

CITY OF KINGMAN, ARIZONA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019



CITY OF KINGMAN, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Prepared by the Finance Department
Tina Moline, Financial Services Director



TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTORY SECTION	
Letter of Transmittal	i
GFOA Certificate of Achievement	v
List of Principal Officials	vi
Organizational Chart	vii
II. FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion & Analysis	7
A. Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	25
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Proprietary Funds Financial Statements	
Statement of Net Position	30
Statement of Revenues, Expenses and Changes in Fund Net Position	32
Statement of Cash Flows	34
Notes to Financial Statements	
1. Summary of Significant Accounting Policies	41
2. Deposits and Investments	49
3. Receivables	50
4. Interfund Transfers	51
5. Capital Assets	52
6. Long-Term Liabilities	54
7. Pensions and Other Postemployment Benefits	56
8. Contingencies	73
9. Stabilization Agreement	74
10. Restatement	74

B. Required Supplementary Information	<u>Page</u>
Budgetary Comparison Schedules – General Fund	76
Budgetary Comparison Schedule Highway User Revenue Fund (HURF)	78
Notes to the Budgetary Comparison Schedules	79
Schedule of the City's Proportionate Share of the Net Pension/ OPEB Liability Cost Sharing Plan	80
Schedule of the City's Proportionate Share of the Net Pension/ OPEB Liability and Related Ratios	82
Schedule of the City Pension/ OPEB Contributions	86
Notes to Pension/ OPEB Plan Schedules	89
C. Other Supplementary Information	
Combining and Individual Fund Financial Statements	
Non-Major Funds – By Fund Type	
Combining Balance Sheet	92
Combining Statement of Revenues, Expenses and Changes in Fund Balances	96
Budgetary Schedules	
Non Major Special Revenue Funds	
Transit System	103
Judicial Collection Enhancement	104
Fill the Gap	105
Court Enhancement	106
Surplus Fare Collect	107
Grants	108
Budgetary Schedules	
Non- Major Debt Service Funds	
Special Assessment Districts	111
Municipal Property Corporation	112
Non- Major Capital Project Funds	
Local Construction	115
Capital Projects	116
Kingman Crossing	117
Rancho Santa Fe Parkway	118
Pavement Preservation	119
1-11 Kingman Connection	120
Flood Control	121
Internal Service Funds	
Combining Statement of Net Position	124
Combining Statement of Revenues, Expenses and Changes in Net Position	126
Combining Statement of Cash Flows	128

III. STATISTICAL SECTION

Net Position by Component	132
Expenses, Program Revenues, and Net Expenses	134
General Revenues and Total Changes in Position	136
Fund Balances - Governmental Funds	138
Governmental Funds Revenues	140
Governmental Funds Expenditures and Debt Service Ratios	142
Other Financial Sources and Uses and Net Changes in Fund Balances	144
Direct and Overlapping Governmental Activities Debt	145
Taxable Sales by Category	147
Governmental Activities Tax Revenues by Source	148
Legal Debt Margin Information	150
Direct and Overlapping Governmental Activities Debt	151
Pledged Revenue Coverage	152
Demographic and Economic Statistics	154
Principle Employers	155
Full-time Equivalent City Government Employees by Function	156
Capital Asset Statistics by Function	158
Operating Indicators by Function	160

IV. COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	165
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	167
Schedule of Expenditures of Federal Awards	169
Notes to the Schedule of Expenditures of Federal Awards	171
Schedule of Findings and Questioned Costs	173
Corrective Action Plan	175

Introductory Section



City of Kingman

310 NORTH FOURTH STREET • KINGMAN • ARIZONA • 86401 • (928)753-5561
www.cityofkingman.gov

December 18, 2019

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

The Comprehensive Annual Financial Report (CAFR) of the City of Kingman, Arizona (the City) for the fiscal year ended June 30, 2019 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

Henry & Horne, LLP, has audited the City of Kingman financial statements. 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, 2019 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 presentation. The independent auditors' report is presented as the first component of the financial section of this report.

The City is required to undergo an annual single audit in conformity with the provisions 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). Information related to this single audit, including the schedule of expenditure of federal awards, findings and recommendations, and the auditors' reports on the internal control over financial reporting and compliance with applicable laws and regulations are included in a separately issued report.

Generally accepted accounting principles 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 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.

GENERAL INFORMATION - CITY OF KINGMAN

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 30,314.

The City 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 an airport. The City of Kingman also operates a municipal water, sewer and sanitation utility that presently serves approximately 21,000 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. The City 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.

The City 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.

The City enjoys a favorable economic environment and has experienced considerable growth during the last 20 years. The U.S. Census Bureau estimates Kingman's current population at 30,314. The City supports a market area trade population of some 50,000 persons. The unemployment rate, as of June 2019, was 5.6 percent. This is above the state's rate of 4.9 percent and lower than the county's rate of 6.3 percent.

Fiscal year 2019 represented economic improvement. Recent growth of the City's economy is highlighted below.

- New single family residential building permits declined by 20% to 235. This is largely in part due to groundbreaking development occurring in FY2018 versus infill of those same developments during FY2019. The City expects development to improve over the next several years as two new interchanges within the city limits are being discussed.
- New commercial building permits remained the same as fiscal year 2018 at 8, but the valuation increased by 247% to \$10.0 million.
- Construction sales tax revenue surpassed fiscal year 2018 by almost 30% to \$1.6 million.

A sales tax increase of 1% was approved by the City Council in August 2017 and went into effect in November 2017. Due to a citizen initiative that was passed by the voters in November 2018, this tax increase was repealed (effective January 1, 2019). In addition, the citizen initiative eliminated the City Council's taxing authority. Transaction privilege tax increases must now be taken to the voters.

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 2019, this policy resulted in a minimum reserve requirement of \$7.25 million and a maximum requirement of \$14.5 million. The unassigned fund balance at the end of the year is \$14.9 million.

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.

AWARDS AND ACKNOWLEDGEMENTS

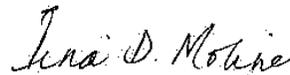
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingman for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. We believe that our current 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





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, 2018

Christopher P. Morill

Executive Director/CEO

City of Kingman

City Council Members

Mayor, Jen Miles
Vice Mayor, Travis Lingenfelter
SueAnn Mello Keener
Deana Nelson
Jamie Scott Stehly
Ken Watkins
David Wayt

City Manager

Ronald W. Foggin

City Attorney

Carl Cooper

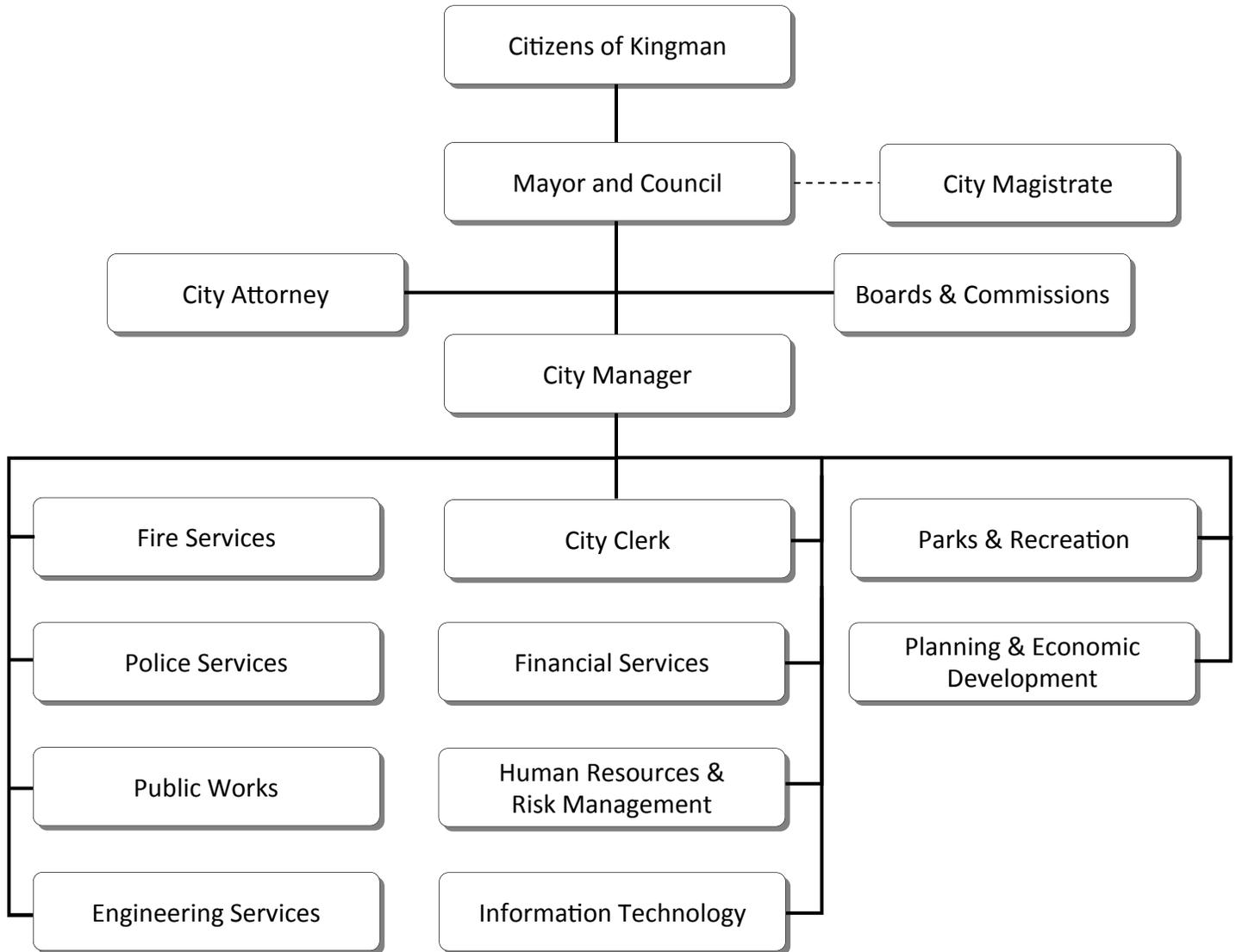
Magistrate

Jeffrey Singer

Departments:

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

City of Kingman Organization Chart





Financial Section



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
City of Kingman
Kingman, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kingman, Arizona (the City), as of and for the year ended June 30, 2019, 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.

Auditors' 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 from 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 auditors' 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, 2019, 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.

Emphasis of Matter

As discussed in Note 10, there was a restatement to fund balances and net position related to the recognition of sales tax revenues. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, 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, the financial information listed as other supplementary information in the financial section, and 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 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The financial information listed as other supplementary information in the table of contents and the schedule of expenditures of 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 to 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 financial information listed as other supplementary information in the table of contents 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.

Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

In connection with our audit, nothing came to our attention that caused us to believe that the City of Kingman, Arizona failed to use highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City of Kingman solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Kingman's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, management, and other responsible parties with the City and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Henry + Horne, LLP

Tempe, Arizona
December 18, 2019

Financial Section

MANAGEMENT'S DISCUSSION & ANALYSIS



CITY OF KINGMAN, ARIZONA
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

As management of the City of Kingman, Arizona (City), we offer readers of the City's financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- The City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of fiscal year 2019 by \$178.8 million (net position). Of this amount, net investment of capital assets was \$125.1 million; restricted net position was \$18.9 million and \$34.8 million represents unrestricted net position.
- The City's total net position increased in fiscal year 2019 \$16.0 million, or 9.8%.
- At the end of fiscal year 2019, the City's governmental funds reported combined fund balances of \$41.9 million, an increase of \$7.5 million in comparison to the prior fiscal year. Approximately 36% of this amount, or \$15.2 million, is available for spending at the City's discretion. This amount is defined as unassigned fund balance. At the end of fiscal year 2019, unassigned fund balance for the General Fund is \$15.2 million or 56% of total general fund expenditures.
- General revenues from governmental activities accounted for \$32.8 million in revenue or 76.6% of all revenues from governmental activities. Program specific revenues in the form of charges for services, grants and contributions accounted for \$10.0 million or 23.4% of total governmental activities revenues. The City had \$24.7 million in program revenues and \$0.7 million in general revenues related to business-type activities.
- The City had \$35.5 million in expenses related to governmental activities; of which \$10.0 million of these expenses were offset by program specific charges, grants or contributions. General revenues of \$25.5 million provided for the majority of the remaining costs of these programs. The City had \$19.0 million in expenses related to business-type activities. Charges for services of \$24.5 million were adequate to offset the costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this portion); the basic financial statements; required supplementary information; and optional combining statements for non-major governmental funds, non-major enterprise fund, and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.
- Fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - Governmental fund statements tell how general government services such as public safety, streets, and parks and recreation were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short-term and long-term financial information about the activities the City operates like businesses, such as water, wastewater, sanitation and airport services.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. 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 the revenues and expenses reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements of the City are presented in the following categories:

- *Governmental activities* – Most of the City's basic services are included here such as public safety, streets, parks and recreation, economic development and general administration. Taxes and intergovernmental revenues finance most of these activities.
- *Business-type activities* – The City provides certain services that are financed through user fees and charges. These services include water, wastewater, sanitation, and airport.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the City's major funds, not the City as a whole.

The City has two categories of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliation that explains the relationship (or difference) between governmental funds and governmental activities follow each of the governmental fund statements.
- *Proprietary funds* – Services for which the City charges users a fee generally are reported in proprietary funds. Proprietary fund financial statements, like the government-wide statements, provide both short-term and long-term financial information.
 - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.
 - Internal service funds report activities that provide services for the City's other programs and activities, such as the City's fleet services, dispatch center, building maintenance, information technology services, insurance services and employee benefits.

In addition to the basic financial statements, notes and certain required supplementary information concerning the City's budget process are presented. Notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements provide short-term and long-term information about the City's overall financial condition. Net assets or net position over time serves as a useful indicator of financial position. The City's assets and deferred outflows exceeded liabilities by \$178.8 million at the close of fiscal year 2019.

Net position of the City represents the difference between the City's resources and its obligations. As of June 30, 2019, the largest portion of the City's total net position approximately 69.9% reflects the investment in capital assets, (e.g., land, buildings, machinery, equipment, vehicles and infrastructure) less related debt outstanding used to acquire capital assets. These capital assets are used by the City to provide services to its citizens. As such, these assets are not available for future spending.

The City's restricted net position \$18.9 million represents amounts that are to be used in accordance with external restrictions. The remaining balance of \$34.8 million is unrestricted.

Kingman City, Arizona Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Current and other assets	\$ 56,643,754	\$ 46,441,453	\$ 51,703,069	\$ 49,778,846	\$ 108,346,823	\$ 96,220,299
Capital assets	58,782,730	54,486,464	94,469,582	92,937,310	153,252,312	147,423,774
Total assets	<u>115,426,484</u>	<u>100,927,917</u>	<u>146,172,651</u>	<u>142,716,156</u>	<u>261,599,135</u>	<u>243,644,073</u>
Deferred outflows of resources	<u>9,551,268</u>	<u>10,085,165</u>	<u>916,700</u>	<u>943,303</u>	<u>10,467,968</u>	<u>11,028,468</u>
Long-term liabilities outstanding	46,946,883	48,255,974	29,304,324	34,687,557	76,251,207	82,943,531
Other liabilities	7,915,761	3,933,867	5,272,249	1,842,301	13,188,010	5,776,168
Total liabilities	<u>54,862,644</u>	<u>52,189,841</u>	<u>34,576,573</u>	<u>36,529,858</u>	<u>89,439,217</u>	<u>88,719,699</u>
Deferred inflows of resources	<u>3,068,575</u>	<u>2,768,909</u>	<u>742,788</u>	<u>392,751</u>	<u>3,811,363</u>	<u>3,161,660</u>
Net position:						
Net investment in capital assets	56,697,422	50,420,410	68,364,576	64,556,067	125,061,998	114,976,477
Restricted	18,924,567	14,880,431	-	709,052	18,924,567	15,589,483
Unrestricted	<u>(8,575,456)</u>	<u>(9,246,509)</u>	<u>43,405,414</u>	<u>41,471,731</u>	<u>34,829,958</u>	<u>32,225,222</u>
Total net position	<u>\$ 67,046,533</u>	<u>\$ 56,054,332</u>	<u>\$ 111,769,990</u>	<u>\$ 106,736,850</u>	<u>\$ 178,816,523</u>	<u>\$ 162,791,182</u>

The City's overall net position increased \$16.0 million from the prior fiscal year. The following sections will discuss the reasons for the increase.

Governmental Activities

The City's net position for governmental activities increased \$11.0 million from the prior fiscal year to an ending balance of \$67.0 million.

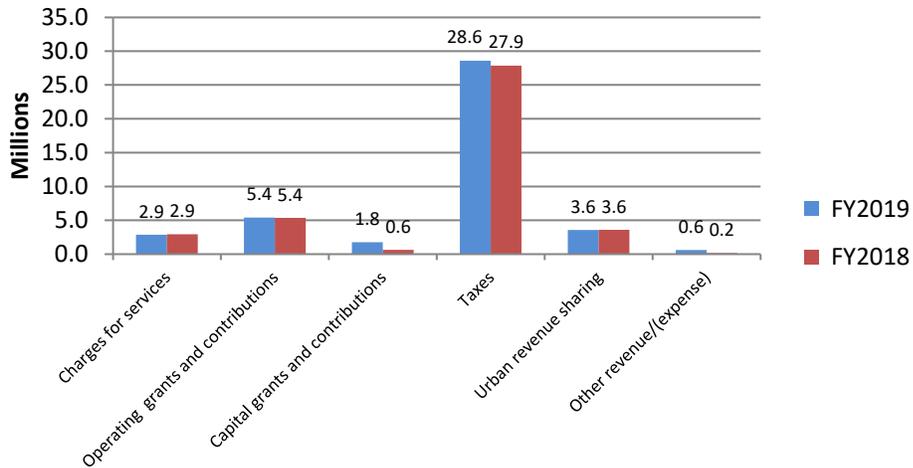
The increase of the overall net position of governmental activities is the product of the acquisition and depreciation of capital assets and sales tax collections set aside for future projects.

**City of Kingman
Change in Net Position**

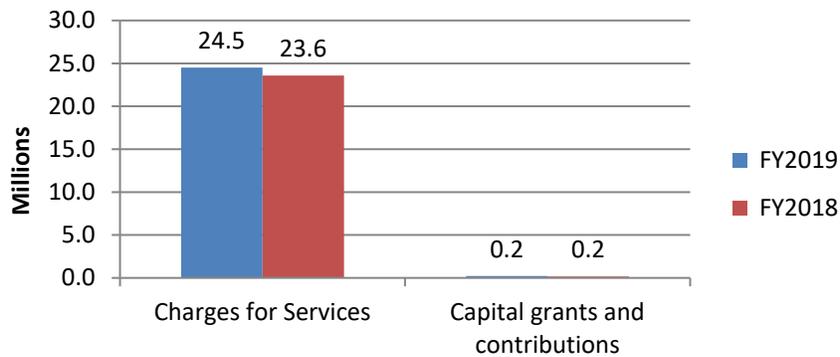
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Revenues						
Program revenues						
Charges for Services	\$ 2,858,393	\$ 2,929,410	\$ 24,507,754	\$ 23,584,253	27,366,147	\$ 26,513,663
Operating grants and contributions	5,394,929	5,352,501	-	-	5,394,929	5,352,501
Capital grants and contributions	1,752,130	629,263	222,456	164,500	1,974,586	793,763
General revenues					-	-
Taxes	28,586,974	27,862,688	-	-	28,586,974	27,862,688
Urban revenue sharing	3,569,055	3,595,518	-	-	3,569,055	3,595,518
Other revenue/(expense)	607,793	163,727	668,521	197,444	1,276,314	361,171
Total revenues	\$ 42,769,274	\$ 40,533,107	\$ 25,398,731	\$ 23,946,197	\$ 68,168,005	\$ 64,479,304

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Expenses						
General government	4,974,795	5,144,063	-	-	4,974,795	5,144,063
Public safety	21,165,403	18,152,262	-	-	21,165,403	18,152,262
Highways and streets	4,035,063	5,139,038	-	-	4,035,063	5,139,038
Economic development	1,267,086	206,675	-	-	1,267,086	206,675
Culture and recreation	3,920,819	4,426,426	-	-	3,920,819	4,426,426
Interest on long-term debt	164,400	218,996	-	-	164,400	218,996
Water	-	-	7,534,026	7,529,747	7,534,026	7,529,747
Wastewater	-	-	4,671,584	4,321,584	4,671,584	4,321,584
Sanitation	-	-	3,387,403	3,331,086	3,387,403	3,331,086
Airport	-	-	3,365,814	3,103,600	3,365,814	3,103,600
Total expenses	35,527,566	33,287,460	18,958,827	18,286,017	54,486,393	51,573,477
Increase (decrease) in net position before transfers	7,241,708	7,245,647	6,439,904	5,660,180	13,681,612	12,905,827
Transfers	1,406,764	1,310,725	(1,406,764)	(1,310,725)	-	-
Increase (decrease) in net position	8,648,472	8,556,372	5,033,140	4,349,455	13,681,612	12,905,827
Net position, beginning	56,054,332	47,036,331	106,736,850	102,249,947	162,791,182	149,286,278
Restatement adjustment	2,343,729	598,009	-	1,068	2,343,729	599,077
Net position, ending	\$ 67,046,533	\$ 56,190,712	\$ 111,769,990	\$ 106,600,470	\$ 178,816,523	\$ 162,791,182

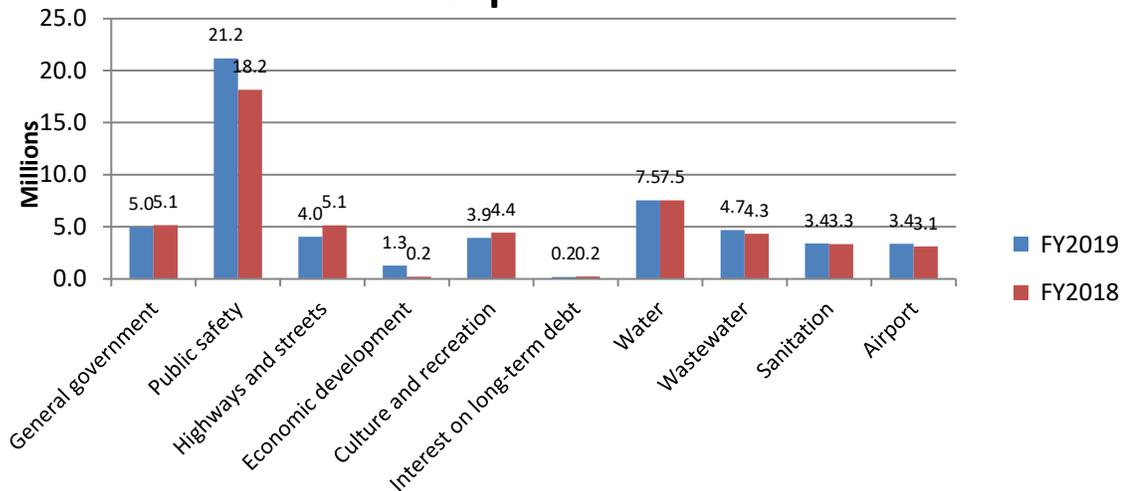
Governmental Activities Revenues



Business-type Activities Revenues



Governmental and Business-Type Activities Expenses



Business-type Activities

The City's business-type activities for fiscal year 2019 show that the overall net position increased to an ending balance of \$111.8 million. The total increase in net position for business-type activities was \$5.0 million or 4.7% from the prior fiscal year.

Revenue from business-type activities totaled \$25.4 million compared to \$23.9 million in FY 2018. This is an increase of 6.1% or \$1.5 million from the prior fiscal year. The increase can be attributed to more users of the water and wastewater system from the prior fiscal year. Water customers increased by more than 500 customers to 20,737, and wastewater customers increased by more than 200 to 10,842.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The City uses fund accounting to assure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government while reporting the City operations in more detail than the government-wide statements. The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources.

Governmental Funds

The City's governmental funds reported combined fund balances at June 30, 2019 of \$41.9 million, which is an increase of \$7.5 million compared to the previous fiscal year. Approximately 36% (\$15.2 million) of this amount constitutes unassigned fund balance, which is available for spending at the city's discretion. The remainder of the fund balance is either 1) not in spendable form (\$299,523), or 2) restricted, committed or assigned for a particular purpose (\$26.4 million).

The General Fund is the chief operating fund of the City. At the end of the fiscal year unassigned fund balance of the general fund was \$15.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 55.3% of the total general fund expenditures, while total fund balance represents approximately 82.9% of the same amount.

The fund balance of the City's General Fund grew by \$2.8 million during the 2019 fiscal year. \$1.6 million of this increase is due to a restatement of fiscal year 2018's beginning fund balance. This restatement is explained in Note 10. The remaining \$1.2 million increase in the General Fund's fund balance is due primarily to an increase in sales tax and state shared revenue collections.

The fund balances of the City's other governmental funds increased by \$3.6 million during the 2019 fiscal year. Broken down further, the Special Revenue Funds experienced an increase of \$1.2 million in fund balance; the Debt Service Funds experienced an increase of \$83,388 in fund balance; and the Capital Projects Funds experienced an increase of \$2.3 million in fund balance.

Of the Special Revenue Funds' fund balance increases, the HURF Fund's fund balance increased by more than \$1.2 million. This was in part due to a portion of additional sales tax revenues collected that were dedicated solely to pavement preservation not being spent during the fiscal year but rather appropriated in the fiscal year 2020 adopted budget. Additionally, four court funds were reclassified this fiscal year from grant funds to special revenue funds. The total fund balance increases amongst these funds during fiscal year 2019 were \$0.3 million.

The Capital Projects Funds' fund balance increases were due largely in part to a 1% additional sales tax imposed (repealed in November 2018) whereby the sales tax collections during fiscal year 2019 were not spent and instead set aside for future capital projects.

Proprietary Funds

The total net position of the proprietary funds increased \$5.0 million or 4.7% in fiscal year 2019. The Wastewater Fund increased \$4.5 million or 11.0%. This increase can be attributed to growth in the system which increased user fees and sewer investment fees. Sewer investment fees are used to fund expansion projects within the system and will be utilized for identified future projects.

The Water Fund's total net position improved by \$1.6 million in fiscal year 2019. Commercial and residential development has shown increases in fiscal year 2019 resulting in revenue growth for this fund.

The Sanitation Fund's total net position decreased by \$92,828. Sanitation rates have remained unchanged for many years whereas the cost of providing this service increases year-over-year. During fiscal year 2020, a rate study will be performed in an effort to identify potential efficiency measures and analyze the cost of service for the sanitation services being provided.

The total net position for the Airport Fund decreased by \$0.9 million or -4.8%. This is largely due to increased operating expenses and investment in capital assets.

BUDGETARY HIGHLIGHTS

Original budget compared to final budget

During the year there was no need for significant budget amendments to increase original budgeted appropriations.

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 \$1,493,429 in general government was primarily the result of contingency funds being untapped and the reduction in jail costs and general counsel fees.
- The favorable variance of \$1,181,915 in public safety was primarily due to vacancy savings experienced in the form of personnel costs.
- The favorable variance of \$889,358 in culture and recreation was a result of vacancy savings realized during the recruitment period of unfilled positions, savings in the golf course manager contract due an operational restructure, and savings in ongoing repair and maintenance costs.
- The net transfers were \$443,199 less than anticipated due to the Powerhouse Fund's increased merchandise sales and Council's decision mid-year to remove the Fire Station 22 replacement project from the 5-year Capital Improvement Program. This decision was made solely because of the citizen initiative (which passed) to repeal a 1% sales tax increase.

Overall budget savings were \$3.9 million for the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the City had a net investment in capital assets of \$153.3 million, which included buildings, facilities, vehicles, computers, equipment and infrastructure assets. Total depreciation expense for the year was \$7.6 million.

The following schedule presents capital asset balances and accumulated depreciation for the fiscal years ended June 30, 2019 and June 30, 2018.

**City of Kingman
Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Land	\$ 11,232,190	\$ 10,890,540	\$ 2,400,025	\$ 2,337,881	\$ 13,632,215	\$ 13,228,421
Art	10,000	10,000	-	-	10,000	10,000
Infrastructure	73,246,519	70,869,014	150,032,309	145,794,890	223,278,828	216,663,904
Buildings	8,916,506	8,854,416	5,028,561	5,022,636	13,945,067	13,877,052
Improvements other than buildings	8,211,323	7,655,671	3,642,609	3,744,618	11,853,932	11,400,289
Vehicles, machinery and equipment	20,533,475	17,952,761	14,204,137	13,561,755	34,737,612	31,514,516
Construction in progress	3,589,498	2,611,098	2,878,875	1,736,300	6,468,373	4,347,359
Accumulated depreciation	(66,956,781)	(64,357,036)	(83,716,934)	(79,260,731)	(150,673,715)	(143,617,767)
Total	<u>\$ 58,782,730</u>	<u>\$ 54,486,464</u>	<u>\$ 94,469,582</u>	<u>\$ 92,937,350</u>	<u>\$ 153,252,312</u>	<u>\$ 147,423,774</u>

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

Long-Term Debt

As of June 30, 2019, the City had \$2.1 million in governmental long-term debt outstanding with \$294,894 due within one year. The City had \$26.1 million in business-type long-term debt outstanding, \$2.3 million due within one year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Excise tax bonds payable	\$ -	\$ 500,000	\$ -	\$ -
Special assessment bonds payable	2,085,308	2,359,709	-	-
Obligations under capital leases	-	-	-	-
Loan payable	-	-	26,105,006	28,381,243
Total	<u>\$ 2,085,308</u>	<u>\$ 2,859,709</u>	<u>\$ 26,105,006</u>	<u>\$ 28,381,243</u>

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 general obligation debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following economic factors were taken into consideration in developing the fiscal year 2019-20 budget.

- Estimated city sales tax revenue includes an increase of 2.75 percent above the 2019 estimates.
- State shared revenue distributions were estimated to increase 5.4 percent above the 2019 estimates per the State of Arizona projections.
- A 2 percent increase above the 2019 estimates was used for building permits.
- With public safety pension costs being the most costly program for the City, the Council has made funding the PSPRS unfunded liability a priority. A one-time payment of over \$3.1 million to PSPRS is included in the upcoming budget.
- With the State of Arizona having adopted a vehicle license fee to fund its public safety program, HURF distributions are estimated to increase in fiscal year 2020. The City estimates a 3.5 percent increase over fiscal year 2019, which is lower than the State of Arizona's projections.

All of these factors were considered in preparing the City's budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Services Department, City of Kingman, 310 N. 4th Street, Kingman, Arizona, 86401.



Financial Section

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements - include the Statement of Net Position and Statement of Activities and use the accrual basis of accounting for financial reporting.

Governmental Funds Financial Statements - include the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the major governmental funds that use the modified accrual basis of reporting. Also includes the reconciliations to the government-wide financial statements and the Budget and Actual statements for the General Fund and all major Special Revenue Funds.

Proprietary Funds Financial Statements - include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows for the business-type activities that use the accrual basis of accounting for financial reporting.

Notes to the Financial Statements



CITY OF KINGMAN, ARIZONA
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 48,311,313	\$ 47,802,407	\$ 96,113,720
Receivables (net of allowances)	7,763,832	2,852,700	10,616,532
Inventory	106,785	368,429	475,214
Prepaid items/deposits	216,616	22,492	239,108
Restricted cash and cash equivalents	-	642,886	642,886
Net pension/OPEB asset	245,208	14,155	259,363
Capital assets:			
Non-depreciable	14,831,688	5,278,900	20,110,588
Depreciable (net)	43,951,042	89,190,682	133,141,724
Total assets	<u>115,426,484</u>	<u>146,172,651</u>	<u>261,599,135</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and OPEB	9,551,268	916,700	10,467,968
Total deferred outflows of resources	<u>9,551,268</u>	<u>916,700</u>	<u>10,467,968</u>
LIABILITIES			
Accounts payable	5,199,540	1,783,970	6,983,510
Accrued payroll and related liabilities	473,597	115,786	589,383
Accrued liabilities	746,042	97,694	843,736
Deposits held for others	14,488	642,886	657,374
Unearned revenues	205,889	21,636	227,525
Long-term liabilities:			
Due within one year:			
Compensated absences	981,311	281,942	1,263,253
Loans payable	-	2,328,335	2,328,335
Bonds payable	294,894	-	294,894
Due in more than one year			
Compensated absences	327,104	93,981	421,085
Loans payable	-	23,776,671	23,776,671
Bonds payable	1,790,414	-	1,790,414
Net pension/OPEB liability	44,829,365	5,433,672	50,263,037
Total liabilities	<u>54,862,644</u>	<u>34,576,573</u>	<u>89,439,217</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and OPEB	3,068,575	742,788	3,811,363
Total deferred inflows of resources	<u>3,068,575</u>	<u>742,788</u>	<u>3,811,363</u>
NET POSITION			
Net investment in capital assets	56,697,422	68,364,576	125,061,998
Restricted for:			
Highways and streets	3,263,318	-	3,263,318
Debt service	2,534,950	-	2,534,950
Capital projects	12,365,874	-	12,365,874
Public safety and courts	343,132	-	343,132
Grants	417,293	-	417,293
Unrestricted (deficit)	<u>(8,575,456)</u>	<u>43,405,414</u>	<u>34,829,958</u>
Total net position	<u>\$ 67,046,533</u>	<u>\$ 111,769,990</u>	<u>\$ 178,816,523</u>

CITY OF KINGMAN, ARIZONA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 4,974,795	\$ 325,942	\$ 64,400	\$ 10,000
Public safety	21,165,403	392,231	1,346,240	168,770
Public works/Streets	4,035,063	196,698	3,954,404	1,341,552
Economic development	1,267,086	629,753	15,939	-
Culture and recreation	3,920,819	1,313,769	13,946	231,808
Interest on long-term debt	164,400	-	-	-
Total governmental activities	<u>35,527,566</u>	<u>2,858,393</u>	<u>5,394,929</u>	<u>1,752,130</u>
Business-type activities				
Water	7,534,026	8,922,305	-	-
Wastewater	4,671,584	9,617,003	-	-
Sanitation	3,387,403	3,681,539	-	-
Airport	3,365,814	2,286,907	-	222,456
Total business-type activities	<u>18,958,827</u>	<u>24,507,754</u>	<u>-</u>	<u>222,456</u>
Total government	<u>\$ 54,486,393</u>	<u>\$ 27,366,147</u>	<u>\$ 5,394,929</u>	<u>\$ 1,974,586</u>

General revenues

Taxes:

City sales tax

Franchise tax

Intergovernmental:

Auto lieu tax (unrestricted)

State shared sales taxes (unrestricted)

Urban revenue sharing (unrestricted)

Unrestricted investment earnings

Transfers in (out)

Total general revenues and transfers

Change in net position

Net position, beginning of year

Restatement

Net position as restated, beginning of year

Net position, end of year

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (4,574,453)	\$ -	\$ (4,574,453)
(19,258,162)	-	(19,258,162)
1,457,591	-	1,457,591
(621,394)	-	(621,394)
(2,361,296)	-	(2,361,296)
(164,400)	-	(164,400)
<u>(25,522,114)</u>	<u>-</u>	<u>(25,522,114)</u>
-	1,388,279	1,388,279
-	4,945,419	4,945,419
-	294,136	294,136
-	(856,451)	(856,451)
<u>-</u>	<u>5,771,383</u>	<u>5,771,383</u>
<u>(25,522,114)</u>	<u>5,771,383</u>	<u>(19,750,731)</u>
22,939,133	-	22,939,133
715,624	-	715,624
1,960,608	-	1,960,608
2,971,609	-	2,971,609
3,569,055	-	3,569,055
607,793	668,521	1,276,314
1,406,764	(1,406,764)	-
<u>34,170,586</u>	<u>(738,243)</u>	<u>33,432,343</u>
<u>8,648,472</u>	<u>5,033,140</u>	<u>13,681,612</u>
56,054,332	106,736,850	162,791,182
2,343,729	-	2,343,729
<u>58,398,061</u>	<u>106,736,850</u>	<u>165,134,911</u>
<u>\$ 67,046,533</u>	<u>\$ 111,769,990</u>	<u>\$ 178,816,523</u>



Governmental Funds Financial Statements

Major Funds

General Fund

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

HURF Fund

This fund accounts for the City's share of Arizona's highway user tax revenues and associated expenditures legally restricted for road construction and maintenance.

Non - Major Funds

Other governmental funds are the non-major funds and are special revenue, debt service and capital project funds.



CITY OF KINGMAN, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	HURF	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 21,044,892	\$ 6,020,369	\$ 14,111,387	\$ 41,176,648
Receivables, net of allowances for uncollectibles:				
Taxes receivable	2,810,233	401,836	73,040	3,285,109
Other receivable	180,895	5,145	1,613,219	1,799,259
Special assessment receivable	-	-	2,482,761	2,482,761
Inventory	106,785	-	-	106,785
Prepaid items	152,776	1,325	38,637	192,738
Total assets	\$ 24,295,581	\$ 6,428,675	\$ 18,319,044	\$ 49,043,300
LIABILITIES				
Accounts payable	\$ 1,100,409	\$ 2,960,655	\$ 377,111	\$ 4,438,175
Accrued payroll and related liabilities	391,105	21,005	11,714	423,824
Accrued liabilities	17,161	-	728,881	746,042
Deposits held for others	14,488	-	-	14,488
Unearned revenue	23,517	182,372	-	205,889
Total liabilities	1,546,680	3,164,032	1,117,706	5,828,418
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-special assessments	-	-	1,243,887	1,243,887
Total deferred inflows of resources	-	-	1,243,887	1,243,887
FUND BALANCES				
Nonspendable:				
Inventory and prepaid items	259,561	1,325	38,637	299,523
Restricted:				
Public works/Streets	-	3,263,318	-	3,263,318
Capital projects	-	-	12,365,874	12,365,874
Debt service	-	-	2,534,950	2,534,950
Public safety and courts	-	-	343,132	343,132
Grants	-	-	417,293	417,293
Committed:				
Tourism operations	1,320,058	-	-	1,320,058
Assigned:				
Subsequent year's budget:				
appropriation of fund balance	5,979,599	-	-	5,979,599
Public transportation	-	-	257,565	257,565
Unassigned:				
Total fund balances	15,189,683	-	-	15,189,683
Total liabilities, deferred inflows of resources, and fund balances	\$ 24,295,581	\$ 6,428,675	\$ 18,319,044	\$ 49,043,300

CITY OF KINGMAN, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2019

Fund balances - total governmental funds		\$ 41,970,995
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Governmental capital assets	\$ 122,799,448	
Less accumulated depreciation	<u>(65,517,492)</u>	57,281,956
Net OPEB asset is not an available resource and, therefore, is not reported in the funds		
		239,710
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the funds:		
Special assessment bonds	(2,085,308)	
Net pension and OPEB liabilities	(42,718,790)	
Compensated absences	<u>(1,191,720)</u>	(45,995,818)
Assessments revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities		
		1,243,887
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore are not reported in the funds.		
Deferred outflows	9,195,199	
Deferred inflows	<u>(2,780,058)</u>	6,415,141
Internal service funds are used by management to charge the cost of certain activities to individual funds. This amount represents the assets and liabilities of the internal service funds reported as governmental activities		
		<u>5,890,662</u>
Total net position of governmental activities		<u>\$ 67,046,533</u>

CITY OF KINGMAN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	General Fund	HURF	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 19,169,456	\$ 931,946	\$ 5,513,963	\$ 25,615,365
License permits and fees	753,547	-	-	753,547
Intergovernmental revenue	6,540,664	2,944,551	3,493,614	12,978,829
Charges for services	1,503,448	-	218,214	1,721,662
Fines and forfeitures	293,336	-	-	293,336
Interest	290,604	38,182	192,033	520,819
Special assessments	-	-	614,621	614,621
Other revenues	174,204	21,997	3,824	200,025
Total revenues	<u>28,725,259</u>	<u>3,936,676</u>	<u>10,036,269</u>	<u>42,698,204</u>
EXPENDITURES				
Current:				
General government	4,847,443	-	45,366	4,892,809
Public safety	17,065,157	-	1,231,649	18,296,806
Culture and recreation	4,481,584	-	-	4,481,584
Economic development	506,255	-	-	506,255
Highways and streets	-	2,734,584	-	2,734,584
Public works	-	-	1,871,243	1,871,243
Capital Outlay	556,529	3,049,380	1,620,776	5,226,685
Debt service:				
Principal	-	-	781,901	781,901
Interest and fiscal charges	-	-	164,400	164,400
Total expenditures	<u>27,456,968</u>	<u>5,783,964</u>	<u>5,715,335</u>	<u>38,956,267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,268,291</u>	<u>(1,847,288)</u>	<u>4,320,934</u>	<u>3,741,937</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,838,612	3,510,607	1,700,925	7,050,144
Transfers out	<u>(1,572,304)</u>	<u>(466,022)</u>	<u>(3,581,255)</u>	<u>(5,619,581)</u>
Total other financing (uses) sources	<u>266,308</u>	<u>3,044,585</u>	<u>(1,880,330)</u>	<u>1,430,563</u>
Net change in fund balances	<u>1,534,599</u>	<u>1,197,297</u>	<u>2,440,604</u>	<u>5,172,500</u>
Fund balances - beginning of year	19,574,335	1,990,044	12,890,387	34,454,766
Restated	1,639,967	77,302	626,460	2,343,729
Fund balances, beginning of year - restated	<u>21,214,302</u>	<u>2,067,346</u>	<u>13,516,847</u>	<u>36,798,495</u>
Fund balances - end of year	<u>\$ 22,748,901</u>	<u>\$ 3,264,643</u>	<u>\$ 15,957,451</u>	<u>\$ 41,970,995</u>

CITY OF KINGMAN, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Net change in fund balances - total governmental funds		\$ 5,172,500
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 6,359,234	
Depreciation expense	<u>(2,737,120)</u>	3,622,114
Disposals and transfers of capital assets are not reported in the governmental funds. The net effect of these transactions decreased net position.		(7,343)
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 revenues.		387,066
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 the current year payments on assessments.		(402,970)
Repayment of long-term debt (e.g. bonds, leases) principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.		
Excise tax bond principal retirement	500,000	
Special assessment bond principal retirement	<u>274,401</u>	774,401
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 reported net pension and OPEB liabilities are measured a year before the City's report date. Pension and OPEB expense, which is the change in 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.		
Pension/OPEB contributions	3,417,568	
Pension/OPEB expense	<u>(5,240,745)</u>	(1,823,177)
Compensated absences 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 the governmental funds.		(93,944)
The net revenues of certain activities of the internal service fund is reported with governmental activities.		<u>1,019,825</u>
Change in net position of governmental activities		<u><u>\$ 8,648,472</u></u>

Proprietary Fund Financial Statements

Enterprise Funds

Water Fund

This fund is used to account for the activities of the City's water utility operations.

Wastewater Fund

This fund is used to account for the administration, operations and maintenance of the wastewater collection lines and treatment facility.

Sanitation Fund

This fund is used to account for the activities of the City's sanitation utility services.

Airport Fund

This fund is used to account for the activities of the Kingman Airfield and Industrial Park.

CITY OF KINGMAN, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities-Enterprise Funds			
	Water Fund	Wastewater Fund	Sanitation Fund	Airport Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 22,919,426	\$ 20,850,789	\$ 1,157,740	\$ 2,874,452
Accounts receivable, net	1,025,765	1,021,091	419,889	385,955
Inventory	335,826	32,603	-	-
Prepaid items	784	690	600	-
Deposits on hold	20,418	-	-	-
Total current assets	<u>24,302,219</u>	<u>21,905,173</u>	<u>1,578,229</u>	<u>3,260,407</u>
Noncurrent assets				
Restricted cash and cash equivalents	624,888	-	-	17,998
Net pension/OPEB asset	8,373	2,430	2,568	784
Capital assets:				
Capital assets, not being depreciated	2,468,637	1,146,911	567,000	1,096,352
Capital assets, being depreciated, net	24,501,155	49,644,459	926,591	14,118,477
Total noncurrent assets	<u>27,603,053</u>	<u>50,793,800</u>	<u>1,496,159</u>	<u>15,233,611</u>
Total assets	<u>51,905,272</u>	<u>72,698,973</u>	<u>3,074,388</u>	<u>18,494,018</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions/OPEB	542,266	157,374	166,302	50,758
Total deferred outflows of resources	<u>542,266</u>	<u>157,374</u>	<u>166,302</u>	<u>50,758</u>
LIABILITIES				
Current liabilities				
Accounts payable	1,140,307	447,855	87,886	107,922
Accrued wages and benefits	68,901	21,751	18,244	6,890
Accrued liabilities	97,694	-	-	-
Deposits held	624,888	-	-	17,998
Unearned revenue	1,422	-	-	20,214
Compensated absences - current portion	174,222	53,537	43,931	10,253
Loans payable - current portion	-	2,328,335	-	-
Total current liabilities	<u>2,107,434</u>	<u>2,851,478</u>	<u>150,061</u>	<u>163,277</u>
Noncurrent liabilities				
Compensated absences	58,074	17,845	14,644	3,417
Loans payable, net of current portion	-	23,776,671	-	-
Net pension/OPEB liability	3,214,242	932,826	985,741	300,863
Total noncurrent liabilities	<u>3,272,316</u>	<u>24,727,342</u>	<u>1,000,385</u>	<u>304,280</u>
Total liabilities	<u>5,379,750</u>	<u>27,578,820</u>	<u>1,150,446</u>	<u>467,557</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions/OPEB	439,390	127,518	134,752	41,128
Total deferred inflows of resources	<u>439,390</u>	<u>127,518</u>	<u>134,752</u>	<u>41,128</u>
NET POSITION				
Net investment in capital assets	26,969,792	24,686,364	1,493,591	15,214,829
Unrestricted (deficit)	19,658,606	20,463,645	461,901	2,821,262
Total net position	<u>\$ 46,628,398</u>	<u>\$ 45,150,009</u>	<u>\$ 1,955,492</u>	<u>\$ 18,036,091</u>

Enterprise Funds	Governmental Activities
Totals	Internal Service Funds
\$ 47,802,407	\$ 7,134,665
2,852,700	196,703
368,429	-
2,074	23,878
20,418	-
<u>51,046,028</u>	<u>7,355,246</u>
642,886	-
14,155	5,498
5,278,900	601,587
89,190,682	899,187
<u>95,126,623</u>	<u>1,506,272</u>
<u>146,172,651</u>	<u>8,861,518</u>
916,700	356,069
<u>916,700</u>	<u>356,069</u>
1,783,970	761,365
115,786	49,773
97,694	-
642,886	-
21,636	-
281,943	-
2,328,335	-
<u>5,272,250</u>	<u>811,138</u>
93,980	116,695
23,776,671	-
5,433,672	2,110,575
29,304,323	2,227,270
<u>34,576,573</u>	<u>3,038,408</u>
742,788	288,517
<u>742,788</u>	<u>288,517</u>
68,364,576	1,500,774
43,405,414	4,389,888
<u>\$ 111,769,990</u>	<u>\$ 5,890,662</u>

CITY OF KINGMAN, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Business-type Activities-Enterprise Funds			
	Water Fund	Wastewater Fund	Sanitation Total	Airport Fund
Operating revenues				
Charges for services	\$ 8,510,603	\$ 9,588,344	\$ 3,681,527	\$ 1,203,661
Application fees, tap fees and other	-	-	-	-
Other revenues	411,702	28,659	12	1,083,246
Total operating revenue	<u>8,922,305</u>	<u>9,617,003</u>	<u>3,681,539</u>	<u>2,286,907</u>
Operating expenses				
Salaries and related expenses	3,303,082	1,112,735	1,044,787	635,791
Administration/legal/contract services	289,872	88,309	897,805	490,606
Supplies	1,004,412	359,534	867,985	361,303
Repairs and maintenance	336,790	326,924	25,901	173,274
Utilities	1,268,998	310,078	236,135	83,095
Rents	32,481	6,364	835	7,173
Depreciation	1,298,391	1,515,521	313,955	1,604,224
Total operating expenses	<u>7,534,026</u>	<u>3,719,465</u>	<u>3,387,403</u>	<u>3,355,466</u>
Operating income (loss)	<u>1,388,279</u>	<u>5,897,538</u>	<u>294,136</u>	<u>(1,068,559)</u>
Non-operating Revenues (Expenses)				
Interest income	323,033	300,443	15,642	29,403
Gain (loss) on disposal of capital assets	-	-	-	(10,348)
Interest expense and fiscal charges	-	(952,119)	-	-
Total nonoperating revenue (expense)	<u>323,033</u>	<u>(651,676)</u>	<u>15,642</u>	<u>19,055</u>
Income (loss) before contributions and transfers	1,711,312	5,245,862	309,778	(1,049,504)
Capital contributions	-	-	-	222,456
Transfers in	919,104	7,730,953	-	-
Transfers out	(1,072,430)	(8,489,936)	(402,606)	(91,849)
Change in net position	<u>1,557,986</u>	<u>4,486,879</u>	<u>(92,828)</u>	<u>(918,897)</u>
Net position, beginning of year	<u>45,070,412</u>	<u>40,663,130</u>	<u>2,048,320</u>	<u>18,954,988</u>
Total net position-end of year	<u>\$ 46,628,398</u>	<u>\$ 45,150,009</u>	<u>\$ 1,955,492</u>	<u>\$ 18,036,091</u>

Enterprise Funds	Governmental Activities
Totals	Internal Service Funds
\$ 22,984,135	\$ 5,393,901
-	4,497,771
<u>1,523,619</u>	<u>467,335</u>
<u>24,507,754</u>	<u>10,359,007</u>
6,096,395	2,142,793
1,766,592	5,725,755
2,593,234	1,133,977
862,889	89,331
1,898,306	184,328
46,853	-
<u>4,732,091</u>	<u>126,173</u>
<u>17,996,360</u>	<u>9,402,357</u>
<u>6,511,394</u>	<u>956,650</u>
668,521	86,974
(10,348)	-
(952,119)	-
<u>(293,946)</u>	<u>86,974</u>
6,217,448	1,043,624
222,456	-
8,650,057	100,000
<u>(10,056,821)</u>	<u>(123,799)</u>
<u>5,033,140</u>	<u>1,019,825</u>
<u>106,736,850</u>	<u>4,870,837</u>
<u>\$ 111,769,990</u>	<u>\$ 5,890,662</u>

CITY OF KINGMAN, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Business-type Activities-Enterprise Funds			
	Water Fund	Wastewater Fund	Sanitation Fund	Airport Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers, service fees	\$ 8,586,051	\$ 9,451,414	\$ 3,605,902	\$ 1,180,709
Receipts from customers, other	411,702	28,659	12	1,083,246
Payments to suppliers	(2,461,989)	(925,469)	(2,028,323)	(904,146)
Payments to employees	(3,622,272)	(1,049,169)	(1,184,740)	(331,616)
Cash flows provided (used) by operating activities	<u>2,913,492</u>	<u>7,505,435</u>	<u>392,851</u>	<u>1,028,193</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	919,104	7,730,953	-	-
Transfers to other funds	(1,072,430)	(8,489,936)	(402,606)	(91,849)
Cash flows provided (used) by noncapital and related financing activities	<u>(153,326)</u>	<u>(758,983)</u>	<u>(402,606)</u>	<u>(91,849)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(4,681,342)	(1,152,071)	(34,242)	(184,600)
Principal paid on long term debt	-	(2,276,237)	-	-
Interest paid on long-term debt	-	(952,119)	-	-
Cash flows provided (used) by capital and related financing activities	<u>(4,681,342)</u>	<u>(4,380,427)</u>	<u>(34,242)</u>	<u>(184,600)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	<u>323,033</u>	<u>300,443</u>	<u>15,642</u>	<u>29,403</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(1,598,143)</u>	<u>2,666,468</u>	<u>(28,355)</u>	<u>781,147</u>
Cash and cash equivalents at beginning of year	<u>25,142,457</u>	<u>18,184,321</u>	<u>1,186,095</u>	<u>2,111,303</u>
Cash and cash equivalents at end of year	<u>\$ 23,544,314</u>	<u>\$ 20,850,789</u>	<u>\$ 1,157,740</u>	<u>\$ 2,892,450</u>

Totals	Governmental Activities Internal Service Funds
\$ 22,824,076	\$ 9,740,618
1,523,619	467,368
(6,319,927)	(6,444,750)
(6,187,797)	(2,493,284)
11,839,971	1,269,952
8,650,057	100,000
(10,056,821)	(123,799)
(1,406,764)	(23,799)
(6,052,255)	(420,601)
(2,276,237)	-
(952,119)	-
(9,280,611)	(420,601)
668,521	86,974
1,821,117	912,526
46,624,176	6,222,139
\$ 48,445,293	\$ 7,134,665

(Continued)

CITY OF KINGMAN, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Business-type Activities-Enterprise Funds			
	Water Fund	Wastewater Fund	Sanitation Total	Airport Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ 1,388,279	\$ 5,897,538	\$ 294,136	\$ (1,068,559)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization expense	1,298,391	1,515,521	313,955	1,604,224
Provisions for uncollectible accounts	57,888	10,348	5,169	2,795
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	(96,560)	(147,278)	(80,794)	(55,795)
Inventory	(26,705)	(2,510)	-	-
Prepaid items and deposits	156	(690)	(327)	224,428
Net pension/OPEB asset	4,759	907	1,663	(784)
Deferred outflows related to pensions/OPEB	59,848	(6,914)	24,427	(50,758)
Accounts payable	479,711	168,940	665	(13,123)
Accrued wages and benefits	14,360	5,112	551	1,661
Accrued liabilities	17,402	-	-	-
Deposits held	112,698	-	-	9,834
Unearned revenue	1,422	-	-	20,214
Compensated absences	(15,731)	12,788	(8,464)	12,065
Net pension/OPEB liability	(571,122)	(13,199)	(213,471)	300,863
Deferred inflows related to pensions/OPEB	188,696	64,872	55,341	41,128
Net cash provided (used) by operating activities:	<u>\$ 2,913,492</u>	<u>\$ 7,505,435</u>	<u>\$ 392,851</u>	<u>\$ 1,028,193</u>
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions of capital assets	\$ -	\$ -	\$ -	\$ 222,456
Loss on disposal of capital assets	-	-	-	10,348
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and cash equivalents	\$ 22,919,426	\$ 20,850,789	\$ 1,157,740	\$ 2,874,452
Restricted cash and cash equivalents	624,888	-	-	17,998
Total cash and cash equivalents	<u>\$ 23,544,314</u>	<u>\$ 20,850,789</u>	<u>\$ 1,157,740</u>	<u>\$ 2,892,450</u>

Enterprise Funds	Governmental Activities
Totals	Internal Service Funds

\$ 6,511,394	\$ 956,650
--------------	------------

4,732,091	126,173
76,200	-

(380,427)	(145,814)
(29,215)	-
223,567	(1,876)
6,545	3,784
26,603	62,389
636,193	690,517
21,684	824
17,402	-
122,532	-
21,636	(5,207)
658	(11,273)
(496,929)	(520,505)
350,037	114,290

<u>\$ 11,839,971</u>	<u>\$ 1,269,952</u>
----------------------	---------------------

\$ 222,456	\$ -
10,348	-

\$ 47,802,407	\$ 7,134,665
642,886	-

<u>\$ 48,445,293</u>	<u>\$ 7,134,665</u>
----------------------	---------------------

(Concluded)



Notes to the Financial Statements



CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Kingman, Arizona (the City) conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

A. 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 Units

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.

Financial data for each of the individual component units may be obtained at the City's administrative offices.

B. Basis of Presentation – Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements; all non-major funds are aggregated and presented in a single column.

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Special assessments are recognized as revenues in the year for which the related capital projects are substantially complete. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

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). Only the portion of special assessments receivable due within the next fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 required to be accounted for in another fund.

The *High User Revenue Fund (HURF)* accounts for the City's share of Arizona highway user tax revenues and associated expenditures legally restricted for road construction and maintenance.

The City reports the following major proprietary fund:

The *Wastewater Fund* is used to account for the administration, operations and maintenance of the wastewater collection lines and treatment facility.

The *Water Fund* is used to account for the activities of the City's water utility operations.

The *Sanitation Fund* is used to account for the activities of the City's sanitation utility services.

The *Airport Fund* is used to account for the activities of the Kingman Airfield and Industrial Park.

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Additionally, the City reports the following fund type:

Internal Service Funds account for the 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the City's wastewater function and various other functions of the City. Elimination of these charges would distort the costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 enterprise and internal service funds are charges to customers and departments for sales and services provided. Operating expense for enterprise and internal service funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Deposits and 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.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. Capital assets

The City's capital assets, which include land, buildings and related improvements, furniture, vehicles, equipment, construction in progress and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated acquisition value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported consistent with all other capital assets and are presented in the government-wide financial statements.

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.

Property, plant and equipment of the City, as well as its component unit, is depreciated using the straight-line method over the following estimated useful lives:

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

H. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused sick and vacation leave. Compensated absences are accrued and reported as liabilities in the government-wide and proprietary fund financial statements. Governmental funds report only the current portion of compensated absences payable as a result of employee termination, resignation or retirement.

I. 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 in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-term obligations

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period of bond issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. 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.

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 7 for more information.

K. Post-employment benefits

For purposes of measuring the net pension liability/OPEB, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

L. 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.

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position Flow Assumption (Continued)

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.

M. 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 City Manager or Financial Services Director is authorized to assign amounts to a specific purpose in accordance with the City's budget policy. 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.

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinance approved by City Council.

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Policies (Continued)

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only City Council, the City's Manager or the City's Financial Services Director may assign amounts for specific purposes. 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.

Unassigned - all other spendable amounts.

N. 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

O. Special assessments

The City has made certain special assessments, in lieu of adopting a property tax, to pay for the cost of constructing infrastructure. Revenue from special assessments is recognized upon completion of the related improvement and is recorded in governmental capital project funds, to the extent available.

P. Intergovernmental grants and aid

Money received from other government agencies in the form of grants or aid based on an entitlement period is recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

Q. Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 proprietary funds are charges to customers for sales and services. Operating expenses for enterprise 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 non-operating revenues and expenses.

R. Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual amounts may differ from such estimates.

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Budgetary information

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.
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 19, 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 Enterprise 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 Counties 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.

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.

T. 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, 2019, if any.

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 2 DEPOSITS AND INVESTMENTS

State law limits deposits and investments to the Arizona State Treasurer's local government investment pool (LGIP), interest bearing savings accounts, certificates of deposit, United States Treasury Bills, notes or bonds which have a maturity date of not more than one year, and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral.

Deposits:

Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 102 percent of all deposits not covered by federal depository insurance. In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned.

As of June 30, 2019, the City's carrying amount of deposits was \$30,075,079 and the bank balance was \$30,629,038. As of June 30, 2019, the City's deposits were fully insured by the Federal Deposit Insurance Corporation or covered by collateral held by the pledging financial institution's trust department in the City's name. The City also maintains petty cash for use in daily operations that totals \$10,600.

Investments:

As of June 30, 2019, the City's deposit with the State Treasurer's local government investment pool 7 was \$42,266,835. The City also maintains cash held with trustee in the amount of \$9,177,098 and investments of \$15,226,690.

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares, and the participant's shares are not identified with specific investments and not subject to custodial credit risk.

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.

As of June 30, 2019, the City had the following deposits and investments:

Investment Type	Total	Ratings		
		AAA	AA+	Unrated
Primary Government				
Cash held with trustee	\$ 9,177,098	\$ -	\$ -	\$ 9,177,098
Fixed Income	15,226,690	-	13,484,460	1,742,230
Investment Pool 7	42,266,835	42,266,835	-	-
Total	\$ 66,670,623	\$ 42,266,835	\$ 13,484,460	\$ 10,919,328

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

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.

At June 30, 2019, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1 Year	1 - 5 Years
Primary Government			
Cash held with trustee	\$ 9,177,098	\$ 9,177,098	\$ -
Fixed Income	15,226,690	3,741,262	11,485,428
Investment Pool 7	42,266,835	42,266,835	-
Total	\$ 66,670,623	\$ 55,185,195	\$ 11,485,428

Concentration of credit risk: The City's policies do not limit the maximum amount that can be invested in any single issuer. At June 30, 2019, all of the City's investments were with the Arizona State Treasurer's local government investment pool.

Custodial credit risk: For investments, this is the risk that, in the event of a failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk.

NOTE 3 RECEIVABLES

Receivables as of June 30, 2019 for the City's individual major funds, nonmajor funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	General Fund	HURF Fund	Nonmajor Government al Funds	Water Fund	Wastewater Fund	Sanitation Fund	Airport Fund	Internal Service Fund	Total
Accounts	\$ 180,895	\$ 5,145	\$ -	\$ 1,057,490	\$ 1,052,442	\$ 432,875	\$ 393,985	\$ 196,703	\$ 3,319,535
Taxes	2,810,233	401,836	73,040	-	-	-	-	-	3,285,109
Intergovernmental	-	-	1,613,219	-	-	-	-	-	1,613,219
Special assessments	-	-	2,482,761	-	-	-	-	-	2,482,761
Gross receivables	2,991,128	406,981	4,169,020	1,057,490	1,052,442	432,875	393,985	196,703	10,700,624
Less: Allowance for uncollectibles	-	-	-	31,725	31,351	12,986	8,030	-	84,092
Net total receivables	\$ 2,991,128	\$ 406,981	\$ 4,169,020	\$ 1,025,765	\$ 1,021,091	\$ 419,889	\$ 385,955	\$ 196,703	\$ 10,616,532

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4 INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2019 is as follows:

Transfers out:	Transfers In:							Total
	General Fund	HURF Fund	Nonmajor Governmental Funds	Water Fund	Wastewater Fund	Internal Service Fund		
General Fund	\$ 289,942	\$ -	\$ 1,182,362	\$ -	\$ -	\$ 100,000	\$ 1,572,304	
HURF Fund	-	-	15,877	450,145	-	-	466,022	
Nonmajor Government Funds	6,770	3,152,257	422,228	-	-	-	3,581,255	
Water Fund	812,821	217,732	39,692	-	2,185	-	1,072,430	
Wastewater Fund	218,106	58,969	15,134	468,959	7,728,768	-	8,489,936	
Sanitation Fund	301,992	81,649	18,965	-	-	-	402,606	
Airport Fund	85,182	-	6,667	-	-	-	91,849	
Internal Service Fund	123,799	-	-	-	-	-	123,799	
Total	\$ 1,838,612	\$ 3,510,607	\$ 1,700,925	\$ 919,104	\$ 7,730,953	\$ 100,000	\$ 15,800,201	

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, 2019

NOTE 5 CAPITAL ASSETS

Capital assets for governmental activities for the year ended June 30, 2019 was as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 10,890,540	\$ 341,650	\$ -	\$ 11,232,190
Art	10,000	-	-	10,000
Construction in progress	2,611,098	2,406,895	(1,428,495)	3,589,498
Total capital assets not being depreciated	<u>13,511,638</u>	<u>2,748,545</u>	<u>(1,428,495)</u>	<u>14,831,688</u>
Capital assets being depreciated:				
Infrastructure	70,869,014	2,377,505	-	73,246,519
Buildings	8,854,416	62,090	-	8,916,506
Improvements, other than buildings	7,655,671	555,652	-	8,211,323
Vehicles, machinery, equipment	17,952,761	2,851,604	(270,890)	20,533,475
Total capital assets being depreciated	<u>105,331,862</u>	<u>5,846,851</u>	<u>(270,890)</u>	<u>110,907,823</u>
Less accumulated depreciation:				
Infrastructure	(40,753,167)	(1,290,200)	-	(42,043,367)
Buildings	(4,899,221)	(195,730)	-	(5,094,951)
Improvements, other than buildings	(5,275,767)	(268,083)	-	(5,543,850)
Vehicles, machinery, equipment	(13,428,881)	(1,109,280)	263,548	(14,274,613)
Total accumulated depreciation	<u>(64,357,036)</u>	<u>(2,863,293)</u>	<u>263,548</u>	<u>(66,956,781)</u>
Total capital assets being depreciation, net	<u>40,974,826</u>	<u>2,983,558</u>	<u>(7,342)</u>	<u>43,951,042</u>
Governmental activities capital assets, net	<u>\$ 54,486,464</u>	<u>\$ 5,732,103</u>	<u>\$ (1,435,837)</u>	<u>\$ 58,782,730</u>

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

Governmental activities:	
General government	\$ 148,475
Economic development	27,746
Public safety	755,786
Highways and streets	1,644,989
Culture and recreation	<u>286,297</u>
Total depreciation expense - governmental activities	<u>\$ 2,863,293</u>

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 CAPITAL ASSETS (Continued)

Capital assets for business-type activities for the year ended June 30, 2019 was as follows:

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,337,881	\$ 62,144	\$ -	\$ 2,400,025
Construction in progress	1,736,300	4,581,774	(3,439,199)	2,878,875
Total capital assets not being depreciated	<u>4,074,181</u>	<u>4,643,918</u>	<u>(3,439,199)</u>	<u>5,278,900</u>
Capital assets being depreciated:				
Infrastructure	145,794,888	4,248,964	(11,543)	150,032,309
Buildings	5,022,636	12,160	(6,235)	5,028,561
Improvements, other than buildings	3,744,618	86,685	(188,694)	3,642,609
Vehicles, machinery, equipment	13,561,756	729,653	(87,272)	14,204,137
Total capital assets being depreciated	<u>168,123,898</u>	<u>5,077,462</u>	<u>(293,744)</u>	<u>172,907,616</u>
Less accumulated depreciation:				
Infrastructure	(63,800,597)	(3,771,246)	4,035	(67,567,808)
Buildings	(2,521,655)	(192,832)	5,376	(2,709,111)
Improvements, other than buildings	(2,730,932)	(148,670)	179,206	(2,700,396)
Vehicles, machinery, equipment	(10,207,545)	(619,343)	87,269	(10,739,619)
Total accumulated depreciation	<u>(79,260,729)</u>	<u>(4,732,091)</u>	<u>275,886</u>	<u>(83,716,934)</u>
Total capital assets being depreciation, net	<u>88,863,169</u>	<u>345,371</u>	<u>(17,858)</u>	<u>89,190,682</u>
Business-type activities capital assets, net	<u>\$ 92,937,350</u>	<u>\$ 4,989,289</u>	<u>\$ (3,457,057)</u>	<u>\$ 94,469,582</u>

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

Business-type activities:	
Water fund	\$ 1,298,391
Wastewater fund	1,515,521
Sanitation fund	313,955
Airport fund	<u>1,604,224</u>
Total depreciation expense - business-type activities	<u>\$ 4,732,091</u>

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2019 was as follows:

Governmental activities:	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Excise Tax Revenue Bonds:					
Excise Tax Revenue Bonds					
Series 2005	\$ 500,000	\$ -	\$ (500,000)	\$ -	\$ -
Total excise tax revenue bonds	500,000	-	(500,000)	-	-
Special Assessment Bonds:					
Wallapai/Marlene	29,709	-	(9,401)	20,308	9,894
Kingman Airport Tract/Banks	2,330,000	-	(265,000)	2,065,000	285,000
Total bonds payable	2,359,709	-	(274,401)	2,085,308	294,894
Accrued compensated absences	1,225,743	866,382	(783,710)	1,308,415	981,311
Net pension liability	40,130,889	608,233	-	40,739,122	-
Net OPEB liability	4,039,633	50,610	-	4,090,243	-
Governmental activities long term liabilities	<u>\$ 48,255,974</u>	<u>\$ 1,525,225</u>	<u>\$ (1,558,111)</u>	<u>\$ 48,223,088</u>	<u>\$ 1,276,205</u>
Business type activities:					
Loans Payable					
WIFA Loan - 910114-09	\$ 17,948,230	\$ -	\$ (1,522,875)	\$ 16,425,355	\$ 1,577,699
WIFA Loan - 910149-11	10,433,013	-	(753,362)	9,679,651	750,636
Total bonds payable	28,381,243	-	(2,276,237)	26,105,006	2,328,335
Accrued compensated absences	375,265	230,564	(229,906)	375,923	281,942
Net pension liability	5,917,237	-	(503,882)	5,413,355	-
Net OPEB liability	13,812	6,505	-	20,317	-
Business-type activities long term liabilities	<u>\$ 34,687,557</u>	<u>\$ 237,069</u>	<u>\$ (3,010,025)</u>	<u>\$ 31,914,601</u>	<u>\$ 2,610,277</u>

Internal service funds predominantly serve the governmental activities. Accordingly, long-term liabilities for all internal service funds are included as part of the above totals for governmental activities. Generally, for governmental activities, compensated absences and net pension/OPEB liabilities are liquidated by the General Fund.

Bonds Payable:

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 2019 was \$500,000. The bonds bear interest from 3% to 4.25%, payments are due in annual principal and interest installments. Bonds were paid off in the current year with no outstanding amounts for future years.

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 6 LONG-TERM LIABILITIES (Continued)

Bonds payable: (continued)

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 ending June 30,	Governmental Activities	
	Principal	Interest
2020	\$ 294,894	\$ 140,447
2021	315,414	118,540
2022	330,000	94,975
2023	355,000	70,144
2024	380,000	43,500
2025	410,000	14,863
Total	\$ 2,085,308	\$ 482,469

Loans payable:

The following is a listing of loans payable outstanding as of June 30, 2019:

	Business-Type Activities
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.	\$ 16,425,355
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.	9,679,651
Total Loans Payable	\$ 26,105,006

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 6 LONG-TERM LIABILITIES (Continued)

Annual debt service requirements to maturity for the notes are as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2020	\$ 2,328,334	\$ 899,608
2021	2,409,039	818,904
2022	2,492,550	735,394
2023	2,578,965	648,978
2024	2,668,385	559,556
2025-2029	12,626,954	1,343,754
2030	1,000,779	31,876
Total	<u>\$ 26,105,006</u>	<u>\$ 5,038,070</u>

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to three plans as described below. For public safety personnel, state statute regulates retirement, death, long-term disability, and survivor insurance premium benefits. The plan is a component unit of the State of Arizona. Benefits for non-public safety personnel are established based on contributions to the plan. At June 30, 2019, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Other OPEB	Combined Total	Governmental Activities	Business-type Activities
Net pension and OPEB asset	\$ 39,383	\$ 219,979	\$ -	\$ 259,362	\$ 245,208	\$ 14,154
Net pension and OPEB liabilities	15,118,729	31,143,307	4,001,000	50,263,036	44,829,365	5,433,671
Deferred outflows of resources	2,550,641	7,917,328	-	10,467,969	9,551,268	916,700
Deferred inflows of resources	2,066,743	1,680,620	64,000	3,811,363	3,068,575	742,788
Pension and OPEB expense	489,032	4,975,121	288,000	5,752,153	5,567,405	184,748

The City reported \$4,407,938 of pension and OPEB contributions as expenditures in the governmental and business-type funds related to all pension 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.

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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:

ASRS	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
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.

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 \$100 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.

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2019, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.8 percent (11.64 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 11.8 percent (11.18 percent for retirement, 0.46 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 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 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, 2019, were \$1,304,988, \$53,694, and \$18,676, respectively. During fiscal year 2019, the City paid for ASRS pension and OPEB contributions as follows: 50 percent from the general fund, 36 percent from major enterprise funds, and 14 percent from other funds.

Liability – At June 30, 2019, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

ASRS	Net pension/OPEB (Asset) Liability
Pension	\$ 15,062,199
Health insurance premium benefit	(39,383)
Long-term disability	56,530

The net asset and net liabilities were measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the project salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and change the mortality rates.

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, 2018. The City's proportions measured as of June 30, 2018 and the change from its proportions measured as of June 30, 2017, were:

ASRS	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	0.1080%	-0.0016%
Health insurance premium benefit	0.1094%	-0.0015%
Long-term disability	0.1082%	-0.0017%

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Expense – For the year ended June 30, 2019, the City recognized the following pension and OPEB expense:

ASRS	<u>Pension/OPEB Expense</u>
Pension	\$ 417,542
Health insurance premium benefit	47,040
Long-term disability	24,450

Deferred outflows/inflows of resources

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

ASRS	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>		<u>Long-term Disability</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 414,951	\$ 83,035	\$ -	\$ 36,349	\$ 1,446	\$ -
Changes of assumptions or other inputs	398,573	1,335,471	75,951	-	12,244	-
Net difference between projected and actual earnings on pension plan investments	-	362,210	-	78,674	-	5,475
Changes in proportion and differences between City contributions and proportionate share of contributions	270,118	164,674	-	191	-	664
City contributions subsequent to the measurement date	<u>1,304,988</u>	<u>-</u>	<u>53,694</u>	<u>-</u>	<u>18,676</u>	<u>-</u>
Total	<u>\$2,388,630</u>	<u>\$1,945,390</u>	<u>\$129,645</u>	<u>\$115,214</u>	<u>\$32,366</u>	<u>\$6,139</u>

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, 2020. 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:

Years ending June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-term Disability</u>
2020	\$ 266,964	\$ (15,295)	\$ 74
2021	(416,829)	(15,294)	73
2022	(549,446)	(15,294)	73
2023	(162,437)	1,469	1,539
2024	-	5,151	1,808
Thereafter	-	-	3,984

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

ASRS	
Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 20, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7 - 7.2% for pensions
Inflation	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not Applicable

Actuarial assumptions used in the June 30, 2017, valuation was 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 ASRS plan investments was determined to be 7.5 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 geometric real rates of return for each major asset class are summarized in the following table:

ASRS Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	<u>100%</u>	

Discount Rate – At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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.

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

ASRS	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% increase (8.5%)
City's proportionate share of the			
Net pension liability	\$21,471,512	\$15,062,199	\$9,707,322
Net insurance premium benefit liability (asset)	139,544	(39,383)	(191,793)
Net long-term disability liability	64,064	56,530	49,219

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) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). 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) which are not further disclosed because of their relative insignificance to the City's financial statements.

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.

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 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:

PSPRS	Initial membership date:		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or after July 1, 2017
Retirement and Disability			
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	15 years of credited service, age 52.5 15 or more years of service age 55
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 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		
Survivor Benefits			
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 based on inflation.

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 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 \$100 per month to \$260 per month depending on the age of the member and dependents

Employees covered by benefit terms – At June 30, 2019, the following employees were covered by the agent plans' benefit terms:

	PSPRS Fire	PSPRS Police
Inactive employees or beneficiaries		
currently receiving benefits	31	25
Inactive employees entitled to		
by not yet receiving benefits	7	16
Active employees	<u>44</u>	<u>48</u>
Total	<u><u>82</u></u>	<u><u>89</u></u>

Contributions– 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, 2019 are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Fire	PSPRS Police
Active members - Pension	7.65% - 11.65%	7.65% - 11.65%
City		
Pension	48.22%	43.71%
Health insurance permium benefit	0.00%	0.37%

In addition, statute required the City to contribute at the actuarially determined rate of 34.14% for fire and 31.65% for police 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 and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The City's contributions to the plans for the year ended June 30, 2019, were:

	PSPRS Fire	PSPRS Police
Pension - Contributions		
PSPRS	\$ 1,372,597	\$ 1,300,744
PSPRS Tier 3 risk pool	41,386	1,827
Health Insurance Permium Benefit - Contributions		
PSPRS	-	10,720
PSPRS Tier 3 risk pool	-	306

During fiscal year 2019, the City paid for PSPRS pension and OPEB contributions 100% from the general fund.

Liability – At June 30, 2019, the City reported the following assets and liabilities:

	Net pension (Asset) Liability	Net OPEB (Asset)
PSPRS Fire	\$ 16,138,474	\$ (219,979)
PSPRS Police	14,951,803	53,030

The net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

PSPRS

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustments	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 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, 2018, valuation was based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4% 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:

PSPRS	Target Allocation	Long-Term Expected Geometric Rate of Return
Asset Class		
Short term investments	2%	0.25%
Risk Parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100.00%	

Discount Rate –At June 30, 2018 the discount rate used to measure the total pension/OPEB liabilities was 7.40%, which was the same as the discount rate used as of June 30, 2017. 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.

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the net pension/OPEB liability – The change in net pension liability for the year ended June 30, 2019 is as follows:

PSPRS - Fire	Pension			Health insurance premium benefit		
	Increase (Decrease)			Increase (Decrease)		
	Total	Plan	Net	Total	Plan	Net
	Pension	Fiduciary	Pension	Pension	Fiduciary	Pension
	Liability	Net	Liability	Liability	Net	Liability
	(a)	Position	(a) - (b)	(a)	Position	(a) - (b)
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2018	\$ 29,420,919	\$ 15,046,211	\$ 14,374,708	\$ 512,755	\$ 1,165,040	\$ (652,285)
Changes for the year:						
Service Cost	611,037	-	611,037	11,248	-	11,248
Interest on the total liability	2,144,369	-	2,144,369	37,574	-	37,574
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the liability	1,205,960	-	1,205,960	(23,467)	-	(23,467)
Changes of assumptions or other inputs	-	-	-	-	-	-
Contributions - employer	-	1,394,347	(1,394,347)	-	643	(643)
Contributions - employee	-	273,808	(273,808)	-	-	-
Net investment income	-	1,029,003	(1,029,003)	-	48,926	(48,926)
Benefit payments, including refunds of employee contributions	(1,496,957)	(1,496,957)	-	(21,241)	(21,241)	-
Hall/Parker Settlement	-	(460,772)	460,772	-	-	-
Administrative expense	-	(16,361)	16,361	-	(745)	745
Other changes	-	(22,425)	22,425	-	1	(1)
Net changes	2,464,409	700,643	1,763,766	4,114	27,584	(23,470)
Balances at June 30, 2019	\$ 31,885,328	\$ 15,746,854	\$ 16,138,474	\$ 516,869	\$ 1,192,624	\$ (675,755)

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the net pension/OPEB liability – The change in net pension liability for the year ended June 30, 2019 is as follows:

	Pension			Health insurance premium benefit		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)	
Balances at June 30, 2018	\$ 28,423,363	\$ 13,817,256	\$ 14,606,107	\$ 613,452	\$ 602,844	\$ 10,608
Changes for the year:						
Service Cost	591,271	-	591,271	11,099	-	11,099
Interest on the total liability	2,079,909	-	2,079,909	44,992	-	44,992
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the liability	(167,221)	-	(167,221)	31,746	-	31,746
Changes of assumptions or other inputs	-	-	-	-	-	-
Contributions - employer	-	1,354,339	(1,354,339)	-	4,476	(4,476)
Contributions - employee	-	293,953	(293,953)	-	-	-
Net investment income	-	956,436	(956,436)	-	41,573	(41,573)
Benefit payments, including refunds of employee contributions	(1,224,253)	(1,224,253)	-	(22,003)	(22,003)	-
Hall/Parker Settlement	-	(431,372)	431,372	-	-	-
Administrative expense	-	(15,257)	15,257	-	(633)	633
Other changes	-	164	(164)	-	(1)	1
Net changes	1,279,706	934,010	345,696	65,834	23,412	42,422
Balances at June 30, 2019	\$ 29,703,069	\$ 14,751,266	\$ 14,951,803	\$ 679,286	\$ 626,256	\$ 53,030

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%, 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% point lower (6.4%) or 1% point higher (8.4%) than the current rate:

	PSPRS - Fire		
	1% Decrease	Current	1% increase
	6.40%	Discount Rate 7.40%	8.40%
Net pension liability	\$ 20,543,511	\$ 16,138,474	\$ 12,555,465
Net OPEB (asset) liability	(153,630)	(219,979)	(274,868)
	PSPRS - Police		
	1% Decrease	Current	1% increase
	6.40%	Discount Rate 7.40%	8.40%
Total pension liability	\$ 18,965,711	\$ 14,951,803	\$ 11,692,037
Net OPEB (asset) liability	136,750	53,030	(16,451)

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan fiduciary net position – Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Expense – For the year ended June 30, 2019, the City recognized the following pension and OPEB expense:

	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS Fire	\$ 2,579,572	\$ (19,776)
PSPRS Police	2,381,749	33,576

Deferred outflows/inflows of resources – At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Fire	<u>Pension</u>		<u>Health insurance premium benefit</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,394,017	\$ 1,190,329	\$ -	\$ 69,624
Changes of assumptions or other inputs	1,890,430	-	-	6,220
Net difference between projected and actual earnings on pension plan investments	236,999	-	-	14,423
City contributions subsequent to the measurement date	1,372,597	-	-	-
Total	<u>\$ 4,894,043</u>	<u>\$ 1,190,329</u>	<u>\$ -</u>	<u>\$ 90,267</u>
PSPRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	Resources	Resources	Resources	Resources
Differences between expected and actual experience	\$ -	\$ 370,759	\$ 95,138	\$ -
Changes of assumptions or other inputs	1,391,879	-	-	17,098
Net difference between projected and actual earnings on pension plan investments	181,285	-	-	12,167
City contributions subsequent to the measurement date	1,302,571	-	11,026	-
Total	<u>\$ 2,875,735</u>	<u>\$ 370,759</u>	<u>\$ 106,164</u>	<u>\$ 29,265</u>

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2020. 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:

Year ending June 30,	PSPRS Fire		PSPRS Police	
	Pension	Health	Pension	Health
2020	\$ 871,448	\$ (19,310)	\$ 687,885	\$ 11,700
2021	667,613	(19,310)	265,645	11,700
2022	239,260	(19,308)	136,762	11,702
2023	249,581	(13,763)	120,964	16,387
2024	212,421	(14,317)	(8,851)	13,394
Thereafter	90,794	(4,259)	-	990

PSPDCRP plan – City employees who are not members of PSPRS participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2019, active PSPDCRP members were required by statute to contribute at least 5 to 9% of the members' annual covered payroll, and the City was required by statute to contribute 5 to 9% of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the City's contributions each year as set forth in statute. The plan retains non-vested City contributions when forfeited because of employment terminations. For the year ended June 30, 2019, the City recognized pension expense of \$43,213 with no liability due as of year-end.

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

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions - The City currently pays for postemployment benefits on a pay-as-you-go basis. Contributions to the plan from the City were \$303,000 for the year ended June 30, 2019. Generally, resources from the General Fund are used to pay for postemployment benefits.

OPEB liability – At June 30, 2019, the City reported a net OPEB liability of \$4,001,000. 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, 2019 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:

	<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Net OPEB liability	4,327,000	4,001,000	3,704,000

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:

	<u>1% Decrease</u>	<u>Healthcare Trend</u>	<u>1% Increase</u>
Net OPEB liability	3,479,000	4,001,000	4,603,000

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.

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

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, 2019 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.

CITY OF KINGMAN, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2018	\$ 4,003,000	\$ -	\$ 4,003,000
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	(303,000)	-	(303,000)
Assumption changes	-	-	-
Plan experience	-	-	-
Investment experience	-	-	-
Net changes	(2,000)	-	(2,000)
Balances at June 30, 2019	\$ 4,001,000	\$ -	\$ 4,001,000

OPEB Expense – For the year ended June 30, 2019, the City recognized OPEB expense of \$288,000.

Deferred outflows/inflows of resources related to OPEB - At June 30, 2019, 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	\$ -	\$ 64,000
Total	\$ -	\$ 64,000

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
2020	(13,000)
2021	(13,000)
2022	(13,000)
2023	(13,000)
2024	(12,000)
Thereafter	-

NOTE 8 CONTINGENCIES

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; and natural disasters for which the City uses a combination of self-insurance and third-party insurance. The City is self-insured for general liability provided by the Arizona Municipal Risk Retention Pool.

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).

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.

Compliance:

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.

Litigation:

The City is a defendant in various lawsuits, which arise in the ordinary course of its operations. The City is unable to predict the outcomes of these proceedings; therefore, no liability has been accrued in the accompanying financial statements.

CITY OF KINGMAN, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 CONTINGENCIES (Continued)

Construction commitments:

The City has active construction projects and related commitments. The projects include various remodels of city buildings, street projects, water and wastewater projects. At year end the City had approximately \$4,774,476 in commitments to contractors for construction projects.

NOTE 9 STABILIZATION AGREEMENT

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.

NOTE 10 RESTATEMENT

For the year ending June 30, 2018, the City of Kingman understated fund balance, and net position, by \$2,343,729 related to the improper recognition of revenues and a restatement of beginning fund balances and governmental net position was required. This resulted in a prior period restatement.

Required Supplementary Information

CITY OF KINGMAN, ARIZONA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget-Positive (Negative)
RESOURCES (INFLOWS):				
Taxes:				
City tax revenue	\$ 16,888,946	\$ 16,888,946	\$ 16,493,224	\$ (395,722)
Franchise taxes	693,267	693,267	715,624	22,357
Auto lieu tax	1,804,548	1,804,548	1,960,608	156,060
Total Taxes	19,386,761	19,386,761	19,169,456	(217,305)
Licenses and permits	742,070	742,070	753,547	11,477
Intergovernmental revenues:				
State sales tax	2,823,480	2,823,480	2,971,609	148,129
Urban revenue sharing	3,563,625	3,563,625	3,569,055	5,430
Total intergovernmental revenues	6,387,105	6,387,105	6,540,664	153,559
Charges for services	1,376,035	1,376,035	1,503,448	127,413
Fines and forfeitures	337,408	337,408	293,336	(44,072)
Interest earnings	48,201	48,201	290,604	242,403
Other revenue:				
Rent income	34,005	34,005	25,250	(8,755)
Miscellaneous revenues	44,951	44,951	148,954	104,003
Total other revenues	78,956	78,956	174,204	95,248
Total revenues	28,356,536	28,356,536	28,725,259	368,723
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government:				
Mayor and council	166,155	166,155	149,706	16,449
Finance	1,011,532	1,016,985	965,313	51,672
City clerk	375,109	373,849	345,020	28,829
City magistrate	1,496,952	1,497,490	1,324,194	173,296
City attorney	833,799	834,139	717,454	116,685
City manager	357,106	386,480	378,667	7,813
Planning and zoning	280,214	270,328	227,181	43,147
Risk management	175,492	175,549	150,550	24,999
Human resources	669,670	669,897	589,358	80,539
Non-departmental	950,000	950,000	-	950,000
Total general government	6,316,029	6,340,872	4,847,443	1,493,429
Public safety:				
Police administration	10,438,055	10,442,243	9,590,365	851,878
Fire	6,668,415	6,721,302	6,535,709	185,593
Building inspections	1,192,469	1,083,527	939,083	144,444
Total public safety	18,298,939	18,247,072	17,065,157	1,181,915

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
Culture and recreation:				
Parks	2,120,357	2,121,645	1,748,790	372,855
Recreation	605,462	605,632	515,062	90,570
Municipal golf course	1,343,884	1,344,450	1,108,505	235,945
Swimming	479,971	474,405	356,647	117,758
Other recreation facilities	824,810	824,810	752,580	72,230
Total culture and recreation	<u>5,374,484</u>	<u>5,370,942</u>	<u>4,481,584</u>	<u>889,358</u>
Economic development:				
Economic development	675,268	685,495	506,255	179,240
Total economic development	<u>675,268</u>	<u>685,495</u>	<u>506,255</u>	<u>179,240</u>
Capital outlay	664,000	684,339	556,529	127,810
Total expenditures	<u>31,328,720</u>	<u>31,328,720</u>	<u>27,456,968</u>	<u>3,871,752</u>
Excess of revenues over expenditures	<u>(2,972,184)</u>	<u>(2,972,184)</u>	<u>1,268,291</u>	<u>4,240,475</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,157,311	2,157,311	1,838,612	(318,699)
Transfers out	(2,334,202)	(2,334,202)	(1,572,304)	761,898
Total other financing sources (uses)	<u>(176,891)</u>	<u>(176,891)</u>	<u>266,308</u>	<u>443,199</u>
Net change in fund balance	<u>(3,149,075)</u>	<u>(3,149,075)</u>	<u>1,534,599</u>	<u>4,683,674</u>
Fund balance, beginning of year	3,149,075	3,149,075	19,574,335	16,425,260
Restated	-	-	1,639,967	1,639,967
Fund balances, beginning of year - restated	<u>3,149,075</u>	<u>3,149,075</u>	<u>21,214,302</u>	<u>18,065,227</u>
Budgetary fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,748,901</u>	<u>\$ 22,748,901</u>

CITY OF KINGMAN, ARIZONA
 BUDGETARY COMPARISON SCHEDULE
 HURF FUND
 Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 810,900	\$ 810,900	\$ 931,946	121,046
Intergovernmental	2,693,982	2,693,982	2,944,551	250,569
Investment earnings	6,771	6,771	38,182	31,411
Other revenues	-	-	21,997	21,997
Total revenues	<u>3,511,653</u>	<u>3,511,653</u>	<u>3,936,676</u>	<u>425,023</u>
EXPENDITURES				
Current:				
Public works/Streets	7,365,900	6,029,667	2,734,584	3,295,083
Capital outlay	954,562	2,290,795	3,049,380	(758,585)
Total expenditures	<u>8,320,462</u>	<u>8,320,462</u>	<u>5,783,964</u>	<u>2,536,498</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,808,809)</u>	<u>(4,808,809)</u>	<u>(1,847,288)</u>	<u>2,961,521</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,369,625	4,369,625	3,510,607	(859,018)
Transfers out	(475,145)	(475,145)	(466,022)	9,123
Total other financing sources (uses)	<u>3,894,480</u>	<u>3,894,480</u>	<u>3,044,585</u>	<u>(849,895)</u>
Net change in fund balances	<u>(914,329)</u>	<u>(914,329)</u>	<u>1,197,297</u>	<u>2,111,626</u>
Fund balances - beginning of year	914,329	914,329	1,990,044	1,075,715
Restated	-	-	77,302	77,302
Fund balances, beginning of year - restated	<u>914,329</u>	<u>914,329</u>	<u>2,067,346</u>	<u>1,153,017</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,264,643</u>	<u>\$ 3,264,643</u>

CITY OF KINGMAN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
June 30, 2019

NOTE 1 BUDGETARY BASIS OF ACCOUNTING

The City prepares its annual budget on a basis consistent with generally accepted accounting principles.

CITY OF KINGMAN, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE CITY'S NET PENSION AND OPEB LIABILITY
 AGENT PENSION PLAN
 June 30, 2019

ASRS - Pension

	Reporting Fiscal Year (Measurement Date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
City's proportion of the net pension liability	0.107999%	0.109560%	0.105600%	0.102750%	0.106267%	Information not available
City's proportion share of the net pension liability	\$ 15,062,199	\$ 17,067,312	\$ 17,044,901	\$ 16,004,044	\$ 15,723,929	
City's covered payroll	\$ 11,672,520	\$ 10,646,985	\$ 9,806,540	\$ 9,476,307	\$ 9,060,844	
City's proportion share of the net pension liability as a percentage of covered payroll	129.04%	160.30%	173.81%	168.88%	173.54%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS - Health insurance premium benefit

	Reporting Fiscal Year (Measurement Date)			
	2019 (2018)	2018 (2017)	2017 (2016)	2016 through 2010
City's proportion of the net OPEB (asset)	0.109374%	0.110860%	0.110859%	Information not available
City's proportion share of the net OPEB (asset)	\$ (39,383)	\$ (60,352)	\$ 32,056	
City's covered payroll	\$ 11,672,520	\$ 10,646,985	\$ 9,806,540	
City's proportion share of the net OPEB (asset) as a percentage of covered payroll	-0.34%	-0.57%	0.33%	
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	103.57%	98.02%	

ASRS - Long-term disability

	Reporting Fiscal Year (Measurement Date)			
	2019 (2018)	2018 (2017)	2017 (2016)	2016 through 2010
City's proportion of the net OPEB liability	0.108187%	0.109900%	0.109901%	Information not available
City's proportion share of the net OPEB liability	\$ 56,530	\$ 39,836	\$ 39,494	
City's covered payroll	\$ 11,672,520	\$ 10,646,985	\$ 9,806,540	
City's proportion share of the net OPEB liability as a percentage of covered payroll	0.48%	0.37%	0.40%	
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	84.44%	85.17%	

CITY OF KINGMAN, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION/ OPEB LIABILITY AND RELATED RATIOS - AGENT PLAN
 June 30, 2019

PSPRS Fire - Pension
 Public Safety Personnel Retirement System

Reporting Fiscal Year
 (Measurement Date)

	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
Total pension liability						
Service cost	\$ 611,037	\$ 685,162	\$ 587,794	\$ 505,581	\$ 505,928	Information not available
Interest on the total pension liability	2,144,369	2,077,486	1,955,000	1,822,196	1,597,731	
Changes on benefit terms	-	224,128	1,885,581	-	280,683	
Differences between expected and actual experience in the measurement of the pension liability	1,205,960	(1,129,689)	(693,984)	962,142	(58,545)	
Changes of assumptions or other inputs	-	1,323,397	1,002,245	-	1,665,565	
Benefit payments, including refunds of employee contributions	(1,496,957)	(2,233,602)	(1,746,310)	(1,532,221)	(731,295)	
Net change in total pension liability	2,464,409	946,882	2,990,326	1,757,698	3,260,067	
Total pension liability - beginning	29,420,919	28,474,037	25,483,711	23,726,013	20,465,946	
Total pension liability - ending (a)	\$ 31,885,328	\$ 29,420,919	\$ 28,474,037	\$ 25,483,711	\$ 23,726,013	
Plan fiduciary net position						
Contributions - employer	\$ 1,394,347	\$ 1,255,347	\$ 1,003,890	\$ 640,170	\$ 663,300	
Contributions - employee	273,808	336,076	341,001	363,567	281,866	
Net investment income	1,029,003	1,614,633	82,081	517,476	1,704,068	
Benefit payments, including refunds of employee contributions	(1,496,957)	(2,233,602)	(1,746,310)	(1,532,221)	(731,295)	
Hall/Parker Settlement	(460,772)	-	-	-	-	
Administrative expense	(16,361)	(14,687)	(12,211)	(13,008)	-	
Other changes	(22,425)	194	120,979	(11,598)	(473,693)	
Net change in plan fiduciary net position	700,643	957,961	(210,570)	(35,614)	1,444,246	
Plan fiduciary net position - beginning	15,046,211	14,088,250	14,298,820	14,334,434	12,890,188	
Plan fiduciary net position - ending (b)	\$ 15,746,854	\$ 15,046,211	\$ 14,088,250	\$ 14,298,820	\$ 14,334,434	
City's net pension liability - ending (a) - (b)	\$ 16,138,474	\$ 14,374,708	\$ 14,385,787	\$ 11,184,891	\$ 9,391,579	

PSPRS Fire - Health insurance premium benefit
Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)		2017 through 2010
	2019 (2018)	2018 (2017)	
Total OPEB Liability			
Service Cost	\$ 11,248	\$ 11,588	Information not available
Interest on the Total OPEB Liability	37,574	41,306	
Benefit Changes	-	2,402	
Difference between Expected and Actual Experience	(23,467)	(68,929)	
Assumption Changes	-	(8,646)	
Benefit payments, including refunds of employee contributions	(21,241)	(19,831)	
Net Change in Total OPEB Liability	4,114	(42,110)	
Total OPEB liability - beginning	512,755	554,865	
Total OPEB liability - ending (a)	\$ 516,869	\$ 512,755	
Plan fiduciary net position			
Employer Contributions	\$ 643	\$ 307	
Employee Contributions	-	-	
OPEB Plan Net Investment Income	48,926	75,986	
Benefit payments, including refunds of employee contributions	(21,241)	(19,831)	
OPEB Plan Administrative Expense	(745)	(673)	
Other*	1	-	
Net change in plan fiduciary net position	27,584	55,789	
Plan fiduciary net position - beginning	709,264	653,475	
Plan fiduciary net position - ending (b)	\$ 736,848	\$ 709,264	
City's net OPEB liability - ending (a) - (b)	\$ (219,979)	\$ (196,509)	

(Continued)

CITY OF KINGMAN, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION/ OPEB LIABILITY AND RELATED RATIOS - AGENT PLAN
 June 30, 2019

PSPRS Police - Pension Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						Information not available
Service cost	\$ 591,271	\$ 726,713	\$ 570,202	\$ 543,682	\$ 540,257	
Interest on the total pension liability	2,079,909	1,913,281	1,792,276	1,749,059	1,479,478	
Changes on benefit terms	-	374,740	794,241	-	452,461	
Differences between expected and actual experience in the measurement of the pension liability	(167,221)	(2,783)	(193,568)	(344,346)	(172,954)	
Changes of assumptions or other inputs	-	838,312	956,123	-	2,461,609	
Benefit payments, including refunds of employee contributions	(1,224,253)	(1,147,914)	(1,489,405)	(1,332,843)	(1,323,969)	
Net change in total pension liability	1,279,706	2,702,349	2,429,869	615,552	3,436,882	
Total pension liability - beginning	28,423,363	25,721,014	23,291,145	22,675,593	19,238,711	
Total pension liability - ending (a)	<u>\$ 29,703,069</u>	<u>\$ 28,423,363</u>	<u>\$ 25,721,014</u>	<u>\$ 23,291,145</u>	<u>\$ 22,675,593</u>	
Plan fiduciary net position						
Contributions - employer	\$ 1,354,339	\$ 1,249,425	\$ 1,160,861	\$ 796,097	\$ 732,712	
Contributions - employee	293,953	371,649	384,936	335,245	304,317	
Net investment income	956,436	1,431,871	67,582	420,465	1,409,584	
Benefit payments, including refunds of employee contributions	(1,224,253)	(1,147,914)	(1,489,405)	(1,332,843)	(1,323,969)	
Hall/Parker Settlement	(431,372)	-	-	-	-	
Administrative expense	(15,257)	(13,070)	(10,126)	(10,641)	-	
Other changes	164	157	822	(38,349)	(361,527)	
Net change in plan fiduciary net position	934,010	1,892,118	114,670	169,974	761,117	
Plan fiduciary net position - beginning	13,817,256	11,925,138	11,810,468	11,640,494	10,879,377	
Plan fiduciary net position - ending (b)	<u>\$ 14,751,266</u>	<u>\$ 13,817,256</u>	<u>\$ 11,925,138</u>	<u>\$ 11,810,468</u>	<u>\$ 11,640,494</u>	
City's net pension liability - ending (a) - (b)	<u>\$ 14,951,803</u>	<u>\$ 14,606,107</u>	<u>\$ 13,795,876</u>	<u>\$ 11,480,677</u>	<u>\$ 11,035,099</u>	

PSPRS Police - Health insurance premium benefit
Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)		2017 through 2010
	2019 (2018)	2018 (2017)	
Total OPEB Liability			
Service Cost	\$ 11,099	\$ 13,397	Information not available
Interest on the Total OPEB Liability	44,992	38,216	
Benefit Changes	-	1,036	
Difference between Expected and Actual Experience	31,746	97,270	
Assumption Changes	-	(24,274)	
Benefit payments, including refunds of employee contributions	(22,003)	(30,088)	
Net Change in Total OPEB Liability	65,834	95,557	
Total OPEB liability - beginning	613,452	517,895	
Total OPEB liability - ending (a)	<u>\$ 679,286</u>	<u>\$ 613,452</u>	
Plan fiduciary net position			
Employer Contributions	\$ 4,476	\$ 7,773	
Employee Contributions	-	-	
OPEB Plan Net Investment Income	41,573	64,655	
Benefit payments, including refunds of employee contributions	(22,003)	(30,088)	
OPEB Plan Administrative Expense	(633)	(572)	
Other*	(1)	-	
Net change in plan fiduciary net position	23,412	41,768	
Plan fiduciary net position - beginning	602,844	561,076	
Plan fiduciary net position - ending (b)	<u>\$ 626,256</u>	<u>\$ 602,844</u>	
City's net OPEB liability - ending (a) - (b)	<u>\$ 53,030</u>	<u>\$ 10,608</u>	

(Concluded)

CITY OF KINGMAN, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY PENSION/OPEB CONTRIBUTIONS
 June 30, 2019

	Reporting Fiscal Year					Reporting Fiscal Year	
	2019	2018	2017	2016	2015	2014	2013 through 2010
ASRS - Pension							
Actuarially determined contribution	\$ 1,304,988	\$ 1,174,702	\$ 1,160,523	\$ 1,058,827	\$ 1,070,535	\$ 1,024,979	Information not available
City's contributions in relation to the actuarially determined contribution	1,304,988	1,174,702	1,160,523	1,058,827	1,070,535	1,024,979	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 11,672,520	\$ 10,678,528	\$ 10,646,985	\$ 9,806,540	\$ 9,476,307	\$ 9,060,844	
City's contributions as a percentage of covered payroll	11.18%	11.00%	10.90%	10.80%	11.30%	11.31%	
ASRS - Health insurance premium benefit							2016 through 2010
Actuarially determined contribution	\$ 53,694	\$ 47,419	\$ 59,682				Information not available
City's contributions in relation to the actuarially determined contribution	53,694	47,419	59,682				
City's contribution deficiency (excess)	\$ -	\$ -	\$ -				
City's covered payroll	\$ 11,672,520	\$ 10,678,528	\$ 10,646,985				
City's contributions as a percentage of covered payroll	0.46%	0.44%	0.56%				
ASRS - Long-term disability							2016 through 2010
Actuarially determined contribution	\$ 18,676	\$ 17,243	\$ 14,947				Information not available
City's contributions in relation to the actuarially determined contribution	18,676	17,243	14,947				
City's contribution deficiency (excess)	\$ -	\$ -	\$ -				
City's covered payroll	\$ 11,672,520	\$ 10,678,528	\$ 10,646,985				
City's contributions as a percentage of covered payroll	0.16%	0.16%	0.14%				

City of Kingman Fire - Pension
Public Safety Personnel Retirement System

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 1,413,983	\$ 1,363,061	\$ 1,255,347	\$ 1,003,890	\$ 650,170	\$ 663,300	Information not available
City's contributions in relation to the actuarially determined contribution	1,413,983	1,363,061	1,255,347	1,003,890	650,170	663,300	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 2,950,263	\$ 2,811,951	\$ 2,971,215	\$ 3,047,143	\$ 2,447,577	\$ 2,655,297	
City's contributions as a percentage of covered payroll	47.93%	48.47%	42.25%	32.95%	26.56%	24.98%	

City of Kingman Fire - Health insurance premium benefit
Public Safety Personnel Retirement System

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ 2,307	\$ 307	Information not available
City's contributions in relation to the actuarially determined contribution	-	2,307	307	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	
City's covered payroll	\$ 2,950,263	\$ 2,811,951	\$ 2,971,215	
City's contributions as a percentage of covered payroll	0.00%	0.08%	0.01%	

City of Kingman Police - Pension
Public Safety Personnel Retirement System

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 1,354,339	\$ 1,302,910	\$ 1,249,425	\$ 1,160,861	\$ 796,097	\$ 732,712	Information not available
City's contributions in relation to the actuarially determined contribution	1,354,339	1,302,910	1,249,425	1,160,861	796,097	732,712	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 3,135,241	\$ 2,999,853	\$ 3,267,595	\$ 3,059,023	\$ 2,823,863	\$ 2,878,476	
City's contributions as a percentage of covered payroll	43.20%	43.43%	38.24%	37.95%	28.19%	25.45%	

CITY OF KINGMAN, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY PENSION/OPEB CONTRIBUTIONS
 June 30, 2019

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
City of Kingman Police - Health insurance premium benefit Public Safety Personnel Retirement System				
Actuarially determined contribution	\$ -	\$ 13,565	\$ 7,773	Information not available
City's contributions in relation to the actuarially determined contribution	-	13,565	7,773	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	
City's covered payroll	\$ 3,135,241	\$ 2,999,853	\$ 3,267,595	
City's contributions as a percentage of covered payroll	0.00%	0.45%	0.24%	

(Concluded)

CITY OF KINGMAN, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO THE PENSION/ OPEB PLAN SCHEDULE
 June 30, 2019

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial 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 2017 actuarial valuation	19 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	PSPRS members with initial membership date before July 1, 2017: In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. 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% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increase were decreased from 4.0%-8.0% to 3.5%-7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

CITY OF KINGMAN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE PENSION/ OPEB PLAN SCHEDULE
June 30, 2019

NOTE 2 FACTORS THAT AFFECT TRENDS

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 increased the PSPRS- required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

Other Supplementary Information

COMBINING NON-MAJOR FUND FINANCIAL STATEMENTS

CITY OF KINGMAN, ARIZONA
 COMBINING BALANCE SHEET
 ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 June 30, 2019

	Special Revenue			
	Transit System	Judicial Collection Enhancement	Fill the Gap	Court Enhancement
ASSETS				
Cash and cash equivalents	\$ 186,785	\$ 140,761	\$ 32,145	\$ 166,578
Receivables, net of allowances for uncollectibles:				
Taxes receivable	-	-	-	-
Other receivable	84,210	-	-	-
Special assessments receivable	-	-	-	-
Prepaid items	35,092	-	-	-
Total assets	\$ 306,087	\$ 140,761	\$ 32,145	\$ 166,578
LIABILITIES				
Accounts payable	\$ 1,716	\$ -	\$ -	\$ 627
Accrued payroll and related liabilities	11,714	-	-	-
Accrued liabilities	-	-	-	-
Total liabilities	13,430	-	-	627
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	-	-	-
FUND BALANCES				
Nonspendable				
Prepaid items	35,092	-	-	-
Restricted				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Public safety and courts	-	140,761	32,145	165,951
Grants	-	-	-	-
Assigned				
Public transportation	257,565	-	-	-
Unassigned				
Total fund balances	292,657	140,761	32,145	165,951
Total liabilities, deferred inflows of resources, and fund balances	\$ 306,087	\$ 140,761	\$ 32,145	\$ 166,578

Special Revenue		Debt Service	
Surplus Fare Collect	Grants	Special Assessment Districts	MPC
\$ 4,275	\$ 376,663	\$ 1,297,725	\$ -
-	-	-	-
-	913,575	-	-
-	-	2,482,761	-
-	3,545	-	-
<u>\$ 4,275</u>	<u>\$ 1,293,783</u>	<u>\$ 3,780,486</u>	<u>\$ -</u>
\$ -	\$ 144,064	\$ 1,649	\$ -
-	-	-	-
-	728,881	-	-
-	872,945	1,649	-
-	-	1,243,887	-
-	3,545	-	-
-	-	-	-
-	-	2,534,950	-
4,275	-	-	-
-	417,293	-	-
-	-	-	-
-	-	-	-
<u>4,275</u>	<u>420,838</u>	<u>2,534,950</u>	<u>-</u>
<u>\$ 4,275</u>	<u>\$ 1,293,783</u>	<u>\$ 3,780,486</u>	<u>\$ -</u>

(Continued)

CITY OF KINGMAN, ARIZONA
 COMBINING BALANCE SHEET
 ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 June 30, 2019

	Capital Projects			
	Local Construction	Capital Projects	Kingman Crossing	Rancho Santa Fe Parkway
ASSETS				
Cash and cash equivalents	\$ 371,967	\$ 3,664,624	\$ 93,202	\$ 219,677
Receivables, net of allowances for uncollectibles:				
Taxes receivable	-	66,190	-	-
Other receivable	-	-	-	-
Special assessments receivable	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 371,967	\$ 3,730,814	\$ 93,202	\$ 219,677
LIABILITIES				
Accounts payable	\$ -	\$ 169,509	\$ -	\$ -
Accrued payroll and related liabilities	-	-	-	-
Accrued liabilities	-	-	-	-
Total liabilities	-	169,509	-	-
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	-	-	-
FUND BALANCES				
Nonspendable				
Prepaid items	-	-	-	-
Restricted				
Capital projects	371,967	3,561,305	93,202	219,677
Debt service	-	-	-	-
Public safety and courts	-	-	-	-
Grants	-	-	-	-
Assigned				
Public transportation	-	-	-	-
Unassigned				
Total fund balances	<u>371,967</u>	<u>3,561,305</u>	<u>93,202</u>	<u>219,677</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 371,967	\$ 3,730,814	\$ 93,202	\$ 219,677

	Capital Projects			Total Nonmajor
	Pavement Preservation	I-11 East Kingman Connection	Flood Control	Governmental Funds
\$	36,945	\$ 6,249,705	\$ 1,270,335	\$ 14,111,387
	3,425	3,425	-	73,040
	-	-	615,434	1,613,219
	-	-	-	2,482,761
	-	-	-	38,637
<u>\$</u>	<u>40,370</u>	<u>\$ 6,253,130</u>	<u>\$ 1,885,769</u>	<u>\$ 18,319,044</u>
\$	-	\$ 23,408	\$ 36,138	\$ 377,111
	-	-	-	11,714
	-	-	-	728,881
	-	23,408	36,138	1,117,706
	-	-	-	1,243,887
	-	-	-	38,637
	40,370	6,229,722	1,849,631	12,365,874
	-	-	-	2,534,950
	-	-	-	343,132
	-	-	-	417,293
	-	-	-	257,565
	-	-	-	-
<u>\$</u>	<u>40,370</u>	<u>6,229,722</u>	<u>1,849,631</u>	<u>15,957,451</u>
<u>\$</u>	<u>40,370</u>	<u>\$ 6,253,130</u>	<u>\$ 1,885,769</u>	<u>\$ 18,319,044</u>

(Concluded)

CITY OF KINGMAN, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 Year Ended June 30, 2019

	Special Revenue			
	Transit System	Judicial Collection Enhancement	Fill the Gap	Court Enhancement
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	567,083	-	-	-
Charges for services	193,818	5,030	2,226	14,203
Investment earnings (losses)	2,816	1,535	353	1,804
Special assessments	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>763,717</u>	<u>6,565</u>	<u>2,579</u>	<u>16,007</u>
EXPENDITURES				
Current:				
General government	-	-	-	25,563
Public safety	-	-	-	-
Public works	882,835	-	-	-
Capital outlay	138,045	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,020,880</u>	<u>-</u>	<u>-</u>	<u>25,563</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(257,163)</u>	<u>6,565</u>	<u>2,579</u>	<u>(9,556)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	350,000	134,196	29,566	175,507
Transfers out	-	-	-	-
Total other financing (uses) sources	<u>350,000</u>	<u>134,196</u>	<u>29,566</u>	<u>175,507</u>
Net change in fund balances	92,837	140,761	32,145	165,951
Fund balances - beginning of year	199,820	-	-	-
Restated	-	-	-	-
Fund balances, beginning of year - restated	<u>199,820</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ 292,657</u>	<u>\$ 140,761</u>	<u>\$ 32,145</u>	<u>\$ 165,951</u>

Special Revenue		Debt Service	
Surplus Fare Collect	Grants	Special Assessment Districts	MPC
\$ -	\$ -	\$ -	\$ -
-	2,311,097	-	-
2,937	-	-	-
55	-	15,766	216
-	-	614,621	-
-	750	-	-
<u>2,992</u>	<u>2,311,847</u>	<u>630,387</u>	<u>216</u>
2,823	16,730	250	-
-	1,231,649	-	-
-	978,965	-	-
-	128,712	-	-
-	-	274,401	507,500
-	-	160,879	3,521
<u>2,823</u>	<u>2,356,056</u>	<u>435,530</u>	<u>511,021</u>
169	(44,209)	194,857	(510,805)
4,106	107,248	-	406,106
-	(422,228)	(6,770)	-
<u>4,106</u>	<u>(314,980)</u>	<u>(6,770)</u>	<u>406,106</u>
4,275	(359,189)	188,087	(104,699)
-	780,027	2,346,863	104,699
-	-	-	-
<u>-</u>	<u>780,027</u>	<u>2,346,863</u>	<u>104,699</u>
<u>\$ 4,275</u>	<u>\$ 420,838</u>	<u>\$ 2,534,950</u>	<u>\$ -</u>

(Continued)

CITY OF KINGMAN, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 ALL NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 Year Ended June 30, 2019

	Capital Projects			
	Local Construction	Capital Projects	Kingman Crossing	Rancho Santa Fe Parkway
REVENUES				
Taxes	\$ -	\$ 2,156,959	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings (losses)	4,995	20,367	1,251	2,950
Special assessments	-	-	-	-
Other revenues	-	1,200	-	-
Total revenues	<u>4,995</u>	<u>2,178,526</u>	<u>1,251</u>	<u>2,950</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	9,443	-	-
Capital outlay	-	700,219	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>-</u>	<u>709,662</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,995</u>	<u>1,468,864</u>	<u>1,251</u>	<u>2,950</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	494,196	-	-
Transfers out	-	-	-	-
Total other financing (uses) sources	<u>-</u>	<u>494,196</u>	<u>-</u>	<u>-</u>
Net change in fund balances	4,995	1,963,060	1,251	2,950
Fund balances - beginning of year	366,972	1,543,777	91,951	216,727
Restated	-	54,468	-	-
Fund balances, beginning of year - restated	<u>366,972</u>	<u>1,598,245</u>	<u>91,951</u>	<u>216,727</u>
Fund balances - end of year	<u>\$ 371,967</u>	<u>\$ 3,561,305</u>	<u>\$ 93,202</u>	<u>\$ 219,677</u>

Capital Projects			Total Nonmajor
Pavement Preservation	I-11 East Kingman Connection	Flood Control	Governmental Funds
\$ 1,678,502	\$ 1,678,502	\$ -	\$ 5,513,963
-	-	615,434	3,493,614
-	-	-	218,214
39,485	81,178	19,262	192,033
-	-	-	614,621
-	1,874	-	3,824
<u>1,717,987</u>	<u>1,761,554</u>	<u>634,696</u>	<u>10,036,269</u>
-	-	-	45,366
-	-	-	1,231,649
-	-	-	1,871,243
-	242,471	411,329	1,620,776
-	-	-	781,901
-	-	-	164,400
<u>-</u>	<u>242,471</u>	<u>411,329</u>	<u>5,715,335</u>
<u>1,717,987</u>	<u>1,519,083</u>	<u>223,367</u>	<u>4,320,934</u>
-	-	-	1,700,925
<u>(3,152,257)</u>	<u>-</u>	<u>-</u>	<u>(3,581,255)</u>
<u>(3,152,257)</u>	<u>-</u>	<u>-</u>	<u>(1,880,330)</u>
<u>(1,434,270)</u>	<u>1,519,083</u>	<u>223,367</u>	<u>2,440,604</u>
1,188,644	4,424,643	1,626,264	12,890,387
285,996	285,996	-	626,460
<u>1,474,640</u>	<u>4,710,639</u>	<u>1,626,264</u>	<u>13,516,847</u>
<u>\$ 40,370</u>	<u>\$ 6,229,722</u>	<u>\$ 1,849,631</u>	<u>\$ 15,957,451</u>

(Concluded)



Other Supplementary Information

BUDGETARY SCHEDULES NON-MAJOR SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS:

- **Transit** - This fund is used to account for administration and operations of the City's transit system.
- **Judicial Collection Enhancement Fund (JCEF)** - This fund is used to account for monies
- **Fill the Gap** - This fund is used to account for the funds received from the State of Arizona that are for reducing delays and backlogs in criminal cases.
- **Court Enhancement** - This fund is used to account for funds collected from surcharges by the City's Municipal Court.
- **Surplus Fare Collect Fund** - This fund is used to account for amounts received from the State of Arizona collected on overdue fines, fees, and restitutions.
- **Grants fund** - This fund is used to account for activities related to all grants received by the City.



CITY OF KINGMAN, ARIZONA
TRANSIT SYSTEM
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 530,158	\$ 530,158	\$ 567,083	\$ 36,925
Charges for services	147,953	147,953	193,818	45,865
Investment income	117	117	2,816	2,699
Total revenues	<u>678,228</u>	<u>678,228</u>	<u>763,717</u>	<u>85,489</u>
EXPENDITURES				
Current:				
Health and welfare	911,190	906,763	882,835	23,928
Capital outlay	168,714	173,141	138,045	35,096
Total expenditures	<u>1,079,904</u>	<u>1,079,904</u>	<u>1,020,880</u>	<u>59,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(401,676)</u>	<u>(401,676)</u>	<u>(257,163)</u>	<u>144,513</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	350,000	350,000	350,000	-
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	-	30,000
Total other financing sources (uses)	<u>320,000</u>	<u>320,000</u>	<u>350,000</u>	<u>30,000</u>
Net change in fund balances	<u>(81,676)</u>	<u>(81,676)</u>	<u>92,837</u>	<u>174,513</u>
Fund balances - beginning of year	<u>81,676</u>	<u>81,676</u>	<u>199,820</u>	<u>118,144</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,657</u>	<u>\$ 292,657</u>

CITY OF KINGMAN, ARIZONA
 JUDICIAL COLLECTION ENHANCEMENT
 SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 550	\$ 550	\$ 5,030	\$ 4,480
Investment income	-	-	1,535	1,535
Total revenues	550	550	6,565	6,015
EXPENDITURES				
Current:				
General government	134,746	134,746	-	134,746
Total expenditures	134,746	134,746	-	134,746
Excess (deficiency) of revenues over (under) expenditures	(134,196)	(134,196)	6,565	140,761
OTHER FINANCING SOURCES (USES)				
Transfers in	134,196	134,196	134,196	-
Total other financing sources (uses)	134,196	134,196	134,196	-
Net change in fund balances	-	-	140,761	140,761
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	\$ -	\$ -	\$ 140,761	\$ 140,761

CITY OF KINGMAN, ARIZONA
 FILL THE GAP
 SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 330	\$ 330	\$ 2,226	\$ 1,896
Investment income	-	-	353	353
Total revenues	330	330	2,579	2,249
EXPENDITURES				
Current:				
General government	29,896	29,896	-	29,896
Total expenditures	29,896	29,896	-	29,896
Excess (deficiency) of revenues over (under) expenditures	(29,566)	(29,566)	2,579	32,145
OTHER FINANCING SOURCES (USES)				
Transfers in	29,566	29,566	29,566	-
Total other financing sources (uses)	29,566	29,566	29,566	-
Net change in fund balances	-	-	32,145	32,145
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	\$ -	\$ -	\$ 32,145	\$ 32,145

CITY OF KINGMAN, ARIZONA
 COURT ENHANCEMENT
 SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,650	\$ 1,650	\$ 14,203	\$ 12,553
Investment income	-	-	1,804	1,804
Total revenues	<u>1,650</u>	<u>1,650</u>	<u>16,007</u>	<u>14,357</u>
EXPENDITURES				
Current:				
General government	177,157	177,157	25,563	151,594
Total expenditures	<u>177,157</u>	<u>177,157</u>	<u>25,563</u>	<u>151,594</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(175,507)</u>	<u>(175,507)</u>	<u>(9,556)</u>	<u>165,951</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	175,507	175,507	175,507	-
Total other financing sources (uses)	<u>175,507</u>	<u>175,507</u>	<u>175,507</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>165,951</u>	<u>165,951</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,951</u>	<u>\$ 165,951</u>

CITY OF KINGMAN, ARIZONA
SURPLUS FARE COLLECT
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 110	\$ 110	\$ 2,937	\$ 2,827
Investment income	-	-	55	55
Total revenues	110	110	2,992	2,882
EXPENDITURES				
Current:				
General government	4,216	4,216	2,823	1,393
Total expenditures	4,216	4,216	2,823	1,393
Excess (deficiency) of revenues over (under) expenditures	(4,106)	(4,106)	169	4,275
OTHER FINANCING SOURCES (USES)				
Transfers in	4,106	4,106	4,106	-
Total other financing sources (uses)	4,106	4,106	4,106	-
Net change in fund balances	-	-	4,275	4,275
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	\$ -	\$ -	\$ 4,275	\$ 4,275

CITY OF KINGMAN, ARIZONA
GRANTS
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 10,794,438	\$ 10,794,438	\$ 2,311,097	(8,483,341)
Miscellaneous	-	-	750	750
Total revenues	<u>10,794,438</u>	<u>10,794,438</u>	<u>2,311,847</u>	<u>(8,482,591)</u>
EXPENDITURES				
Current:				
General government	3,905,974	3,100,674	16,730	3,083,944
Public safety	5,415,801	5,415,801	1,231,649	4,184,152
Culture and recreation	73,230	73,230	-	73,230
Health and welfare	1,260,838	2,072,805	978,965	1,093,840
Capital outlay	600,000	600,000	128,712	471,288
Total expenditures	<u>11,255,843</u>	<u>11,262,510</u>	<u>2,356,056</u>	<u>8,906,454</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(461,405)</u>	<u>(468,072)</u>	<u>(44,209)</u>	<u>423,863</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	114,551	121,218	107,248	(13,970)
Transfers out	(343,375)	(343,375)	(422,228)	(78,853)
Total other financing sources (uses)	<u>(228,824)</u>	<u>(222,157)</u>	<u>(314,980)</u>	<u>(92,823)</u>
Net change in fund balances	<u>(690,229)</u>	<u>(690,229)</u>	<u>(359,189)</u>	<u>331,040</u>
Fund balances - beginning of year	<u>690,229</u>	<u>690,229</u>	<u>780,027</u>	<u>89,798</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 420,838</u>	<u>\$ 420,838</u>

Other Supplementary Information

BUDGETARY SCHEDULES NON-MAJOR DEBT SERVICE FUNDS

DEBT SERVICE FUNDS:

- **Special Assessment Districts Fund** - This fund is used to account for the special assessments and debt service for the City's improvement districts.
- **Municipal Property Corporation Fund** - This fund is used to account 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.



CITY OF KINGMAN, ARIZONA
SPECIAL ASSESSMENT DISTRICTS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Special assessments	\$ 237,300	\$ 237,300	\$ 614,621	\$ 377,321
Investment income	-	-	15,766	15,766
Total revenues	<u>237,300</u>	<u>237,300</u>	<u>630,387</u>	<u>393,087</u>
EXPENDITURES				
Current:				
General government	250	250	250	-
Capital outlay	16,000	16,000	-	16,000
Debt service				
Principal	274,401	274,401	274,401	-
Interest and fiscal charges	160,879	160,879	160,879	-
Total expenditures	<u>451,530</u>	<u>451,530</u>	<u>435,530</u>	<u>16,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(214,230)</u>	<u>(214,230)</u>	<u>194,857</u>	<u>409,087</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,770)	(6,770)	(6,770)	-
Total other financing sources (uses)	<u>(6,770)</u>	<u>(6,770)</u>	<u>(6,770)</u>	<u>-</u>
Net change in fund balances	<u>(221,000)</u>	<u>(221,000)</u>	<u>188,087</u>	<u>409,087</u>
Fund balances - beginning of year	<u>221,000</u>	<u>221,000</u>	<u>2,346,863</u>	<u>2,125,863</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,534,950</u>	<u>\$ 2,534,950</u>

CITY OF KINGMAN, ARIZONA
MUNICIPAL PROPERTY CORPORATION
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ -	\$ 216	\$ 216
Total revenues	-	-	216	216
EXPENDITURES				
Debt service				
Principal	500,000	500,000	507,500	(7,500)
Interest and fiscal charges	61,250	61,250	3,521	57,729
Total expenditures	561,250	561,250	511,021	50,229
Excess (deficiency) of revenues over (under) expenditures	(561,250)	(561,250)	(510,805)	50,445
OTHER FINANCING SOURCES (USES)				
Transfers in	456,723	456,723	406,106	(50,617)
Net change in fund balances	(104,527)	(104,527)	(104,699)	(172)
Fund balances - beginning of year	104,527	104,527	104,699	172
Fund balances - end of year	\$ -	\$ -	\$ -	\$ -

Other Supplementary Information

BUDGETARY SCHEDULES NON-MAJOR CAPITAL PROJECT FUNDS

CAPITAL PROJECT FUNDS:

- **Local Construction Fund** - This fund is used to account for projects funded from local sources.
- **Capital Projects** - This fund is used to account for maintenance and operations of the City's parks and other municipal facilities.
- **Kingman Crossing Fund** - This fund is used to account for the Kingman Crossing project.
- **Rancho Santa Fe Parkway Fund** - This fund is used to account for the Rancho Santa Fe Parkway project.
- **Pavement Preservation Fund** - This fund is used to account for the City's pavement preservation projects.
- **I-11 East Kingman Connection Fund** - This fund is used to account for the I-11 East Interchange project.
- **Flood Control Fund** - This fund is used to account for intergovernmental aid from Mohave County to be used for flood control construction projects within the City.



CITY OF KINGMAN, ARIZONA
 LOCAL CONSTRUCTION
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ 970	\$ 970	\$ 4,995	\$ 4,025
Total revenues	970	970	4,995	4,025
EXPENDITURES				
Capital outlay	350,000	350,000	-	350,000
Total expenditures	350,000	350,000	-	350,000
Net change in fund balances	(349,030)	(349,030)	4,995	354,025
Fund balances - beginning of year	349,030	349,030	366,972	17,942
Fund balances - end of year	\$ -	\$ -	\$ 371,967	\$ 371,967

CITY OF KINGMAN, ARIZONA
 CAPITAL PROJECTS
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,335,264	\$ 1,335,264	\$ 2,156,959	\$ 821,695
Investment income	7,350	7,350	20,367	13,017
Miscellaneous	-	-	1,200	1,200
Total revenues	<u>1,342,614</u>	<u>1,342,614</u>	<u>2,178,526</u>	<u>835,912</u>
EXPENDITURES				
Current:				
Health and welfare	-	-	9,443	(9,443)
Capital outlay	7,660,145	7,660,145	700,219	6,959,926
Total expenditures	<u>7,660,145</u>	<u>7,660,145</u>	<u>709,662</u>	<u>6,950,483</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,317,531)</u>	<u>(6,317,531)</u>	<u>1,468,864</u>	<u>7,786,395</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,327,887	1,327,887	494,196	(833,691)
Total other financing sources (uses)	<u>1,327,887</u>	<u>1,327,887</u>	<u>494,196</u>	<u>(833,691)</u>
Net change in fund balances	<u>(4,989,644)</u>	<u>(4,989,644)</u>	<u>1,963,060</u>	<u>6,952,704</u>
Fund balances - beginning of year	489,644	489,644	1,543,777	1,054,133
Restated	-	-	54,468	54,468
Fund balances, beginning of year - restated	<u>489,644</u>	<u>489,644</u>	<u>1,598,245</u>	<u>1,108,601</u>
Fund balances - end of year	<u>\$ (4,500,000)</u>	<u>\$ (4,500,000)</u>	<u>\$ 3,561,305</u>	<u>\$ 8,061,305</u>

CITY OF KINGMAN, ARIZONA
 KINGMAN CROSSING
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ 266	\$ 266	\$ 1,251	\$ 985
Total revenues	266	266	1,251	985
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	266	266	1,251	985
Fund balances - beginning of year	(266)	(266)	91,951	92,217
Fund balances - end of year	\$ -	\$ -	\$ 93,202	\$ 93,202

CITY OF KINGMAN, ARIZONA
RANCHO SANTA FE PARKWAY
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ 628	\$ 628	\$ 2,950	\$ 2,322
Total revenues	628	628	2,950	2,322
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	628	628	2,950	2,322
Fund balances - beginning of year	(628)	(628)	216,727	217,355
Fund balances - end of year	\$ -	\$ -	\$ 219,677	\$ 219,677

CITY OF KINGMAN, ARIZONA
PAVEMENT PRESERVATION
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,185,250	\$ 3,185,250	\$ 1,678,502	\$ (1,506,748)
Investment income	250	250	39,485	39,235
Total revenues	<u>3,185,500</u>	<u>3,185,500</u>	<u>1,717,987</u>	<u>(1,467,513)</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,185,500</u>	<u>3,185,500</u>	<u>1,717,987</u>	<u>(1,467,513)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(4,011,275)</u>	<u>(4,011,275)</u>	<u>(3,152,257)</u>	<u>859,018</u>
Net change in fund balances	<u>(825,775)</u>	<u>(825,775)</u>	<u>(1,434,270)</u>	<u>(608,495)</u>
Fund balances - beginning of year	825,775	825,775	1,188,644	362,869
Restated	-	-	285,996	285,996
Fund balances, beginning of year - restated	<u>825,775</u>	<u>825,775</u>	<u>1,474,640</u>	<u>648,865</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,370</u>	<u>\$ 40,370</u>

CITY OF KINGMAN, ARIZONA
I-11 KINGMAN CONNECTION
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,185,250	\$ 3,185,250	\$ 1,678,502	\$ (1,506,748)
Investment income	20,152	20,152	81,178	61,026
Miscellaneous	-	-	1,874	1,874
Total revenues	<u>3,205,402</u>	<u>3,205,402</u>	<u>1,761,554</u>	<u>(1,443,848)</u>
EXPENDITURES				
Current:				
Health and welfare	500,000	500,000	-	500,000
Capital outlay	2,050,000	2,050,000	242,471	1,807,529
Total expenditures	<u>2,550,000</u>	<u>2,550,000</u>	<u>242,471</u>	<u>2,307,529</u>
Net change in fund balances	<u>655,402</u>	<u>655,402</u>	<u>1,519,083</u>	<u>863,681</u>
Fund balances - beginning of year	(655,402)	(655,402)	4,424,643	5,080,045
Restated	-	-	285,996	285,996
Fund balances, beginning of year - restated	<u>(655,402)</u>	<u>(655,402)</u>	<u>4,710,639</u>	<u>5,366,041</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,229,722</u>	<u>\$ 6,229,722</u>

CITY OF KINGMAN, ARIZONA
 FLOOD CONTROL
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 590,028	\$ 590,028	\$ 615,434	\$ 25,406
Investment income	5,666	5,666	19,262	13,596
Total revenues	<u>595,694</u>	<u>595,694</u>	<u>634,696</u>	<u>39,002</u>
EXPENDITURES				
Capital outlay	900,000	900,000	411,329	488,671
Total expenditures	<u>900,000</u>	<u>900,000</u>	<u>411,329</u>	<u>488,671</u>
Net change in fund balances	<u>(304,306)</u>	<u>(304,306)</u>	<u>223,367</u>	<u>527,673</u>
Fund balances - beginning of year	<u>304,306</u>	<u>304,306</u>	<u>1,626,264</u>	<u>1,321,958</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,849,631</u>	<u>\$ 1,849,631</u>



Other Supplementary Information

INTERNAL SERVICE FUNDS

- **911 Dispatch Center Fund** - This fund is used to account for the City's 911 operations.
- **Fleet Services** - This fund is used to account for the activities relating to fleet services.
- **Insurance Services Fund** - This fund is used to account for the City's property and liability insurance program.
- **Building Maintenance Services Fund** - This fund is used to account for the cost of maintaining and repairing City facilities.
- **Information Technology Fund** - This fund is used to account for the City's cost of providing information support services to all City departments.
- **Benefits Reserve Fund** - This fund is used to account 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
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 June 30, 2019

	911 Dispatch Center	Fleet Services	Insurance Services	Building Maintenance Services
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,057,466	\$ 1,806,846	\$ 1,138,070	\$ 777,048
Receivables, net of allowances for uncollectibles	-	553	194,413	-
Prepaid items	18,300	250	-	-
Total current assets	<u>1,075,766</u>	<u>1,807,649</u>	<u>1,332,483</u>	<u>777,048</u>
Noncurrent assets:				
Net OPEB asset	2,363	1,036	-	748
Capital assets not being depreciated	-	567,000	-	17,912
Depreciable assets, net	404,013	253,413	-	33,602
Total noncurrent assets	<u>406,376</u>	<u>821,449</u>	<u>-</u>	<u>52,262</u>
Total assets	<u>\$ 1,482,142</u>	<u>\$ 2,629,098</u>	<u>\$ 1,332,483</u>	<u>\$ 829,310</u>
Deferred outflows of resources				
Deferred outflows related to pension and OPEB	<u>153,038</u>	<u>67,082</u>	<u>-</u>	<u>48,462</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 172,560	\$ 120,834	\$ 7,562	\$ 25,657
Accrued payroll and related liabilities	22,647	6,266	-	5,762
Total current liabilities	<u>195,207</u>	<u>127,100</u>	<u>7,562</u>	<u>31,419</u>
Noncurrent Liabilities:				
Compensated absences	27,852	32,106	-	18,364
Net pension and OPEB liability	907,124	397,623	-	287,256
Total noncurrent liabilities	<u>934,976</u>	<u>429,729</u>	<u>-</u>	<u>305,620</u>
Total Liabilities	<u>1,130,183</u>	<u>556,829</u>	<u>7,562</u>	<u>337,039</u>
Deferred inflows of resources				
Deferred outflows related to pension and OPEB	<u>124,005</u>	<u>54,355</u>	<u>-</u>	<u>39,268</u>
NET POSITION				
Net investment in capital assets	404,013	820,413	-	51,514
Unrestricted	(23,021)	1,264,583	1,324,921	449,951
Total net position	<u>\$ 380,992</u>	<u>\$ 2,084,996</u>	<u>\$ 1,324,921</u>	<u>\$ 501,465</u>

Information Technology	Benefits Reserve Fund	Totals
\$ 610,413	\$ 1,744,822	\$ 7,134,665
87	1,650	196,703
5,328	-	23,878
<u>615,828</u>	<u>1,746,472</u>	<u>7,355,246</u>
1,351	-	5,498
16,675	-	601,587
208,159	-	899,187
226,185	-	1,506,272
<u>\$ 842,013</u>	<u>\$ 1,746,472</u>	<u>\$ 8,861,518</u>
<u>87,487</u>	<u>-</u>	<u>356,069</u>
\$ 46,748	\$ 388,004	\$ 761,365
10,483	4,615	49,773
<u>57,231</u>	<u>392,619</u>	<u>811,138</u>
38,373	-	116,695
518,572	-	2,110,575
556,945	-	2,227,270
<u>614,176</u>	<u>392,619</u>	<u>3,038,408</u>
<u>70,889</u>	<u>-</u>	<u>288,517</u>
224,834	-	1,500,774
19,601	1,353,853	4,389,888
<u>\$ 244,435</u>	<u>\$ 1,353,853</u>	<u>\$ 5,890,662</u>

CITY OF KINGMAN, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2019

	911 Dispatch Center	Fleet Services	Insurance Services	Building Maintenance Services
OPERATING REVENUES				
Charges for services	\$ 1,141,147	\$ 1,995,004	\$ 476,302	\$ 540,603
Contributions	-	-	-	-
Other revenues	171,640	2,629	194,413	2,952
Total operating revenues	<u>1,312,787</u>	<u>1,997,633</u>	<u>670,715</u>	<u>543,555</u>
OPERATING EXPENDITURES				
Salaries, wages and benefits	780,679	355,296	-	350,517
Administration/legal/contract services	29,926	76,667	593,339	30,224
Supplies	224,366	670,183	-	50,120
Repairs and maintenance	2,810	2,268	-	84,253
Utilities	14,604	6,782	-	162,608
Depreciation	46,277	22,692	-	6,862
Total operating expenses	<u>1,098,662</u>	<u>1,133,888</u>	<u>593,339</u>	<u>684,584</u>
Operating income (loss)	<u>214,125</u>	<u>863,745</u>	<u>77,376</u>	<u>(141,029)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	14,024	21,313	15,493	10,827
Total non-operating revenues (expenses)	<u>14,024</u>	<u>21,313</u>	<u>15,493</u>	<u>10,827</u>
Income (loss) before contributions and transfers	228,149	885,058	92,869	(130,202)
Transfers in	-	-	-	-
Transfers out	(62,000)	-	-	(61,799)
Change in net position	166,149	885,058	92,869	(192,001)
Total net position - beginning of year	<u>214,843</u>	<u>1,199,938</u>	<u>1,232,052</u>	<u>693,466</u>
Total net position - end of year	<u>\$ 380,992</u>	<u>\$ 2,084,996</u>	<u>\$ 1,324,921</u>	<u>\$ 501,465</u>

Information Technology	Benefits Reserve Fund	Totals
\$ 1,240,845	\$ -	\$ 5,393,901
-	4,497,771	4,497,771
-	95,701	467,335
<u>1,240,845</u>	<u>4,593,472</u>	<u>10,359,007</u>
467,040	189,261	2,142,793
374,622	4,620,977	5,725,755
189,308	-	1,133,977
-	-	89,331
334	-	184,328
50,342	-	126,173
<u>1,081,646</u>	<u>4,810,238</u>	<u>9,402,357</u>
<u>159,199</u>	<u>(216,766)</u>	<u>956,650</u>
7,302	18,015	86,974
<u>7,302</u>	<u>18,015</u>	<u>86,974</u>
166,501	(198,751)	1,043,624
-	100,000	100,000
-	-	(123,799)
166,501	(98,751)	1,019,825
<u>77,934</u>	<u>1,452,604</u>	<u>4,870,837</u>
<u>\$ 244,435</u>	<u>\$ 1,353,853</u>	<u>\$ 5,890,662</u>

CITY OF KINGMAN, ARIZONA
 COMBINING STATEMENT OF CASH FLOWS
 ALL INTERNAL SERVICE FUNDS
 June 30, 2019

	911 Dispatch Center	Fleet Services	Insurance Services	Building Maintenance Services
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services	\$ 1,141,147	\$ 1,995,051	\$ 330,495	\$ 540,603
Other operating receipts	171,640	2,629	194,413	2,952
Cash paid to suppliers	(116,433)	(655,796)	(589,100)	(309,532)
Cash paid to employees	(917,227)	(466,950)	-	(350,333)
Cash flows from operating activities	<u>279,127</u>	<u>874,934</u>	<u>(64,192)</u>	<u>(116,310)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	-
Transfers to other funds	(62,000)	-	-	(61,799)
Cashflows from noncapital financing activities	<u>(62,000)</u>	<u>-</u>	<u>-</u>	<u>(61,799)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(268,738)	(88,082)	-	(17,912)
Cash flows from capital and related financing activities	<u>(268,738)</u>	<u>(88,082)</u>	<u>-</u>	<u>(17,912)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	<u>14,024</u>	<u>21,313</u>	<u>15,493</u>	<u>10,827</u>
Net change in cash and cash equivalents	(37,587)	808,165	(48,699)	(185,194)
Cash and cash equivalents, including temporarily restricted cash - beginning of year	<u>1,095,053</u>	<u>998,681</u>	<u>1,186,769</u>	<u>962,242</u>
Cash and cash equivalents, including temporarily restricted cash - end of year	<u>\$ 1,057,466</u>	<u>\$ 1,806,846</u>	<u>\$ 1,138,070</u>	<u>\$ 777,048</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Net operating income (loss)	\$ 214,125	\$ 863,745	\$ 77,376	\$ (141,029)
Adjustment to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation/amortization	46,277	22,692	-	6,862
Changes in operating assets and liabilities:				
Accounts receivable	-	47	(145,807)	-
Prepaid expenses	3,702	(250)	-	-
Net pension/OPEB asset	1,608	859	-	344
Deferred outflows related to pensions/OPEB	25,990	18,351	-	784
Accounts payable	151,571	100,354	4,239	17,673
Accrued liabilities and deposits	7,411	(1,366)	-	1,013
Unearned revenue	-	-	-	-
Compensated absences	(2,497)	(8,741)	-	1,662
Net pension/OPEB liability	(218,526)	(139,542)	-	(22,383)
Deferred inflows related to pensions/OPEB	49,466	18,785	-	18,764
Net cash flows from operating activities	<u>\$ 279,127</u>	<u>\$ 874,934</u>	<u>\$ (64,192)</u>	<u>\$ (116,310)</u>

Information Technology	Benefits Reserve Fund	Totals
\$ 1,240,758	\$ 4,492,564	\$ 9,740,618
-	95,734	467,368
(540,909)	(4,232,980)	(6,444,750)
(561,804)	(196,970)	(2,493,284)
<u>138,045</u>	<u>158,348</u>	<u>1,269,952</u>
-	100,000	100,000
-	-	(123,799)
<u>-</u>	<u>100,000</u>	<u>(23,799)</u>
<u>(45,869)</u>	<u>-</u>	<u>(420,601)</u>
<u>(45,869)</u>	<u>-</u>	<u>(420,601)</u>
<u>7,302</u>	<u>18,015</u>	<u>86,974</u>
99,478	276,363	912,526
<u>510,935</u>	<u>1,468,459</u>	<u>6,222,139</u>
<u>\$ 610,413</u>	<u>\$ 1,744,822</u>	<u>\$ 7,134,665</u>
\$ 159,199	\$ (216,766)	\$ 956,650
50,342	-	126,173
(87)	33	(145,814)
(5,328)	-	(1,876)
973	-	3,784
17,264	-	62,389
28,683	387,997	690,517
1,475	(7,709)	824
-	(5,207)	(5,207)
(1,697)	-	(11,273)
(140,054)	-	(520,505)
27,275	-	114,290
<u>\$ 138,045</u>	<u>\$ 158,348</u>	<u>\$ 1,269,952</u>



Statistical Section

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	132-135
Revenue Compacity These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sales and uses taxes.	136-144
Debt Compacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	145-153
Demographic and Economic Statistics These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	154-157
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	158-161

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Kingman, Arizona
Table 1
Net Position by Component
Last Ten Fiscal Years
Accrual Basis of Accounting

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Governmental Activities</u>				
Net investment in Capital Assets	\$ 38,762,943	\$ 40,034,056	\$ 41,509,396	\$ 42,022,454
Restricted	329,125	15,125,063	12,533,340	12,054,804
Unrestricted	<u>30,294,711</u>	<u>12,903,489</u>	<u>11,011,417</u>	<u>10,881,884</u>
Total Governmental Activities Net Position	69,386,779	68,062,608	65,054,153	64,959,142
<u>Business-type Activities</u>				
Net investment in Capital Assets	31,861,904	31,371,150	34,934,099	36,859,201
Restricted	1,828,632	2,335,931	1,848,801	2,627,348
Unrestricted	<u>15,869,839</u>	<u>19,802,816</u>	<u>23,953,643</u>	<u>25,841,488</u>
Total Business-type Activities Net Position	49,560,375	53,509,897	60,736,543	65,328,037
<u>Primary Government</u>				
Net investment in Capital Assets	70,624,847	71,405,206	76,443,495	78,881,655
Restricted	2,157,757	17,460,994	14,382,141	14,682,152
Unrestricted	<u>46,164,550</u>	<u>32,706,305</u>	<u>34,965,060</u>	<u>36,723,372</u>
Total Primary Government Net Position	<u>\$ 118,947,154</u>	<u>\$ 121,572,505</u>	<u>\$ 125,790,696</u>	<u>\$ 130,287,179</u>

	2014	2015	2016	2017	2018	2019
\$	43,663,259	\$ 44,485,295	\$ 47,082,904	\$ 47,574,413	\$ 50,420,410	\$ 56,697,422
	11,525,848	10,955,858	10,895,533	10,707,211	14,880,431	18,924,567
	12,064,132	(11,317,876)	(10,308,136)	(11,245,293)	(9,246,509)	(8,575,456)
	67,253,239	44,123,277	47,670,301	47,036,331	56,054,332	67,046,533
	37,225,869	38,415,731	41,236,167	46,748,642	64,556,067	68,364,576
	3,405,895	4,358,367	709,052	709,052	709,052	-
	30,926,842	28,231,046	35,254,055	34,217,794	41,471,731	43,405,414
	71,558,606	71,005,144	77,199,274	81,675,488	106,736,850	111,769,990
	80,889,128	82,901,026	88,319,071	94,323,055	114,976,477	125,061,998
	14,931,743	15,314,225	11,604,585	11,416,263	15,589,483	18,924,567
	42,990,974	17,513,170	24,945,919	22,972,501	32,225,222	34,829,958
\$	138,811,845	\$ 115,728,421	\$ 124,869,575	\$ 128,711,819	\$ 162,791,182	\$ 178,816,523

City of Kingman, Arizona
Table 2
Expenses, Program Revenues, and Net Expense
Last Ten Fiscal Years
Accrual Basis of Accounting

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

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
4,771,156	5,416,624	4,516,412	5,296,985	5,144,063	4,974,795
15,875,548	16,116,770	16,388,037	20,858,567	18,152,262	21,165,403
4,921,026	5,245,982	5,234,697	6,260,591	5,139,038	4,035,063
3,815,251	262,965	241,022	255,276	206,675	1,267,086
398,757	3,764,336	3,674,420	4,116,722	4,426,426	3,920,819
521,663	415,010	331,520	263,101	218,996	164,400
<u>30,303,401</u>	<u>31,221,687</u>	<u>30,386,108</u>	<u>37,051,242</u>	<u>33,287,460</u>	<u>35,527,566</u>
7,116,700	7,084,595	7,682,180	7,841,900	7,529,747	7,534,026
4,531,419	4,355,062	4,472,267	4,832,518	4,321,584	4,671,584
3,020,247	3,059,890	2,982,783	3,115,475	3,331,086	3,387,403
-	-	-	-	3,103,600	3,365,814
<u>14,668,366</u>	<u>14,499,547</u>	<u>15,137,230</u>	<u>15,789,893</u>	<u>18,286,017</u>	<u>18,958,827</u>
<u>44,971,767</u>	<u>45,721,234</u>	<u>45,523,338</u>	<u>52,841,135</u>	<u>51,573,477</u>	<u>54,486,393</u>
1,243,615	1,270,732	1,196,511	1,278,503	1,326,068	1,313,769
552,670	638,075	619,159	752,462	880,563	629,753
922,381	708,463	703,464	725,715	722,779	914,871
2,175,015	4,428,977	4,833,356	5,102,188	5,352,501	5,394,929
1,503,739	1,086,946	450,311	1,011,771	629,263	1,752,130
<u>6,397,420</u>	<u>8,133,193</u>	<u>7,802,801</u>	<u>8,870,639</u>	<u>8,911,174</u>	<u>10,005,452</u>
8,178,178	8,295,956	8,891,644	8,846,542	9,238,770	8,922,305
8,936,591	8,753,810	8,902,205	9,120,705	9,423,357	9,617,003
3,357,109	3,411,473	3,647,411	3,546,327	3,594,704	3,681,539
-	-	-	-	1,327,422	2,286,907
155,194	-	3,114	-	164,500	222,456
<u>20,627,072</u>	<u>20,461,239</u>	<u>21,444,374</u>	<u>21,513,574</u>	<u>23,748,753</u>	<u>24,730,210</u>
<u>27,024,492</u>	<u>28,594,432</u>	<u>29,247,175</u>	<u>30,384,213</u>	<u>32,659,927</u>	<u>34,735,662</u>
<u>\$ (17,947,275)</u>	<u>\$ (17,126,802)</u>	<u>\$ (16,276,163)</u>	<u>\$ (22,456,922)</u>	<u>\$ (18,913,550)</u>	<u>\$ (19,750,731)</u>

City of Kingman, Arizona
Table 3
General Revenues and Total Changes in Net Position
Last Ten Fiscal Years
Accrual Basis of Accounting

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net Expenses	\$ (15,429,954)	\$ (18,716,586)	\$ (17,029,362)	\$ (18,787,074)
General Revenues:				
Governmental Activities				
Taxes:				
Sales taxes	\$ 11,648,543	11,264,735	11,641,816	12,807,658
Property taxes	20,169	1,495	-	-
Auto lieu taxes	1,290,144	1,275,096	1,309,913	1,294,678
Franchise taxes	657,793	744,872	702,454	684,455
Unrestricted state shared revenue	7,229,643	6,684,959	6,541,472	7,328,198
Investment income	207,908	247,903	125,298	130,247
Miscellaneous	17,850	70,562	79,443	624,976
Transfers	961,651	1,024,919	(468,671)	988,336
Total governmental activities expenses	<u>22,033,701</u>	<u>21,314,541</u>	<u>19,931,725</u>	<u>23,858,548</u>
General Revenues				
Business type activities				
Investment income	154,924	211,220	108,061	160,522
Miscellaneous	-	841,095	739,096	252,823
Transfers	(961,651)	(1,024,919)	468,671	(988,336)
Total business type activities	<u>(806,727)</u>	<u>27,396</u>	<u>1,315,828</u>	<u>(574,991)</u>
Changes in Net Position				
Governmental activities	2,571,441	(1,324,171)	(3,008,455)	(95,011)
Business type activities	3,229,579	3,949,522	7,226,646	4,591,494
Changes in Net Position	<u>\$ 5,801,020</u>	<u>\$ 2,625,351</u>	<u>\$ 4,218,191</u>	<u>\$ 4,496,483</u>

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

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ (17,947,275)	\$ (17,126,802)	\$ (16,276,163)	\$ (22,456,922)	\$ (18,913,550)	\$ (19,750,731)
15,484,419	16,103,275	16,711,555	17,707,588	22,520,993	22,939,133
-	-	-	-	-	-
1,339,535	1,424,650	1,535,893	1,681,683	1,838,768	1,960,608
705,760	705,659	751,670	749,802	710,832	715,624
7,817,869	5,962,904	6,032,794	6,184,395	6,387,613	6,540,664
106,233	33,547	167,928	71,333	163,727	607,793
41,208	529,134	-	-	-	-
705,054	831,774	930,492	1,310,725	1,174,345	1,406,764
<u>26,200,078</u>	<u>25,590,943</u>	<u>26,130,332</u>	<u>27,705,526</u>	<u>32,796,278</u>	<u>34,170,586</u>
145,225	42,895	217,478	84,199	197,444	668,521
831,692	-	-	-	-	-
<u>(705,054)</u>	<u>(831,774)</u>	<u>(930,492)</u>	<u>(1,310,725)</u>	<u>(1,174,345)</u>	<u>(1,406,764)</u>
<u>271,863</u>	<u>(788,879)</u>	<u>(713,014)</u>	<u>(1,226,526)</u>	<u>(976,901)</u>	<u>(738,243)</u>
2,294,097	2,502,449	3,547,025	(475,077)	8,419,992	8,648,472
<u>6,230,569</u>	<u>5,172,813</u>	<u>5,594,130</u>	<u>4,497,155</u>	<u>4,485,835</u>	<u>5,033,140</u>
<u>\$ 8,524,666</u>	<u>\$ 7,675,262</u>	<u>\$ 9,141,155</u>	<u>\$ 4,022,078</u>	<u>\$ 12,905,827</u>	<u>\$ 13,681,612</u>

City of Kingman, Arizona
Table 4
Fund Balances - Governmental Funds
Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	936,189	958,534	1,051,250
Assigned	-	78,600	83,026	87,157
Unassigned	-	7,257,140	6,556,730	6,649,740
Unreserved	8,855,139	-	-	-
Total General Fund	<u>\$ 8,855,139</u>	<u>\$ 8,271,929</u>	<u>\$ 7,598,290</u>	<u>\$ 7,788,147</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	8,151,564	5,861,993	6,665,017
Committed	-	874,445	515,350	-
Assigned	-	844,458	1,301,280	1,879,343
Unassigned	-	-	-	-
Unreserved, reported in:				
Special Revenue Funds	1,355,093	-	-	-
Capital Project Funds	4,085,795	-	-	-
Debt Service Funds	4,389,957	-	-	-
Total All Other Governmental Funds	<u>\$ 9,830,845</u>	<u>\$ 9,870,467</u>	<u>\$ 7,678,623</u>	<u>\$ 8,544,360</u>

Note: Due to implementation of GASB No 54 in FY2011, categories regarding fund balances have been redefined

2014	2015	2016	2017	2018	2019
\$ -	\$ 54,496	\$ 172,499	\$ 86,023	\$ 97,629	\$ 259,561
-	-	-	-	-	-
1,151,386	1,877,215	3,125,213	7,965,451	3,149,075	1,320,058
90,958	69,279	72,311	-	1,115,085	5,979,599
8,352,471	11,127,190	11,886,504	10,102,540	15,212,546	15,189,683
-	-	-	-	-	-
<u>\$ 9,594,815</u>	<u>\$ 13,128,180</u>	<u>\$ 15,256,527</u>	<u>\$ 18,154,014</u>	<u>\$ 19,574,335</u>	<u>\$ 22,748,901</u>

\$ -	\$ -	\$ -	\$ 1,261	\$ 4,681	\$ 39,962
6,979,949	10,817,289	10,713,655	10,504,457	14,675,930	18,924,567
143,060	138,569	181,878	201,493	199,820	-
1,906,758	-	-	-	-	257,565
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 9,029,767</u>	<u>\$ 10,955,858</u>	<u>\$ 10,895,533</u>	<u>\$ 10,707,211</u>	<u>\$ 14,880,431</u>	<u>\$ 19,222,094</u>



City of Kingman, Arizona
Table 5
Governmental Funds Revenues
Last Ten Fiscal Years
Modified Accrual Basis of Accounting

	2010	2011	2012	2013	2014
Taxes	\$ 13,616,649	\$ 13,286,198	\$ 13,654,183	\$ 14,786,791	\$ 17,529,714
Licenses and permits	74,280	314,819	108,992	105,838	101,622
Intergovernmental	10,567,956	10,953,747	9,286,440	10,801,137	10,682,169
Charges for services	1,819,751	1,355,590	1,687,949	1,960,633	1,914,551
Fines for forfeitures	260,767	269,943	290,488	278,219	248,962
Investment income	153,841	185,896	89,925	103,158	85,811
Special assessments	1,072,622	1,247,070	1,283,107	1,199,283	1,253,243
Development investment fees	99,817	582,054	399,094	-	166,708
Miscellaneous	365,075	445,739	391,347	948,777	355,454
Total revenues	\$ 28,030,758	\$ 28,641,056	\$ 27,191,525	\$ 30,183,836	\$ 32,338,234

	2015	2016	2017	2018	2019
Taxes	\$ 18,233,584	\$ 18,999,119	\$ 20,139,073	\$ 25,070,594	\$ 25,615,365
Licenses and permits	741,706	725,207	872,223	1,008,910	753,547
Intergovernmental	11,075,799	10,989,801	11,227,466	11,607,990	12,978,829
Charges for services	1,565,569	1,451,655	1,500,846	1,518,564	1,702,263
Fines for forfeitures	257,840	304,666	319,004	337,674	293,336
Investment income	28,439	138,670	59,398	138,930	520,819
Special assessments	1,593,143	940,088	819,891	794,688	614,621
Development investment fees	-	-	-	-	-
Miscellaneous	137,039	100,706	201,148	362,099	219,424
Total revenues	\$ 33,633,119	\$ 33,649,912	\$ 35,139,049	\$ 40,839,449	\$ 42,698,204

City of Kingman, Arizona
Table 6
Governmental Funds Expenditures and Debt Service Ratio
Last Ten Fiscal Years

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

2014	2015	2016	2017	2018	2019
\$ 4,353,904	\$ 4,790,018	\$ 4,989,339	\$ 4,802,444	\$ 5,084,678	\$ 4,892,809
14,691,686	14,778,302	15,650,195	16,543,924	17,069,022	18,296,806
3,144,347	3,503,362	3,534,809	4,328,420	4,236,910	4,605,827
3,403,471	3,588,923	3,552,834	4,070,937	4,113,627	4,481,584
387,389	264,772	242,034	255,393	207,498	506,255
2,572,408	2,260,223	2,430,303	2,443,782	4,903,292	5,226,685
2,132,252	1,588,434	1,666,483	941,578	551,654	781,901
506,638	402,630	322,387	256,538	215,572	164,400
\$ 31,192,095	\$ 31,176,664	\$ 32,388,384	\$ 33,643,016	\$ 36,382,253	\$ 38,956,267
\$ 2,214,715	\$ 1,997,145	\$ 3,432,748	\$ 2,231,009	\$ 5,817,899	\$ 6,359,234
9%	7%	7%	4%	3%	3%

City of Kingman, Arizona
Table 7
Other Financial Sources and Uses and Net Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
Modified Accrual Basis of Accounting

	2010	2011	2012	2013	2014
Excess (deficiency) of revenues over expenditures	\$ (3,389,605)	\$ (1,441,407)	\$ (2,802,512)	\$ (277,767)	\$ 1,146,139
Other financing sources (uses):					
Obligations under capital lease	-	197,900	-	-	-
Special assessments bonds issued	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	349,025	-
Transfers in	3,557,643	2,936,992	3,047,349	3,417,672	3,267,001
Transfers out	(2,920,992)	(2,237,073)	(3,110,320)	(2,433,336)	(2,121,065)
Insurance recovery	-	-	-	-	-
Total other financing sources (uses)	636,651	897,819	(62,971)	1,333,361	1,145,936
Changes in fund balances	<u>\$ (2,752,954)</u>	<u>\$ (543,588)</u>	<u>\$ (2,865,483)</u>	<u>\$ 1,055,594</u>	<u>\$ 2,292,075</u>
	2015	2016	2017	2018	2019
Excess (deficiency) of revenues over expenditures	\$ 2,456,455	\$ 1,261,528	\$ 1,496,033	\$ 4,457,196	\$ 3,741,937
Other financing sources (uses):					
Obligations under capital lease	-	-	-	-	-
Special assessments bonds issued	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	-
Transfers in	2,120,497	1,879,294	3,560,461	6,574,137	7,050,144
Transfers out	(1,283,723)	(986,802)	(2,287,736)	(5,437,792)	(5,619,581)
Insurance recovery	500,000	-	-	-	-
Total other financing sources (uses)	1,336,774	892,492	1,272,725	1,136,345	1,430,563
Changes in fund balances	<u>\$ 3,793,229</u>	<u>\$ 2,154,020</u>	<u>\$ 2,768,758</u>	<u>\$ 5,593,541</u>	<u>\$ 5,172,500</u>

City of Kingman, Arizona
Table 8
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Overlapping Rates					
Fiscal Year Ended June 30	City of Kingman	Hospitality	Restaurant / Bar	Mohave County	Arizona State
2010	2.00%	4.00%	-	0.25	6.60%
2011	2.00%	4.00%	-	0.25	6.60%
2012	2.00%	4.00%	2.00%	0.25	6.60%
2013	2.00%	4.00%	2.00%	0.25	6.60%
2014	2.50%	4.00%	1.00%	0.25	5.60%
2015	2.50%	4.00%	1.00%	0.25	5.60%
2016	2.50%	4.00%	1.00%	0.25	5.60%
2017	2.50%	4.00%	1.00%	0.25	5.60%
2018	3.50%	4.00%	1.00%	0.25	5.60%
2019	2.50%	4.00%	1.00%	0.25	5.60%



City of Kingman, Arizona
Table 9
Taxable Sales by Category
Last Ten Fiscal Years

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Retail and Use	\$ -	\$ -	\$ -	\$ -	\$ 14,193,121	\$ 13,545,080
Restaurant and bar	2,397,855	2,486,514	2,606,062	2,688,338	3,518,616	3,664,967
Hotel and other lodging	1,180,613	1,237,862	1,314,643	1,462,373	2,046,080	2,037,653
Construction	1,111,314	928,105	846,986	885,107	1,220,619	1,584,781
Utilities and Communication	-	-	-	-	849,446	794,602
Residential and Commercial Leasing	-	-	-	-	564,333	576,066
Personal Property Rentals	-	-	-	-	518,904	517,656
Other	-	-	-	-	163,870	218,328
Retail Trade	7,630,657	8,181,831	8,450,028	9,007,432	-	-
Transportation, Communications and Utilities	834,372	829,954	873,338	825,272	-	-
Finance Insurance, and Real Estate	725,086	703,096	807,207	896,660	-	-
Wholesale Trade	572,132	569,261	609,619	654,263	-	-
Services	536,521	584,208	606,613	670,068	-	-
Manufacturing	251,667	280,964	342,630	302,422	-	-
Arts Entertainment, Government and all others not specified	<u>244,202</u>	<u>301,480</u>	<u>254,428</u>	<u>315,690</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 15,484,419</u>	<u>\$ 16,103,275</u>	<u>\$ 16,711,554</u>	<u>\$ 17,707,625</u>	<u>\$ 23,074,989</u>	<u>\$ 22,939,133</u>

City of Kingman, Arizona
Table 10
General Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities	
	Excise Tax Revenue Bonds	Special Assessment Bonds	Capital Leases	Loans Payable	Capital Leases	Loans Payable
2010	\$ 4,160,000	\$ 10,364,859	\$ 764,278	\$ 700,000	\$ 1,146,417	\$ 28,784,054
2011	3,745,000	9,328,616	830,225	350,000	1,029,795	36,518,174
2012	3,295,000	8,237,045	703,024	-	906,399	43,574,689
2013	2,810,000	7,084,129	568,144	-	775,833	43,186,134
2014	2,220,000	5,868,850	425,120	-	637,680	41,049,491
2015	1,190,000	4,580,189	413,478	-	491,499	38,838,745
2016	970,000	3,227,128	268,089	-	336,833	36,551,073
2017	740,000	2,613,641	115,445	-	173,174	30,556,211
2018	500,000	2,359,709	-	-	-	28,381,243
2019	-	2,085,308	-	-	-	26,105,006

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 45,919,608	.90%	\$ 1,523
51,801,810	.99%	1,729
56,716,157	1.07%	2,021
54,424,240	.98%	1,921
50,201,141	.90%	1,772
45,513,911	.81%	1,598
41,353,123	.68%	1,429
34,198,471	.55%	1,155
31,240,952	.49%	1,055
28,190,314	.44%	913

City of Kingman, Arizona
Table 11
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2019:

Secondary assessed valuation	\$ 203,945,501
Debt limit (6% of assessed value)	12,236,730
Debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 12,236,730</u>

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt limit Equal to 6% of Assessed Valuation	\$ 18,689,250	\$ 18,580,084	\$ 15,803,800	\$ 11,854,935	\$ 11,279,799
Total net debt applicable to limit	4,160,000	3,745,000	3,295,000	2,810,000	2,220,000
Legal debt margin	<u>\$ 14,529,250</u>	<u>\$ 14,835,084</u>	<u>\$ 12,508,800</u>	<u>\$ 9,044,935</u>	<u>\$ 9,059,799</u>
Total net debt applicable to the limit as a percentage of the debt limit	22%	20%	21%	24%	20%

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt limit Equal to 6% of Assessed	\$ 10,710,817	\$ 10,683,372	\$ 10,967,474	\$ 11,656,847	\$ 12,236,730
Total net debt applicable to limit	1,190,000	970,000	740,000	500,000	-
Legal debt margin	<u>\$ 9,520,817</u>	<u>\$ 9,713,372</u>	<u>\$ 10,227,474</u>	<u>\$ 11,156,847</u>	<u>\$ 12,236,730</u>
Total net debt applicable to the limit as a percentage of the debt limit	11%	9%	7%	4%	0%

City of Kingman, Arizona
Table 12
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Amount Applicable to the City
Kingman Unified School District	\$ 40,886,000	43.75%	<u>\$ 17,889,668</u>
Subtotal, Overlapping Debt			<u>17,889,668</u>
Direct:			
City of Kingman, AZ			<u>2,085,308</u>
Total and Overlapping Governmental Activities Debt			<u><u>19,974,976</u></u>

DIRECT AND OVERLAPPING GENERAL BONDED DEBT RATIOS

Net Direct General Obligation Bonded Debt	
As a percentage of Net Secondary Assessed Valuation	0%
Net Direct and Overlapping General Bonded Debt	
Per Capita	659
As a Percentage of Secondary Assessed Valuation	9.8%
As a Percentage of Estimated Actual Value (Full Cash Value)	0.8%

City of Kingman, Arizona
Table 13
Pledged-Revenue Coverage
Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Municipal Property Corporation Bonds				
Excise Tax Revenue	\$ 19,359,466	\$ 18,106,118	\$ 18,344,361	\$ 20,295,258
Debt Service				
Principal	460,125	450,000	485,000	590,000
Interest	17,188	164,713	145,219	123,819
Total Annual Requirement	477,313	614,713	630,219	713,819
Estimated Coverage	40.6	29.5	29.1	28.4
Water Infrastructure Financing Authority (WIFA) Loans				
Net Wastewater Utility Revenue - Pledged	1,745,223	2,945,758	3,544,586	5,905,330
Debt Service				
Principal	-	1,415,635	1,956,193	2,154,752
Interest	350,760	653,395	1,365,941	1,542,839
Total Annual Requirement	350,760	2,069,030	3,322,134	3,697,591
Estimated Coverage	2.2	1.4	1.1	1.6

2014	2015	2016	2017	2018	2019
\$ 22,493,084	\$ 22,902,512	\$ 23,597,282	\$ 24,868,699	\$ 26,180,493	\$ 24,751,783
820,000	210,000	220,000	230,000	240,000	500,000
97,244	57,813	49,938	40,588	30,813	3,206
917,244	267,813	269,938	270,588	270,813	503,206
24.5	85.5	87.4	91.9	96.7	49.2
7,268,798	7,146,594	7,184,022	8,481,857	8,730,419	7,469,785
2,136,643	2,210,748	2,287,672	5,994,862	2,174,968	2,276,237
1,497,417	1,423,312	1,346,389	1,128,190	1,053,800	952,119
3,634,060	3,634,060	3,634,061	7,123,052	3,228,768	3,228,356
2.0	2.0	2.0	1.2	2.2	2.3

City of Kingman, Arizona
Table 14
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Income	Unemployment Rate
2009	27,823	5,101,000	28,018	11.10%
2010	28,055	5,249,000	25,165	12.70%
2011	28,068	5,290,530	26,145	13.10%
2012	28,029	5,534,671	27,220	11.40%
2013	28,336	5,601,076	27,971	10.80%
2014	28,476	5,633,946	27,704	8.80%
2015	28,942	6,040,669	29,505	7.50%
2016	29,600	6,166,575	30,045	6.10%
2017	29,600	6,395,100	30,865	5.70%
2018	30,314	6,395,100	30,865	5.20%

City of Kingman, Arizona
Table 15
Principal Employers
Current Year and Nine Years Ago

Employer	2019	
	Employees	Percentage of Total Employment
Kingman Regional Medical Center	1,800	16.35%
Mohave County	1,271	11.54%
Kingman Unified School District No. 20	740	6.72%
Mohave Community College	700	6.36%
American Woodmark Corporation	689	6.26%
Walmart	440	4.00%
City of Kingman	374	3.40%
Laron Incorporated	187	1.70%
Home Depot	135	1.23%
Indiana Western Express, Inc.	119	1.08%
Total	6,455	58.63%
Total Employment	11,010	

Employer	2010	
	Employees	Percentage of Total Employment
Mohave County	1,322	11.86%
Kingman Regional Medical Center	1,274	11.43%
Kingman Unified School District No. 20	985	8.84%
Mohave Community College	700	6.28%
American Woodmark Corporation	650	5.83%
Walmart	540	4.84%
Citizens Utilities (Unisource)	400	3.59%
City of Kingman	372	3.34%
State of Arizona	318	2.85%
Hualapai Mountain Medical Center	200	1.79%
Total	6,761	60.65%
Total Employment	11,148	

City of Kingman, Arizona
Table 16
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government				
City Administration	9	8	8	8
Human Resources	4	4	4	4
City Clerk	4	4	4	3
City Attorney	7	7	6	6
Municipal Court	9	8.5	8.5	8.5
Finance	14	13	13	13
Total Government	<u>47</u>	<u>44.5</u>	<u>43.5</u>	<u>42.5</u>
Public Safety				
Police	87	84	70	70
Dispatch Center	0	0	16	16
Firefighters	56	52	52	52
Total Public Safety	<u>143</u>	<u>136</u>	<u>138</u>	<u>138</u>
Public Works				
Engineering	22	15	15	15
Others	45	41	38	37
Total Public Works	<u>67</u>	<u>56</u>	<u>53</u>	<u>52</u>
Parks and Recreation	39.75	34.75	34.5	33
Information Technology	7	7	7	7
Community Development	18	14	11	12
Airport	0	0	0	0
Sanitation	17	17	17	17
Water and Wastewater	32	30	30	31
Total Support and Administration	<u>113.75</u>	<u>102.75</u>	<u>99.5</u>	<u>100</u>
Total	<u><u>370.75</u></u>	<u><u>339.25</u></u>	<u><u>334</u></u>	<u><u>332.5</u></u>

2014	2015	2016	2017	2018	2019
8	8	8	8	9	9
4	4.5	4.5	4.5	5	5
3	3	3	3	3	3
6	6	6	6	6	6
8.5	8.5	8.5	9.5	9.5	9.5
13	13	13	13	13	13
42.5	43	43	44	45.5	45.5
70	70	70	70	72	74
16	16	16	16	16	16
52	52	53	58	58	60
138	138	139	144	146	150
14	15	15	17	18	19
37	37	38	38	40	41
51	52	53	55	58	60
33	33	33	34	34	37.75
7	7	7	6	6	6
11	10	10	8	8	9
0	0	0	0	0	6
17	17	17	18	18	18
32	32	32	37	41	42
100	99	99	103	107	118.75
331.5	332	334	346	356.5	374.25

City of Kingman, Arizona
Table 17
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2010	2011	2012	2013
<u>Public Safety</u>				
Police Stations	1	1	1	1
Police Vehicles	74	78	80	85
Fire Stations	4	4	4	4
Fire Vehicles	27	27	27	29
<u>Streets</u>				
Streets (miles)	215	215	215	224
Streetlights	851	851	851	851
Traffic Signals	24	24	24	24
<u>Sanitation</u>				
Collection Trucks	23	23	25	26
<u>Parks and Recreation</u>				
Parks Developed	13	13	13	13
Parks Acreage	146	146	146	146
Swimming Pools	2	2	2	2
Tennis Courts	4	1	4	4
Community Centers	1	1	1	1
Golf Courses	1	1	1	1
<u>Water</u>				
Water Mains (miles)	564	564	564	564
Fire Hydrants	2485	2485	2485	2485
<u>Waste Water</u>				
Sanitary Sewers (miles)	199	199	199	199
Manholes	2997	2997	2997	2997

2014	2015	2016	2017	2018	2019
1	1	1	1	1	1
87	84	72	79	81	83
4	4	4	4	4	4
30	33	28	26	26	28
224	224	224	224	224	224
851	851	851	851	851	851
24	24	24	24	24	24
26	25	25	28	28	29
13	13	13	13	13	13
146	146	146	146	146	146
2	2	2	2	2	2
4	4	4	4	4	4
1	1	1	1	1	1
1	1	1	1	1	1
564	564	564	564	564	463
2485	2485	2485	2485	2485	2539
199	199	199	199	199	208
2997	2997	2997	2997	2997	3285

City of Kingman, Arizona
Table 18
Operating Indicators by Function
Last Ten Fiscal Years

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

2014	2015	2016	2017	2018	2019
2,585	2,052	2,355	2,087	346	283
17,000	17,072	16,649	16,650	16,234	18,305
55	86	80	80	56	55
1,300	1,216	1,176	1,176	1,183	1,151
50-70	80-100	80-100	80-100	200-250	200-250
3	7	7	7	8	7
3,600	3,073	3,641	3,902	4,126	3,496
850	2,847	3,685	3,761	4,105	3,418
295	295	310	335	330	342
244	244	245	255	255	258
40,000	35,366	38,760	44,232	38,417	42,301
2,900	3,879	39,727	4,468	2,865	2,723
950	1,004	1,004	1,066	1,111	1,167
650	541	683	614	634	721
20	13	13	15	12	12
75%	71%	83%	85%	76%	81%
75%	71%	83%	85%	76%	81%
66%	65%	75%	21%	64%	90%
1,875	1,760	1404	1,496	1,638	1,868
170	322	301	356	806	124
250	409	357	185	489	601
208	230	434	435	460	
16	16	16	18	19	19
24	24	24	24	24	24
850	850	850	850	850	850
269	268	268	269	218	298
16.5	15	18	16.5	16.5	17
20	18	26	20	20	21
7,995	7,988	7,729	8,082	8,337	8,186
19,813	20,430	20,665	20,975	21,524	20,281
11%	17%	13%	15%	17%	9%
528,000,000	578,000,000	582,700,000	573,375,000	670,445,000	609,841,000
96,000,000	85,800,000	85,800,000	86,951,000	86,167,000	93,206,735
375,000	400,500	411,200	741,306	987,279	532,106
22,500	22,466	21,898	22,125	20,375	22,964
3,700	3,996	3,967	3,917	3,740	3,932
10,063	10,524	10,647	10,757	11,037	11,297
906	921	923	925	931	943



Compliance Section





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*

To the Honorable Mayor and City Council
City of Kingman, Arizona

We have audited, in accordance with the 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, 2019, 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 18, 2019.

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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kingman, Arizona's financial statements are free from 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*.

City of Kingman, Arizona's Response to Findings

City of Kingman, Arizona's response to the findings identified in our audit is described in the accompanying corrective action plan. City of Kingman, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Henry + Horne, LLP

Tempe, Arizona
December 18, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To 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, 2019. City of Kingman, Arizona's major federal programs are identified in the summary of auditors' 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.

Auditors' 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, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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.

Henry + Horne, LLP

Tempe, Arizona
December 18, 2019

CITY OF KINGMAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
Pass-through programs from:			
State of Arizona Department of Commerce Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	102-18	\$ 957,237 *
U.S. Department of the Interior			
Pass-through programs from:			
Arizona State Parks Board Historic Preservation Fund Grants-In-Aid	15.904	P18AF00142	10,000
U.S. Department of Justice			
Direct programs:			
Bulletproof Vest Partnership Program	16.607		5,164
Pass-through programs from:			
Arizona Criminal Justice Commission Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-19-007	110,394
Equitable Sharing Program	16.922	n/a	2,359
Subtotal			112,753
Total U.S. Department of Justice			117,917
U.S. Department of Transportation			
Direct programs:			
Airport Improvement Program	20.106	AIP-3-04-0021-028-2018	222,456
Pass-through programs from:			
State of Arizona Department of Transportation Formula Grants for Rural Areas	20.509	GRT-16-0005993-T	126,689
Formula Grants for Rural Areas	20.509	GRT-18-0007095-T	567,083
Subtotal			693,772
Arizona Governor's Office of Highway Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	2019-405d-058 2019-405d-020, 2019- 405d-022, 2018-CIOT-	1,918
National Priority Safety Programs	20.616	014, 2019-405d-058	20,813
Subtotal Highway Safety Cluster			22,731
Total U.S. Department of Transportation			938,959

CITY OF KINGMAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Total Federal Expenditures
Executive Office of the President			
Pass-through programs from:			
City of Tucson, Arizona			
High Intensity Drug Trafficking Areas Program	95.001	HT-17-2715, HT-17-2702, HT-18-2813, HT-19-2921	112,371
University of Baltimore, Maryland Research and Data Analysis	95.007	G1799ONDCP06B	87,335
Total Executive Office of the President			199,706
U.S. Department of Homeland Security			
Pass-through programs from:			
Arizona Department of Homeland Security			
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2017-FH-00463	79,771
Total Expenditures of Federal Awards			\$ 2,303,590

*denotes major program

CITY OF KINGMAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Kingman under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with 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). Because the Schedule presents only a selected portion of the operations of City of Kingman, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Kingman.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B) The City of Kingman has elected to not use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

CITY OF KINGMAN, ARIZONA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes X none reported

Type of auditors' report issued on compliance for each major program listed below:

Community Development Block Grant

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

 yes X no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X yes no

CITY OF KINGMAN, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

FINDING 2019-001 Financial Statement Closing Process

CRITERIA

The City should review all year-end closing entries to insure the amounts included in the financial statements are presented in accordance with generally accepted accounting principles.

CONDITION/CONTEXT

The City performs closing procedures at year-end to properly state the financial amounts in accordance with generally accepted accounting principles. However, the year-end review did not properly detect all accruals required by general accepted accounting principles and adjustments were necessary to properly state amounts related to derived tax revenues.

CAUSE

A complete review of closing entries at year-end failed to properly report the misstatements in cut-off entries related to City sales taxes in accordance with Government Accounting Standards Board Statement 33.

EFFECT

The City understated sales taxes receivable by \$1,688,535, overstated City sales tax revenue by \$655,193 and understated beginning fund balances, and beginning net position, by \$2,343,728, requiring a restatement of beginning fund balances and governmental net position.

RECOMMENDATION

It is recommended the City review all year-end City sales tax closing entries to ensure amounts in which the underlying exchange transaction generating the sale, from which the tax is derived, is properly recorded for completeness and accuracy of cut-off for the City's total sales tax revenues.

VIEWS OF RESPONSIBLE OFFICIALS

Management concurs with this recommendation. See Corrective Action Plan.

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted.





City of Kingman

310 NORTH FOURTH STREET • KINGMAN • ARIZONA • 86401 • (928)753-5561
www.cityofkingman.gov

CORRECTIVE ACTION PLAN

The City of Kingman respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Henry & Horne, LLP
2055 E Warner Rd, Suite 101
Tempe, AZ 85284

Audit period: July 1, 2018 through June 30, 2019

The findings from the June 30, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINANCIAL STATEMENT FINDING

2019-001 FINANCIAL STATEMENT CLOSING PROCESS

Recommendation:

It is recommended that the City include these entries in their review of year-end closing entries to ensure completeness and accurate cut-off of the City's sales tax revenues.

Corrective Action Plan:

Prior to fiscal year 2018, the State's distribution statements didn't identify the month that the underlying sale transaction occurred for the tax collections being reported. Because the City had used the same sales tax revenue year-end cut off procedure during fiscal year 2018 as it had in prior years without a recommendation being reported, the same sales tax revenue cut-off procedure for fiscal year 2019 was used.

The City's management concurs with the recommendation and will implement a review of sales tax revenues at fiscal year-end to verify accurate cut-off of the sales tax revenues applicable to the current fiscal year,

Anticipated Completion Date: December 31, 2019

If there are questions regarding this plan, please call Tina D. Moline, Financial Services Director, 928-753-8120.

Financial Services Director

Signature

Title

