

**CITY OF KINGMAN, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT**  
**JUNE 30, 2017**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**CITY OF KINGMAN, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT**  
**JUNE 30, 2017**

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## Independent Accountants' Report

The Auditor General of the State of Arizona and  
The Honorable Mayor and City Council  
City of Kingman, Arizona

We have examined the accompanying annual expenditure limitation report of the City of Kingman, Arizona, for the year ended June 30, 2017, and the related notes to the report. The City's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the annual expenditure limitation report referred to above is presented in accordance with the uniform expenditure reporting system as described in note 1 in all material respects.



HintonBurdick Arizona, PLLC  
Flagstaff, Arizona  
December 27, 2017

**CITY OF KINGMAN, ARIZONA**  
**Annual Expenditure Limitation Report – Part I**  
**Year Ended June 30, 2017**

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|   |                      |
|---|----------------------|
| 1. Economic Estimates Commission expenditure limitation   | N/A                  |
| 2. Voter-approved alternative expenditure limitation (November 19, 2014)  | <u>\$ 29,890,439</u> |
| 3. Enter applicable amount from line 1 or line 2  | <u>\$ 29,890,439</u> |
| 4. Amount subject to the expenditure limitation (total amount from Part II, Line C)                                     | <u>29,890,439</u>    |
| 5. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation) | <u>\$ -</u>          |

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: \_\_\_\_\_

Name and Title: Tina Moline, Financial Services Director

Telephone Number: (928) 753-8120 Date: \_\_\_\_\_

See accompanying notes to report.

**CITY OF KINGMAN, ARIZONA**  
**Annual Expenditure Limitation Report – Part II**  
**Year Ended June 30, 2017**

| Description  | Governmental<br>Funds | Enterprise<br>Funds | Internal Service<br>Funds | Total                |
|--|-----------------------|---------------------|---------------------------|----------------------|
| A. Amounts reported on the Reconciliation Line D   | \$ 32,550,445         | \$ 21,148,834       | \$ 9,276,656              | \$ 62,975,935        |
| B. Less exclusions claimed:  |                       |                     |                           |                      |
| Grants and aid from the Federal government   | \$889,127             | -                   | -                         | 889,127              |
| Amounts received from the State of Arizona   | 92,970                | -                   | -                         | 92,970               |
| Quasi-external interfund transactions  | -                     | -                   | 7,778,190                 | 7,778,190            |
| Highway user revenues in excess of those received in fiscal year 1979-80   | 2,627,803             | -                   | -                         | 2,627,803            |
| Contracts with other political subdivisions  | 548,572               | -                   | -                         | 548,572              |
| Voter-approved exclusions not identified above (attach resolution)   | -                     | 21,148,834          | -                         | 21,148,834           |
| Total exclusions claimed   | 4,158,472             | 21,148,834          | 7,778,190                 | 33,085,496           |
| C. Amount subject to the expenditure limitation (If an individual fund type amount is negative, reduce exclusions claimed to net to zero.) | <u>\$ 28,391,973</u>  | <u>\$ -</u>         | <u>\$ 1,498,466</u>       | <u>\$ 29,890,439</u> |

See accompanying notes to report.

**CITY OF KINGMAN, ARIZONA**  
**Annual Expenditure Limitation Report – Reconciliation**  
**Year Ended June 30, 2017**

| Description  | Governmental<br>Funds | Enterprise<br>Funds | Internal Service<br>Funds | Total         |
|--|-----------------------|---------------------|---------------------------|---------------|
| A. Total expenditures (and expenses) and applicable other financing uses reported within the fund based financial statements | \$ 33,643,016         | \$ 15,789,893       | \$ 9,100,739              | \$ 58,533,648 |
| B. Subtractions:   |                       |                     |                           |               |
| Items not requiring use of working capital:  |                       |                     |                           |               |
| Depreciation   | -                     | 2,943,676           | 94,923                    | 3,038,599     |
| Loss on disposal of capital assets   | -                     | 70,945              | -                         | 70,945        |
| Bad debt expense   | -                     | 33,770              | -                         | 33,770        |
| Pension expense  | -                     | 529,083             | 69,138                    | 598,221       |
| Expenditures of separate legal entities established under Arizona Revised Statutes   |                       |                     |                           |               |
| Special Assessment Districts   | 820,733               | -                   | -                         | 820,733       |
| Municipal Property Corporations  | 271,838               | -                   | -                         | 271,838       |
| Total subtractions   | \$ 1,092,571          | \$ 3,577,474        | \$ 164,061                | \$ 4,834,106  |
| C. Additions:  |                       |                     |                           |               |
| Principal payments on long-term debt   | -                     | 6,158,519           | 54,553                    | 6,213,072     |
| Acquisition of capital assets  | -                     | 2,368,579           | 110,070                   | 2,478,649     |
| Amounts paid in the current year but reported as expenses in previous years  |                       |                     |                           |               |
| Pension contributions  | -                     | 409,317             | 175,355                   | 584,672       |
| Total additions  | -                     | 8,936,415           | 339,978                   | 9,276,393     |
| D. Amounts reported on Part II, Line A   | \$ 32,550,445         | \$ 21,148,834       | \$ 9,276,656              | \$ 62,975,935 |

See accompanying notes to report.

**CITY OF KINGMAN, ARIZONA**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2017**

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

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The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07, and in accordance with the voter-approved alternative expenditure limitation plan adopted November 19, 2014, as authorized by the Arizona Constitution, Article IX, §20 (9).

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed in part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the annual financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds, Statement of Revenues, Expenses, and Changes in Net Position for the Proprietary Funds, and the Statement of Cash Flows for the Proprietary Funds.

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**Note 2. Reconciliation**

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The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, and Highway User Revenues in the Governmental Funds.

| <u>Description</u>  | <u>Governmental<br/>Funds</u> |
|---|-------------------------------|
| Grants and aid from the Federal<br>government                               | \$ 889,127                    |
| Amounts received from the State   | 92,970                        |
| Highway user revenues in excess of<br>those received in fiscal year 1979-80 | 2,627,803                     |
| Other revenues (nonexcludable)  | <u>7,617,566</u>              |
| Total intergovernmental revenues as<br>reported in the financial statements | <u>\$ 11,227,466</u>          |

**CITY OF KINGMAN, ARIZONA**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2017**

**Note 3. Exclusions**

The subtraction of \$820,733 and \$271,838 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts and municipal property corporations included within the City's reporting entity, but are not included in the Economic Estimates Commission base limit calculations, and are reported in the Governmental Funds category in the fund financial statements.

**Special Assessment Districts:**

|                             |            |
|-----------------------------|------------|
| Principal                   | \$ 613,486 |
| Interest and fiscal charges | 207,247    |
| Total                       | \$ 820,733 |

**Municipal Property Corporations:**

|                             |            |
|-----------------------------|------------|
| Principal                   | \$ 230,000 |
| Interest and fiscal charges | 41,838     |
| Total                       | \$ 271,838 |

The exclusion claimed of \$7,778,190 for quasi-external interfund transactions consists of monies expended by the City in the Governmental Funds for services paid and expenses in the Internal Service Funds for 911 dispatch, fleet, insurance, building maintenance, and information technology services. In addition, monies expended in the Governmental and Enterprise Funds for the payment of employee benefits in the Employee Benefit Trust Fund are excluded as well.

The exclusion claimed for contracts with other political subdivisions of \$548,572 includes Mohave County Flood Control District revenues that were expended.

**Note 4. Home Rule Voter-Approved Exclusions**

|   | Water        | Wastewater    | Sanitation   | Total         |
|---|--------------|---------------|--------------|---------------|
| Total expenses                            | \$ 7,841,900 | \$ 4,832,518  | \$ 3,115,475 | \$ 15,789,893 |
| Less: Depreciation                        | (1,202,677)  | (1,439,229)   | (301,770)    | (2,943,676)   |
| Loss on disposal of capital assets        | -            | (70,945)      | -            | (70,945)      |
| Bad debt expense                          | (17,747)     | (10,920)      | (5,103)      | (33,770)      |
| Pension expense                           | (236,026)    | (253,559)     | (39,498)     | (529,083)     |
| Plus: Principal payment on long-term debt | 54,553       | 6,049,414     | 54,552       | 6,158,519     |
| Acquisition of capital assets             | 711,875      | 853,862       | 802,842      | 2,368,579     |
| Pension contributions                     | 257,172      | 70,792        | 81,353       | 409,317       |
|   | \$ 7,409,050 | \$ 10,031,933 | \$ 3,707,851 | \$ 21,148,834 |