 294. New commercial building permits increased by 200% to 9. Both of these increases have a direct positive impact on construction sales tax revenues.
- A sales tax increase of 1% was approved by the City Council in August 2017 and went into effect in November 2017. Overall sales tax revenues increased by 28% to \$22.687 million, not only due to the sales tax increase but also due to the addition of new businesses, restaurants and hotels.

**Reserve Policy and Long-Term Financial Planning.** Recent economic growth has provided sufficient resources for the City to maintain services for its residents while also building reserves in its operating funds. The City Council's current fund balance policy is to maintain between 25% - 50% of next year's General Fund budgeted expenditures and outgoing transfers in unassigned fund balance. For fiscal year 2018, this policy resulted in a minimum reserve requirement of \$7.5 million and a maximum requirement of \$14.9 million. The fund balance at the end of the year is \$19.6 million, of which \$3.1 million is committed, \$1.2 million is assigned and \$15.2 million is unassigned. The committed amount represents the FY19 budgeted expenditures over revenues, and the assigned amount represents the room tax balance that is dedicated to tourism related expenditures.

In late fall, the City begins its annual budget process with a 5-year financial forecast. By establishing capital project priorities, both short term and long term, through this process, the City is able to address future budget gaps and identify the potential use of fund balances for strategic needs.

**Major Initiative.** Obtaining voter approval for the renewal of the City’s expenditure authorization (“Home Rule”) in the November 2018 general election will allow the City to remain under its current expenditure authorization for another four years.

#### **AWARDS AND ACKNOWLEDGEMENTS**

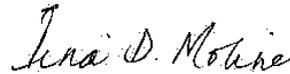
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingman for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. We believe that our current CAFR continues to meet the program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



Ronald W. Foggin  
City Manager



Tina D. Moline  
Financial Services Director

# City of Kingman

## City Council Members

Mayor, Monica Gates  
Vice Mayor, Jen Miles  
Vickie Kress  
Travis Lingenfelter  
Jamie Scott-Stehly  
David Wayt  
Stuart Yocum

## City Manager

Ronald W. Foggin

## City Attorney

Carl Cooper

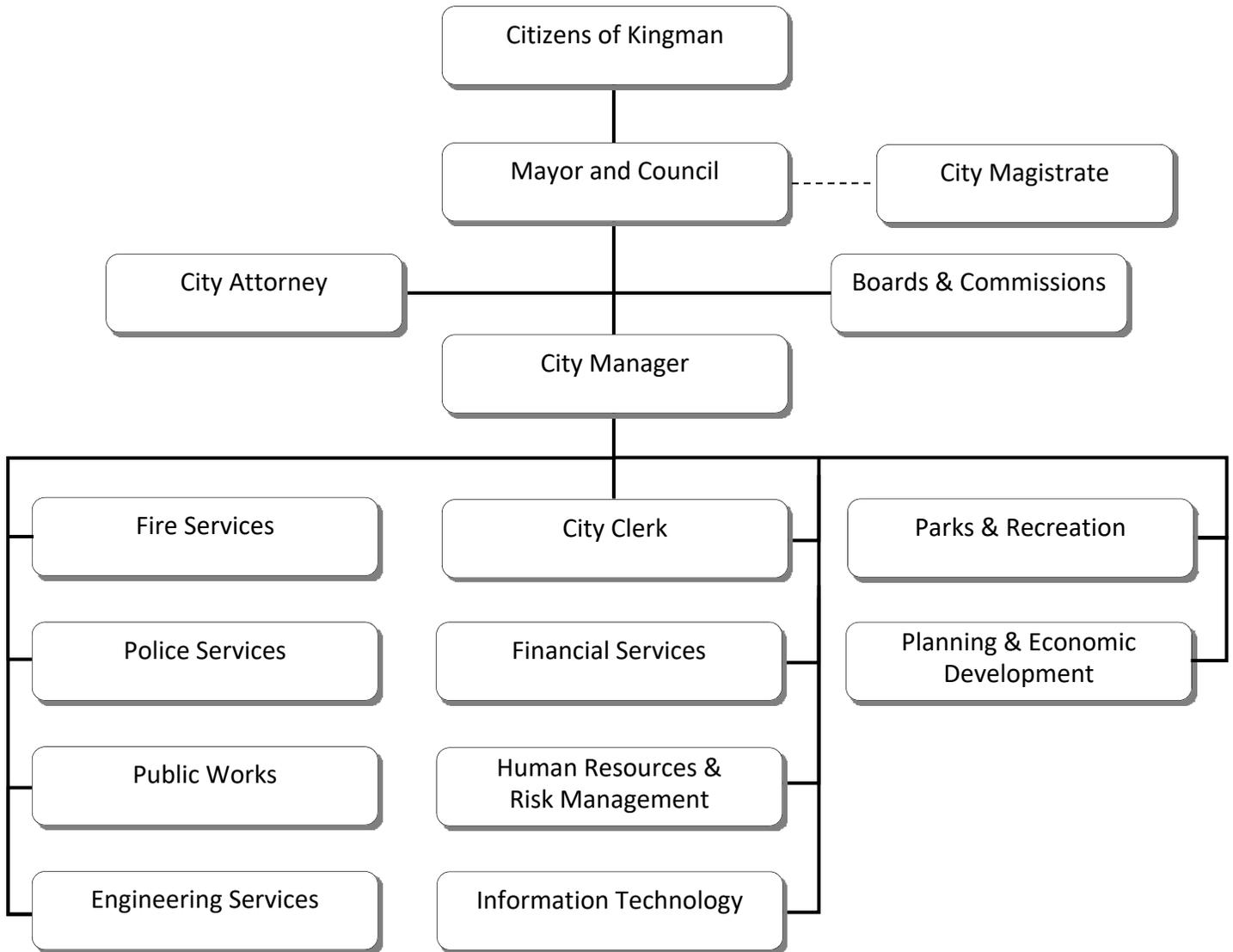
## Magistrate

Jeffrey Singer

## Departments

City Clerk	Sydney Muhle
Engineering Services	Greg Henry
Financial Services	Tina D. Moline
Fire Services	Jake Rhoades
Human Resources & Risk Mgt.	Jackie Walker
Information Technology	Joe Clos
Parks & Recreation	Mike Meersman
Planning and Economic Development	Gary Kellogg
Police Services	Robert DeVries
Public Works	Rob Owen

# City of Kingman Organization Chart





Government Finance Officers Association

**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, 2017**

*Christopher P. Morrill*

Executive Director/CEO

**FINANCIAL SECTION**



**HINTONBURDICK**  
CPAs & ADVISORS

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

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, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Changes in Accounting Principle***

As described in Note 1 to the financial statements, in fiscal year 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* as amended by GASB Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kingman, Arizona's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 20, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures or federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, on our consideration of the 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 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* in considering the City of Kingman, Arizona's internal control over financial reporting and compliance.



HintonBurdick, PLLC

Flagstaff, Arizona

December 27, 2018

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**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

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, 2018. 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 position of governmental activities increased by \$9.0 million to \$56.1 million and business-type activities increased by \$25.1 million to \$106.7 million representing 34.4% and 65.6%, respectively, of the City's total net position of \$162.8 million. The primary reason for the increase in business-type activities is due to the recent assumption of airport operations. The City assumed the operations of the airport from the Kingman Airport Authority on May 3, 2018 and is reporting the airport as an enterprise fund. In accordance with GASB Statement No. 69, Government Combinations and Disposals of Government Operations, the City recognized the assets, deferred outflows of resources, liabilities and deferred inflows of resources as reported on the Kingman Airport Authority's most recent financial statements dated June 30, 2017. The ending net position for the airport as of June 30, 2017 was \$20,574,459.
- General revenues from governmental activities accounted for \$31.6 million in revenue, or 78.0 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8.9 million or 22.0 percent of total governmental activities revenues. The City had \$23.7 million of program revenues and \$197,444 in general revenues related to business-type activities.
- The City had \$33.3 million in expenses related to governmental activities; of which \$8.9 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$31.6 million provided for the majority of the remaining costs of these programs. The City had \$18.3 million in expenses related to business-type activities. Charges for services of \$23.6 million were adequate to offset the costs.
- Among major governmental funds, the General Fund had \$29.4 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 \$26.1 million. The General Fund's fund balance increased \$1.4 million to \$19.6 million. One major factor leading to this increase included a \$1.0 million increase in TPT collections.
- Net position of the Internal Service Funds increased \$640,402 from the prior fiscal year.
- With the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, there was a \$598,009 and \$1,068 prior period adjustment in the total net position of governmental activities and business-type activities, respectively.

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

**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 position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, sanitation and airport 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, 2018**

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

**Proprietary funds.** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a separate enterprise fund to account for its water, wastewater, sanitation and airport services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its 911 dispatch services, fleet services, insurance services, building maintenance services, information technology services, and employee benefit services.

Because the internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water fund, wastewater fund, sanitation fund, and airport 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, 2018**

**OVERVIEW OF FINANCIAL STATEMENTS (Cont'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 and all Special Revenue Funds as required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$56.1 million at the end of the current fiscal year.

A portion of the City's net position 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 outstanding debt used to acquire those assets.

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, 2018**

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

The following table presents a summary of the City's net position for the fiscal years ended June 30, 2018 and 2017.

	Governmental Activities		Business-type Activities		Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current and other assets	\$ 46,441,453	\$ 39,463,365	\$ 49,778,846	\$ 42,464,807	\$ 96,220,299	\$ 81,928,172
Capital assets	54,486,464	51,343,727	92,937,310	77,478,028	147,423,774	128,821,755
Total assets	<u>100,927,917</u>	<u>90,807,092</u>	<u>142,716,156</u>	<u>119,942,835</u>	<u>243,644,073</u>	<u>210,749,927</u>
Deferred outflows of resources	10,085,165	10,872,503	943,303	1,211,304	11,028,468	12,083,807
Long-term liabilities outstanding	48,255,974	48,423,456	34,687,557	37,108,897	82,943,531	85,532,353
Other liabilities	3,933,867	3,606,240	1,842,301	1,540,177	5,776,168	5,146,417
Total liabilities	<u>52,189,841</u>	<u>52,029,696</u>	<u>36,529,858</u>	<u>38,649,074</u>	<u>88,719,699</u>	<u>90,678,770</u>
Deferred inflows of resources	2,768,909	2,613,568	392,751	829,577	3,161,660	3,443,145
Net position:						
Net investment in capital assets	50,420,410	47,574,413	64,556,067	46,748,642	114,976,477	94,323,055
Restricted	14,880,431	10,707,211	709,052	709,052	15,589,483	11,416,263
Unrestricted	(9,246,509)	(11,245,293)	41,471,731	34,217,794	32,225,222	22,972,501
Total net position	<u>\$ 56,054,332</u>	<u>\$ 47,036,331</u>	<u>\$ 106,736,850</u>	<u>\$ 81,675,488</u>	<u>\$ 162,791,182</u>	<u>\$ 128,711,819</u>

The City's financial position is the product of several financial transactions including the net results of activities, the payment of debt, the acquisition and depreciation of capital assets, and the implementation of GASB Statement No. 75.

**Changes in net position.** The City's total revenues for the current fiscal year were \$64.5 million. The total cost of all programs and services was \$51.6 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and 2017.

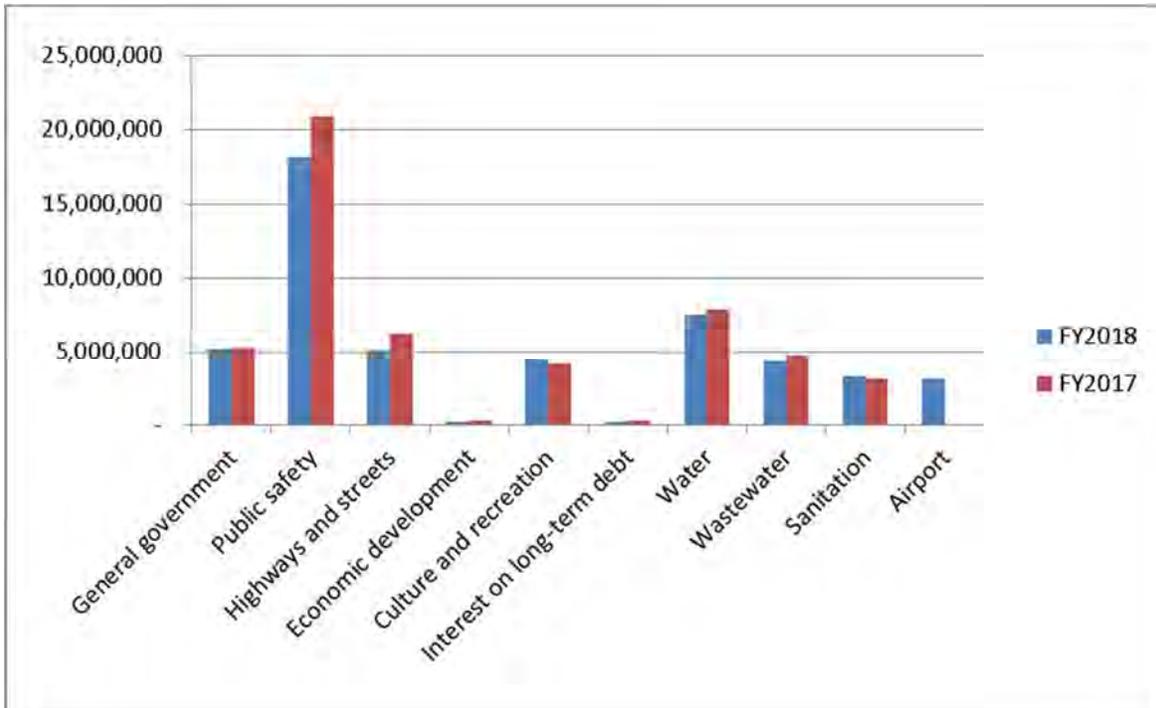
	Governmental Activities		Business-type Activities		Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
<b>Revenues</b>						
Program revenues						
Charges for Services	\$ 2,929,410	\$ 2,756,680	\$ 23,584,253	\$ 21,513,574	26,513,663	\$ 24,270,254
Operating grants and contributions	5,352,501	5,102,188	-	-	5,352,501	5,102,188
Capital grants and contributions	629,263	1,011,771	164,500	-	793,763	1,011,771
General revenues						
Taxes	27,862,688	22,786,293	-	-	27,862,688	22,786,293
Urban revenue sharing	3,595,518	3,537,175	-	-	3,595,518	3,537,175
Other revenue/(expense)	163,727	71,333	197,444	13,254	361,171	84,587
<b>Total revenues</b>	<u>\$ 40,533,107</u>	<u>\$ 35,265,440</u>	<u>\$ 23,946,197</u>	<u>\$ 21,526,828</u>	<u>\$ 64,479,304</u>	<u>\$ 56,792,268</u>

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

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

	Governmental Activities		Business-type Activities		Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
<b>Expenses</b>						
General government	5,144,063	5,296,985	-	-	5,144,063	5,296,985
Public safety	18,152,262	20,858,567	-	-	18,152,262	20,858,567
Highways and streets	5,139,038	6,260,591	-	-	5,139,038	6,260,591
Economic development	206,675	255,276	-	-	206,675	255,276
Culture and recreation	4,426,426	4,116,722	-	-	4,426,426	4,116,722
Interest on long-term debt	218,996	263,101	-	-	218,996	263,101
Water	-	-	7,529,747	7,841,900	7,529,747	7,841,900
Wastewater	-	-	4,321,584	4,761,573	4,321,584	4,761,573
Sanitation	-	-	3,331,086	3,115,475	3,331,086	3,115,475
Airport	-	-	3,103,600	-	3,103,600	-
<b>Total expenses</b>	<b>33,287,460</b>	<b>37,051,242</b>	<b>18,286,017</b>	<b>15,718,948</b>	<b>51,573,477</b>	<b>52,770,190</b>
<b>Increase (decrease) in net position before transfers</b>	<b>7,245,647</b>	<b>(1,785,802)</b>	<b>5,660,180</b>	<b>5,807,880</b>	<b>12,905,827</b>	<b>4,022,078</b>
<b>Transfers</b>	<b>1,174,345</b>	<b>1,310,725</b>	<b>(1,174,345)</b>	<b>(1,310,725)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>8,419,992</b>	<b>(475,077)</b>	<b>4,485,835</b>	<b>4,497,155</b>	<b>12,905,827</b>	<b>4,022,078</b>
<b>Net position, beginning</b>	<b>47,036,331</b>	<b>47,670,301</b>	<b>102,249,947</b>	<b>77,199,274</b>	<b>149,286,278</b>	<b>124,869,575</b>
<b>Restatement adjustment</b>	<b>598,009</b>	<b>(158,893)</b>	<b>1,068</b>	<b>(20,941)</b>	<b>599,077</b>	<b>(179,834)</b>
<b>Net position, ending</b>	<b>\$ 56,054,332</b>	<b>\$ 47,036,331</b>	<b>\$ 106,736,850</b>	<b>\$ 81,675,488</b>	<b>\$ 162,791,182</b>	<b>\$ 128,711,819</b>

**Expenses**



**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

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

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

	Year Ended June 30, 2018		Year Ended June 30, 2017	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General Government	\$ 5,144,063	\$ (4,789,513)	\$ 5,296,985	\$ (5,154,258)
Public Safety	18,152,262	(16,277,999)	20,858,567	(19,085,201)
Public works/Streets	5,139,038	(781,871)	6,260,591	(1,788,038)
Economic Development	206,675	690,183	255,276	521,263
Culture and recreation	4,426,426	(2,998,090)	4,116,722	(2,411,268)
Interest on long-term debt	218,996	(218,996)	263,101	(263,101)
<b>Total expenses</b>	33,287,460	(24,376,286)	37,051,242	(28,180,603)
<b>Business-Type Activities</b>				
Water	7,529,747	1,709,023	7,841,900	1,004,642
Wastewater	4,321,584	5,111,773	4,761,573	4,359,132
Sanitation	3,331,086	263,618	3,115,475	430,852
Airport	3,103,600	(1,621,678)	-	-
<b>Total expenses</b>	18,286,017	5,462,736	15,718,948	5,794,626
<b>Total</b>	\$ 51,573,477	\$ (18,913,550)	\$ 52,770,190	\$ (22,385,977)

- The cost of all governmental activities this year was \$33.3 million. The cost of all business-type activities this year was \$18.3 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 \$32.7 million.
- The net cost of governmental activities of \$24.4 million, was financed by general revenues, which are made up of primarily sales taxes of \$22.5 million and state shared revenues of \$8.2 million.

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$34.5 million, an increase of \$5.6 million. The General Fund comprises 56.8 percent of the total fund balance. Approximately \$15.2 million or 77.7 percent of the General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the City. The increase in fund balance in the General Fund for the fiscal year was \$1.4 million, which was primarily the result of increased TPT collections.

The Capital Project Funds fund balance increase of \$3.6 million was primarily related to a 1% increase in the sales tax rate that went into effect November 1, 2017. The 1% sales tax rate increase was dedicated to pavement preservation and general capital projects, both being reported within Capital Project Funds.

**Proprietary funds.** Net position of the Enterprise Funds and the Internal Service Funds at the end of the year amounted to \$106.7 million and \$4.9 million, respectively. The net position in the Enterprise Funds increased by \$25.1 million compared to fiscal year 2017. Most of the increase, \$20.6 million, is a result of the City's assumption of the airport operations during the year. The Internal Services Funds net position increased by \$640,402 compared to fiscal year 2017.

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

**BUDGETARY HIGHLIGHTS**

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

A schedule showing the budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The favorable variance of \$1,470,910 in general government was primarily the results of contingency funds being untapped and the reduction in jail related costs by the City Magistrate.
- The favorable variance of \$1,869,701 in public safety was primarily the result of vacancy savings realized during the recruitment period of unfilled positions.
- The favorable variance of \$775,888 in culture and recreation was a result of vacancy savings realized during the recruitment period of unfilled positions and savings in the golf course manager contract, marketing and tourism initiatives, utilities and repairs and maintenance costs.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of the end of the current fiscal year, the City had a net investment in capital assets of \$147.4 million, which included buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$7.7 million. There were \$18.0 million in capital asset transfers that were a result of the Kingman Airport Authority, Inc. being assumed by the City of Kingman.

The following schedule presents capital asset balances and accumulated depreciation for the fiscal years ended June 30, 2018 and June 30, 2017.

	Governmental Activities		Business-type Activities		Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Land	\$ 10,890,540	\$ 10,725,630	\$ 2,337,881	\$ 2,337,881	\$ 13,228,421	\$ 13,063,511
Art	10,000	-	-	-	10,000	-
Infrastructure	70,869,014	67,980,821	145,794,890	117,042,793	216,663,904	185,023,614
Buildings	8,854,416	8,391,642	5,022,636	571,675	13,877,052	8,963,317
Improvements other than buildings	7,655,671	6,917,532	3,744,618	409,728	11,400,289	7,327,260
Vehicles, machinery and equipment	17,952,761	16,945,363	13,561,755	11,771,121	31,514,516	28,716,484
Construction in progress	2,611,098	2,016,870	1,736,261	570,365	4,347,359	2,587,235
Accumulated depreciation	(64,357,036)	(61,634,132)	(79,260,731)	(55,225,533)	(143,617,767)	(116,859,665)
Total	\$ 54,486,464	\$ 51,343,726	\$ 92,937,310	\$ 77,478,030	\$ 147,423,774	\$ 128,821,756

**CITY OF KINGMAN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

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

For additional information on the City's capital assets, refer to Note 6.

**Debt Administration.** At year-end, the City had \$2.9 million in governmental long-term debt outstanding with \$519,401 due within one year. The City had \$28.4 million in business-type long-term debt outstanding, \$2.3 million due within one year.

The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2018 and June 30, 2017.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2017</b>
Excise tax bonds payable	\$ 500,000	\$ 740,000	\$ -	\$ -
Special assessment bonds payable	2,359,709	2,613,641	-	-
Obligations under capital leases	-	115,445	-	173,168
Loan payable	-	-	28,381,243	30,556,211
<b>Total</b>	<b>\$ 2,859,709</b>	<b>\$ 3,469,086</b>	<b>\$ 28,381,243</b>	<b>\$ 30,729,379</b>

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. 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 City has no outstanding debt for these purposes.

For additional information on the City's debt, refer to Notes 7 and 9.

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

Many factors were considered by the City's officials during the process of developing the fiscal year 2018-19 budget. The City experienced a population growth rate of almost .04% this current year, with an expected growth rate of close to 2% in the next year. Unemployment rates dropped in the City and Mohave County by .4%, and the State's unemployment rate dropped by .4%. There are signs of economic recovery as indicated in the City's increased tax collections. However, much of the increase is directly related to a 1% sales tax rate increase that is dedicated to pavement preservation and general capital projects. Although overall growth in the state shared revenues is minimal, due to recent legislation changes in the State's sweeping of HURF revenues, HURF revenues are expected to increase by about \$200,000.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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**BASIC FINANCIAL STATEMENTS**

**CITY OF KINGMAN, ARIZONA**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 39,919,771	\$ 46,103,822	\$ 86,023,593
Receivables (net of allowance)	5,785,132	2,548,473	8,333,605
Inventory	67,839	339,214	407,053
Prepaid items/deposits	56,473	246,059	302,532
Net pension/OPEB asset	235,937	20,924	256,861
Temporarily restricted assets:			
Cash and cash equivalents	376,301	520,354	896,655
Capital assets (net of accumulated depreciation):			
Land	10,890,540	2,337,881	13,228,421
Art	10,000	-	10,000
Construction in progress	2,611,098	1,736,261	4,347,359
Buildings	3,955,195	2,500,981	6,456,176
Improvements	2,379,904	-	2,379,904
System improvements	-	83,007,977	83,007,977
Machinery and equipment	4,523,880	3,354,210	7,878,090
Infrastructure/Roads	30,115,847	-	30,115,847
Total assets	<u>100,927,917</u>	<u>142,716,156</u>	<u>243,644,073</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions/OPEB	10,085,165	943,303	11,028,468
Total deferred outflows	<u>10,085,165</u>	<u>943,303</u>	<u>11,028,468</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	3,687,663	1,842,301	5,529,964
Unearned revenues	246,204	-	246,204
Noncurrent liabilities:			
Due within one year	1,438,708	2,531,788	3,970,496
Due in more than one year	2,646,744	26,224,720	28,871,464
Net pension and OPEB liability	44,170,522	5,931,049	50,101,571
Total liabilities	<u>52,189,841</u>	<u>36,529,858</u>	<u>88,719,699</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions/OPEB	<u>2,768,909</u>	<u>392,751</u>	<u>3,161,660</u>
<b>Net Position</b>			
Net investment in capital assets	50,420,410	64,556,067	114,976,477
Restricted for:			
Highways and streets	1,990,044	-	1,990,044
Debt service	2,451,562	-	2,451,562
Capital projects and other	10,438,825	709,052	11,147,877
Unrestricted	<u>(9,246,509)</u>	<u>41,471,731</u>	<u>32,225,222</u>
Total net position	<u>\$ 56,054,332</u>	<u>\$ 106,736,850</u>	<u>\$ 162,791,182</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KINGMAN, ARIZONA**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 5,144,063	\$ 145,836	\$ 174,118	\$ 34,596	\$ (4,789,513)	\$ -	\$ (4,789,513)
Public safety	18,152,262	424,653	1,382,741	66,869	(16,277,999)	-	(16,277,999)
Public works/Streets	5,139,038	152,290	3,768,815	436,062	(781,871)	-	(781,871)
Economic development	206,675	880,563	16,295	-	690,183	-	690,183
Culture and recreation	4,426,426	1,326,068	10,532	91,736	(2,998,090)	-	(2,998,090)
Interest on long-term debt	218,996	-	-	-	(218,996)	-	(218,996)
Total governmental activities	<u>33,287,460</u>	<u>2,929,410</u>	<u>5,352,501</u>	<u>629,263</u>	<u>(24,376,286)</u>	<u>-</u>	<u>(24,376,286)</u>
<b>Business-type activities:</b>							
Water	7,529,747	9,238,770	-	-	-	1,709,023	1,709,023
Wastewater	4,321,584	9,423,357	-	10,000	-	5,111,773	5,111,773
Sanitation	3,331,086	3,594,704	-	-	-	263,618	263,618
Airport	3,103,600	1,327,422	-	154,500	-	(1,621,678)	(1,621,678)
Total business-type activities	<u>18,286,017</u>	<u>23,584,253</u>	<u>-</u>	<u>164,500</u>	<u>-</u>	<u>5,462,736</u>	<u>5,462,736</u>
Total primary government	<u>\$ 51,573,477</u>	<u>\$ 26,513,663</u>	<u>\$ 5,352,501</u>	<u>\$ 793,763</u>			
<b>General Revenues:</b>							
<b>Taxes:</b>							
City sales tax					22,520,993	-	22,520,993
Franchise tax					710,832	-	710,832
Auto lieu tax (unrestricted)					1,838,768	-	1,838,768
State sales tax (unrestricted)					2,792,095	-	2,792,095
Urban revenue sharing (unrestricted)					3,595,518	-	3,595,518
Unrestricted investment earnings					163,727	197,444	361,171
Transfers					1,174,345	(1,174,345)	-
Total general revenues & transfers					<u>32,796,278</u>	<u>(976,901)</u>	<u>31,819,377</u>
Change in net position					8,419,992	4,485,835	12,905,827
Net position - beginning					47,036,331	102,249,947	149,286,278
Prior period adjustment					598,009	1,068	599,077
Net position - ending					<u>\$ 56,054,332</u>	<u>\$ 106,736,850</u>	<u>\$ 162,791,182</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KINGMAN, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	<u>Special Revenue</u>			Total Governmental Funds
	<u>General</u>	<u>HURF</u>	<u>Non-major Funds</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,048,929	\$ 3,121,276	\$ 11,527,427	\$ 33,697,632
Receivables:				
Taxes	1,702,423	-	-	1,702,423
Other	43,041	526	-	43,567
Assessments	-	-	2,830,436	2,830,436
Intergovernmental	-	253,590	904,227	1,157,817
Inventories	67,839	-	-	67,839
Prepaid items	29,790	829	3,852	34,471
Restricted cash and investments	26,652	-	349,649	376,301
Total assets	<u>\$ 20,918,674</u>	<u>\$ 3,376,221</u>	<u>\$ 15,615,591</u>	<u>\$ 39,910,486</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 630,314	\$ 1,157,534	\$ 716,170	\$ 2,504,018
Accrued wages and benefits	587,293	15,691	10,879	613,863
Accrued liabilities	72,035	-	1,649	73,684
Deposits held	26,652	-	349,649	376,301
Unearned revenue	28,045	212,952	-	240,997
Total liabilities	<u>1,344,339</u>	<u>1,386,177</u>	<u>1,078,347</u>	<u>3,808,863</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-special assessments	-	-	1,646,857	1,646,857
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,646,857</u>	<u>1,646,857</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories and prepaid items	97,629	829	3,852	102,310
Restricted:				
Public works/streets	-	1,989,215	-	1,989,215
Capital outlay	-	-	9,458,978	9,458,978
Debt service	-	-	2,451,562	2,451,562
Other purposes	-	-	776,175	776,175
Committed:				
Public transportation	-	-	199,820	199,820
Other purposes	3,149,075	-	-	3,149,075
Assigned:				
Other purposes	1,115,085	-	-	1,115,085
Unassigned	15,212,546	-	-	15,212,546
Total fund balances	<u>19,574,335</u>	<u>1,990,044</u>	<u>12,890,387</u>	<u>34,454,766</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,918,674</u>	<u>\$ 3,376,221</u>	<u>\$ 15,615,591</u>	<u>\$ 39,910,486</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KINGMAN, ARIZONA**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2018**

Total governmental fund balances	\$	34,454,766
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$	116,246,038
Less accumulated depreciation		<u>(62,965,919)</u>
		53,280,119
<p>Net OPEB asset is not an available resource and, therefore is not reported in the funds.</p>		
		226,655
<p>Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable	\$	(500,000)
Special assessment bonds		(2,359,709)
Net pension and OPEB liabilities		(41,539,442)
Compensated absences		<u>(1,097,776)</u>
		(45,496,927)
<p>Assessment revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities</p>		
		1,646,857
<p>Internal service funds are used by management to charge costs of certain activities to individual funds. This amount represents the assets and liabilities of the internal service funds reported as governmental activities</p>		
		4,870,837
<p>Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Deferred outflows	\$	9,666,707
Deferred inflows		<u>(2,594,682)</u>
		<u>7,072,025</u>
Total net position of governmental activities	\$	<u><u>56,054,332</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KINGMAN, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

REVENUES	General	Special Revenue	Non-major Funds	Total
		HURF		Governmental Funds
Taxes	\$ 19,913,684	\$ 811,365	\$ 4,345,545	\$ 25,070,594
Licenses, permits and fees	1,008,910	-	-	1,008,910
Intergovernmental revenue	6,387,613	2,753,252	2,467,125	11,607,990
Charges for services	1,366,725	-	151,839	1,518,564
Fines and forfeitures	337,674	-	-	337,674
Interest	96,272	9,897	32,761	138,930
Special assessments	-	-	794,688	794,688
Other revenues	280,677	23,621	57,801	362,099
<b>Total revenues</b>	<b>29,391,555</b>	<b>3,598,135</b>	<b>7,849,759</b>	<b>40,839,449</b>
<b>EXPENDITURES</b>				
Current:				
General government	5,064,191	-	20,487	5,084,678
Public safety	15,896,432	-	1,172,590	17,069,022
Public works/streets	-	3,416,063	820,847	4,236,910
Economic development	207,498	-	-	207,498
Culture and recreation	4,113,627	-	-	4,113,627
Capital outlay	791,987	1,321,756	2,789,549	4,903,292
Debt service				
Principal	-	57,722	493,932	551,654
Interest and fiscal charges	-	3,424	212,148	215,572
<b>Total expenditures</b>	<b>26,073,735</b>	<b>4,798,965</b>	<b>5,509,553</b>	<b>36,382,253</b>
Excess (deficiency) of revenues over (under) expenditures	3,317,820	(1,200,830)	2,340,206	4,457,196
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(3,192,641)	(474,795)	(1,770,356)	(5,437,792)
Transfers in	1,295,142	1,555,366	3,723,629	6,574,137
<b>Total other financing sources (uses)</b>	<b>(1,897,499)</b>	<b>1,080,571</b>	<b>1,953,273</b>	<b>1,136,345</b>
Net change in fund balances	1,420,321	(120,259)	4,293,479	5,593,541
Fund balances, beginning of year	18,154,014	2,110,303	8,596,908	28,861,225
Fund balances, end of year	\$ 19,574,335	\$ 1,990,044	\$ 12,890,387	\$ 34,454,766

The accompanying notes are an integral part of the financial statements.

**CITY OF KINGMAN, ARIZONA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2018**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ 5,593,541
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between capital outlay and depreciation in the current period.</p>		
Capital outlay	\$ 5,817,899	
Depreciation expense	<u>(2,900,067)</u>	2,917,832
<p>Disposals and transfers of capital assets are not reported in the governmental funds. The net effect of these transactions decreased net position</p>		
		(77,218)
<p>Governmental funds do not report contributions of capital assets as revenue, unless the assets will be held for sale. However, in the statement of activities, the donation of capital assets is reported as revenue.</p>		
		193,731
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of current year payments on assessments.</p>		
		(524,870)
<p>Repayment of long-term debt (e.g., bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Excise tax bond principal retirement	240,000	
Special assessment bond principal retirement	253,932	
Capital lease principal retirement	<u>57,720</u>	551,652
<p>Pension and OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension and OPEB liability is measured a year before the City's report date. Pension and OPEB expense, which is the change in the net pension and OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions and OPEB, is reported in the Statement of Activities.</p>		
Pension contributions	1,959,826	
Pension expense	<u>(3,803,054)</u>	(1,843,228)
<p>Compensated absences and PSPRS contributions payable are reported in the statement of activities and do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
PSPRS contributions	892,144	
Compensated absences	<u>76,480</u>	968,624
<p>The net revenues of certain activities of the internal service fund is reported with governmental activities.</p>		
		<u>639,928</u>
Change in net position of governmental activities		<u>\$ 8,419,992</u>

The accompanying notes are an integral part of the financial statements.

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**CITY OF KINGMAN, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	Business-type Activities - Enterprise Funds	
	Water	Wastewater
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 24,630,267	\$ 18,184,321
Receivables (net of allowance)	987,093	884,161
Due from other governments	-	-
Inventories	309,121	30,093
Prepaid items	940	-
Deposits on hold	20,418	-
Total current assets	<u>25,947,839</u>	<u>19,098,575</u>
Noncurrent Assets:		
Restricted cash and investments	512,190	-
Net pension/OPEB asset	13,356	3,337
Land and water rights	1,173,881	597,000
Construction in progress	798,230	126,409
Buildings	448,754	122,920
System improvements	52,937,795	65,466,231
Machinery and equipment	4,643,749	1,528,452
Accumulated depreciation	<u>(36,415,568)</u>	<u>(16,686,192)</u>
Total noncurrent assets	<u>24,112,387</u>	<u>51,158,157</u>
<b>Total Assets</b>	<u>50,060,226</u>	<u>70,256,732</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions/OPEB	<u>602,114</u>	<u>150,460</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	660,372	278,915
Accrued wages and benefits	54,541	16,639
Accrued liabilities	80,292	-
Compensated absences - current portion	186,020	43,945
Unearned revenue	-	-
Customer deposits	512,190	-
Notes payable - current portion	<u>-</u>	<u>2,250,341</u>
Total current liabilities	<u>1,493,415</u>	<u>2,589,840</u>
Noncurrent liabilities:		
Compensated absences	62,007	14,649
Net pension/OPEB liability	3,785,812	946,025
Notes payable, net of current portion	<u>-</u>	<u>26,130,902</u>
Total noncurrent liabilities	<u>3,847,819</u>	<u>27,091,576</u>
<b>Total liabilities</b>	<u>5,341,234</u>	<u>29,681,416</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions/OPEB	<u>250,694</u>	<u>62,646</u>
<b>NET POSITION</b>		
Net investment in capital assets	23,586,841	22,773,577
Restricted for capital outlay	709,052	-
Unrestricted	<u>20,774,519</u>	<u>17,889,553</u>
<b>Total net position</b>	<u>\$ 45,070,412</u>	<u>\$ 40,663,130</u>

The accompanying notes are an integral part of the financial statements.

Business-type Activities - Enterprise Funds			Governmental Activities
Sanitation	Airport	Totals	Internal Service Funds
\$ 1,186,095	\$ 2,103,139	\$ 46,103,822	\$ 6,222,139
344,264	299,395	2,514,913	50,889
-	33,560	33,560	-
-	-	339,214	-
273	224,428	225,641	22,002
-	-	20,418	-
<u>1,530,632</u>	<u>2,660,522</u>	<u>49,237,568</u>	<u>6,295,030</u>
-	8,164	520,354	-
4,231	-	20,924	9,282
567,000	-	2,337,881	567,000
-	811,622	1,736,261	16,000
-	4,450,962	5,022,636	576,100
-	31,135,482	149,539,508	94,720
6,445,910	943,644	13,561,755	1,343,641
<u>(5,239,606)</u>	<u>(20,919,365)</u>	<u>(79,260,731)</u>	<u>(1,391,116)</u>
<u>1,777,535</u>	<u>16,430,509</u>	<u>93,478,588</u>	<u>1,215,627</u>
<u>3,308,167</u>	<u>19,091,031</u>	<u>142,716,156</u>	<u>7,510,657</u>
<u>190,729</u>	<u>-</u>	<u>943,303</u>	<u>418,458</u>
87,221	121,045	1,147,553	70,848
17,693	5,229	94,102	48,949
-	-	80,292	-
50,279	1,203	281,447	95,977
-	-	-	5,207
-	8,164	520,354	-
-	-	2,250,341	-
<u>155,193</u>	<u>135,641</u>	<u>4,374,089</u>	<u>220,981</u>
16,760	402	93,818	31,990
1,199,212	-	5,931,049	2,631,080
-	-	26,130,902	-
<u>1,215,972</u>	<u>402</u>	<u>32,155,769</u>	<u>2,663,070</u>
<u>1,371,165</u>	<u>136,043</u>	<u>36,529,858</u>	<u>2,884,051</u>
<u>79,411</u>	<u>-</u>	<u>392,751</u>	<u>174,227</u>
1,773,304	16,422,345	64,556,067	1,206,345
-	-	709,052	-
<u>275,016</u>	<u>2,532,643</u>	<u>41,471,731</u>	<u>3,664,492</u>
<u>\$ 2,048,320</u>	<u>\$ 18,954,988</u>	<u>\$ 106,736,850</u>	<u>\$ 4,870,837</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KINGMAN, ARIZONA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Business-type Activities - Enterprise Funds	
	Water	Wastewater
<b>Operating Revenues</b>		
Charges for services	\$ 8,794,124	\$ 9,386,636
Contributions	-	-
Other revenues	444,646	36,721
Total operating revenues	<u>9,238,770</u>	<u>9,423,357</u>
<b>Operating Expenses</b>		
Salaries, wages and benefits	3,405,913	774,127
Administration/legal/contract services	301,094	105,112
Supplies	881,072	319,575
Repairs and maintenance	304,404	242,541
Utilities	1,339,309	316,129
Rents	26,909	34,595
Depreciation	1,245,976	1,472,283
Total operating expenses	<u>7,504,677</u>	<u>3,264,362</u>
Operating income (loss)	<u>1,734,093</u>	<u>6,158,995</u>
<b>Non-operating Revenues (Expenses)</b>		
Interest income	107,344	81,855
Interest expense and fiscal charges	(3,422)	(1,057,222)
Gain (loss) on sale of assets	(21,648)	-
Total non-operating revenue (expense)	<u>82,274</u>	<u>(975,367)</u>
Income (loss) before contributions and transfers	1,816,367	5,183,628
Capital contributions	-	10,000
Transfers out	(978,338)	(723,188)
Transfers in	914,711	1,819
Change in net position	1,752,740	4,472,259
Total net position, beginning of year	43,316,990	36,190,701
Prior period adjustment	682	170
Total net position, end of year	<u>\$ 45,070,412</u>	<u>\$ 40,663,130</u>

The accompanying notes are an integral part of the financial statements.

Business-type Activities - Enterprise Funds			Governmental Activities
Sanitation	Airport	Totals	Internal Service Funds
\$ 3,594,654	\$ 830,199	\$ 22,605,613	\$ 5,230,889
-	-	-	4,396,867
50	497,223	978,640	320,102
<u>3,594,704</u>	<u>1,327,422</u>	<u>23,584,253</u>	<u>9,947,858</u>
1,117,423	473,453	5,770,916	2,463,198
34,809	425,197	866,212	5,473,189
1,594,441	164,376	2,959,464	1,020,970
38,735	285,366	871,046	92,806
208,899	87,736	1,952,073	207,766
1,415	376	63,295	-
331,942	1,666,873	4,717,074	102,269
<u>3,327,664</u>	<u>3,103,377</u>	<u>17,200,080</u>	<u>9,360,198</u>
<u>267,040</u>	<u>(1,775,955)</u>	<u>6,384,173</u>	<u>587,660</u>
6,038	2,207	197,444	24,797
(3,422)	(223)	(1,064,289)	(3,422)
-	-	(21,648)	(7,107)
<u>2,616</u>	<u>1,984</u>	<u>(888,493)</u>	<u>14,268</u>
269,656	(1,773,971)	5,495,680	601,928
-	154,500	164,500	-
(389,349)	-	(2,090,875)	(62,000)
-	-	916,530	100,000
<u>(119,693)</u>	<u>(1,619,471)</u>	<u>4,485,835</u>	<u>639,928</u>
2,167,797	20,574,459	102,249,947	4,230,435
216	-	1,068	474
<u>\$ 2,048,320</u>	<u>\$ 18,954,988</u>	<u>\$ 106,736,850</u>	<u>\$ 4,870,837</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KINGMAN, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Business-type Activities - Enterprise Funds	
	Water	Wastewater
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers, service fees	\$ 8,866,174	\$ 9,365,185
Cash received from customers, other	444,646	36,721
Cash paid to suppliers	(2,672,236)	(1,043,018)
Cash paid to employees	(3,447,490)	(883,227)
Cash flows from operating activities	<u>3,191,094</u>	<u>7,475,661</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Transfers	(63,627)	(721,369)
Cash flows from noncapital financing activities	<u>(63,627)</u>	<u>(721,369)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Purchase of capital assets	(983,231)	(789,207)
Proceeds from sale of capital assets	(21,648)	-
Principal paid on long term debt	(57,725)	(2,232,693)
Interest paid	(3,422)	(1,057,222)
Cash flows from capital and related financing activities	<u>(1,066,026)</u>	<u>(4,079,122)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest on investments	107,344	81,855
Net change in cash and cash equivalents	2,168,785	2,757,025
Cash and cash equivalents, including temporarily restricted cash, beginning of year	<u>22,973,672</u>	<u>15,427,296</u>
<b>Cash and cash equivalents, including temporarily restricted cash, end of year</b>	<u><u>\$ 25,142,457</u></u>	<u><u>\$ 18,184,321</u></u>
Reconciliation of operating income to net cash flows from operating activities:		
Net operating income (loss)	\$ 1,734,093	\$ 6,158,995
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation/amortization	1,245,976	1,472,283
Pension/OPEB expense	158,678	(50,138)
Employer pension/OPEB contributions	(274,272)	(68,537)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	72,050	(21,451)
(Increase) decrease in prepaid items & deposits	(11,985)	-
(Increase) decrease in inventory	(158,941)	160
Increase (decrease) in payables	351,478	(25,226)
Increase (decrease) in accrued liabilities & deposits	74,017	9,575
Net cash flows from operating activities	<u><u>\$ 3,191,094</u></u>	<u><u>\$ 7,475,661</u></u>

The accompanying notes are an integral part of the financial statements.

<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 3,582,581	\$ 692,241	\$ 22,506,181	\$ 9,599,228
50	497,223	978,640	322,239
(2,124,607)	(1,099,241)	(6,939,102)	(6,862,935)
<u>(1,142,759)</u>	<u>(495,285)</u>	<u>(5,968,761)</u>	<u>(2,468,113)</u>
315,265	(405,062)	10,576,958	590,419
<u>(389,349)</u>	<u>-</u>	<u>(1,174,345)</u>	<u>38,000</u>
<u>(389,349)</u>	<u>-</u>	<u>(1,174,345)</u>	<u>38,000</u>
(304,702)	(7,831)	(2,084,971)	(217,770)
-	-	(21,648)	-
(57,724)	(10,232)	(2,358,374)	(57,725)
<u>(3,422)</u>	<u>(223)</u>	<u>(1,064,289)</u>	<u>(3,422)</u>
<u>(365,848)</u>	<u>(18,286)</u>	<u>(5,529,282)</u>	<u>(278,917)</u>
<u>6,038</u>	<u>2,207</u>	<u>197,444</u>	<u>24,797</u>
(433,894)	(421,141)	4,070,775	374,299
<u>1,619,989</u>	<u>2,532,444</u>	<u>42,553,401</u>	<u>5,847,840</u>
<u>\$ 1,186,095</u>	<u>\$ 2,111,303</u>	<u>\$ 46,624,176</u>	<u>\$ 6,222,139</u>
\$ 267,040	\$ (1,775,955)	\$ 6,384,173	\$ 587,660
331,942	1,666,873	4,717,074	102,269
51,781	-	160,321	156,707
(86,880)	-	(429,689)	(190,614)
(12,073)	(137,958)	(99,432)	(26,391)
(273)	(189,341)	(201,599)	(21,800)
-	-	(158,781)	-
(246,035)	53,151	133,368	(46,404)
<u>9,763</u>	<u>(21,832)</u>	<u>71,523</u>	<u>28,992</u>
<u>\$ 315,265</u>	<u>\$ (405,062)</u>	<u>\$ 10,576,958</u>	<u>\$ 590,419</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies**

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**Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting Entity**

The City of Kingman (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 the 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. Separate financial statements for the component unit have not been prepared.

**Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Basis of presentation – fund financial statements**

The fund financial statements provide information about the government’s funds, including its blended component units. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The **Highway User Revenue Fund** accounts for the City’s share of motor fuel tax revenues

The City reports the following major proprietary funds:

The **Water Fund** accounts for the activities of the City’s water utility services

The **Wastewater Fund** accounts for the activities of the City’s wastewater collection and treatment facilities and associated financing.

The **Sanitation Fund** accounts for the activities of the City’s sanitation utility services.

The **Airport Fund** accounts for the activities of the Kingman Airfield and Industrial Park.

Additionally, the City reports the following fund type:

The **Internal Service Funds** are established to account for financing of goods and services provided by one department or agency to other departments or agencies for the City on a cost reimbursement basis. The Internal Service Funds consist of a 911 Dispatch Center Fund, a Fleet Services Fund, an Insurance Services Fund, a Building Maintenance Services Fund, an Information Technology Fund and a Benefits Reserve Fund.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the 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.

The 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 expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and internal service funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

***Cash and cash equivalents***

The City's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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***Investments***

The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's investment pool, obligations of the U.S. Government and other investments as allowed by Arizona State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

***Inventories and Prepaid Items***

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business-type activities consist principally of materials used in the repair of the distribution, collection and treatment systems and are valued at cost using the average cost method. The cost of such inventories is recorded as expense when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditure/expenses when consumed rather than when purchased.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets, except land, are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All land is capitalized, regardless of cost. Capitalized assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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 assets lives are not capitalized. 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.

Land, art, and construction in progress are not depreciated. Depreciation for other property, plant, equipment, and infrastructure is computed using the straight-line method over the following estimated useful lives:

Infrastructure	15 to 50 years
Buildings	45 years
Improvements other than buildings	20 years
Vehicles, machinery and equipment	5 to 15 years

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is pension and OPEB related items reported on the government-wide, proprietary fund and internal services fund financial statements. See footnote 9 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The first item, which arises only under a modified accrual basis of accounting, is unavailable revenue and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is pension and OPEB related items reported on the government-wide, proprietary fund, and internal service fund financial statements. See footnote 9 for more information.

*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 position. Bond premiums and discounts, as well as 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 while discounts on debt issuances are reported as other financing uses. Issuing costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Postemployment Benefits*

For purposes of measuring the net pension and other post employment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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***Net position flow assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund balance flow assumptions***

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund balance policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The council has authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Revenues and expenditures/expenses**

***Program revenues***

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Compensated Absences***

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay at varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide 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 pay for governmental activities compensated absences.

***Proprietary funds operating and nonoperating revenues and expenses***

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 water fund, wastewater fund, sanitation fund, and internal service funds are charges to customers for sales and services. The water and wastewater funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Use of Estimates**

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**New pronouncements**

For the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide, internal service fund, and proprietary fund financial statements (see Note 14).

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**Note 2. Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 20.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 22.

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**Note 3. Stewardship, Compliance, and Accountability**

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Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the City. The use of budgets and monitoring of equity status facilitate the City's compliance with legal requirements.

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 3. Stewardship, Compliance, and Accountability, Continued**

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2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The City follows a voter-approved alternative expenditure limitation that was adopted on November 13, 2014.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Council has adopted a budget transfer policy and all amendments must be done in accordance with this policy.
6. The City has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Debt Service, Internal Service and Proprietary funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

Supplementary budgetary appropriations were made during the year ended June 30, 2018.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation for future years, is not employed by the City.

**Expenditures over Appropriations**

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2018, if any.

**Highway User Revenue Funds**

Highway user revenue fund monies received by the City pursuant to title 28, chapter 18, article 2 of Arizona Revised Statutes and other dedicated state transportation revenues received during the current fiscal year have been used solely for authorized transportation purposes.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 4. Deposits and Investments**

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A reconciliation of cash and investments as shown on the statement of net position is as follows:

Cash and cash equivalents	\$ 40,627,289
Restricted cash and cash equivalents	896,655
Investments	<u>45,396,304</u>
Total	<u><u>\$ 86,920,248</u></u>

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the City's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2018, the City's bank balance of \$42,293,814 was fully insured or collateralized.

**Investments**

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP) with no regulatory oversight. The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 4. Deposits and Investments, Continued**

As of June 30, 2018 the City had the following deposits and investments:

	Fair Value	Quality Ratings (1)	Weighted Average Maturity (Years) (2)
	<u>          </u>	<u>          </u>	<u>          </u>
Deposits:			
Cash on hand	\$ 11,425	N/A	N/A
Cash in bank	41,512,519	N/A	N/A
Investments:			
Local Government			
Investment Pool 7	21,627,606	AAA	0.09
US Government Agency Bonds	23,768,698	AAA	1.77
Total cash and investments	<u>\$ 86,920,248</u>		

\* The fair value of the City’s position in each pool is the same as the value of the pool shares.

- (1) Ratings are provided where applicable (Moody’s) to indicate associated Credit Risk. N/A indicates not applicable.
- (2) Interest Rate Risk is estimated using the weighted average years to maturity.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). A.R.S. 35-323 limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor’s and Moody’s Investor Services.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323). A.R.S. 35-323 requires that the City’s investment portfolio maturities do not exceed five years from the time of purchase.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 4. Deposits and Investments, Continued**

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**Fair value measurements**

As noted above, the City holds investments that are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The state treasurer's investment pool, US Government bonds, and certificates of deposit, as listed above, are valued using quoted prices that are observable for the assets (Level 2 inputs).

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**Note 5. Restricted Assets**

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Cash and other assets as of June 30, 2018 were restricted to use as follows:

**Governmental Activities:**

General Fund:

Restricted for deposits	\$ 26,652
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Special Revenue Funds:

Restricted for police cash seizures	349,649
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Total Governmental Activities	<u>\$ 376,301</u>
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**Business-Type Activities:**

Water Fund:

Customer security deposits	\$ 512,190
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Airport Fund:

Customer security deposits	8,164
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Total Business-Type Activities	<u>\$ 520,354</u>
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**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 6. Capital Assets**

The following table summarizes the changes to capital assets for governmental activities during the year:

<b>Governmental activities:</b>	<b>Balance 6/30/2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance 6/30/2018</b>
Capital assets, not being depreciated					
Land	\$ 10,725,630	\$ 164,910	\$ -	\$ -	\$ 10,890,540
Art	-	10,000	-	-	10,000
Construction in process	2,016,870	2,183,029	(1,588,801)	-	2,611,098
Total capital assets not being depreciated	<u>12,742,500</u>	<u>2,357,939</u>	<u>(1,588,801)</u>	<u>-</u>	<u>13,511,638</u>
Capital assets, being depreciated					
Infrastructure	67,980,821	2,888,193	-	-	70,869,014
Buildings	8,391,642	462,774	-	-	8,854,416
Improvements other than buildings	6,917,532	738,139	-	-	7,655,671
Vehicles, machinery and equipment	16,945,363	1,371,156	(285,183)	(78,575)	17,952,761
Total assets being depreciated	<u>100,235,358</u>	<u>5,460,262</u>	<u>(285,183)</u>	<u>(78,575)</u>	<u>105,331,862</u>
Less: Accumulated depreciation					
Infrastructure	(39,206,321)	(1,546,846)	-	-	(40,753,167)
Buildings	(4,707,375)	(191,846)	-	-	(4,899,221)
Improvements other than buildings	(5,041,144)	(234,623)	-	-	(5,275,767)
Vehicles, machinery and equipment	(12,679,292)	(1,029,021)	200,857	78,575	(13,428,881)
Total accumulated depreciation	<u>(61,634,132)</u>	<u>(3,002,336)</u>	<u>200,857</u>	<u>78,575</u>	<u>(64,357,036)</u>
Total assets being depreciated, net	<u>38,601,226</u>	<u>2,457,926</u>	<u>(84,326)</u>	<u>-</u>	<u>40,974,826</u>
Governmental capital assets, net	<u>\$ 51,343,726</u>	<u>\$ 4,815,865</u>	<u>\$ (1,673,127)</u>	<u>\$ -</u>	<u>\$ 54,486,464</u>

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Governmental activities:</b>	
General government	\$ 106,470
Public safety	730,896
Highways and streets	1,846,651
Culture and recreation	318,319
Total depreciation expense-governmental activities	<u>\$ 3,002,336</u>

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 6. Capital Assets, Continued**

The following table summarizes the changes to capital assets for business-type activities during the year.

<b>Business-type activities:</b>	<b>Balance 6/30/2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>** Transfers</b>	<b>Balance 6/30/2018</b>
Capital assets, not being depreciated					
Land	\$ 2,337,881	\$ -	\$ -	\$ -	\$ 2,337,881
Construction in process	570,365	1,242,280	(790,391)	714,007	1,736,261
Total capital assets not being depreciated	<u>2,908,246</u>	<u>1,242,280</u>	<u>(790,391)</u>	<u>714,007</u>	<u>4,074,142</u>
Capital assets, being depreciated					
Infrastructure	117,042,793	936,505	(428,007)	28,243,599	145,794,890
Buildings	571,675	25,079	-	4,425,882	5,022,636
Improvements other than buildings	409,728	42,428	-	3,292,462	3,744,618
Vehicles, machinery and equipment	11,771,121	793,566	-	997,068	13,561,755
Total assets being depreciated	<u>129,795,317</u>	<u>1,797,578</u>	<u>(428,007)</u>	<u>36,959,011</u>	<u>168,123,899</u>
Less: Accumulated depreciation					
Infrastructure	(45,827,822)	(3,761,148)	428,007	(14,639,636)	(63,800,599)
Buildings	(230,180)	(194,698)	-	(2,096,777)	(2,521,655)
Improvements other than buildings	(395,247)	(168,371)	-	(2,167,314)	(2,730,932)
Vehicles, machinery and equipment	(8,772,284)	(592,857)	-	(842,404)	(10,207,545)
Total accumulated depreciation	<u>(55,225,533)</u>	<u>(4,717,074)</u>	<u>428,007</u>	<u>(19,746,131)</u>	<u>(79,260,731)</u>
Total assets being depreciated, net	<u>74,569,784</u>	<u>(2,919,496)</u>	<u>-</u>	<u>17,212,880</u>	<u>88,863,168</u>
Business-type capital assets, net	<u>\$ 77,478,030</u>	<u>\$ (1,677,216)</u>	<u>\$ (790,391)</u>	<u>\$ 17,926,887</u>	<u>\$ 92,937,310</u>

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Business-type activities:</b>	
Water	\$ 1,245,976
Wastewater	1,472,283
Sanitation	331,942
Airport	1,666,873
Total depreciation expense-business-type activities	<u>\$ 4,717,074</u>

\*\* The net capital asset transfers of \$17,926,887 are the result of the Kingman Airport Authority, Inc. being assumed by the City of Kingman. See footnote 13 for more information.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 7. Long-Term Debt**

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

	Balance 06/30/17	Additions	Retirements	Balance 06/30/18	Current Portion
<b>Governmental Activities:</b>					
Excise Tax Revenue Bonds:					
Series 2005	\$ 740,000	\$ -	\$ (240,000)	\$ 500,000	\$ 245,000
Total Excise Tax Revenue Bonds	<u>740,000</u>	<u>-</u>	<u>(240,000)</u>	<u>500,000</u>	<u>245,000</u>
Special Assessment Bonds:					
Wallapai/Marlene	38,641	-	(8,932)	29,709	9,401
East Golden Gate	-	-	-	-	-
Kingman Airport Tract/Banks	2,575,000	-	(245,000)	2,330,000	265,000
Total Special Assessment Bonds	<u>2,613,641</u>	<u>-</u>	<u>(253,932)</u>	<u>2,359,709</u>	<u>274,401</u>
Accrued compensated absences	1,288,417	1,501,737	(1,564,411)	1,225,743	919,307
Capital leases	115,445	-	(115,445)	-	-
Net OPEB liability**	4,051,744	-	(12,111)	4,039,633	-
Net pension liability	<u>39,214,827</u>	<u>916,062</u>	<u>-</u>	<u>40,130,889</u>	<u>-</u>
Total Governmental Debt	<u>\$ 48,024,074</u>	<u>\$ 2,417,799</u>	<u>\$ (2,185,899)</u>	<u>\$ 48,255,974</u>	<u>\$ 1,438,708</u>
<b>Business-Type Activities:</b>					
Loans payable					
WIFA Loan - 910114-09	\$ 19,418,187	\$ -	\$ (1,469,957)	\$ 17,948,230	\$ 1,522,875
WIFA Loan - 910149-11	11,138,024	-	(705,011)	10,433,013	727,466
Total Loans Payable	<u>30,556,211</u>	<u>-</u>	<u>(2,174,968)</u>	<u>28,381,243</u>	<u>2,250,341</u>
Accrued compensated absences	367,774	274,119	(266,628)	375,265	281,447
Capital leases	173,168	-	(173,168)	-	-
Net OPEB liability**	24,807	-	(10,995)	13,812	-
Net pension liability	<u>6,011,737</u>	<u>-</u>	<u>(94,500)</u>	<u>5,917,237</u>	<u>-</u>
Total Business-Type Long-Term Debt	<u>\$ 37,133,697</u>	<u>\$ 274,119</u>	<u>\$ (2,720,259)</u>	<u>\$ 34,687,557</u>	<u>\$ 2,531,788</u>
Total Long-Term Liabilities	<u>\$ 85,157,771</u>	<u>\$ 2,691,918</u>	<u>\$ (4,906,158)</u>	<u>\$ 82,943,531</u>	<u>\$ 3,970,496</u>

\*\* Beginning balance has been restated from implementation of GASB 75. See footnote 15.

For governmental funds, net pension and OPEB liabilities are generally liquidated through the general fund.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 7. Long-Term Debt, Continued**

The City has pledged future excise tax revenues to repay Excise Tax Revenue Bonds issued in 2005. The various bonds were issued for the construction of certain street improvements. Debt covenants related to the 2005 Series require available receipts for the fiscal year to be 2.5 times the annual debt service requirement. At year end, the revenues available for service of this debt were \$26.3 million. The debt principal and interest paid on this debt during fiscal year 2018 was \$270,813 (1% of available pledged revenues). The bonds bear interest from 3% to 4.25%, payments are due in annual principal and interest installments ranging from \$265,200 to \$265,613 through July 1, 2020.

Excise tax revenue bond maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2019	\$ 245,000	\$ 20,613	\$ 265,613
2020	255,000	10,200	265,200
Total	<u>\$ 500,000</u>	<u>\$ 30,813</u>	<u>\$ 530,813</u>

Special assessments imposed on certain parcels of land within the assessment district are used to pay the Special Assessment District Bonds. The special assessment bonds yield interest ranging from 4.5% to 7.25%.

Special assessment bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2019	\$ 274,401	\$ 160,632	\$ 435,033
2020	294,894	140,187	435,081
2021	315,414	118,267	433,681
2022	330,000	94,975	424,975
2023	355,000	74,014	429,014
2024-2028	790,000	58,363	848,363
Total	<u>\$ 2,359,709</u>	<u>\$ 646,438</u>	<u>\$ 3,006,147</u>

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 7. Long-Term Debt, Continued**

The following is a listing of loans payable outstanding as of June 30, 2018:

<b>Loans Payable:</b>	<u>Business-Type Activities</u>
Water Infrastructure Finance Authority of Arizona loan number 910114-09, due in semi-annual variable principal and interest installments, bearing interest at 3.6% (including fees), maturing July 2028. The City has pledged future wastewater utility revenues to repay this loan. Loan covenants require the City to maintain 1.5 times coverage of net revenues to current year debt service payments.	\$ 17,948,230
Water Infrastructure Finance Authority of Arizona loan number 910149-11, due in semi-annual variable principal and interest installments, bearing interest at 3.185% (including fees), maturing July 2030. The City has pledged future wastewater utility revenues to repay this loan. Loan covenants require the City to maintain 1.5 times coverage of net revenues to current year debt service payments.	<u>10,433,013</u>
Total Loans Payable	<u><u>\$ 28,381,243</u></u>

Loans payable debt service maturities are as follows:

Year Ended June 30,	Business-Type Activities		Total
	Principal	Interest	
2019	\$ 2,250,341	\$ 978,518	\$ 3,228,859
2020	2,328,335	900,435	3,228,770
2021	2,409,039	819,730	3,228,769
2022	2,492,551	736,219	3,228,770
2023	2,578,965	649,804	3,228,769
2024-2028	14,299,982	1,843,859	16,143,841
2029-2030	2,022,030	97,101	2,119,131
Total	<u>\$ 28,381,243</u>	<u>\$ 6,025,666</u>	<u>\$ 34,406,909</u>

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2018 are as follows:

<b>Transfers in:</b>						
<b>Transfers out:</b>	General Fund	HURF Fund	Nonmajor Governmental Funds and Internal Service Funds	Water Fund	Wastewater Fund	Total
General Fund	\$ -	\$ -	\$ 3,192,641	\$ -	\$ -	\$ 3,192,641
HURF Fund	-	-	-	474,795	-	474,795
Nonmajor Governmental Funds and Internal Service Funds	76,450	1,207,000	548,906	-	-	1,832,356
Water Fund	728,050	208,115	40,354	-	1,819	978,338
Wastewater Fund	205,753	58,815	18,704	439,916	-	723,188
Sanitation Fund	284,889	81,436	23,024	-	-	389,349
<b>Total</b>	<b>\$ 1,295,142</b>	<b>\$ 1,555,366</b>	<b>\$ 3,823,629</b>	<b>\$ 914,711</b>	<b>\$ 1,819</b>	<b>\$ 7,590,667</b>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits**

The City contributes to the plans described below. The Arizona State Retirements System and Public Safety Personnel Retirement System plans are component units of the State of Arizona. At June 30, 2018, the City reported the following aggregate amounts related to pensions and other post employment benefits (OPEB) for all plans to which it contributes:

<b>Statement of Net Position and Statement of Activities</b>	<b>ASRS</b>	<b>PSPRS</b>	<b>OPEB Single Employer Plan</b>	<b>Combined Total</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Net pension/OPEB asset	\$ 60,352	\$ 196,509	\$ -	\$ 256,861	\$ 235,937	\$ 20,924
Net pension/OPEB liabilities	17,107,148	28,991,423	4,003,000	50,101,571	44,170,522	5,931,049
Deferred outflows of resources	2,720,800	8,307,668	-	11,028,468	10,085,165	943,303
Deferred inflows of resources	1,132,827	1,951,833	77,000	3,161,660	2,768,909	392,751
Pension/OPEB expense	730,178	4,565,323	75,000	5,370,501	5,117,347	253,154

The City reported \$3,285,453 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**Arizona State Retirement System (ASRS)**

**Plan description** – The City participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits provided** – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<b>Initial Membership Date Before July 1, 2011</b>	<b>Initial Membership Date On or After July 1, 2011</b>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\* With actuarially reduced benefits.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

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Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 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 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll.

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.1 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS.

The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$1,174,702, \$47,419, and \$17,243, respectively. During fiscal year 2018, the City paid for ASRS pension and OPEB contributions as follows: 38 percent from the general fund, 42 percent from major funds, and 20 percent from other funds.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

**Liability** – At June 30, 2018, the City reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	<b>Net pension/OPEB (asset) liability</b>
Pension	\$ 17,067,312
Health insurance premium benefit	(60,352)
Long-term disability	39,836

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The City’s proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The City's proportions measured as of June 30, 2017 and the change from its proportions measured as of June 30, 2016, were:

	Proportion June 30, 2016	Proportion June 30, 2017	Increase (decrease) from June 30, 2016
Pension	0.105600%	0.109560%	0.003960%
Health insurance premium benefit	0.110859%	0.110860%	0.000001%
Long-term disability	0.109901%	0.109900%	-0.000001%

The net asset and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City’s net asset and net liabilities as a result of these changes is not known.

**Expense** – For the year ended June 30, 2018, the City recognized the following pension and OPEB expense:

	<b>Pension/OPEB Expense</b>
Pension	\$ 673,624
Health insurance premium benefit	35,300
Long-term disability	21,254

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

**Deferred outflows/inflows of resources**

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 511,772	\$ -	\$ -	\$ -	\$ -
Changes of assumptions or other inputs	741,273	510,343	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	122,532	-	-	67,954	-	5,959
Changes in proportion and differences between contributions and proportionate share of contributions	617,631	36,721	-	72	-	6
Contributions subsequent to the measurement date	1,174,702	-	47,419	-	17,243	-
<b>Total</b>	<b>\$ 2,656,138</b>	<b>\$ 1,058,836</b>	<b>\$ 47,419</b>	<b>\$ 68,026</b>	<b>\$ 17,243</b>	<b>\$ 5,965</b>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30	Pension	Health Insurance Premium Benefit	Long-term disability
2019	\$ (374,250)	\$ (17,004)	\$ (1,491)
2020	940,189	(17,004)	(1,491)
2021	249,259	(17,004)	(1,491)
2022	(392,598)	(17,004)	(1,491)
2023	-	(10)	(1)
Thereafter	-	-	(1)

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

**Actuarial Assumptions** – The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Totals	100%	

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

**Discount Rate** – The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**Sensitivity of the proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate** – The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 8 percent, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of			
Net pension liability	\$ 21,906,192	\$ 17,067,312	\$ 13,024,014
Net insurance premium benefit liability (asset)	100,228	(60,352)	(196,818)
Net long-term disability liability	47,634	39,836	33,225

**Plan fiduciary net position** – Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

**Public Safety Personnel Retirement System (PSPRS)**

**Plan description** – City police and fire employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS plans. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

**Benefits provided** – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<b>Initial Membership Date Before January 1, 2012</b>	<b>Initial Membership Date On or After January 1, 2012 and before July 1, 2017</b>
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents

**Employees covered by benefit terms** – At June 30, 2018, the following employees were covered by the agent plans’ benefit terms:

<b>PSPRS - Police</b>	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	25	25
Inactive employees entitled to but not yet receiving benefits	11	3
Active employees	54	54
Total	90	82

<b>PSPRS - Fire</b>	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	27	27
Inactive employees entitled to but not yet receiving benefits	5	1
Active employees	48	48
Total	80	76

**Contributions and annual OPEB cost** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2018 are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS Police	7.65-11.65%	42.68%	0.41%
PSPRS Tier 3 risk pool	9.94%	9.68%	0.26%
PSPRS Fire	7.65-11.65%	44.23%	0.07%

Also, statute required the City to contribute at the actuarially determined rate of 28.09% of the annual covered payroll of City police employees and 28.82% of the annual covered payroll for City fire employees who were PSPRS Tier 3 Risk Pool members, in addition to the City’s required contributions to the PSPRS Tier 3 Risk Pool for these City police and fire employees.

In addition, statute required the City to contribute at the actuarially determined rate of 28.09% for police and 28.82% for fire of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

The City's contributions to the plans for the year ended June 30, 2018, were:

<b>PSPRS - Police</b>	Pension	Health insurance premium benefit
PSPRS	\$ 1,299,212	\$ 13,527
PSPRS Tier 3 risk pool	3,698	38
<b>PSPRS - Fire</b>	Pension	Health insurance premium benefit
PSPRS	\$ 1,347,181	\$ 2,280
PSPRS Tier 3 risk pool	15,879	27

During fiscal year 2018, the City paid for PSPRS pension and OPEB contributions 100% from the general fund.

**Liability** – At June 30, 2018, the City reported the following assets and liabilities:

	Net pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 14,606,107	\$ 10,608
PSPRS Fire	\$ 14,374,708	\$ (196,509)

The net assets and net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

**Actuarial assumptions** – The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Investment rate of return	7.4%
Wage inflation	3.5% for pensions/ not applicable for OPEB
Price inflation	2.5% for pensions/ not applicable for OPEB
Permanent benefit increase	Included for pensions/ not applicable for OPEB
Mortality rates	RP-2014 mortality tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Short term investments	2%	0.72%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
<b>Total</b>	<u>100%</u>	

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

**Discount Rate** –At June 30, 2017 the discount rate used to measure the total pension/OPEB liabilities was 7.40 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**Changes in the net pension/OPEB liability**

PSPRS-Police	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$ 25,721,014	\$ 11,925,138	\$ 13,795,876	\$ 517,895	\$ 561,076	\$ (43,181)
Changes for the year:						
Service cost	726,713	-	726,713	13,397	-	13,397
Interest on total pension/OPEB liability	1,913,281	-	1,913,281	38,216	-	38,216
Changes of benefit terms	374,740	-	374,740	1,036	-	1,036
Difference between expected and actual experience in the measurement of the pension/OPEB liability	(2,783)	-	(2,783)	97,270	-	97,270
Changes of assumptions	838,312	-	838,312	(24,274)	-	(24,274)
Contributions - employer	-	1,249,425	(1,249,425)	-	7,773	(7,773)
Contributions - employee	-	371,649	(371,649)	-	-	-
Net investment income	-	1,431,871	(1,431,871)	-	64,655	(64,655)
Benefit payments, including refunds of employee contributions	(1,147,914)	(1,147,914)	-	(30,088)	(30,088)	-
Plan administrative expenses	-	(13,070)	13,070	-	(572)	572
Other changes*	-	157	(157)	-	-	-
Net changes	2,702,349	1,892,118	810,231	95,557	41,768	53,789
Balances at June 30, 2018	\$ 28,423,363	\$ 13,817,256	\$ 14,606,107	\$ 613,452	\$ 602,844	\$ 10,608

\* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

PSPRS-Fire	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 28,474,037	\$ 14,088,250	\$ 14,385,787	\$ 554,865	\$ 653,475	\$ (98,610)
Changes for the year:						
Service cost	685,162	-	685,162	11,588	-	11,588
Interest on total pension/OPEB liability	2,077,486	-	2,077,486	41,306	-	41,306
Changes of benefit terms	224,128	-	224,128	2,402	-	2,402
Difference between expected and actual experience in the measurement of the pension/OPEB liability	(1,129,689)	-	(1,129,689)	(68,929)	-	(68,929)
Changes of assumptions	1,323,397	-	1,323,397	(8,646)	-	(8,646)
Contributions - employer	-	1,255,347	(1,255,347)	-	307	(307)
Contributions - employee	-	336,076	(336,076)	-	-	-
Net investment income	-	1,614,633	(1,614,633)	-	75,986	(75,986)
Benefit payments, including refunds of employee contributions	(2,233,602)	(2,233,602)	-	(19,831)	(19,831)	-
Plan administrative expenses	-	(14,687)	14,687	-	(673)	673
Other changes*	-	194	(194)	-	-	-
Net changes	946,882	957,961	(11,079)	(42,110)	55,789	(97,899)
Balances at June 30, 2018	\$ 29,420,919	\$ 15,046,211	\$ 14,374,708	\$ 512,755	\$ 709,264	\$ (196,509)

\* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

**Sensitivity of the City's net pension/OPEB liability (asset) to changes in the discount rate** – The following table presents the City's net pension/OPEB liabilities (assets) calculated using the discount rate of 7.4 percent, as well as what the City's net pension/OPEB liability (assets) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
<b>PSPRS-Police</b>			
Net pension (asset) / liability	\$ 18,553,094	\$ 14,606,107	\$ 11,406,861
Net OPEB (asset)/ liability	88,547	10,608	(53,821)
<b>PSPRS-Fire</b>			
Net pension (asset) / liability	\$ 18,478,764	\$ 14,374,708	\$ 11,041,020
Net OPEB (asset)/ liability	(129,618)	(196,509)	(251,682)

**Pension plan fiduciary net position** – Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial report.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

**Expense** – For the year ended June 30, 2018, the City recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 2,392,077	\$ 18,100
PSPRS Fire	\$ 2,163,858	\$ (8,712)

Deferred outflows/inflows of resources – At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

**PSPRS - Police**

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 354,284	\$ 82,894	\$ -
Changes in assumptions	2,111,988	-	-	20,686
Net difference between projected and actual earnings on pension/OPEB plan investments	177,844	-	-	18,746
Contributions subsequent to the measurement date	1,302,910	-	13,565	-
Total	\$ 3,592,742	\$ 354,284	\$ 96,459	\$ 39,432

**PSPRS - Fire**

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 520,974	\$ 1,469,237	\$ -	\$ 59,261
Changes in assumptions	2,486,954	-	-	7,433
Net difference between projected and actual earnings on pension/OPEB plan investments	245,171	-	-	22,186
Contributions subsequent to the measurement date	1,363,061	-	2,307	-
Total	\$ 4,616,160	\$ 1,469,237	\$ 2,307	\$ 88,880

The amounts reported as deferred outflows of resources related to PSPRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

Year Ended June 30	PSPRS Police		PSPRS - Fire	
	Pension	Health Insurance Premium Benefit	Pension	Health Insurance Premium Benefit
2019	\$ 647,724	\$ 6,101	\$ 530,658	\$ (16,428)
2020	704,476	6,101	671,134	(16,428)
2021	282,236	6,101	467,299	(16,428)
2022	153,353	6,103	38,946	(16,426)
2023	137,554	10,788	49,265	(10,881)
Thereafter	10,205	8,268	26,560	(12,289)

**Other Post-Employment Benefits-Single Employer Plan**

**Plan description** – Under authority of the City Council, the City provides postretirement insurance (health, dental, and vision) benefits for certain retirees and their dependents. The plan is a single employer defined benefit plan administered by the City. A separate financial report is not issued for the plan.

**Benefits provided** - The City contributes 100% of the premiums for the employees who retire with 20 years of full-time service before July 1, 2005. The City pays a portion of the premiums for the employees who retire with 20 years of service after July 1, 2005 and who agree to pay the remaining \$150 of the premium per month. Employees hired on or after July 1, 2013 are not eligible for retiree benefits under this Plan. 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.

**Employees covered by benefit terms** – At July 1, 2016, membership data consisted of the following:

	Participants
Active employees	200
Retirees	20
Total	220

**Contributions** - 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 financials statements assume that pay-as-you-go funding will continue. Contributions to the plan from the City were \$213,000 for the year ended June 30, 2018. Generally, resources from the General Fund are used to pay for postemployment benefits.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

**OPEB liability** – At June 30, 2018, the City reported a net OPEB liability of \$4,003,000. The net liability was measured as of June 30, 2018 and the total liability was determined by an actuarial valuation as of July 1, 2016. Standard actuarial update procedures were used to project/discount from the valuation to measurement dates. An OPEB trust has not been established so the total liability is equal to the net liability. There are no assets accumulated in a trust that meet the criteria in GASB 75 (paragraph 4) to pay related benefits. The total OPEB liability as of June 30, 2018 reflects a change in the use of discount rates of 3.87% as of June 30, 2018.

**OPEB liability discount rate sensitivity** - The following presents the net OPEB liability calculated using the discount rate of 3.87%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	\$ 4,329,000	\$ 4,003,000	\$ 3,706,000

**OPEB liability healthcare cost trend rates sensitivity** - The following presents the net OPEB liability calculated using current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower or 1-percentage-point higher than current healthcare cost trend rates:

	1% Decrease	Healthcare Trend	1% Increase
Net OPEB liability	\$ 3,481,000	\$ 4,003,000	\$ 4,605,000

**Actuarial assumptions** – The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

The Entry Age Normal Actuarial Cost Method was used to value the Plan’s actuarial liabilities and to set the normal cost. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for the Plan. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability. Because we do not have actual payroll, all participants are valued at a set pay amount with pay increasing at the pay growth assumption.

Medical and drug trend rates are assumed to be 8% beginning July 1, 2017 and decreasing by 0.25% through July 1, 2032, where the rates will remain at 4.25%. Costs for dental and vision benefits are assumed to increase at 4% per year.

Healthy active and retirees mortality rates were based on the Headcount-Weighted RPH-2014 mortality tables projected on a fully generational basis by scale MP-2014. Disabled lives were based on the Headcount-Weighted RPH-2014 disabled mortality tables projected on a fully generational basis by scale MP-2014.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

In developing the projection of cash flows used to determine the discount rate, it is assumed that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rate is based on a 20-year, tax-exempt general obligation municipal bond index. Using the Bond Buyer 20-Bond GO Index, the discount rate as of June 30, 2017 is based upon an earlier measurement date, as of June 29, 2017, and is 3.58% per annum. The discount rate as of June 30, 2018 is based upon the rates as of June 28, 2018, and is 3.87% per annum. This rate is assumed to be an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher for pay-as-you-go plans.

**Changes in the net OPEB liability**

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB (asset) liability (a) - (b)
Balances at June 30, 2017	\$ 4,005,000	\$ -	\$ 4,005,000
Changes during the period:			
Service cost	159,000	-	159,000
Interest cost	142,000	-	142,000
Expected investment income	-	-	-
Employer contributions	-	-	-
Changes of benefit terms	-	-	-
Benefit payments	(213,000)	-	(213,000)
Assumption changes	(90,000)	-	(90,000)
Plan experience	-	-	-
Investment experience	-	-	-
Net changes	(2,000)	-	(2,000)
Balances at June 30, 2018	\$ 4,003,000	\$ -	\$ 4,003,000

**OPEB Expense** – For the year ended June 30, 2018, the City recognized OPEB expense of \$75,000.

**Deferred outflows/inflows of resources related to OPEB** - At June 30, 2018, the City reported the following deferred outflows of resources and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 77,000
Total	\$ -	\$ 77,000

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Retirement, Pensions, and Other Postemployment Benefits, Continued**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense as follows:

Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2019	\$ (13,000)
2020	(13,000)
2021	(13,000)
2022	(13,000)
2023	(13,000)
Thereafter	(12,000)

**Note 10. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined the Arizona Municipal Risk Pool (Pool) as an alternative to escalating general liability insurance costs. The Pool is made up of various towns and cities within Arizona that operates a common risk management and insurance program.

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

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

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

In fiscal year 2003-04, the City became self-funded for its uninsured risks of loss related to health, dental, and vision claims. Beginning July 1, 2012, the City joined the Northwest Arizona Employee Benefit Trust (NAEBT).

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 10. Risk Management, Continued**

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The City joined NAEBT with two other cities in Arizona for risks of loss related to employee health, dental, and vision claims. NAEBT is a public entity risk pool currently operating as a common risk management and insurance program. The City pays monthly premiums to NAEBT for its employee health, dental, and vision coverage. The agreement provides that NAEBT will be self-sustaining through members' premiums.

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**Note 11. Contingent Liabilities and Commitments**

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The City receives federal and state funding for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in disallowances under the terms of the grants. There are no required disbursements identified or recorded at the date of these financial statements.

The City is a party to number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable; however, City management believes that the outcome of these proceedings, whether individually or in aggregate, will not have a materially adverse effect on the accompanying financial statements.

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**Note 12. Stabilization Arrangement**

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The City Council approved that a minimum unassigned fund balance in the General Fund will be maintained ranging from 25% to 50% of the budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to the timing of projected revenue receipts and to maintain budget stabilization commitments. If fund balance falls below the minimum 25% range, the City will replenish the shortages/deficiencies using the budget strategies and timeframes outlined in the City Council policy.

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**Note 13. Government Combinations**

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Management and operations of the Kingman Airport Authority, Inc. was assumed by the City of Kingman, with an effective date of July 1, 2017, for financial reporting purposes. The City recognized \$20,689,415 in assets, \$114,956 in liabilities, and \$20,574,459 in net position on July 1, 2017, in the City's new airport fund as a result of the assumption. Beginning net position of the business-type activities on the statement of activities and beginning net position of the airport fund on the statement of revenues, expenses, and changes in fund net position includes the \$20,574,459 net position assumed.

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 14. Change in Accounting Principle**

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*. This resulted in a restatement of beginning net position as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>	<u>911 Dispatch Center</u>	<u>Fleet Services</u>	<u>Building Maintenance Services</u>	<u>Information Technology</u>
Restatement adjustment - implementation of GASB 75:									
Net OPEB asset (measurement date as of June 30, 2016)	\$ 141,791	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability (measurement date as of June 30, 2016)	399,382	(24,807)	(15,834)	(3,957)	(5,016)	(4,708)	(2,247)	(1,295)	(2,755)
Deferred outflows - contributions made during fiscal year 2017	56,836	25,875	16,516	4,127	5,232	4,911	2,343	1,351	2,874
Total Restatement Adjustment	<u>\$ 598,009</u>	<u>\$ 1,068</u>	<u>\$ 682</u>	<u>\$ 170</u>	<u>\$ 216</u>	<u>\$ 203</u>	<u>\$ 96</u>	<u>\$ 56</u>	<u>\$ 119</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**June 30, 2018**

<b>ASRS - Pension</b>	<b>Reporting Fiscal Year (Measurement Date)</b>			
	<b>2018 (2017)</b>	<b>2017 (2016)</b>	<b>2016 (2015)</b>	<b>2015 (2014)</b>
Proportion of the net pension liability (asset)	0.109560%	0.105600%	0.102750%	0.106267%
Proportionate share of the net pension liability (asset)	\$ 17,067,312	\$ 17,044,901	\$ 16,004,044	\$ 15,723,929
Covered payroll	\$ 10,646,985	\$ 9,806,540	\$ 9,476,307	\$ 9,060,844
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	160.30%	173.81%	168.88%	173.54%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net OPEB Liability**  
**June 30, 2018**

<b>ASRS - Health insurance premium benefit</b>	<b>Reporting Fiscal Year</b>	
	<b>(Measurement Date)</b>	
	<b>2018</b>	<b>2017</b>
	<b>(2017)</b>	<b>(2016)</b>
Proportion of the net OPEB (asset)	0.110860%	0.110859%
Proportionate share of the net OPEB (asset)	\$ (60,352)	\$ 32,056
Covered payroll	\$ 10,646,985	\$ 9,806,540
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.57%	0.33%
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%	98.02%
<b>ASRS - Long-term disability</b>	<b>Reporting Fiscal Year</b>	
	<b>(Measurement Date)</b>	
	<b>2018</b>	<b>2017</b>
	<b>(2017)</b>	<b>(2016)</b>
Proportion of the net OPEB (asset)	0.109900%	0.109901%
Proportionate share of the net OPEB (asset)	\$ 39,836	\$ 39,494
Covered payroll	\$ 10,646,985	\$ 9,806,540
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.37%	0.40%
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%	85.17%

Note: The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**June 30, 2018**

<b>PSPRS Police - Pension</b>	<b>Reporting Fiscal Year</b>			
	<b>(Measurement Date)</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>(2017)</b>	<b>(2016)</b>	<b>(2015)</b>	<b>(2014)</b>
<b>Total pension liability</b>				
Service cost	\$ 726,713	\$ 570,202	\$ 543,682	\$ 540,257
Interest on total pension liability	1,913,281	1,792,276	1,749,059	1,479,478
Changes of benefit terms	374,740	794,241	-	452,461
Difference between expected and actual experience of the total net pension liability	(2,783)	(193,568)	(344,346)	(172,954)
Changes of assumptions	838,312	956,123	-	2,461,609
Benefit payments, including refunds of employee contributions	(1,147,914)	(1,489,405)	(1,332,843)	(1,323,969)
<b>Net change in total pension liability</b>	<b>2,702,349</b>	<b>2,429,869</b>	<b>615,552</b>	<b>3,436,882</b>
<b>Total pension liability - beginning</b>	<b>25,721,014</b>	<b>23,291,145</b>	<b>22,675,593</b>	<b>19,238,711</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 28,423,363</b>	<b>\$ 25,721,014</b>	<b>\$ 23,291,145</b>	<b>\$ 22,675,593</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,249,425	\$ 1,160,861	\$ 796,097	\$ 732,712
Contributions - employee	371,649	384,936	335,245	304,317
Net investment income	1,431,871	67,582	420,465	1,409,584
Benefit payments, including refunds of employee contributions	(1,147,914)	(1,489,405)	(1,332,843)	(1,323,969)
Pension Plan Administrative Expense	(13,070)	(10,126)	(10,641)	-
Other (net transfer)	157	822	(38,349)	(361,527)
<b>Net change in plan fiduciary net position</b>	<b>1,892,118</b>	<b>114,670</b>	<b>169,974</b>	<b>761,117</b>
<b>Plan fiduciary net position - beginning</b>	<b>11,925,138</b>	<b>11,810,468</b>	<b>11,640,494</b>	<b>10,879,377</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 13,817,256</b>	<b>\$ 11,925,138</b>	<b>\$ 11,810,468</b>	<b>\$ 11,640,494</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 14,606,107</b>	<b>\$ 13,795,876</b>	<b>\$ 11,480,677</b>	<b>\$ 11,035,099</b>
Plan fiduciary net position as a percentage of the total pension liability	48.61%	46.36%	50.71%	51.33%
Covered payroll	\$ 3,267,595	\$ 3,059,023	\$ 2,823,863	\$ 2,878,476
Net pension liability as a percentage of covered payroll	447.00%	450.99%	406.56%	383.37%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**June 30, 2018**

<b>PSPRS Fire - Pension</b>	<b>Reporting Fiscal Year</b>			
	<b>(Measurement Date)</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>(2017)</b>	<b>(2016)</b>	<b>(2015)</b>	<b>(2014)</b>
<b>Total pension liability</b>				
Service cost	\$ 685,162	\$ 587,794	\$ 505,581	\$ 505,928
Interest on total pension liability	2,077,486	1,955,000	1,822,196	1,597,731
Changes of benefit terms	224,128	1,885,581	-	280,683
Difference between expected and actual experience of the total net pension liability	(1,129,689)	(693,984)	962,142	(58,545)
Changes of assumptions	1,323,397	1,002,245	-	1,665,565
Benefit payments, including refunds of employee contributions	(2,233,602)	(1,746,310)	(1,532,221)	(731,295)
<b>Net change in total pension liability</b>	<b>946,882</b>	<b>2,990,326</b>	<b>1,757,698</b>	<b>3,260,067</b>
<b>Total pension liability - beginning</b>	<b>28,474,037</b>	<b>25,483,711</b>	<b>23,726,013</b>	<b>20,465,946</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 29,420,919</b>	<b>\$ 28,474,037</b>	<b>\$ 25,483,711</b>	<b>\$ 23,726,013</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,255,347	\$ 1,003,890	\$ 640,170	\$ 663,300
Contributions - employee	336,076	341,001	363,567	281,866
Net investment income	1,614,633	82,081	517,476	1,704,068
Benefit payments, including refunds of employee contributions	(2,233,602)	(1,746,310)	(1,532,221)	(731,295)
Pension Plan Administrative Expense	(14,687)	(12,211)	(13,008)	-
Other (net transfer)	194	120,979	(11,598)	(473,693)
<b>Net change in plan fiduciary net position</b>	<b>957,961</b>	<b>(210,570)</b>	<b>(35,614)</b>	<b>1,444,246</b>
<b>Plan fiduciary net position - beginning</b>	<b>14,088,250</b>	<b>14,298,820</b>	<b>14,334,434</b>	<b>12,890,188</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 15,046,211</b>	<b>\$ 14,088,250</b>	<b>\$ 14,298,820</b>	<b>\$ 14,334,434</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 14,374,708</b>	<b>\$ 14,385,787</b>	<b>\$ 11,184,891</b>	<b>\$ 9,391,579</b>
Plan fiduciary net position as a percentage of the total pension liability	51.14%	49.48%	56.11%	60.42%
Covered payroll	\$ 2,971,215	\$ 3,047,143	\$ 2,447,577	\$ 2,655,297
Net pension liability as a percentage of covered payroll	483.80%	472.11%	456.98%	353.69%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**  
**June 30, 2018**

<b>PSPRS Police-Health Insurance Premium Benefit</b>	<b>Reporting Fiscal Year (Measurement Date)</b>
	<b>2018 (2017)</b>
<b>Total OPEB liability</b>	
Service cost	\$ 13,397
Interest on total OPEB liability	38,216
Changes of benefit terms*	1,036
Difference between expected and actual experience of the total net OPEB liability	97,270
Changes of assumptions or other inputs	(24,274)
Benefit payments	(30,088)
<b>Net change in total OPEB liability</b>	95,557
<b>Total OPEB liability - beginning</b>	517,895
<b>Total OPEB liability - ending (a)</b>	\$ 613,452
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 7,773
Net investment income	-
Benefit payments	64,655
Administrative expense	(30,088)
OPEB Plan Administrative Expense	(572)
Other changes	-
<b>Net change in plan fiduciary net position</b>	41,768
<b>Plan fiduciary net position - beginning</b>	561,076
<b>Plan fiduciary net position - ending (b)</b>	\$ 602,844
 <b>Net OPEB liability - ending (a) - (b)</b>	\$ 10,608
 Plan fiduciary net position as a percentage of the total OPEB liability	98.27%
 Covered payroll	\$ 3,267,595
 Net OPEB liability as a percentage of covered payroll	0.32%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**  
**June 30, 2018**

<b>PSPRS Fire - Health Insurance Premium Benefit</b>	<b>Reporting Fiscal Year (Measurement Date)</b>
	<b>2018 (2017)</b>
<b>Total OPEB liability</b>	
Service cost	\$ 11,588
Interest on total OPEB liability	41,306
Changes of benefit terms	2,402
Difference between expected and actual experience of the total net OPEB liability	(68,929)
Changes of assumptions or other inputs	(8,646)
Benefit payments	(19,831)
<b>Net change in total OPEB liability</b>	(42,110)
<b>Total OPEB liability - beginning</b>	554,865
<b>Total OPEB liability - ending (a)</b>	\$ 512,755
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 307
Net investment income	-
Benefit payments	75,986
Administrative expense	(19,831)
OPEB Plan Administrative Expense	(673)
Other changes	-
<b>Net change in plan fiduciary net position</b>	55,789
<b>Plan fiduciary net position - beginning</b>	653,475
<b>Plan fiduciary net position - ending (b)</b>	\$ 709,264
 <b>Net OPEB liability - ending (a) - (b)</b>	\$ (196,509)
 Plan fiduciary net position as a percentage of the total OPEB liability	138.32%
 Covered payroll	\$ 2,971,215
 Net OPEB liability as a percentage of covered payroll	-6.61%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**  
**June 30, 2018**

<b>Single Employer OPEB Plan</b>	<b>Reporting Fiscal Year</b>	
	<b>2018</b>	
Total OPEB liability		
Service cost	\$	159,000
Interest cost		142,000
Changes of benefit terms		-
Benefit payments		(213,000)
Assumption changes		(90,000)
Plan experience		-
Net change in total OPEB liability		(2,000)
Total OPEB liability - beginning		4,005,000
Total OPEB liability - ending (a)	\$	4,003,000
Plan fiduciary net position		
Employer contributions	\$	-
Net investment income		-
Benefit payments		-
Investment experience		-
Net change in plan fiduciary net position		-
Plan fiduciary net position - beginning		-
Plan fiduciary net position - ending (b)	\$	-
Net OPEB liability - ending (a) - (b)	\$	4,003,000
Plan fiduciary net position as a percentage of the total OPEB liability		0%
Covered payroll		N/A
Net OPEB liability as a percentage of covered payroll		N/A

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension/OPEB Contributions**  
**June 30, 2018**

<b>ASRS - Pension</b>	<b>Reporting Fiscal Year</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,174,702	1,160,523	\$ 1,058,827	\$ 1,070,535	\$ 1,024,979
Contributions in relation to the contractually required contribution	\$ (1,174,702)	\$ (1,160,523)	\$ (1,058,827)	\$ (1,070,535)	\$ (1,024,979)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 10,678,528	\$ 10,646,985	\$ 9,806,540	\$ 9,476,307	\$ 9,060,844
Contributions as a percentage of covered payroll	11.00%	10.90%	10.80%	11.30%	11.31%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2014 is not available.

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension/OPEB Contributions**  
**June 30, 2018**

<b>ASRS - Health insurance premium benefit</b>	<b>Reporting Fiscal Year</b>	
	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 47,419	\$ 59,682
Contributions in relation to the contractually required contribution	(47,419)	(59,682)
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 10,678,528	\$ 10,646,985
Contributions as a percentage of covered payroll	0.44%	0.56%
<b>ASRS - Long-term disability</b>	<b>Reporting Fiscal Year</b>	
	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 17,243	\$ 14,947
Contributions in relation to the contractually required contribution	(17,243)	(14,947)
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 10,678,528	\$ 10,646,985
Contributions as a percentage of covered payroll	0.16%	0.14%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension/OPEB Contributions**  
**June 30, 2018**

<b>PSPRS Police - Pensions</b>	<b>Reporting Fiscal Year</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 1,302,910	\$ 1,249,425	\$ 1,160,861	\$ 796,097	\$ 732,712
Contributions in relation to the actuarially determined contribution	\$ (1,302,910)	\$ (1,249,425)	\$ (1,160,861)	\$ (796,097)	\$ (732,712)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,322,030	\$ 3,267,595	\$ 3,059,023	\$ 2,823,863	\$ 2,878,476
Contributions as a percentage of covered payroll	39.22%	38.24%	37.95%	28.19%	25.45%
<b>PSPRS Fire -Pensions</b>	<b>Reporting Fiscal Year</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 1,363,061	\$ 1,255,347	\$ 1,003,890	\$ 640,170	\$ 663,300
Contributions in relation to the actuarially determined contribution	\$ (1,363,061)	\$ (1,255,347)	\$ (1,003,890)	\$ (640,170)	\$ (663,300)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,179,383	\$ 2,971,215	\$ 3,047,143	\$ 2,447,577	\$ 2,655,297
Contributions as a percentage of covered payroll	42.87%	42.25%	32.95%	26.16%	24.98%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension/OPEB Contributions**  
**June 30, 2018**

<b>PSPRS Police-Health Insurance Premium Benefit</b>	<b>Reporting Fiscal Year</b>	
	<b>2018</b>	<b>2017</b>
Actuarially determined contribution	\$ 13,565	\$ 7,773
Contributions in relation to the actuarially determined contribution	\$ (13,565)	\$ (7,773)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,322,030	\$ 3,267,595
Contributions as a percentage of covered payroll	0.41%	0.24%
<b>PSPRS Fire - Health Insurance Premium Benefit</b>	<b>Reporting Fiscal Year</b>	
	<b>2018</b>	<b>2017</b>
Actuarially determined contribution	\$ 2,307	\$ 307
Contributions in relation to the actuarially determined contribution	\$ (2,307)	\$ (307)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,179,383	\$ 2,971,215
Contributions as a percentage of covered payroll	0.07%	0.01%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension/OPEB Contributions**  
**June 30, 2018**

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<b>Single Employer OPEB Plan</b>	<b><u>Reporting Fiscal Year</u></b>
	<b><u>2018</u></b>
Contractually required contributions	\$ 213,000
Contributions in relation to the contractually required contribution	\$ (213,000)
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	N/A
Contributions as a percentage of covered payroll	N/A

Note: The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedules**  
**June 30, 2018**

**Note 1. Actuarially Determined Contribution Rates**

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry Age Normal
Amortization Method	Level percent-of-pay, closed
Remaining Amortization Period as of the 2016 actuarial valuation	20 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females).

**CITY OF KINGMAN, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedules**  
**June 30, 2018**

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**Note 2. Factors That Affect Trends**

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Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

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**NOTE 3. OPEB – Plan Assets**

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For the single-employer OPEB plan, there are no assets accumulated in a trust that meet the criteria in GASB 75 (paragraph 4) to pay related benefits.

**CITY OF KINGMAN, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
City sales tax	\$ 16,470,000	\$ 16,470,000	\$ 17,364,084	\$ 894,084
Auto lieu tax	1,500,000	1,500,000	1,838,768	338,768
Franchise taxes	725,000	725,000	710,832	(14,168)
Total taxes	<u>18,695,000</u>	<u>18,695,000</u>	<u>19,913,684</u>	<u>1,218,684</u>
Licenses and permits	807,500	807,500	1,008,910	201,410
Intergovernmental revenues:				
State sales tax	2,550,000	2,550,000	2,792,095	242,095
Urban revenue sharing	3,500,000	3,500,000	3,595,518	95,518
Total intergovernmental	<u>6,050,000</u>	<u>6,050,000</u>	<u>6,387,613</u>	<u>337,613</u>
Charges for services	1,297,000	1,297,000	1,366,725	69,725
Fines and forfeitures	272,000	272,000	337,674	65,674
Interest earnings	42,128	42,128	96,272	54,144
Other revenues:				
Rent income	38,000	38,000	38,459	459
Miscellaneous revenues	52,400	52,400	242,218	189,818
Total other revenues	<u>90,400</u>	<u>90,400</u>	<u>280,677</u>	<u>379,820</u>
 Total revenues	 <u>27,254,028</u>	 <u>27,254,028</u>	 <u>29,391,555</u>	 <u>2,137,527</u>
<b>EXPENDITURES</b>				
Current:				
<b>General government:</b>				
Mayor and council	169,455	169,455	144,835	24,620
Finance	932,756	919,256	860,031	59,225
City clerk	326,165	328,665	289,064	39,601
City magistrate	1,661,912	1,661,912	1,420,351	241,561
City attorney	755,147	905,147	871,010	34,137
City manager	306,483	389,483	381,807	7,676
Planning and zoning	416,941	443,098	380,231	62,867
Risk management	156,910	156,910	149,698	7,212
Human resources	636,175	647,175	559,260	87,915
Contingency	1,100,000	914,000	-	914,000
Nondepartmental	-	-	7,904	(7,904)
Total general government	<u>6,461,944</u>	<u>6,535,101</u>	<u>5,064,191</u>	<u>1,470,910</u>

(Continued)

**CITY OF KINGMAN, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund (Continued)**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Public safety:</b>				
Police	10,022,128	10,042,128	8,894,994	1,147,134
Fire	6,732,586	6,800,973	6,289,551	511,422
Building inspections	951,903	923,032	711,887	211,145
Total public safety	<u>17,706,617</u>	<u>17,766,133</u>	<u>15,896,432</u>	<u>1,869,701</u>
<b>Culture and recreation:</b>				
Parks	1,885,062	1,885,062	1,681,329	203,733
Recreation	583,384	583,384	480,293	103,091
Municipal golf course	1,173,346	1,183,346	1,003,483	179,863
Swimming	456,079	456,079	368,479	87,600
Powerhouse	781,644	781,644	580,043	201,601
Total culture and recreation	<u>4,879,515</u>	<u>4,889,515</u>	<u>4,113,627</u>	<u>775,888</u>
<b>Economic Development</b>				
Economic development	319,192	260,035	153,515	106,520
Tourism development	92,500	92,500	53,983	38,517
Total economic development	<u>411,692</u>	<u>352,535</u>	<u>207,498</u>	<u>145,037</u>
Capital Outlay	<u>1,024,921</u>	<u>908,162</u>	<u>791,987</u>	<u>116,175</u>
Total expenditures	<u>30,484,689</u>	<u>30,451,446</u>	<u>26,073,735</u>	<u>4,377,711</u>
Excess of revenues over expenditures	<u>(3,230,661)</u>	<u>(3,197,418)</u>	<u>3,317,820</u>	<u>6,515,238</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(6,157,609)	(6,190,852)	(3,192,641)	2,998,211
Transfers in	1,422,819	1,422,819	1,295,142	(127,677)
Total other financing sources and (uses)	<u>(4,734,790)</u>	<u>(4,768,033)</u>	<u>(1,897,499)</u>	<u>2,870,534</u>
<b>Net change in fund balance</b>	(7,965,451)	(7,965,451)	1,420,321	9,385,772
Fund balance, beginning of year	<u>18,154,014</u>	<u>18,154,014</u>	<u>18,154,014</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,188,563</u>	<u>\$ 10,188,563</u>	<u>\$ 19,574,335</u>	<u>\$ 9,385,772</u>

**CITY OF KINGMAN, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Highway User Revenue Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 824,783	\$ 824,783	\$ 811,365	\$ (13,418)
Intergovernmental revenue	2,535,912	2,535,912	2,753,252	217,340
Interest	-	1,000	9,897	8,897
Other revenues	1,000	-	23,621	23,621
Total revenues	<u>3,361,695</u>	<u>3,361,695</u>	<u>3,598,135</u>	<u>236,440</u>
<b>EXPENDITURES</b>				
Current:				
Public works/streets	3,760,308	3,470,486	3,416,063	54,423
Capital outlay	255,000	1,751,822	1,321,756	430,066
Debt service:				
Principal	57,723	57,723	57,722	1
Interest and fiscal charges	3,477	3,477	3,424	53
Total expenditures	<u>4,076,508</u>	<u>5,283,508</u>	<u>4,798,965</u>	<u>484,543</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(714,813)</u>	<u>(1,921,813)</u>	<u>(1,200,830)</u>	<u>720,983</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(474,795)	(474,795)	(474,795)	-
Transfers in	348,366	1,555,366	1,555,366	-
Total other financing sources (uses)	<u>(126,429)</u>	<u>1,080,571</u>	<u>1,080,571</u>	<u>-</u>
Net change in fund balance	(841,242)	(841,242)	(120,259)	720,983
Fund balance, beginning of year	<u>2,110,303</u>	<u>2,110,303</u>	<u>2,110,303</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,269,061</u>	<u>\$ 1,269,061</u>	<u>\$ 1,990,044</u>	<u>\$ 720,983</u>

**CITY OF KINGMAN, ARIZONA**  
**Notes to Budget and Actual Schedules**  
**For the Year Ended June 30, 2018**

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**Note 1.            Budgetary Basis of Accounting**

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The City's budget is prepared on a basis consistent with generally accepted accounting principles.

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**SUPPLEMENTARY INFORMATION**  
**COMBINING STATEMENTS**  
**AND BUDGETARY COMPARISON SCHEDULES**

**NON- MAJOR FUNDS:**

**Special Revenue Funds**

- **Transit System Fund** – accounts for the activity associated with the system designed to meet the transportation needs of Kingman area residents.
- **Grants Fund** – accounts for all grants received by the City.

**Debt Service Fund**

- **Special Assessment Districts Fund** - accounts for the special assessments and debt service for the City’s improvement districts.
- **Municipal Property Corporation Fund** – accounts for the Kingman Municipal Property Corporation (KMPC) component unit. The KMPC collects rent from the City to pay KMPC bonds issued to acquire and construct City facilities.

**Capital Projects Funds**

- **Local Construction Fund** – accounts for projects funded from local sources.
- **Capital Projects** – accounts for current and anticipated projects for the City.
- **Kingman Crossing Fund** – accounts for the Kingman Crossing project.
- **Rancho Santa Fe Parkway Fund** – accounts for the Rancho Santa Fe Parkway project.
- **Pavement Preservation Fund** – accounts for the City’s pavement preservation projects.
- **I-11 East Kingman Connection Fund** – accounts for the I-11 East Interchange 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**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue		Debt Service		Local Construction
	Transit System	Grants	Special Assessment Districts	MPC	
<b>ASSETS</b>					
Cash	\$ 64,724	\$ 768,931	\$ 1,164,933	\$ 104,699	\$ 366,972
Restricted cash and investments	-	349,649	-	-	-
Receivables:					
Assessments	-	-	2,830,436	-	-
Intergovernmental	149,843	164,356	-	-	-
Prepaid items	-	3,852	-	-	-
Total assets	<u>\$ 214,567</u>	<u>\$ 1,286,788</u>	<u>\$ 3,995,369</u>	<u>\$ 104,699</u>	<u>\$ 366,972</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,868	\$ 157,112	\$ -	\$ -	\$ -
Accrued wages and salaries	10,879	-	-	-	-
Accrued liabilities	-	-	1,649	-	-
Deposits held for others	-	349,649	-	-	-
Total liabilities	<u>14,747</u>	<u>506,761</u>	<u>1,649</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-special assessments	-	-	1,646,857	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,646,857</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	-	3,852	-	-	-
Restricted:					
Capital outlay	-	-	-	-	366,972
Debt service	-	-	2,346,863	104,699	-
Other purposes	-	776,175	-	-	-
Committed:					
Public transportation	199,820	-	-	-	-
Total fund balances	<u>199,820</u>	<u>780,027</u>	<u>2,346,863</u>	<u>104,699</u>	<u>366,972</u>
Total liabilities and fund balances	<u>\$ 214,567</u>	<u>\$ 1,286,788</u>	<u>\$ 3,995,369</u>	<u>\$ 104,699</u>	<u>\$ 366,972</u>

Capital Project

Capital Projects	Kingman Crossing	Rancho Santa Fe Parkway	Pavement Preservation	I-11 East Kingman Connection	Flood Control	Total
\$ 1,753,583	\$ 91,951	\$ 216,727	\$ 1,188,644	\$ 4,433,102	\$ 1,373,161	\$ 11,527,427
-	-	-	-	-	-	349,649
-	-	-	-	-	-	2,830,436
-	-	-	-	-	590,028	904,227
-	-	-	-	-	-	3,852
<u>\$ 1,753,583</u>	<u>\$ 91,951</u>	<u>\$ 216,727</u>	<u>\$ 1,188,644</u>	<u>\$ 4,433,102</u>	<u>\$ 1,963,189</u>	<u>\$ 15,615,591</u>
\$ 209,806	\$ -	\$ -	\$ -	\$ 8,459	\$ 336,925	\$ 716,170
-	-	-	-	-	-	10,879
-	-	-	-	-	-	1,649
-	-	-	-	-	-	349,649
<u>209,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,459</u>	<u>336,925</u>	<u>1,078,347</u>
-	-	-	-	-	-	1,646,857
-	-	-	-	-	-	1,646,857
-	-	-	-	-	-	3,852
1,543,777	91,951	216,727	1,188,644	4,424,643	1,626,264	9,458,978
-	-	-	-	-	-	2,451,562
-	-	-	-	-	-	776,175
-	-	-	-	-	-	199,820
<u>1,543,777</u>	<u>91,951</u>	<u>216,727</u>	<u>1,188,644</u>	<u>4,424,643</u>	<u>1,626,264</u>	<u>12,890,387</u>
<u>\$ 1,753,583</u>	<u>\$ 91,951</u>	<u>\$ 216,727</u>	<u>\$ 1,188,644</u>	<u>\$ 4,433,102</u>	<u>\$ 1,963,189</u>	<u>\$ 15,615,591</u>

**CITY OF KINGMAN, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue		Debt Service		Local Construction
	Transit System	Grants	Special Assessment Districts	MPC	
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	424,727	1,452,370	-	-	-
Charges for services	151,839	-	-	-	-
Investment earnings	69	(285)	4,884	402	1,612
Special assessments	-	-	794,688	-	-
Other revenues	-	28,000	-	29	-
Total revenues	576,635	1,480,085	799,572	431	1,612
<b>EXPENDITURES</b>					
Current:					
General government	-	20,487	-	-	-
Public safety	-	1,172,590	-	-	-
Public works/streets	808,731	12,116	-	-	-
Capital outlay	19,577	327,993	-	-	-
Debt service:					
Principal	-	-	253,932	240,000	-
Interest and fiscal charges	-	-	180,085	32,063	-
Total expenditures	828,308	1,533,186	434,017	272,063	-
Excess (deficiency) of revenues over (under) expenditures	(251,673)	(53,101)	365,555	(271,632)	1,612
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	-	(14,450)	-	-
Transfers in	250,000	31,969	-	270,813	-
Total other financing sources (uses):	250,000	31,969	(14,450)	270,813	-
Net change in fund balances	(1,673)	(21,132)	351,105	(819)	1,612
Fund balances, beginning of year	201,493	801,159	1,995,758	105,518	365,360
Fund balances, end of year	\$ 199,820	\$ 780,027	\$ 2,346,863	\$ 104,699	\$ 366,972

Capital Project						
Capital Projects	Kingman Crossing	Rancho Santa Fe Parkway	Pavement Preservation	I-11 East Kingman Connection	Flood Control	Total
\$ 574,043	\$ -	\$ -	\$ 1,885,751	\$ 1,885,751	\$ -	\$ 4,345,545
-	-	-	-	-	590,028	2,467,125
-	-	-	-	-	-	151,839
10,432	404	952	2,893	2,879	8,519	32,761
-	-	-	-	-	-	794,688
29,772	-	-	-	-	-	57,801
<u>614,247</u>	<u>404</u>	<u>952</u>	<u>1,888,644</u>	<u>1,888,630</u>	<u>598,547</u>	<u>7,849,759</u>
-	-	-	-	-	-	20,487
-	-	-	-	-	-	1,172,590
-	-	-	-	-	-	820,847
1,137,223	-	-	-	12,893	1,291,863	2,789,549
-	-	-	-	-	-	493,932
-	-	-	-	-	-	212,148
<u>1,137,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,893</u>	<u>1,291,863</u>	<u>5,509,553</u>
<u>(522,976)</u>	<u>404</u>	<u>952</u>	<u>1,888,644</u>	<u>1,875,737</u>	<u>(693,316)</u>	<u>2,340,206</u>
(548,906)	-	-	(1,207,000)	-	-	(1,770,356)
114,941	-	-	507,000	2,548,906	-	3,723,629
<u>(433,965)</u>	<u>-</u>	<u>-</u>	<u>(700,000)</u>	<u>2,548,906</u>	<u>-</u>	<u>1,953,273</u>
(956,941)	404	952	1,188,644	4,424,643	(693,316)	4,293,479
2,500,718	91,547	215,775	-	-	2,319,580	8,596,908
<u>\$ 1,543,777</u>	<u>\$ 91,951</u>	<u>\$ 216,727</u>	<u>\$ 1,188,644</u>	<u>\$ 4,424,643</u>	<u>\$ 1,626,264</u>	<u>\$ 12,890,387</u>

**CITY OF KINGMAN, ARIZONA  
TRANSIT SYSTEM  
Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 525,000	\$ 525,000	\$ 424,727	\$ (100,273)
Charges for services	177,000	177,000	151,839	(25,161)
Interest	-	-	69	69
Total revenues	<u>702,000</u>	<u>702,000</u>	<u>576,635</u>	<u>(125,365)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets	844,423	844,423	808,731	35,692
Capital outlay	<u>60,935</u>	<u>60,935</u>	<u>19,577</u>	<u>41,358</u>
Total expenditures	<u>905,358</u>	<u>905,358</u>	<u>828,308</u>	<u>77,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(203,358)</u>	<u>(203,358)</u>	<u>(251,673)</u>	<u>(48,315)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total other financing sources (uses)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net change in fund balance	46,642	46,642	(1,673)	(48,315)
Fund balance, beginning of year	<u>201,493</u>	<u>201,493</u>	<u>201,493</u>	<u>-</u>
Fund balance, end of year	<u>\$ 248,135</u>	<u>\$ 248,135</u>	<u>\$ 199,820</u>	<u>\$ (48,315)</u>

**CITY OF KINGMAN, ARIZONA**  
**GRANTS**  
**Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 7,948,575	\$ 7,920,575	\$ 1,452,370	\$ (6,468,205)
Interest	-	-	(285)	(285)
Miscellaneous	-	28,000	28,000	-
Total revenues	<u>7,948,575</u>	<u>7,948,575</u>	<u>1,480,085</u>	<u>(6,468,490)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,213,000	1,983,197	20,487	1,962,710
Public safety	5,042,687	5,085,248	1,172,590	3,912,658
Public works/Streets	1,095,878	1,095,878	12,116	1,083,762
Capital outlay	<u>37,000</u>	<u>224,242</u>	<u>327,993</u>	<u>(103,751)</u>
Total expenditures	<u>8,388,565</u>	<u>8,388,565</u>	<u>1,533,186</u>	<u>6,855,379</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(439,990)</u>	<u>(439,990)</u>	<u>(53,101)</u>	<u>386,889</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>4,618</u>	<u>4,618</u>	<u>31,969</u>	<u>27,351</u>
Total other financing sources (uses)	<u>4,618</u>	<u>4,618</u>	<u>31,969</u>	<u>27,351</u>
Net change in fund balance	(435,372)	(435,372)	(21,132)	414,240
Fund balance, beginning of year	<u>801,159</u>	<u>801,159</u>	<u>801,159</u>	<u>-</u>
Fund balance, end of year	<u>\$ 365,787</u>	<u>\$ 365,787</u>	<u>\$ 780,027</u>	<u>\$ 414,240</u>

**CITY OF KINGMAN, ARIZONA**  
**SPECIAL ASSESSMENT DISTRICTS**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 4,884	\$ 4,884
Special assessments	237,416	237,416	794,688	557,272
Total revenues	<u>237,416</u>	<u>237,416</u>	<u>799,572</u>	<u>562,156</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	253,932	253,932	253,932	-
Interest and fiscal charges	180,086	180,086	180,085	1
Total expenditures	<u>434,018</u>	<u>434,018</u>	<u>434,017</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(196,602)</u>	<u>(196,602)</u>	<u>365,555</u>	<u>562,157</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(14,450)</u>	<u>(14,450)</u>	<u>(14,450)</u>	<u>-</u>
Total other financing sources (uses)	<u>(14,450)</u>	<u>(14,450)</u>	<u>(14,450)</u>	<u>-</u>
Net change in fund balance	(211,052)	(211,052)	351,105	562,157
Fund balance, beginning of year	<u>1,995,758</u>	<u>1,995,758</u>	<u>1,995,758</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,784,706</u>	<u>\$ 1,784,706</u>	<u>\$ 2,346,863</u>	<u>\$ 562,157</u>

**CITY OF KINGMAN, ARIZONA**  
**MUNICIPAL PROPERTY CORPORATION**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 402	\$ 402
Other revenues	-	-	29	29
Total revenues	<u>-</u>	<u>-</u>	<u>431</u>	<u>431</u>
<b>EXPENDITURES</b>				
Current:				
Debt service				
Principal	240,000	240,000	240,000	-
Interest and fiscal charges	<u>32,063</u>	<u>32,063</u>	<u>32,063</u>	<u>-</u>
Total expenditures	<u>272,063</u>	<u>272,063</u>	<u>272,063</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(272,063)</u>	<u>(272,063)</u>	<u>(271,632)</u>	<u>431</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>270,813</u>	<u>270,813</u>	<u>270,813</u>	<u>-</u>
Total other financing sources (uses)	<u>270,813</u>	<u>270,813</u>	<u>270,813</u>	<u>-</u>
Net change in fund balance	(1,250)	(1,250)	(819)	431
Fund balance, beginning of year	<u>105,518</u>	<u>105,518</u>	<u>105,518</u>	<u>-</u>
Fund balance, end of year	<u>\$ 104,268</u>	<u>\$ 104,268</u>	<u>\$ 104,699</u>	<u>\$ 431</u>

**CITY OF KINGMAN, ARIZONA**  
**LOCAL CONSTRUCTION**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Interest	\$ 1,000	\$ 1,000	\$ 1,612	\$ 612
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>1,612</u>	<u>612</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>350,000</u>	<u>350,000</u>	-	<u>350,000</u>
Total expenditures	<u>350,000</u>	<u>350,000</u>	-	<u>350,000</u>
Excess (deficiency) of revenues over (under) expenditures	(349,000)	(349,000)	1,612	350,612
Fund balance, beginning of year	<u>365,360</u>	<u>365,360</u>	<u>365,360</u>	<u>-</u>
Fund balance, end of year	<u>\$ 16,360</u>	<u>\$ 16,360</u>	<u>\$ 366,972</u>	<u>\$ 350,612</u>

**CITY OF KINGMAN, ARIZONA**  
**CAPITAL PROJECTS**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 470,000	\$ 470,000	\$ 574,043	\$ 104,043
Interest	5,000	5,000	10,432	5,432
Other	33,000	33,000	29,772	(3,228)
Total revenues	<u>508,000</u>	<u>508,000</u>	<u>614,247</u>	<u>106,247</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>2,900,952</u>	<u>2,352,046</u>	<u>1,137,223</u>	<u>1,214,823</u>
Total expenditures	<u>2,900,952</u>	<u>2,352,046</u>	<u>1,137,223</u>	<u>1,214,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,392,952)</u>	<u>(1,844,046)</u>	<u>(522,976)</u>	<u>1,321,070</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(548,906)	(548,906)	(548,906)	-
Transfers in	<u>281,132</u>	<u>281,132</u>	<u>114,941</u>	<u>(166,191)</u>
Total other financing Sources (Uses)	<u>(267,774)</u>	<u>(267,774)</u>	<u>(433,965)</u>	<u>(166,191)</u>
Net change in fund balances	(2,660,726)	(2,111,820)	(956,941)	1,154,879
Fund balance, beginning of year	<u>2,500,718</u>	<u>2,500,718</u>	<u>2,500,718</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (160,008)</u></u>	<u><u>\$ 388,898</u></u>	<u><u>\$ 1,543,777</u></u>	<u><u>\$ 1,154,879</u></u>

**CITY OF KINGMAN, ARIZONA**  
**KINGMAN CROSSING**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 404	\$ 404
Developer participation	19,207,000	19,207,000	-	(19,207,000)
Total revenues	<u>19,207,000</u>	<u>19,207,000</u>	<u>404</u>	<u>(19,206,596)</u>
<b>EXPENDITURES</b>				
Capital outlay	21,207,000	19,207,000	-	19,207,000
Total expenditures	<u>21,207,000</u>	<u>19,207,000</u>	<u>-</u>	<u>19,207,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,000,000)</u>	<u>-</u>	<u>404</u>	<u>404</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,000,000	-	-	-
Total other financing sources (uses)	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	404	404
Fund balance, beginning of year	<u>91,547</u>	<u>91,547</u>	<u>91,547</u>	<u>-</u>
Fund balance, end of year	<u>\$ 91,547</u>	<u>\$ 91,547</u>	<u>\$ 91,951</u>	<u>\$ 404</u>

**CITY OF KINGMAN, ARIZONA**  
**RANCHO SANTA FE PARKWAY**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 952	\$ 952
Total revenues	<u>-</u>	<u>-</u>	<u>952</u>	<u>952</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>952</u>	<u>952</u>
Fund balance, beginning of year	<u>215,775</u>	<u>215,775</u>	<u>215,775</u>	<u>-</u>
Fund balance, end of year	<u>\$ 215,775</u>	<u>\$ 215,775</u>	<u>\$ 216,727</u>	<u>\$ 952</u>

**CITY OF KINGMAN, ARIZONA  
PAVEMENT PRESERVATION  
Capital Projects Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 1,885,751	\$ 1,885,751
Interest	-	-	2,893	2,893
Total revenues	-	-	1,888,644	1,888,644
<b>EXPENDITURES</b>				
Capital outlay	3,300,000	2,093,000	-	2,093,000
Total expenditures	3,300,000	2,093,000	-	2,093,000
Excess (deficiency) of revenues over (under) expenditures	(3,300,000)	(2,093,000)	1,888,644	3,981,644
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(700,000)	(1,207,000)	(507,000)
Transfers in	3,300,000	2,793,000	507,000	(2,286,000)
Total other financing sources (uses)	3,300,000	2,093,000	(700,000)	(2,793,000)
Net change in fund balance	-	-	1,188,644	1,188,644
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ 1,188,644	\$ 1,188,644

**CITY OF KINGMAN, ARIZONA**  
**I-11 E KINGMAN CONNECTION**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 1,885,751	\$ 1,885,751
Interest	-	-	2,879	2,879
Total revenues	-	-	1,888,630	1,888,630
<b>EXPENDITURES</b>				
Capital outlay	-	2,548,906	12,893	2,536,013
Total expenditures	-	2,548,906	12,893	2,536,013
Excess (deficiency) of revenues over (under) expenditures	-	(2,548,906)	1,875,737	4,424,643
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	2,548,906	2,548,906	-
Total other financing sources (uses)	-	2,548,906	2,548,906	-
Net change in fund balance	-	-	4,424,643	4,424,643
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ 4,424,643	\$ 4,424,643

**CITY OF KINGMAN, ARIZONA**  
**FLOOD CONTROL**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 606,888	\$ 606,888	\$ 590,028	\$ (16,860)
Interest	3,000	3,000	8,519	5,519
Total revenues	<u>609,888</u>	<u>609,888</u>	<u>598,547</u>	<u>(11,341)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>2,380,000</u>	<u>2,380,000</u>	<u>1,291,863</u>	<u>1,088,137</u>
Total expenditures	<u>2,380,000</u>	<u>2,380,000</u>	<u>1,291,863</u>	<u>1,088,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,770,112)</u>	<u>(1,770,112)</u>	<u>(693,316)</u>	<u>1,076,796</u>
Fund balance, beginning of year	<u>2,319,580</u>	<u>2,319,580</u>	<u>2,319,580</u>	<u>-</u>
Fund balance, end of year	<u>\$ 549,468</u>	<u>\$ 549,468</u>	<u>\$ 1,626,264</u>	<u>\$ 1,076,796</u>

## INTERNAL SERVICE FUNDS

- **911 Dispatch Center Fund** – accounts for the City’s 911 operations.
- **Fleet Services Fund** – accounts for the City’s internal fleet operations.
- **Insurance Services Fund** – accounts for the City’s property and liability insurance program.
- **Building Maintenance Services Fund** – accounts for the cost of maintaining and repairing City facilities.
- **Information Technology Fund** – accounts for the City’s cost of providing information support services to all City departments.
- **Benefits Reserve Fund** – accounts for the residual activity associated with the City’s self-insurance program, premium payments to the Northwest Arizona Employee Benefit Trust pool, and other miscellaneous insurance related operations.

**CITY OF KINGMAN, ARIZONA**  
**Combing Statement of Net Position-**  
**All Internal Service Funds**  
**June 30, 2018**

<b>ASSETS</b>	911 Dispatch Center	Fleet Services	Insurance Services
<b>Current Assets:</b>			
Cash	\$ 1,095,053	\$ 998,681	\$ 1,186,769
Receivables (net of allowance)	-	600	48,606
Prepaid items	22,002	-	-
Total current assets	<u>1,117,055</u>	<u>999,281</u>	<u>1,235,375</u>
<b>Noncurrent Assets:</b>			
Net OPEB asset	3,971	1,895	-
Land and water rights	-	567,000	-
Construction in progress	-	-	-
Buildings	-	576,100	-
System improvements	10,060	78,660	-
Machinery and equipment	359,417	229,519	-
Accumulated depreciation	(187,925)	(696,257)	-
Total noncurrent assets	<u>185,523</u>	<u>756,917</u>	<u>-</u>
<b>Total Assets</b>	<u>1,302,578</u>	<u>1,756,198</u>	<u>1,235,375</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions and OPEB	<u>179,028</u>	<u>85,433</u>	<u>-</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	20,989	20,480	3,323
Accrued wages and benefits	15,236	7,632	-
Compensated absences	22,762	30,635	-
Unearned revenue	-	-	-
Total current liabilities	<u>58,987</u>	<u>58,747</u>	<u>3,323</u>
<b>Noncurrent liabilities:</b>			
Compensated absences	7,587	10,211	-
Net pension and OPEB liability	1,125,650	537,165	-
Total noncurrent liabilities	<u>1,133,237</u>	<u>547,376</u>	<u>-</u>
<b>Total liabilities</b>	<u>1,192,224</u>	<u>606,123</u>	<u>3,323</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions and OPEB	<u>74,539</u>	<u>35,570</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	181,552	755,022	-
Unrestricted	33,291	444,916	1,232,052
<b>Total net position</b>	<u>\$ 214,843</u>	<u>\$ 1,199,938</u>	<u>\$ 1,232,052</u>

Building Maintenance Services	Information Technology	Benefits Reserve Fund	Totals
\$ 962,242	\$ 510,935	\$ 1,468,459	\$ 6,222,139
-	-	1,683	50,889
-	-	-	22,002
<u>962,242</u>	<u>510,935</u>	<u>1,470,142</u>	<u>6,295,030</u>
1,092	2,324	-	9,282
-	-	-	567,000
-	16,000	-	16,000
-	-	-	576,100
6,000	-	-	94,720
170,007	584,698	-	1,343,641
(135,544)	(371,390)	-	(1,391,116)
<u>41,555</u>	<u>231,632</u>	<u>-</u>	<u>1,215,627</u>
<u>1,003,797</u>	<u>742,567</u>	<u>1,470,142</u>	<u>7,510,657</u>
49,246	104,751	-	418,458
7,983	18,066	7	70,848
4,749	9,008	12,324	48,949
12,527	30,053	-	95,977
-	-	5,207	5,207
<u>25,259</u>	<u>57,127</u>	<u>17,538</u>	<u>220,981</u>
4,175	10,017	-	31,990
<u>309,639</u>	<u>658,626</u>	<u>-</u>	<u>2,631,080</u>
<u>313,814</u>	<u>668,643</u>	<u>-</u>	<u>2,663,070</u>
<u>339,073</u>	<u>725,770</u>	<u>17,538</u>	<u>2,884,051</u>
20,504	43,614	-	174,227
40,463	229,308	-	1,206,345
<u>653,003</u>	<u>(151,374)</u>	<u>1,452,604</u>	<u>3,664,492</u>
<u>\$ 693,466</u>	<u>\$ 77,934</u>	<u>\$ 1,452,604</u>	<u>\$ 4,870,837</u>

**CITY OF KINGMAN, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Net Position**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2018**

	911 Dispatch Center	Fleet Services	Insurance Services
<b>Operating Revenues</b>			
Charges for services	\$ 1,141,147	\$ 1,599,999	\$ 606,300
Contributions	-	-	-
Other revenues	171,640	12,444	48,606
Total operating revenues	<u>1,312,787</u>	<u>1,612,443</u>	<u>654,906</u>
<b>Operating Expenses</b>			
Salaries, wages and benefits	900,224	498,321	-
Administration/legal/contract services	4,792	75,412	553,798
Supplies	196,814	615,247	-
Repairs and maintenance	3,588	14,648	-
Utilities	13,071	6,652	-
Depreciation	23,883	20,353	-
Total operating expenses	<u>1,142,372</u>	<u>1,230,633</u>	<u>553,798</u>
Operating income (loss)	<u>170,415</u>	<u>381,810</u>	<u>101,108</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest income	4,637	3,589	4,906
Interest expense and fiscal charges	-	(3,422)	-
Gain (loss) on sale of assets	-	-	-
Total non-operating revenue (expense)	<u>4,637</u>	<u>167</u>	<u>4,906</u>
Income (loss) before contributions and transfers	175,052	381,977	106,014
Transfers out	(62,000)	-	-
Transfers in	-	-	-
Change in net position	113,052	381,977	106,014
Total net position, beginning of year	101,588	817,865	1,126,038
Prior period adjustment	203	96	-
Total net position, end of year	<u>\$ 214,843</u>	<u>\$ 1,199,938</u>	<u>\$ 1,232,052</u>

Building Maintenance Services	Information Technology	Benefits Reserve Fund	Totals
\$ 682,598	\$ 1,200,845	\$ -	\$ 5,230,889
-	-	4,396,867	4,396,867
3,710	-	83,702	320,102
<u>686,308</u>	<u>1,200,845</u>	<u>4,480,569</u>	<u>9,947,858</u>
304,217	573,930	186,506	2,463,198
4,588	347,455	4,487,144	5,473,189
51,108	157,801	-	1,020,970
74,559	11	-	92,806
187,803	240	-	207,766
6,862	51,171	-	102,269
<u>629,137</u>	<u>1,130,608</u>	<u>4,673,650</u>	<u>9,360,198</u>
<u>57,171</u>	<u>70,237</u>	<u>(193,081)</u>	<u>587,660</u>
4,172	1,950	5,543	24,797
-	-	-	(3,422)
<u>(7,107)</u>	<u>-</u>	<u>-</u>	<u>(7,107)</u>
<u>(2,935)</u>	<u>1,950</u>	<u>5,543</u>	<u>14,268</u>
54,236	72,187	(187,538)	601,928
-	-	-	(62,000)
<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
54,236	72,187	(87,538)	639,928
639,174	5,628	1,540,142	4,230,435
56	119	-	474
<u>\$ 693,466</u>	<u>\$ 77,934</u>	<u>\$ 1,452,604</u>	<u>\$ 4,870,837</u>

**CITY OF KINGMAN, ARIZONA**  
**Combining Statement of Cash Flows**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2018**

	911 Dispatch Center	Fleet Services	Insurance Services
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers, service fees	\$1,141,147	\$ 1,599,577	\$ 578,194
Cash received from customers, other	171,640	12,444	48,606
Cash paid to suppliers	(236,110)	(710,318)	(557,639)
Cash paid to employees	(928,655)	(498,417)	-
Cash flows from operating activities	<u>148,022</u>	<u>403,286</u>	<u>69,161</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Transfers	(62,000)	-	-
Cash flows from noncapital financing activities	<u>(62,000)</u>	<u>-</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase of capital assets	(79,349)	(7,856)	-
Principal paid on long term debt	-	(57,725)	-
Interest paid	-	(3,422)	-
Cash flows from capital and related financing activities	<u>(79,349)</u>	<u>(69,003)</u>	<u>-</u>
<b>Cash Flows From Investing Activities:</b>			
Interest on investments	4,637	3,589	4,906
Net change in cash and cash equivalents	11,310	337,872	74,067
Cash and cash equivalents, including temporarily restricted cash, beginning of year	<u>1,083,743</u>	<u>660,809</u>	<u>1,112,702</u>
<b>Cash and cash equivalents, including temporarily restricted cash, end of year</b>	<u><u>\$ 1,095,053</u></u>	<u><u>\$ 998,681</u></u>	<u><u>\$ 1,186,769</u></u>
Reconciliation of operating income to net cash flows from operating activities:			
Net operating income (loss)	\$ 170,415	\$ 381,810	\$ 101,108
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation/amortization	23,883	20,353	-
Pension/OPEB expense	56,586	39,156	-
Employer pension/OPEB contributions	(81,550)	(38,916)	-
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	-	(422)	(28,106)
(Increase) decrease in prepaid items	(21,800)	-	-
Increase (decrease) in payables	3,955	1,641	(3,841)
Increase (decrease) in accrued liabilities & deposits	(3,467)	(336)	-
Net cash flows from operating activities	<u><u>\$ 148,022</u></u>	<u><u>\$ 403,286</u></u>	<u><u>\$ 69,161</u></u>

<u>Building Maintenance Services</u>	<u>Information Technology</u>	<u>Benefits Reserve Fund</u>	<u>Totals</u>
\$ 682,598	\$ 1,200,845	\$ 4,396,867	\$ 9,599,228
3,710	-	85,839	322,239
(330,254)	(537,040)	(4,491,574)	(6,862,935)
<u>(329,552)</u>	<u>(542,143)</u>	<u>(169,346)</u>	<u>(2,468,113)</u>
<u>26,502</u>	<u>121,662</u>	<u>(178,214)</u>	<u>590,419</u>
-	-	100,000	38,000
-	-	100,000	38,000
(7,108)	(123,457)	-	(217,770)
-	-	-	(57,725)
-	-	-	<u>(3,422)</u>
<u>(7,108)</u>	<u>(123,457)</u>	<u>-</u>	<u>(278,917)</u>
<u>4,172</u>	<u>1,950</u>	<u>5,543</u>	<u>24,797</u>
23,566	155	(72,671)	374,299
<u>938,676</u>	<u>510,780</u>	<u>1,541,130</u>	<u>5,847,840</u>
<u>\$ 962,242</u>	<u>\$ 510,935</u>	<u>\$ 1,468,459</u>	<u>\$ 6,222,139</u>
\$ 57,171	\$ 70,237	\$ (193,081)	\$ 587,660
6,862	51,171	-	102,269
(7,380)	68,345	-	156,707
<u>(22,432)</u>	<u>(47,716)</u>	<u>-</u>	<u>(190,614)</u>
-	-	2,137	(26,391)
-	-	-	(21,800)
(12,196)	(31,533)	(4,430)	(46,404)
<u>4,477</u>	<u>11,158</u>	<u>17,160</u>	<u>28,992</u>
<u>\$ 26,502</u>	<u>\$ 121,662</u>	<u>\$ (178,214)</u>	<u>\$ 590,419</u>

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## STATISTICAL SECTION

This part of the City of Kingman’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends .....	112
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well being have changed over time.</i>	
Revenue Capacity .....	125
<i>These schedules contain information to help the reader assess the government’s property taxes and the most significant local revenues source, the sales tax.</i>	
Debt Capacity .....	127
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	131
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information .....	133
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

**CITY OF KINGMAN, ARIZONA**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(Accrual basis of accounting)**

	Fiscal Year Ended				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Governmental activities</b>					
Net investment in capital assets	\$ 50,420,410	\$ 47,574,413	\$ 47,082,904	\$ 44,485,295	\$ 43,663,259
Restricted	14,880,431	10,707,211	10,895,533	10,955,858	11,525,848
Unrestricted	(9,246,509)	(11,245,293)	(10,308,136)	(11,317,876)	12,064,132
Total governmental activities net position	<u>\$ 56,054,332</u>	<u>\$ 47,036,331</u>	<u>\$ 47,670,301</u>	<u>\$ 44,123,277</u>	<u>\$ 67,253,239</u>
<b>Total business-type activities</b>					
Net investment in capital assets	\$ 64,556,067	\$ 46,748,642	\$ 41,236,167	\$ 38,415,731	\$ 37,225,869
Restricted	709,052	709,052	709,052	4,358,367	3,405,895
Unrestricted	41,471,731	34,217,794	35,254,055	28,831,046	30,926,842
Total business-type activities net position	<u>\$ 106,736,850</u>	<u>\$ 81,675,488</u>	<u>\$ 77,199,274</u>	<u>\$ 71,605,144</u>	<u>\$ 71,558,606</u>
<b>Primary government</b>					
Net investment in capital assets	\$ 114,976,477	\$ 94,323,055	\$ 88,319,071	\$ 82,901,026	\$ 80,889,128
Restricted	15,589,483	11,416,263	11,604,585	15,314,225	14,931,743
Unrestricted	32,225,222	22,972,501	24,945,919	17,513,170	42,990,974
Total net position	<u>\$ 162,791,182</u>	<u>\$ 128,711,819</u>	<u>\$ 124,869,575</u>	<u>\$ 115,728,421</u>	<u>\$ 138,811,845</u>

(Continued)

**CITY OF KINGMAN, ARIZONA**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(Accrual basis of accounting)**

	Fiscal Year Ended				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Governmental activities</b>					
Net investment in capital assets	\$ 42,022,454	\$ 41,509,396	\$ 40,034,056	\$ 38,762,943	\$ 37,891,064
Restricted	12,054,804	12,533,340	15,125,063	329,125	387,789
Unrestricted	10,881,884	11,011,417	12,903,489	30,294,711	28,536,485
Total governmental activities net position	<u>\$ 64,959,142</u>	<u>\$ 65,054,153</u>	<u>\$ 68,062,608</u>	<u>\$ 69,386,779</u>	<u>\$ 66,815,338</u>
<b>Total business-type activities</b>					
Net investment in capital assets	\$ 36,859,201	\$ 34,934,099	\$ 31,371,150	\$ 31,861,904	\$ 29,906,112
Restricted	2,627,348	1,848,801	2,335,931	1,828,632	942,356
Unrestricted	25,841,488	23,953,643	19,802,816	15,869,839	15,482,328
Total business-type activities net position	<u>\$ 65,328,037</u>	<u>\$ 60,736,543</u>	<u>\$ 53,509,897</u>	<u>\$ 49,560,375</u>	<u>\$ 46,330,796</u>
<b>Primary government</b>					
Net investment in capital assets	\$ 78,881,655	\$ 76,443,495	\$ 71,405,206	\$ 70,624,847	\$ 67,797,176
Restricted	14,682,152	14,382,141	17,460,994	2,157,757	1,330,145
Unrestricted	36,723,372	34,965,060	32,706,305	46,164,550	44,018,813
Total net position	<u>\$ 130,287,179</u>	<u>\$ 125,790,696</u>	<u>\$ 121,572,505</u>	<u>\$ 118,947,154</u>	<u>\$ 113,146,134</u>

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

(Concluded)

**CITY OF KINGMAN, ARIZONA**  
**Expenses, Program Revenues, and Net Expense**  
**Last Ten Fiscal Years**  
**(Accrual basis of accounting)**

	Fiscal Year Ended				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Expenses:</b>					
Governmental activities:					
General government	\$ 5,144,063	\$ 5,296,985	\$ 4,516,412	\$ 5,416,624	\$ 4,771,156
Public safety	18,152,262	20,858,567	16,388,037	16,116,770	15,875,548
Public works/Streets	5,139,038	6,260,591	5,234,697	5,245,982	4,921,026
Economic development	206,675	255,276	241,022	262,965	3,815,251
Culture and recreation	4,426,426	4,116,722	3,674,420	3,764,336	398,757
Interest on long-term debt	218,996	263,101	331,520	415,010	521,663
Total governmental activities	<u>33,287,460</u>	<u>37,051,242</u>	<u>30,386,108</u>	<u>31,221,687</u>	<u>30,303,401</u>
Business-type activities					
Water	7,529,747	7,841,900	7,682,180	7,084,595	7,116,700
Wastewater	4,321,584	4,832,518	4,472,267	4,355,062	4,531,419
Sanitation	3,331,086	3,115,475	2,982,783	3,059,890	3,020,247
Airport	3,103,600	-	-	-	-
Total business-type activities	<u>18,286,017</u>	<u>15,789,893</u>	<u>15,137,230</u>	<u>14,499,547</u>	<u>14,668,366</u>
Total expenses	<u>51,573,477</u>	<u>52,841,135</u>	<u>45,523,338</u>	<u>45,721,234</u>	<u>44,971,767</u>
<b>Program Revenues:</b>					
Charges for services					
Culture and recreation	1,326,068	1,278,503	1,196,511	1,270,732	1,243,615
Economic development	880,563	752,462	619,159	638,075	552,670
Other	722,779	725,715	703,464	708,463	922,381
Operating grants and contributions	5,352,501	5,102,188	4,833,356	4,428,977	2,175,015
Capital grants and contributions	629,263	1,011,771	450,311	1,086,946	1,503,739
Total governmental activities	<u>8,911,174</u>	<u>8,870,639</u>	<u>7,802,801</u>	<u>8,133,193</u>	<u>6,397,420</u>
Business-type activities:					
Charges for services					
Water	9,238,770	8,846,542	8,891,644	8,295,956	8,178,178
Wastewater	9,423,357	9,120,705	8,902,205	8,753,810	8,936,591
Sanitation	3,594,704	3,546,327	3,647,411	3,411,473	3,357,109
Airport	1,327,422	-	-	-	-
Capital grants and contributions	164,500	-	3,114	-	155,194
Total business-type activities	<u>23,748,753</u>	<u>21,513,574</u>	<u>21,444,374</u>	<u>20,461,239</u>	<u>20,627,072</u>
Total program revenues	<u>32,659,927</u>	<u>30,384,213</u>	<u>29,247,175</u>	<u>28,594,432</u>	<u>27,024,492</u>
<b>Net Expense</b>	<u>\$ (18,913,550)</u>	<u>\$ (22,456,922)</u>	<u>\$ (16,276,163)</u>	<u>\$ (17,126,802)</u>	<u>\$ (17,947,275)</u>

**CITY OF KINGMAN, ARIZONA**  
**Expenses, Program Revenues, and Net Expense**  
**Last Ten Fiscal Years**  
**(Accrual basis of accounting)**

	Fiscal Year Ended				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Expenses:</b>					
Governmental activities:					
General government	\$ 5,353,769	\$ 5,198,867	\$ 5,315,740	\$ 4,616,031	\$ 4,761,050
Public safety	14,962,499	15,306,386	14,926,549	15,337,732	15,865,007
Public works/Streets	4,791,529	4,038,716	4,269,435	4,499,627	4,085,526
Economic development	3,770,234	3,751,168	3,873,742	3,826,798	4,574,132
Culture and recreation	522,579	661,862	1,170,810	562,714	306,605
Interest on long-term debt	616,940	714,704	794,858	875,832	808,803
Total governmental activities	<u>30,017,550</u>	<u>29,671,703</u>	<u>30,351,134</u>	<u>29,718,734</u>	<u>30,401,123</u>
Business-type activities					
Water	7,002,009	7,029,281	6,938,517	7,081,551	7,546,397
Wastewater	4,224,008	3,961,335	2,723,165	2,098,760	1,746,494
Sanitation	3,001,675	3,014,553	2,931,247	2,721,958	2,703,858
Airport	-	-	-	-	-
Total business-type activities	<u>14,227,692</u>	<u>14,005,169</u>	<u>12,592,929</u>	<u>11,902,269</u>	<u>11,996,749</u>
Total expenses	<u>44,245,242</u>	<u>43,676,872</u>	<u>42,944,063</u>	<u>41,621,003</u>	<u>42,397,872</u>
<b>Program Revenues:</b>					
Charges for services					
Culture and recreation	1,298,940	1,212,621	1,254,738	1,238,827	1,093,529
Economic development	462,675	354,734	258,415	463,055	737,699
Other	812,952	1,234,807	1,258,283	748,808	1,726,696
Operating grants and contributions	1,940,274	2,250,529	1,821,520	2,492,889	1,825,376
Capital grants and contributions	1,549,150	1,678,832	3,119,466	5,312,895	1,270,449
Total governmental activities	<u>6,063,991</u>	<u>6,731,523</u>	<u>7,712,422</u>	<u>10,256,474</u>	<u>6,653,749</u>
Business-type activities:					
Charges for services					
Water	8,531,967	8,420,703	8,224,873	8,787,008	7,723,005
Wastewater	7,544,469	6,120,036	4,960,562	3,846,079	3,370,892
Sanitation	3,317,741	3,314,137	3,329,620	3,305,488	3,336,841
Airport	-	-	-	-	-
Capital grants and contributions	-	2,061,111	-	-	-
Total business-type activities	<u>19,394,177</u>	<u>19,915,987</u>	<u>16,515,055</u>	<u>15,938,575</u>	<u>14,430,738</u>
Total program revenues	<u>25,458,168</u>	<u>26,647,510</u>	<u>24,227,477</u>	<u>26,195,049</u>	<u>21,084,487</u>
<b>Net Expense</b>	<u>\$ (18,787,074)</u>	<u>\$ (17,029,362)</u>	<u>\$ (18,716,586)</u>	<u>\$ (15,425,954)</u>	<u>\$ (21,313,385)</u>

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

**CITY OF KINGMAN, ARIZONA**  
**General Revenues and Total Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual basis of accounting)**

	Fiscal Year Ended				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Net Expense</b>	\$ (18,913,550)	\$ (22,456,922)	\$ (16,276,163)	\$ (17,126,802)	\$ (17,947,275)
<b>General Revenues:</b>					
Governmental activities					
Taxes:					
Sales taxes	22,520,993	17,707,588	16,711,555	16,103,275	15,484,419
Property taxes	-	-	-	-	-
Auto lieu taxes	1,838,768	1,681,683	1,535,893	1,424,650	1,339,535
Franchise taxes	710,832	749,802	751,670	705,659	705,760
Unrestricted state shared revenue	6,387,613	6,184,395	6,032,794	5,962,904	7,817,869
Investment income	163,727	71,333	167,928	33,547	106,233
Miscellaneous	-	-	-	529,134	41,208
<b>Transfers</b>	<u>1,174,345</u>	<u>1,310,725</u>	<u>930,492</u>	<u>831,774</u>	<u>705,054</u>
Total governmental activities	<u>32,796,278</u>	<u>27,705,526</u>	<u>26,130,332</u>	<u>25,590,943</u>	<u>26,200,078</u>
<b>General Revenues:</b>					
Business-type activities					
Investment income	197,444	84,199	217,478	42,895	145,225
Miscellaneous	-	-	-	-	831,692
<b>Transfers</b>	<u>(1,174,345)</u>	<u>(1,310,725)</u>	<u>(930,492)</u>	<u>(831,774)</u>	<u>(705,054)</u>
Total business-type activities	<u>(976,901)</u>	<u>(1,226,526)</u>	<u>(713,014)</u>	<u>(788,879)</u>	<u>271,863</u>
<b>Changes in Net Position</b>					
Governmental activities	8,419,992	(475,077)	3,547,025	2,502,449	2,294,097
Business-type activities	4,485,835	4,497,155	5,594,130	5,172,813	6,230,569
Total primary government	<u>\$ 12,905,827</u>	<u>\$ 4,022,078</u>	<u>\$ 9,141,155</u>	<u>\$ 7,675,262</u>	<u>\$ 8,524,666</u>

**CITY OF KINGMAN, ARIZONA**  
**General Revenues and Total Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual basis of accounting)**

	<b>Fiscal Year Ended</b>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Net Expense</b>	\$ (18,787,074)	\$ (17,029,362)	\$ (18,716,586)	\$ (15,425,954)	\$ (21,313,385)
<b>General Revenues:</b>					
Governmental activities					
Taxes:					
Sales taxes	12,807,658	11,641,816	11,264,735	11,648,543	12,024,409
Property taxes	-	-	1,495	20,169	437,457
Auto lieu taxes	1,294,678	1,309,913	1,275,096	1,290,144	1,375,193
Franchise taxes	684,455	702,454	744,872	657,793	804,964
Unrestricted state shared revenue	7,328,198	6,541,472	6,684,959	7,229,643	8,230,525
Investment income	130,247	125,298	247,903	207,908	259,194
Miscellaneous	624,976	79,443	70,562	17,850	14,631
<b>Transfers</b>	<u>988,336</u>	<u>(468,671)</u>	<u>1,024,919</u>	<u>961,651</u>	<u>1,221,545</u>
Total governmental activities	<u>23,858,548</u>	<u>19,931,725</u>	<u>21,314,541</u>	<u>22,033,701</u>	<u>24,367,918</u>
<b>General Revenues:</b>					
Business-type activities					
Investment income	160,522	108,061	211,220	154,924	132,162
Miscellaneous	252,823	739,096	841,095	-	-
<b>Transfers</b>	<u>(988,336)</u>	<u>468,671</u>	<u>(1,024,919)</u>	<u>(961,651)</u>	<u>(1,221,545)</u>
Total business-type activities	<u>(574,991)</u>	<u>1,315,828</u>	<u>27,396</u>	<u>(806,727)</u>	<u>(1,089,383)</u>
<b>Changes in Net Position</b>					
Governmental activities	(95,011)	(3,008,455)	(1,324,171)	2,571,441	620,544
Business-type activities	<u>4,591,494</u>	<u>7,226,646</u>	<u>3,949,522</u>	<u>3,229,579</u>	<u>1,344,606</u>
<b>Changes in Net Position</b>	<u>\$ 4,496,483</u>	<u>\$ 4,218,191</u>	<u>\$ 2,625,351</u>	<u>\$ 5,801,020</u>	<u>\$ 1,965,150</u>

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

**CITY OF KINGMAN, ARIZONA**  
**Fund Balances – Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**

	Fiscal Year Ended				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund:					
Nonspendable	\$ 97,629	\$ 86,023	\$ 172,499	\$ 54,496	\$ -
Restricted	-	-	-	-	-
Committed	3,149,075	7,965,451	3,215,213	1,877,215	1,151,386
Assigned	1,115,085	-	72,311	69,279	90,958
Unassigned	15,212,546	10,102,540	11,886,504	11,127,190	8,352,471
Unreserved	-	-	-	-	-
Total General Fund	<u>\$ 19,574,335</u>	<u>\$ 18,154,014</u>	<u>\$ 15,346,527</u>	<u>\$ 13,128,180</u>	<u>\$ 9,594,815</u>
All Other Governmental Funds					
Nonspendable	\$ 4,681	\$ 1,261	\$ -	\$ -	\$ -
Restricted	14,675,930	10,504,457	10,713,655	10,817,289	6,979,949
Committed	199,820	201,493	181,878	138,569	143,060
Assigned	-	-	-	-	1,906,758
Unassigned	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 14,880,431</u>	<u>\$ 10,707,211</u>	<u>\$ 10,895,533</u>	<u>\$ 10,955,858</u>	<u>\$ 9,029,767</u>

(Continued)

**CITY OF KINGMAN, ARIZONA**  
**Fund Balances – Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**

	Fiscal Year Ended				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	1,051,250	958,534	936,189	-	-
Assigned	87,157	83,026	78,600	-	-
Unassigned	6,649,740	6,556,730	7,257,140	-	-
Unreserved	-	-	-	8,855,139	8,625,441
Total General Fund	<u>\$ 7,788,147</u>	<u>\$ 7,598,290</u>	<u>\$ 8,271,929</u>	<u>\$ 8,855,139</u>	<u>\$ 8,625,441</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	6,665,017	5,861,993	8,151,564	-	-
Committed	-	515,350	874,445	-	-
Assigned	1,879,343	1,301,280	844,458	-	-
Unassigned	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	1,355,093	1,643,226
Capital project funds	-	-	-	4,085,795	5,806,257
Debt service funds	-	-	-	4,389,957	5,364,014
Total all other governmental funds	<u>\$ 8,544,360</u>	<u>\$ 7,678,623</u>	<u>\$ 9,870,467</u>	<u>\$ 9,830,845</u>	<u>\$ 12,813,497</u>

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

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

(Concluded)

**CITY OF KINGMAN, ARIZONA**  
**Governmental Funds Revenues**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**

	<b>Fiscal Year Ended</b>				
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Taxes	\$ 25,070,594	\$ 20,139,073	\$ 18,999,119	\$ 18,233,584	\$ 17,529,714
Licenses and permits	1,008,910	872,223	725,207	741,706	101,622
Intergovernmental	11,607,990	11,227,466	10,989,801	11,075,799	10,682,169
Charges for services	1,518,564	1,500,846	1,451,655	1,565,569	1,914,551
Fines and forfeitures	337,674	319,004	304,666	257,840	248,962
Investment income	138,930	59,398	138,670	28,439	85,811
Special assessments	794,688	819,891	940,088	1,593,143	1,253,243
Development investment fees	-	-	-	-	166,708
Miscellaneous	362,099	201,148	100,706	137,039	355,454
Total revenues	<u>\$ 40,839,449</u>	<u>\$ 35,139,049</u>	<u>\$ 33,649,912</u>	<u>\$ 33,633,119</u>	<u>\$ 32,338,234</u>
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Taxes	\$ 14,786,791	\$ 13,654,183	\$ 13,286,198	\$ 13,616,649	\$ 14,642,023
Licenses and permits	105,838	108,992	314,819	74,280	75,476
Intergovernmental	10,801,137	9,286,440	10,953,747	10,567,956	10,760,995
Charges for services	1,960,633	1,687,949	1,355,590	1,819,751	2,084,053
Fines and forfeitures	278,219	290,488	269,943	260,767	296,701
Investment income	103,158	89,925	185,896	153,841	207,536
Special assessments	1,199,283	1,283,107	1,247,070	1,072,622	3,232,765
Development investment fees	-	399,094	582,054	99,817	-
Miscellaneous	948,777	391,347	445,739	365,075	898,950
Total revenues	<u>\$ 30,183,836</u>	<u>\$ 27,191,525</u>	<u>\$ 28,641,056</u>	<u>\$ 28,030,758</u>	<u>\$ 32,198,499</u>

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

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**CITY OF KINGMAN, ARIZONA**  
**Governmental Funds Expenditures and Debt Service Ratio**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**

	Fiscal Year Ended				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Expenditures:</b>					
Current -					
General government	\$ 5,084,678	\$ 4,802,444	\$ 4,989,339	\$ 4,790,018	\$ 4,353,904
Public safety	17,069,022	16,543,924	15,650,195	14,778,302	14,691,686
Public works/Streets	4,236,910	4,328,420	3,534,809	3,503,362	3,144,347
Culture and recreation	4,113,627	4,070,937	3,552,834	3,588,923	3,403,471
Economic development	207,498	255,393	242,034	264,772	387,389
Capital outlay	4,903,292	2,443,782	2,430,303	2,260,223	2,572,408
Debt service -					
Bond issuance costs	-	-	-	-	-
Principal retirement	551,654	941,578	1,666,483	1,588,434	2,132,252
Interest and fiscal charges	215,572	256,538	322,387	402,630	506,638
<b>Total expenditures</b>	<u>\$ 36,382,253</u>	<u>\$ 33,643,016</u>	<u>\$ 32,388,384</u>	<u>\$ 31,176,664</u>	<u>\$ 31,192,095</u>
Expenditures for capitalized assets	\$ 5,817,899	\$ 2,231,009	\$ 3,432,748	\$ 1,997,145	\$ 2,214,715
Debt service as a percentage of noncapital expenditures	3%	4%	7%	7%	9%

(Continued)

**CITY OF KINGMAN, ARIZONA**  
**Governmental Funds Expenditures and Debt Service Ratio**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**

	Fiscal Year Ended				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Expenditures:</b>					
Current -					
General government	\$ 4,539,105	\$ 4,678,344	\$ 4,814,224	\$ 4,455,010	\$ 4,455,724
Public safety	14,045,641	14,243,346	13,347,817	13,930,915	14,635,020
Public works/Streets	3,161,449	2,499,309	2,732,646	2,995,398	3,018,176
Culture and recreation	3,421,827	3,369,620	3,482,574	3,431,368	3,635,466
Economic development	528,376	647,842	1,121,263	488,824	263,220
Capital outlay	2,331,545	1,848,176	1,881,691	3,563,268	4,614,786
Debt service -					
Bond issuance costs	-	-	-	-	112,230
Principal retirement	1,834,274	2,012,640	1,929,322	1,704,085	2,115,553
Interest and fiscal charges	599,386	694,760	772,656	851,495	670,219
<b>Total expenditures</b>	<u>\$ 30,461,603</u>	<u>\$ 29,994,037</u>	<u>\$ 30,082,193</u>	<u>\$ 31,420,363</u>	<u>\$ 33,520,394</u>
Expenditures for capitalized assets	\$ 2,025,792	\$ 1,739,465	\$ 1,618,947	\$ 2,705,171	\$ 3,693,462
Debt service as a percentage of noncapital expenditures	9%	10%	9%	9%	9%

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

(Concluded)

**CITY OF KINGMAN, ARIZONA**  
**Other Financing Sources and Uses and Net Changes in Fund Balances – Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**

	Fiscal Year Ended				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Excess (deficiency) of revenues over expenditures</b>	\$ 4,457,196	\$ 1,496,033	\$ 1,261,528	\$ 2,456,455	\$ 1,146,139
<b>Other financing sources (uses):</b>					
Obligations under capital lease	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	-
Transfers in	6,574,137	3,560,461	1,879,294	2,120,497	3,267,001
Transfers out	(5,437,792)	(2,287,736)	(986,802)	(1,283,723)	(2,121,065)
Insurance recovery	-	-	-	500,000	-
Total other financing sources (uses)	<u>1,136,345</u>	<u>1,272,725</u>	<u>892,492</u>	<u>1,336,774</u>	<u>1,145,936</u>
<b>Changes in fund balances</b>	<u>\$ 5,593,541</u>	<u>\$ 2,768,758</u>	<u>\$ 2,154,020</u>	<u>\$ 3,793,229</u>	<u>\$ 2,292,075</u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Excess (deficiency) of revenues over expenditures</b>	\$ (277,767)	\$ (2,802,512)	\$ (1,441,407)	\$ (3,389,605)	\$ (1,085,326)
<b>Other financing sources (uses):</b>					
Obligations under capital lease	-	-	197,900	-	-
Special assessment bonds issued	-	-	-	-	3,880,000
Proceeds from the sale of capital assets	349,025	-	-	-	-
Transfers in	3,417,672	3,047,349	2,936,992	3,557,643	4,596,935
Transfers out	(2,433,336)	(3,110,320)	(2,237,073)	(2,920,992)	(3,710,161)
Total other financing sources (uses)	<u>1,333,361</u>	<u>(62,971)</u>	<u>897,819</u>	<u>636,651</u>	<u>4,766,774</u>
<b>Changes in fund balances</b>	<u>\$ 1,055,594</u>	<u>\$ (2,865,483)</u>	<u>\$ (543,588)</u>	<u>\$ (2,752,954)</u>	<u>\$ 3,681,448</u>

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

**CITY OF KINGMAN, ARIZONA**  
**Direct and Overlapping Sales Tax Rates**  
**Last Ten Fiscal Years**

<b>Overlapping Rates</b>					
<b>Fiscal Year Ended June 30</b>	<b>City of Kingman</b>	<b>City of Kingman Hospitality</b>	<b>City of Kingman Restaurant/Bar</b>	<b>Mohave County</b>	<b>Arizona State</b>
2018	3.50	4.00	1.00	0.25	5.60
2017	2.50	4.00	1.00	0.25	5.60
2016	2.50	4.00	1.00	0.25	5.60
2015	2.50	4.00	1.00	0.25	5.60
2014	2.50	4.00	1.00	0.25	5.60
2013	2.00	4.00	2.00	0.25	6.60
2012	2.00	4.00	2.00	0.25	6.60
2011	2.00	4.00		0.25	6.60
2010	2.00	4.00		0.25	6.60
2009	2.00	2.00		0.25	5.60

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

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

**CITY OF KINGMAN, ARIZONA**  
**Taxable Sales by Category**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Retail and Use	\$ 13,797,771	\$ -	\$ -	\$ -	\$ -
Restaurants and Bars	3,428,158	2,688,338	2,606,062	2,486,514	2,397,855
Hotels and Other Lodging	2,007,891	1,462,373	1,314,643	1,237,862	1,180,613
Construction	1,165,357	885,107	846,986	928,105	1,111,314
Utilities and Communication	824,383	-	-	-	-
Residential and Commercial Leasing	483,933	-	-	-	-
Personal Property Rentals	499,333	-	-	-	-
Other <sup>1</sup>	314,167	-	-	-	-
Retail Trade <sup>2</sup>	-	9,007,432	8,450,028	8,181,831	7,630,657
Transportation, Communications and Utilities <sup>2</sup>	-	825,272	873,338	829,954	834,372
Finance Insurance and Real Estate <sup>2</sup>	-	896,660	807,207	703,096	725,086
Wholesale Trade <sup>2</sup>	-	654,263	609,619	569,261	572,132
Services <sup>2</sup>	-	670,068	606,613	584,208	536,521
Manufacturing <sup>2</sup>	-	302,422	342,630	280,964	251,667
Arts, Entertainment, Government and All Others Not Specified <sup>2</sup>	-	315,690	254,428	301,480	244,202
<b>Total</b>	<u>\$ 22,520,993</u>	<u>\$ 17,707,625</u>	<u>\$ 16,711,554</u>	<u>\$ 16,103,275</u>	<u>\$ 15,484,419</u>

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Construction	\$ 629,605	\$ 639,713	\$ 705,221	\$ 1,204,811	\$ 1,419,917
Manufacturing	237,434	238,510	230,986	370,772	283,793
Transportation, Communications and Utilities	457,619	675,308	707,440	679,552	620,639
Wholesale Trade	408,394	440,940	451,072	462,183	444,032
Retail Trade	6,066,455	5,876,279	5,600,574	5,574,966	6,142,681
Restaurants and Bars	2,350,096	1,683,031	1,186,983	1,138,191	1,165,015
Finance Insurance and Real Estate	635,710	588,454	697,416	625,439	626,006
Hotels and Other Lodging	1,050,076	1,115,913	1,163,676	824,189	705,129
Services	513,896	433,964	379,871	494,812	402,171
Arts, Entertainment, Government and All Others Not Specified	188,700	219,374	141,495	273,508	215,027
<b>Total</b>	<u>\$ 12,537,985</u>	<u>\$ 11,911,486</u>	<u>\$ 11,264,734</u>	<u>\$ 11,648,423</u>	<u>\$ 12,024,410</u>

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

**Notes:** 1) Other includes advertising, entertainment, publications, printing, vehicle license tax and location fees.

2) In order to better reflect the City's tax categories, these categories have been replaced with Retail and Use, Residential and Commercial Leasing, Personal Property Rentals, and Other.

**CITY OF KINGMAN, ARIZONA**  
**Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Excise Tax Revenue Bonds	Special Assessment Bonds	Capital Leases	Loans Payable	Capital Leases	Loans Payable			
2018	\$ 500,000	\$ 2,359,709	\$ -	\$ -	\$ -	\$ 28,381,243	\$ 31,240,952	0.49%	1,055
2017	740,000	2,613,641	115,445	-	173,174	30,556,211	34,198,471	0.55%	1,155
2016	970,000	3,227,128	268,089	-	336,833	36,551,073	41,353,123	0.68%	1,429
2015	1,190,000	4,580,189	413,478	-	491,499	38,838,745	45,513,911	0.81%	1,598
2014	2,220,000	5,868,850	425,120	-	637,680	41,049,491	50,201,141	0.90%	1,772
2013	2,810,000	7,084,129	568,144	-	775,833	43,186,134	54,424,240	0.98%	1,921
2012	3,295,000	8,237,045	703,024	-	906,399	43,574,689	56,716,157	1.07%	2,021
2011	3,745,000	9,328,616	830,225	350,000	1,029,795	36,518,174	51,801,810	0.99%	1,729
2010	4,160,000	10,364,859	764,278	700,000	1,146,417	28,784,054	45,919,608	0.90%	1,523
2009	4,975,000	11,217,205	837,756	1,100,000	1,256,634	7,307,221	26,693,816	0.52%	868

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

**CITY OF KINGMAN, ARIZONA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

**Legal Debt Margin Calculation for Fiscal Year 2018:**

Secondary assessed valuation	\$ 194,280,791
Debt limit (6% of assessed value)	11,656,847
Debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 11,656,847</u>

**Fiscal Year Ended June 30**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt limit equal to 6% of assessed valuation	\$ 11,656,847	\$ 11,656,847	\$ 10,967,474	\$ 10,683,372	\$ 11,279,799
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>970,000</u>	<u>1,190,000</u>	<u>2,220,000</u>
Legal debt margin	<u>\$ 11,656,847</u>	<u>\$ 11,656,847</u>	<u>\$ 9,997,474</u>	<u>\$ 9,493,372</u>	<u>\$ 9,059,799</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	9%	11%	20%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt limit equal to 6% of assessed valuation	\$ 11,854,935	\$ 15,803,800	\$ 18,580,084	\$ 18,689,250	\$ 20,061,270
Total net debt applicable to limit	<u>2,810,000</u>	<u>3,295,000</u>	<u>3,745,000</u>	<u>4,160,000</u>	<u>2,945,000</u>
Legal debt margin	<u>\$ 9,044,935</u>	<u>\$ 12,508,800</u>	<u>\$ 14,835,084</u>	<u>\$ 14,529,250</u>	<u>\$ 17,116,270</u>
Total net debt applicable to the limit as a percentage of debt limit	24%	21%	20%	22%	15%

**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 \$38,856,158

**CITY OF KINGMAN, ARIZONA**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2018**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable to the City</u>	<u>Estimated Amount Applicable to the City</u>
Kingman Unified School District	\$ 43,805,000	42.74%	<u>\$ 18,722,257</u>
Subtotal, Overlapping Debt			<u>18,722,257</u>
Direct:			
City of Kingman, AZ			<u>2,859,709</u>
Total Direct and Overlapping Governmental Activities Debt			<u><u>\$ 21,581,966</u></u>

**DIRECT AND OVERLAPPING GENERAL BONDED DEBT RATIOS**

Net Direct General Obligation Bonded Debt	
As a Percentage of Net Secondary Assessed Valuation	0.00%
Net Direct and Overlapping General Bonded Debt	
Per Capita	729
As a Percentage of Net Secondary Assessed Valuation	11.11%
As a Percentage of Estimated Actual Value (Full Cash Value)	1.09%

**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.

**Notes:**

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

**CITY OF KINGMAN, ARIZONA**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**

	Fiscal Year Ended June 30,									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Excise Tax Revenue Bonds</b>										
Excise Tax Revenue	26,180,493	24,868,699	23,597,282	22,902,512	22,493,084	20,295,258	18,344,361	18,106,118	19,359,466	21,228,915
Debt Service										
Principal	240,000	230,000	220,000	210,000	820,000	590,000	485,000	450,000	460,125	445,750
Interest	30,813	40,588	49,938	57,813	97,244	123,819	145,219	164,713	17,188	146,875
Total Annual Requirement	270,813	270,588	269,938	267,813	917,244	713,819	630,219	614,713	477,313	592,625
Estimated Coverage	96.7	91.9	87.4	85.5	24.5	28.4	29.1	29.5	40.6	35.8
<b>Water Infrastructure Financing Authority (WIFA) Loans</b>										
Wastewater Utility Revenue	8,730,419	8,481,857	7,184,022	7,146,594	7,268,798	5,905,330	3,544,586	2,945,758	1,745,223	1,927,194
Debt Service										
Principal	2,174,968	5,994,862	2,287,672	2,210,748	2,136,643	2,154,752	1,956,193	1,415,635	-	-
Interest	1,053,800	1,128,190	1,346,389	1,423,312	1,497,417	1,542,839	1,365,941	653,395	305,760	50,956
Total Annual Requirement	3,228,768	7,123,052	3,634,061	3,634,060	3,634,060	3,697,591	3,322,134	2,069,030	305,760	50,956
Estimated Coverage	2.2	1.2	2.0	2.0	2.0	1.6	1.1	1.4	5.7	37.8

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

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

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

**CITY OF KINGMAN, ARIZONA**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

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<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2017	29,600	\$ 6,395,100	\$ 30,865	5.7
2016	29,600	6,166,757	30,045	6.1
2015	28,942	6,040,669	29,505	7.5
2014	28,476	5,633,946	27,704	8.8
2013	28,336	5,601,076	27,971	10.8
2012	28,029	5,534,671	27,220	11.4
2011	28,068	5,290,530	26,145	13.1
2010	28,055	5,249,000	25,165	12.7
2009	27,823	5,101,000	28,018	11.1
2008	27,766	5,124,115	26,197	7.0

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

**CITY OF KINGMAN, ARIZONA**  
**Principal Employers**  
**Current Fiscal Year and Fiscal Year Nine Years Ago**

<u>Employer</u>	<u>2018</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Kingman Regional Medical Center	1,800	14.75 %
Mohave County	1,274	10.44
Kingman Unified School District No. 20	992	8.13
Mohave Community College	604	4.95
American Woodmark Corporation	612	5.02
Walmart	408	3.34
City of Kingman	356	2.92
Indiana Western Express, Inc.	240	1.97
The Southern Finishing Company, Inc.	182	1.49
Home Depot	150	1.23
Total	6,618	54.24 %
Total Employment	12,201	

<u>Employer</u>	<u>2009</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Kingman Regional Medical Center	1,130	10.24 %
Mohave County	1,100	9.97
Kingman Unified School District No. 20	960	8.70
American Woodmark Corporation	650	5.89
Walmart	500	4.53
City of Kingman	370	3.35
State of Arizona	318	2.88
Mohave Community College	305	2.76
Indiana Western Express, Inc.	240	2.18
Healthcare Management	200	1.81
Total	5,773	52.32 %
Total Employment	11,033	

- Sources:**
- 1) The source of the employee figures is City of Kingman Planning and Zoning and an individual employer survey.
  - 2) The source of the total employment figures is the Arizona Department of Economic Opportunity

**CITY OF KINGMAN, ARIZONA**  
**Full-Time Equivalent Government Employees by Function/Program**  
**Last Ten Fiscal Years**

	<b>Full-time Equivalent Employees as of June 30</b>									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>General Government</b>										
City Administration	9	8	8	8	8	8	8	8	9	9
Human Resources	5	4.5	4.5	4.5	4	4	4	4	4	4
City Clerk	3	3	3	3	3	3	4	4	4	4
City Attorney	6	6	6	6	6	6	6	7	7	7
Municipal Court	9.5	9.5	8.5	8.5	8.5	8.5	8.5	8.5	9	9
Finance	13	13	13	13	13	13	13	13	14	14
Total general government	45.5	44	43	43	42.5	42.5	43.5	44.5	47	47
<b>Public Safety</b>										
Police	72	70	70	70	70	70	70	84	87	87
Dispatch Center	16	16	16	16	16	16	16	0	0	0
Firefighters	58	58	53	52	52	52	52	52	56	56
Total public safety	146	144	139	138	138	138	138	136	143	143
<b>Public Works</b>										
Engineering	18	17	15	15	14	15	15	15	22	21.75
Others	40	38	38	37	37	37	38	41	45	44
Total public works	58	55	53	52	51	52	53	56	67	65.75
<b>Parks and Recreation</b>	34	34	33	33	33	33	34.5	34.75	39.75	39.75
<b>Information Technology</b>	6	6	7	7	7	7	7	7	7	7
<b>Community Development</b>	8	8	10	10	11	12	11	14	18	19
<b>Sanitation</b>	18	18	17	17	17	17	17	17	17	17
<b>Water and Wastewater</b>	41	37	32	32	32	31	30	30	32	33
Total support and administration	107	103	99	99	100	100	99.5	102.75	113.75	115.75
<b>Total</b>	356.5	346	334	332	331.5	332.5	334	339.25	370.75	371.5

**Source:** The source of this information is the City's human resources department.

**CITY OF KINGMAN, ARIZONA**  
**Capital Assets Statistics by Function**  
**Last Ten Fiscal Years**

<b>Function</b>	<b>Fiscal Year Ended June 30</b>									
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Public Safety</b>										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	81	79	72	84	87	85	80	78	74	74
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire vehicles	26	26	28	33	30	29	27	27	27	27
<b>Streets</b>										
Streets (miles)	224	224	224	224	224	224	215	215	215	215
Streetlights	851	851	851	851	851	851	851	851	851	851
Traffic signals	24	24	24	24	24	24	24	24	24	20
<b>Sanitation</b>										
Collection trucks	28	28	25	25	26	26	25	23	23	21
<b>Parks and Recreation</b>										
Parks developed	13	13	13	13	13	13	13	13	13	13
Parks acreage	146	146	146	146	146	146	146	146	146	146
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	4	4	4	4	4	4	4	1	4	4
Community centers	1	1	1	1	1	1	1	1	1	1
Golf courses	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
Water mains (miles)	564	564	564	564	564	564	564	564	564	564
Fire hydrants	2,485	2,485	2,485	2,485	2,485	2,485	2,485	2,485	2,485	2,485
<b>Wastewater</b>										
Sanitary sewers (miles)	199	199	199	199	199	199	199	199	199	199
Manholes	2,997	2,997	2,997	2,997	2,997	2,997	2,997	2,997	2,997	2,997

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

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**CITY OF KINGMAN, ARIZONA**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

	Fiscal Year Ended June 30				
	2018	2017	2016	2015	2014
<b>Governmental Activities</b>					
General Government					
Business licenses issued	346	2,087	2,355	2,052	2,585
Voters served	16,234	16,650	16,649	17,072	17,000
Public records requests	56	80	80	86	55
Prosecutions	1,183	1,176	1,176	1,216	1,300
Legal opinions	200-250	80-100	80-100	80-100	50-70
Civil litigation	8	7	7	7	3
Case filings	4,126	3,902	3,641	3,073	3,600
Case terminations	4,105	3,761	3,685	2,847	850
Computers installed and supported	330	335	310	295	295
Phones installed and supported	255	255	245	244	244
Public Safety					
Total calls for service	38,417	44,232	38,760	35,366	40,000
Total arrests	2,865	4,468	3,927	3,879	2,900
Traffic accidents	1,111	1,066	1,004	1,004	950
Alarm runs	634	614	683	541	650
VIP program - volunteers	12	15	13	13	20
Clearance Rate - Part I offenses	76%	85%	83%	71%	75%
Clearance Rate - Part II offenses	76%	85%	83%	71%	75%
Response Time - Under 90 seconds **	64%	21%	75%	65%	66%
Fire inspections	1,638	1,496	1,404	1,760	1,875
Plan reviews - fire	806	356	301	322	170
Public education programs - fire	489	185	357	409	250
Highway & Streets					
Paved streets maintained (miles) *	460	435	434	230	208
Dirt streets maintained (miles)	19	18	16	16	16
Traffic signals maintained	24	24	24	24	24
Street lights maintained	850	850	850	850	850
Culture and Recreation					
Acres of ground maintained	218	269	268	268	269
Miles of medians and trails maintained	16.5	16.5	18.0	15.0	16.5
Number of sites maintained	20	20	26	18	20
<b>Business-type Activities</b>					
Water					
Acre feet of water pumped	8,337	8,082	7,729	7,988	7,995
Number of meters	21,524	20,975	20,665	20,430	19,813
Percentage of water loss	17%	15%	13%	17%	11%
Wastewater					
Total influent Hilltop WWPT (gallons)	670,445,000	573,375,000	582,700,000	578,000,000	528,000,000
Total influent Downtown WWTP (gallons)	86,167,000	86,951,000	85,800,000	85,800,000	96,000,000
Number of sewer lines cleaned/televised (feet)	987,279	741,306	411,200	400,500	375,000
Sanitation					
Landfill tonnage	20,375	22,125	21,898	22,466	22,500
Number of landfill trips	3,740	3,917	3,967	3,996	3,700
Number of residential accounts	11,037	10,757	10,647	10,524	10,063
Number of commercial accounts	931	925	923	921	906

**CITY OF KINGMAN, ARIZONA**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

	Fiscal Year Ended June 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Governmental Activities</b>					
General Government					
Business licenses issued	2,430	2,441	2,825	2,892	2,392
Voters served	15,966	16,000	17,000	19,000	18,000
Public records requests	46	46	50	210	156
Prosecutions	1,203	1,300	1,300	1,150	1,020
Legal opinions	50-70	40-50	40-50	40-50	40-50
Civil litigation	5	3-7	2-5	3-7	2-5
Case filings	3,600	5,600	5,600	5,580	5,073
Case terminations	724	6,000	6,000	6,132	5,575
Computers installed and supported	295	295	295	295	295
Phones installed and supported	244	244	244	244	244
Public Safety					
Total calls for service	40,000	40,453	31,911	32,000	29,161
Total arrests	2,900	3,153	3,117	3,300	3,136
Traffic accidents	950	996	999	1,200	1,139
Alarm runs	650	715	794	900	892
VIP program - volunteers	20	14	14	20	15
Clearance Rate - Part I offenses	75%	70%	60%	65%	63%
Clearance Rate - Part II offenses	75%	70%	60%	65%	63%
Response Time - Under 90 seconds	73%	78%	80%	N/A	N/A
Fire inspections	1,850	2,129	2,100	2,100	1,950
Plan reviews - fire	180	160	144	150	120
Public education programs - fire	245	245	257	150	200
Highway & Streets					
Paved streets maintained (miles)	208	208	208	208	208
Dirt streets maintained (miles)	16	16	16	16	17
Traffic signals maintained	24	17	18	17	17
Street lights maintained	850	850	850	850	850
Culture and Recreation					
Acres of ground maintained	269	269	269	269	268
Miles of medians and trails maintained	15.5	15.5	15.5	15.5	15.0
Number of sites maintained	20	19	19	19	19
<b>Business-type Activities</b>					
Water					
Acre feet of water pumped	7,995	7,963	7,895	7,982	8,235
Number of meters	19,813	19,763	19,723	19,652	19,652
Percentage of water loss	11%	9%	4%	N/A	4.79
Wastewater					
Total influent Hilltop WWPT (gallons)	528,000,000	569,430,000	547,000,000	575,000,000	555,440,000
Total influent Downtown WWTP (gallons)	96,000,000	76,322,000	113,150,000	113,150,000	113,150,000
Number of sewer lines cleaned/televised (feet)	375,000	457,800	325,000	325,000	325,000
Sanitation					
Landfill tonnage	21,598	22,104	21,614	21,560	22,047
Number of landfill trips	3,631	3,623	3,536	3,496	3,649
Number of residential accounts	9,918	10,075	9,899	10,308	9,877
Number of commercial accounts	924	910	925	1,059	926

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

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

\* In Fiscal Year 2016 the City starting using lane miles instead of centerline miles for this performance measure.

\*\* In Fiscal Year 2017 the City changed the measure for Alarm Handling. In prior years call handling and dispatch were measured separately. In Fiscal Year 2017 the measure is from call create to dispatch.

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**FEDERAL AND STATE REPORTS**

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**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Honorable Mayor and  
City Council  
Kingman, Arizona

We have audited, 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, the 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 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Kingman, Arizona's basic financial statements, and have issued our report thereon dated December 27, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Kingman, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kingman, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kingman, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Kingman, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
Flagstaff, Arizona  
December 27, 2018



**HINTONBURDICK**  
CPAs & ADVISORS

### **Independent Auditors' Report on State Legal Compliance**

The Honorable Mayor and  
City Council  
Kingman, Arizona

We have audited the basic financial statements of the City of Kingman, Arizona for the year ended June 30, 2018, and have issued our report thereon dated December 27, 2018. Our audit also included test work on the City of Kingman's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of Kingman is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of Kingman has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of Kingman pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The City of Kingman complied, in all material respects, with the requirements identified above for the year ended June 30, 2018.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

HintonBurdick, PLLC  
Flagstaff, Arizona  
December 27, 2018

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**CITY OF KINGMAN, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

<u>Grantor Agency and Program Title</u>	<u>Federal CFDA Number</u>	<u>Other Identification Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Justice</b>			
<b>Passed through Arizona Criminal Justice Commission:</b>			
Edward Byrne Memorial Justice Assistance Grant	16.738	DC-18-007	\$ 249,008
Equitable Sharing Program	16.922		80
<b>Bureau of Justice Assistance</b>			
Bulletproof Vest Partnership Program	16.607		3,312
<b>U.S. Department of Transportation</b>			
<b>Passed through Arizona Department of Transportation:</b>			
Highway Planning and Construction	20.205	KNG-0(208)T	12,116
Formula Grants for Rural Areas	20.509	GRT-16-0005996-T	424,726
<b>Passed through the Arizona Governor's Office of Highway Safety:</b>			
National Priority Safety Programs	20.616	2018-405d-015	16,971
<b>Office of National Drug Control Policy</b>			
<b>Passed through the University of Baltimore, Maryland</b>			
Combating Opioid Overdose through Community-Level Intervention	95.007	G1799ONDCP06B	30,780
<b>Executive Office of the President</b>			
<b>Passed through the City of Tucson, Arizona:</b>			
High Intensity Drug Trafficking Area Program	95.001	HT-16-2612	13,774
High Intensity Drug Trafficking Area Program	95.001	HT-16-2602	10,413
High Intensity Drug Trafficking Area Program	95.001	HT-17-2715	30,697
High Intensity Drug Trafficking Area Program	95.001	HT-17-2702	9,189
High Intensity Drug Trafficking Area Program	95.001	HT-18-2813	1,225
			65,298
<b>U.S. Department of Homeland Security</b>			
<b>Passed through the Arizona Department of Homeland Security:</b>			
Assistance to Firefighters Grant	97.044	EMW-2016-FO-00050	127,273
Total expenditure of federal awards			\$ 929,564

**CITY OF KINGMAN, ARIZONA**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

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**Reporting Entity:**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the City of Kingman, Arizona. The City's reporting entity is defined in Note 1 of the basic financial statements. All expenditure of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

**Basis of Accounting:**

This accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Subrecipients:**

There are no subrecipients.

**Indirect Cost Rate:**

The City has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Federal Loans Outstanding:**

There are no outstanding balances for federal loan or loan guarantee programs at June 30, 2018.



**HINTONBURDICK**  
CPAs & ADVISORS

**Independent Auditors' Report on Compliance for  
Each Major Program and on Internal Control over  
Compliance Required by the Uniform Guidance**

The Honorable Mayor and  
City Council  
City of Kingman, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited the City of Kingman, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Kingman, Arizona's major federal programs for the year ended June 30, 2018. The City of Kingman, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Kingman, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kingman, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Kingman, Arizona's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Kingman, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

Management of the City of Kingman, Arizona, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kingman, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kingman, Arizona's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
HintonBurdick, PLLC  
Flagstaff, Arizona  
December 27, 2018

**CITY OF KINGMAN, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

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**Section I – Summary of Auditor’s Results**

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*Financial Statements*

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                   \_\_\_yes              x  no
- Significant deficiencies identified that are not  
     considered to be material weaknesses?           \_\_\_yes              x  no

Noncompliance material to financial statements noted?   \_\_\_yes              x  no

*Federal Awards*

Internal control over major programs:

- Material weakness identified?                   \_\_\_yes              x  no
- Significant deficiencies identified?           \_\_\_yes              x  no

Type of auditor’s report issued on compliance for  
 major programs: Unmodified

Any audit findings disclosed that are required to be  
 reported in accordance with 2 CFR 200.516(a)?       \_\_\_yes              x  no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
20.509	Formula Grants for Rural Areas

Dollar threshold used to distinguish between  
 type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?                   \_\_\_yes              x  no

**CITY OF KINGMAN, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

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**Section II - Financial Statement Findings**

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No significant matters were noted.

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**Section III - Federal Award Findings and Questioned Costs**

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No significant matters were noted.

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**Section IV – Summary of Prior Year Findings and Questioned Costs**

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No significant matters were noted.