



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Annual Financial Report

# Mohave County

Fiscal Year Ended June 30, 2013

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**Debra K. Davenport**  
Auditor General

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Mohave County  
Annual Financial Report  
Year Ended June 30, 2013

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DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of  
Mohave County, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Mohave County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County'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 U.S. generally accepted accounting principles; 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 did not audit the financial statements of the Self-Insured Trust Fund and Employee Benefits Trust Fund, which account for the following percentages of the liabilities and revenues of the opinion units affected:

| Opinion Unit/Department               | Liabilities | Revenues |
|---------------------------------------|-------------|----------|
| <u>Government-wide Statements</u>     |             |          |
| Governmental activities:              |             |          |
| Self-Insured Trust                    | 0.72%       | 1.08%    |
| Employee Benefits Trust               | 2.49%       | 8.89%    |
| <u>Fund Statements</u>                |             |          |
| Aggregate remaining fund information: |             |          |
| Self-Insured Trust                    | 6.15%       | 0.33%    |
| Employee Benefits Trust               | 21.19%      | 2.72%    |

Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Self-Insured Trust Fund and Employee Benefits Trust Fund are based solely on the report of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 auditors consider internal control relevant to the County'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 County'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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Mohave County as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Emphasis of Matter***

As described in Note 2, the County restated the beginning balances of its financial statements for the year ended June 30, 2013, to correct misstatements in its previously issued financial statements. Our opinions are not modified with respect to this matter.

### ***Other Matters***

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

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages i through xv, the Budgetary Comparison Schedules on pages 40 through 44, and the Schedule of Agent Retirement Plans' Funding Progress on page 45 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 U.S. generally accepted auditing standards, 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.

### *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 County failed to use highway user revenue fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the County 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 County'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 the 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, the Board of Supervisors, management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

### *Prior Period Financial Statements*

As part of our audit of the County's financial statements for the year ended June 30, 2013, we also audited the adjustments described in Note 2 that were applied to restate the financial statements for the year ended June 30, 2012. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the County's financial statements for the year ended June 30, 2012, other than with respect to these adjustments and, accordingly, we do not express an opinion or provide any other form of assurance on the County's financial statements for the year ended June 30, 2012. The County's financial statements for the period ended June 30, 2012, were audited by other auditors that issued unmodified audit opinions on those financial statements in their report dated February 28, 2013. The County's fiscal year 2012 financial statements were not reissued for these adjustments.

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

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. 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 County's internal control over financial reporting and compliance.

Debbie Davenport  
Auditor General

February 28, 2014

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# MOHAVE COUNTY FINANCIAL SERVICES



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## Management's Discussion and Analysis

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2013. Please read the following discussion in conjunction with the County's basic financial statements, which begin on page 1.

### Financial Highlights

- The County's total assets exceeded its liabilities at the close of the fiscal year by \$347 million, a 6.7% increase from the prior year. Of this amount, \$41 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net position as reported in the Statement of Activities increased by \$1.68 million. Of this amount, \$1.69 million (100.5%) is attributable to governmental activities, and -\$9 thousand (-0.5%) is attributable to business-type activities.
- Total liabilities decreased by \$9.2 million from the prior year.
- Long-term debt decreased by \$4.8 million (-8.2%) from the prior year.
- The fund balance for the General Fund decreased by \$8.8 million. This was due to the County transferring monies to defease the 2004 Beneficial Interest Certificates (BICs) in the next fiscal year. See the subsequent event note. General Fund revenues were below budgeted revenues by \$1.46 million, and expenditures were only 84% of both the original adopted and final General Fund budgets.

### Overview of the Financial Statements

The intent of this discussion and analysis is to serve as an introduction to Mohave County's basic financial statements. Mohave County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

**Government-wide financial statements** are designed to provide readers with a broad overview of Mohave County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Mohave County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Mohave County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused accrued leave).

Both of these government-wide financial statements distinguish functions of Mohave County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Mohave County include general government, public safety, highways and streets, health, welfare, education, and culture and recreation. The business-type activities of Mohave County include water companies, recreation, and landfill operations.

The government-wide financial statements include not only Mohave County itself (known as the *primary government*), but blended component units. The blended component units are legally separate entities for which Mohave County is financially accountable.

Blended component units include the following: a television district, three tax-levying districts, special assessment districts, and two finance corporations. The County's Board of Supervisors serves as the board of directors for all of the component units except for the finance corporations, which have a separate board of directors made up of County management. The list of blended component units follows:

- Mohave County Television District provides and maintains communication equipment for TV signals.
- Mohave County Library District provides and maintains library services for County residents.
- Mohave County Flood Control District provides and maintains flood control systems for the County.
- Mohave County Special Assessment Districts provide funds to construct or improve roads, bridges, and water distribution systems.
- Mohave Administration Building Finance Corporation provides financing and oversight of the operation of the Mohave County administration building.
- Mohave Jail Finance Corporation provides financing and oversight of the construction and equipping of a jail facility for use of and ultimate ownership by Mohave County.
- Mohave County Holiday Lighting District provides street lighting for the Holiday Shores area of Bullhead.

Financial information for the *blended component units* is combined with the financial information presented for the primary government itself. The government-wide financial statements are on pages 1-2 of this report.

**Fund financial statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Mohave County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Mohave County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds**—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The governmental funds financial statements can be found on pages 3-6 of this report.

Mohave County maintains 225 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Flood Control Fund, Admin Building Debt Service Fund, and the Jail Debt Service Fund, all of which are major funds. Data from the other 220 governmental funds are combined into a single, aggregated presentation, under the heading Other Governmental Funds.

Mohave County adopts an annual appropriated budget for all its funds. A budgetary comparison schedule has been provided for the General Fund and the major special revenue funds to demonstrate compliance with their budgets. These schedules are presented on pages 40-43.

**Proprietary funds**—Mohave County maintains two different types of proprietary funds. *Enterprise funds* charge fees to external users for goods and services and are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Mohave County uses enterprise funds to account for its water companies, park services, and landfill operations.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among Mohave County's various functions. Mohave County uses internal service funds to account for its fleet of vehicles, employee benefit health insurance trust, self-insurance trust, janitorial services, communication services, and management information systems. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water companies and the landfill operations, which are major enterprise funds of Mohave County. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary funds' financial statements. The proprietary funds' financial statements are located on pages 7-9 of this report.

**Fiduciary funds**—Fiduciary funds account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support Mohave County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary funds financial statements can be found on pages 10-11 of this report.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located on pages 12-38 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, pages 39-46 present *required supplementary information* including budgetary comparison schedules and Mohave County's progress in funding its obligation to provide pension benefits to some of its employees.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the County's assets exceeded liabilities by \$347 million.

By far, the largest portion of Mohave County's net position (66.2%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, intangibles, machinery, and equipment) less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. Mohave County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Mohave County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 22% of Mohave County's net position represents resources subject to external restrictions on how they may be used. The remaining \$41 million (11.8%) of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors. The largest changes in the net position occurred in the governmental funds. The changes are discussed separately under the following sections; Governmental activities—net position highlights, Business-type activities—net position highlights, and Capital Asset and Debt Administration.

### Government-wide Net Position As of June 30,

|                                   | 2012<br>(As restated) | 2013                 | Increase<br>(Decrease) | %<br>Change    |
|-----------------------------------|-----------------------|----------------------|------------------------|----------------|
| Current assets and other assets   | \$154,421,791         | \$139,959,881        | \$(14,461,910)         | -9.37%         |
| Capital assets                    | <u>261,106,349</u>    | <u>268,185,429</u>   | <u>7,079,080</u>       | <u>2.71%</u>   |
| Total assets                      | <u>415,528,140</u>    | <u>408,145,310</u>   | <u>(7,382,830)</u>     | <u>-1.78%</u>  |
| Long-term liabilities outstanding | 59,375,511            | 54,529,418           | (4,846,093)            | -8.16%         |
| Other liabilities                 | <u>10,869,544</u>     | <u>6,649,351</u>     | <u>(4,220,193)</u>     | <u>-38.83%</u> |
| Total liabilities                 | <u>70,245,055</u>     | <u>61,178,769</u>    | <u>(9,066,286)</u>     | <u>-12.91%</u> |
| Net position:                     |                       |                      |                        |                |
| Net investment in capital assets  | 217,761,349           | 229,745,429          | 11,984,080             | 5.50%          |
| Restricted                        | 71,942,093            | 76,198,477           | 4,256,384              | 5.92%          |
| Unrestricted                      | <u>55,579,643</u>     | <u>41,022,635</u>    | <u>(14,557,008)</u>    | <u>-26.19%</u> |
| Total net position                | <u>\$345,283,085</u>  | <u>\$346,966,541</u> | <u>\$ 1,683,456</u>    | <u>0.49%</u>   |

Amounts for 2012 were restated to correct prior-year errors. See Note 2 on pages 18-19 for more information.

The restricted net position increased \$4.3 million from the prior year, as restated. The increase was in the debt service funds. Transfers in from unrestricted funds to debt service funds of \$23 million were offset by debt payments resulting in a net increase of \$16.5 million. Capital projects had an offsetting decrease of \$5.6 million from the capitalization of completed projects. The remaining increase was spread throughout

the other nonmajor restricted funds. Unrestricted net position decreased by \$14.6 million from the prior year, due to board-approved transfers to debt service funds. The increase of \$12.0 million in Net investment in capital assets includes an addition of one new and one remodeled building valued at \$11.7 million, new roads and some completed flood control projects valued at \$4.2 million, and equipment valued at \$3.6 million, all net of current year depreciation expense and disposals of assets. The difference between the amount of capital assets and the net investment in capital assets is the reduction of related outstanding debt. For more detail on assets additions and deletions, see Note 6 on pages 23-24.

**Governmental activities—net position highlights:** The net investment in capital assets had a net increase of \$12.5 million. The details of the increase in capital assets are discussed later in this report under the Capital Asset and Debt Administration heading. Total liabilities decreased \$9.4 million from last year. The decrease was due to principal payments made on the County’s Beneficial Interest Certificates (BICs) and special assessment bonds payable, without incurring any new long-term debt. In addition, other liabilities decreased \$4.1 million. This was due to flood control distributions to the cities for 2012 of \$2.6 million. In addition, there was a decrease in accounts payable of \$1.3 million for purchases of road materials that were accrued in the prior year.

**Governmental Activities  
Net Position  
As of June 30,**

|                                   | <b>2012<br/>(As restated)</b> | <b>2013</b>          | <b>Increase<br/>(Decrease)</b> | <b>%<br/>Change</b> |
|-----------------------------------|-------------------------------|----------------------|--------------------------------|---------------------|
| Current assets and other assets   | \$136,909,822                 | \$121,570,350        | \$(15,339,472)                 | -11.20%             |
| Capital assets                    | <u>246,499,804</u>            | <u>254,133,387</u>   | <u>7,633,583</u>               | <u>3.10%</u>        |
| Total assets                      | <u>383,409,626</u>            | <u>375,703,737</u>   | <u>(7,705,889)</u>             | <u>-2.01%</u>       |
| Long-term liabilities outstanding | 52,998,752                    | 47,737,943           | (5,260,809)                    | -9.93%              |
| Other liabilities                 | <u>10,469,350</u>             | <u>6,331,540</u>     | <u>(4,137,810)</u>             | <u>-39.52%</u>      |
| Total liabilities                 | <u>63,468,102</u>             | <u>54,069,483</u>    | <u>(9,398,619)</u>             | <u>-14.81%</u>      |
| Net position:                     |                               |                      |                                |                     |
| Net investment in capital assets  | 203,154,804                   | 215,693,387          | 12,538,583                     | 6.17%               |
| Restricted                        | 65,569,301                    | 69,159,181           | 3,589,880                      | 5.47%               |
| Unrestricted                      | <u>51,217,419</u>             | <u>36,781,686</u>    | <u>(14,435,733)</u>            | <u>-28.19%</u>      |
| Total net position                | <u>\$319,941,524</u>          | <u>\$321,634,254</u> | <u>\$ 1,692,730</u>            | <u>0.53%</u>        |

Amounts for 2012 were restated to correct prior-year errors. See Note 2 on pages 18-19 for more information.

**Governmental activities—comparative statement of activities highlights:** The current year governmental activities financial statements reflect a decrease in total program revenues. The decrease was due to a one-time capital contribution from the State of Arizona for the Beaver Dam bridge project recorded in the prior year. The decrease in general revenues was due to reduced assessed values, resulting in lower tax revenues. The decrease in other revenues results from recording the trade-in of motor graders in 2012.

Expenses decreased less than 2% from the prior year. The County managed to maintain moderate growth in controllable expenses, through increased efficiency, and by offsetting increased costs with vacancy savings and suspending cost of living and step increases for employees for a fifth year. Non-controllable expenses, such as court costs from increased caseloads and indigent support, continue to rise along with health insurance costs, which are reflected in the general government expenses. The decrease in Public

safety and Highways and streets expenditures reflects the capitalization of the Public Works Administration Building at \$5.6 million, and a reduction in road projects. The increases in expenditures for fiscal year 2013 were in internal services costs and AHCCCS costs (health), both are non-controllable. These increases were offset by decreases in the other categories.

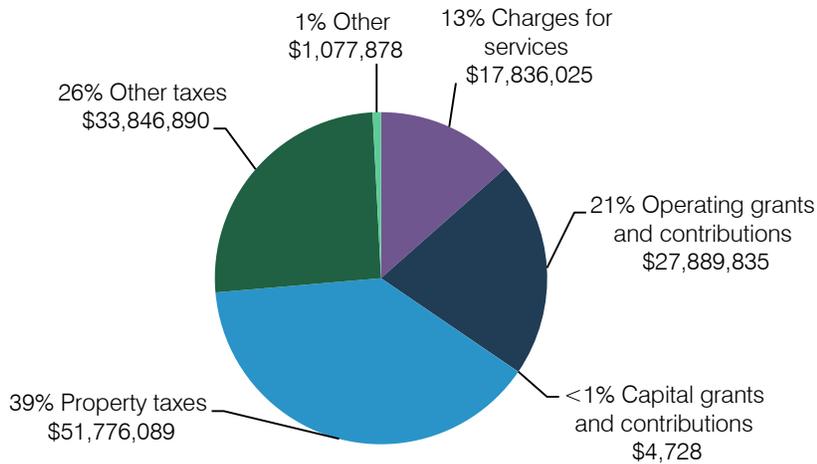
**Governmental Activities  
Comparative Statement of Activities  
Year Ended June 30,**

|   | <u>2012</u><br><u>(As restated)</u> | <u>2013</u>          | <u>Increase</u><br><u>(Decrease)</u> | <u>%</u><br><u>Change</u> |
|---|-------------------------------------|----------------------|--------------------------------------|---------------------------|
| <b>Revenues:</b>                            |                                     |                      |                                      |                           |
| Program revenues                            | \$ 17,913,376                       | \$ 17,836,025        | \$ (77,351)                          | -0.43%                    |
| Charges for services                        | 27,079,300                          | 27,889,835           | 810,535                              | 2.99%                     |
| Operating grants and contributions          | <u>7,796,964</u>                    | <u>4,728</u>         | <u>(7,792,236)</u>                   | <u>-99.94%</u>            |
| Capital grants and contributions            | <u>52,789,640</u>                   | <u>45,730,588</u>    | <u>(7,059,052)</u>                   | <u>-13.37%</u>            |
| Total program revenues                      |                                     |                      |                                      |                           |
| General revenues                            |                                     |                      |                                      |                           |
| Property taxes                              | 54,300,875                          | 51,776,089           | (2,524,786)                          | -4.65%                    |
| Other taxes                                 | 34,564,317                          | 33,846,890           | (717,427)                            | -2.08%                    |
| Other revenues                              | <u>3,266,716</u>                    | <u>1,077,878</u>     | <u>(2,188,838)</u>                   | <u>-67.00%</u>            |
| Total general revenues                      | <u>92,131,908</u>                   | <u>86,700,857</u>    | <u>(5,431,051)</u>                   | <u>-5.89%</u>             |
| Total revenues                              | <u>144,921,548</u>                  | <u>132,431,445</u>   | <u>(12,490,103)</u>                  | <u>-8.62%</u>             |
| <b>Expenses:</b>                            |                                     |                      |                                      |                           |
| General government                          | 55,360,181                          | 60,978,902           | 5,618,721                            | 10.15%                    |
| Public safety                               | 36,020,338                          | 35,772,456           | (247,882)                            | -0.69%                    |
| Highways and streets                        | 12,681,045                          | 6,966,664            | (5,714,381)                          | -45.06%                   |
| Health                                      | 13,726,048                          | 14,166,165           | 440,117                              | 3.21%                     |
| Welfare                                     | 5,422,044                           | 4,509,744            | (912,300)                            | -16.83%                   |
| Sanitation                                  | -                                   | 16,973               | 16,973                               | 100.00%                   |
| Culture and recreation                      | 4,964,298                           | 4,412,992            | (551,306)                            | -11.11%                   |
| Education                                   | 2,453,762                           | 2,109,263            | (344,499)                            | -14.04%                   |
| Interest on long-term debt                  | <u>2,016,597</u>                    | <u>1,805,556</u>     | <u>(211,041)</u>                     | <u>-10.47%</u>            |
| Total expenses                              | <u>132,644,313</u>                  | <u>130,738,715</u>   | <u>(1,905,598)</u>                   | <u>-1.44%</u>             |
| Increase in net position before transfers   | 12,277,235                          | 1,692,730            | (10,584,505)                         | -86.21%                   |
| Transfers                                   | <u>2,713,413</u>                    | <u>-</u>             | <u>(2,713,413)</u>                   | <u>-100.00%</u>           |
| Increase in net position after transfers    | <u>14,990,648</u>                   | <u>1,692,730</u>     | <u>(13,297,918)</u>                  | <u>-88.71%</u>            |
| Net position beginning of year, as restated | <u>304,950,876</u>                  | <u>319,941,524</u>   | <u>14,990,648</u>                    | <u>4.92%</u>              |
| Net position end of year                    | <u>\$319,941,524</u>                | <u>\$321,634,254</u> | <u>\$ 1,692,730</u>                  | <u>0.53%</u>              |

Amounts for 2012 and the beginning net position for 2013 were restated to correct prior-year errors. See Note 2 on pages 18-19 for more information.

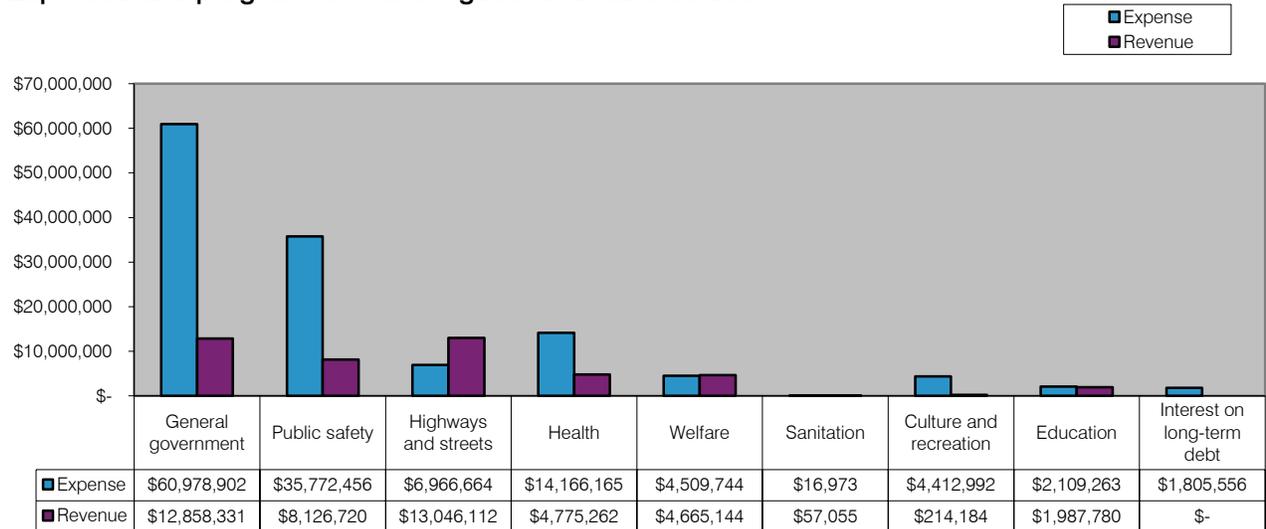
The chart below represents all revenues collected from governmental activities, including general revenues, as reported in the Statement of Activities.

### Revenues by source—governmental activities



The following graph represents the expenses and program revenues for governmental activities as reported in the Statement of Activities. Program revenue does not include the general revenues listed on the bottom portion of the Statement of Activities. Total revenues generated by governmental activities (program revenues and general revenues) were \$132.4 million. General revenues of \$86.7 million are not included in this graph, though they represent 65.5% of total revenues reported for governmental activities. While this graph indicates expenses exceeded program revenues, the addition of general revenues produced an increase to net position of \$1.7 million for the fiscal year as indicated on the Statement of Activities.

### Expenses and program revenues—governmental activities



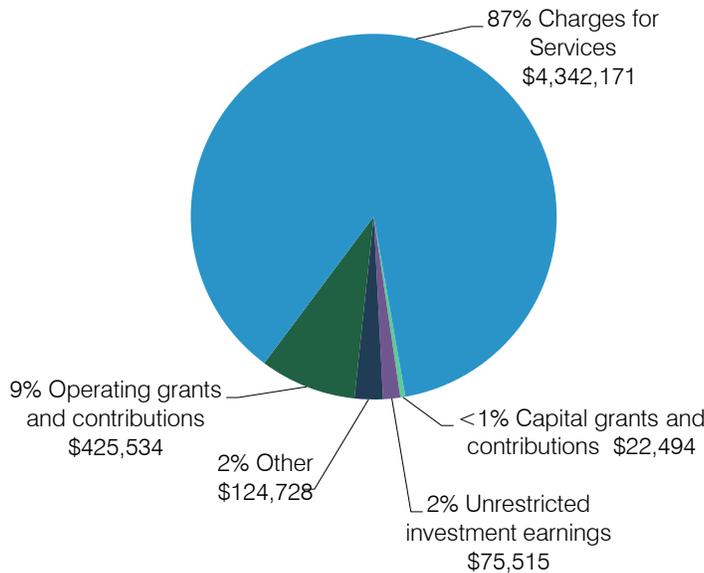
**Business-type activities—net position highlights:** Net position decreased by \$9 thousand due to an increase of \$450 thousand in the Landfill Fund and net decrease to Golden Valley Improvement District and Other enterprise funds of \$459 thousand. Long-term liabilities increased due to the increase in landfill closure and postclosure costs; these are estimated future costs provided by engineering consultants for managing the Cerbat and Mohave Valley landfills. The decrease to other liabilities was due to fewer accounts payable at year-end and deposits held for others that were refunded to contractors.

**Business-type Activities  
Net Position  
As of June 30,**

|                                   | <u>2012</u>         | <u>2013</u>         | <u>Increase<br/>(Decrease)</u> | <u>%<br/>Change</u> |
|-----------------------------------|---------------------|---------------------|--------------------------------|---------------------|
| Current assets and other assets   | \$17,511,969        | \$18,389,531        | \$ 877,562                     | 5.01%               |
| Capital assets                    | <u>14,606,545</u>   | <u>14,052,042</u>   | <u>(554,503)</u>               | <u>-3.80%</u>       |
| Total assets                      | <u>32,118,514</u>   | <u>32,441,573</u>   | <u>323,059</u>                 | <u>1.01%</u>        |
| Long-term liabilities outstanding | 6,376,759           | 6,791,475           | 414,716                        | 6.50%               |
| Other liabilities                 | <u>400,194</u>      | <u>317,811</u>      | <u>(82,383)</u>                | <u>-20.59%</u>      |
| Total liabilities                 | <u>6,776,953</u>    | <u>7,109,286</u>    | <u>332,333</u>                 | <u>4.90%</u>        |
| Net position:                     |                     |                     |                                |                     |
| Net investment in capital assets  | 14,606,545          | 14,052,042          | (554,503)                      | -3.80%              |
| Restricted                        | 6,372,792           | 7,039,296           | 666,504                        | 10.46%              |
| Unrestricted                      | <u>4,362,224</u>    | <u>4,240,949</u>    | <u>(121,275)</u>               | <u>-2.78%</u>       |
| Total net position                | <u>\$25,341,561</u> | <u>\$25,332,287</u> | <u>\$ (9,274)</u>              | <u>-0.04%</u>       |

The chart below represents all revenues collected from business-type activities, including general revenues, as reported in the Statement of Activities.

**Revenues by source—business-type activities**



**Business-type activities—comparative statement of activities highlights:**

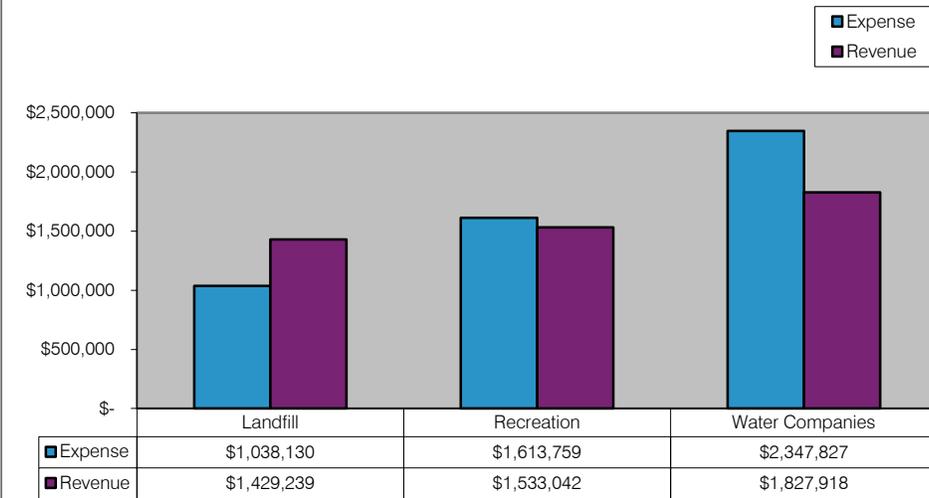
**Analysis of revenue and expense changes**—The business-type activities comparative statement of activities schedule below shows the increases and decreases in revenue with an overall 0.73% increase to total revenues. The only significant change was a decrease to capital grants because the Parks Department had a one-time grant last year to construct an RV park at Hualapai Mountain Park. Other revenues decreased due to reduced interest income, a result of historically low interest rates and recording an unrealized investment loss. Transfers decreased because of contributions to the construction fund for the Public Works Administration Building in the prior year.

**Business-type Activities  
Comparative Statement of Activities  
Year Ended June 30,**

|   | <u>2012</u>         | <u>2013</u>         | <u>Increase<br/>(Decrease)</u> | <u>%<br/>Change</u> |
|---|---------------------|---------------------|--------------------------------|---------------------|
| <b>Revenues:</b>                          |                     |                     |                                |                     |
| Program revenues                          |                     |                     |                                |                     |
| Charges for services                      | \$ 4,102,772        | \$ 4,342,171        | \$ 239,399                     | 5.85%               |
| Operating grants and contributions        | 413,996             | 425,534             | 11,538                         | 2.79%               |
| Capital grants and contributions          | <u>170,000</u>      | <u>22,494</u>       | <u>(147,506)</u>               | <u>-86.77%</u>      |
| Total program revenues                    | <u>4,686,768</u>    | <u>4,790,199</u>    | <u>103,431</u>                 | <u>2.21%</u>        |
| General revenues                          |                     |                     |                                |                     |
| Other taxes                               | 100,000             | 100,000             | -                              | 0.00%               |
| Other revenues                            | <u>167,634</u>      | <u>100,243</u>      | <u>(67,391)</u>                | <u>-40.20%</u>      |
| Total general revenues                    | <u>267,634</u>      | <u>200,243</u>      | <u>(67,391)</u>                | <u>-25.18%</u>      |
| Total revenues                            | <u>4,954,402</u>    | <u>4,990,442</u>    | <u>36,040</u>                  | <u>0.73%</u>        |
| <b>Expenses</b>                           |                     |                     |                                |                     |
| Landfill                                  | 1,035,214           | 1,038,130           | 2,916                          | 0.28%               |
| Recreation                                | 1,609,355           | 1,613,759           | 4,404                          | 0.27%               |
| Water companies                           | <u>2,345,060</u>    | <u>2,347,827</u>    | <u>2,767</u>                   | <u>0.12%</u>        |
| Total expenses                            | <u>4,989,629</u>    | <u>4,999,716</u>    | <u>10,087</u>                  | <u>0.20%</u>        |
| Increase in net position before transfers | (35,227)            | (9,274)             | 25,953                         | -73.67%             |
| Transfers                                 | <u>(2,713,413)</u>  | <u>-</u>            | <u>2,713,413</u>               | <u>100.00%</u>      |
| Increase in net position after transfers  | <u>(2,748,640)</u>  | <u>(9,274)</u>      | <u>2,739,366</u>               | <u>-99.66%</u>      |
| Net position beginning of year            | <u>28,090,201</u>   | <u>25,341,561</u>   | <u>(2,748,640)</u>             | <u>-9.79%</u>       |
| Net position end of year                  | <u>\$25,341,561</u> | <u>\$25,332,287</u> | <u>\$ (9,274)</u>              | <u>-0.04%</u>       |

The graph below represents the expenses and program revenues for business-type activities as reported in the Statement of Activities. Please note that program revenue does not include the general revenues on the bottom portion of the statement.

## Expenses and program revenues—business-type activities



## Financial Analysis of the Government's Funds

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

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

### Comparative Balance Sheet Governmental Funds As of June 30,

|                            | General Fund          | Road Fund         | Flood Control Fund    | Admin Building Debt Service Fund | Jail Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------------|-----------------------|-------------------|-----------------------|----------------------------------|------------------------|--------------------------|--------------------------|
| <b>2012, as restated</b>   |                       |                   |                       |                                  |                        |                          |                          |
| Assets                     | \$28,144,489          | \$14,564,629      | \$ 22,730,993         | \$ 6,845,984                     | \$ 3,534,496           | \$ 41,636,412            | \$117,457,003            |
| Liabilities                | 6,303,179             | 1,370,063         | 4,501,408             | 918,403                          | -                      | 4,314,389                | 17,407,442               |
| Fund balance               | <u>21,841,310</u>     | <u>13,194,566</u> | <u>18,229,585</u>     | <u>5,927,581</u>                 | <u>3,534,496</u>       | <u>37,322,023</u>        | <u>100,049,561</u>       |
| <b>2013</b>                |                       |                   |                       |                                  |                        |                          |                          |
| Assets                     | 18,936,570            | 14,341,658        | 10,598,244            | 10,839,479                       | 16,105,787             | 30,333,652               | 101,155,390              |
| Liabilities                | 5,864,732             | 384,909           | 1,956,032             | 916,278                          | -                      | 3,611,670                | 12,733,621               |
| Fund balance               | <u>13,071,838</u>     | <u>13,956,749</u> | <u>8,642,212</u>      | <u>9,923,201</u>                 | <u>16,105,787</u>      | <u>26,721,982</u>        | <u>88,421,769</u>        |
| <b>Increase (decrease)</b> |                       |                   |                       |                                  |                        |                          |                          |
| Assets                     | (9,207,919)           | (222,971)         | (12,132,749)          | 3,993,495                        | 12,571,291             | (12,132,749)             | (16,301,613)             |
| Liabilities                | (438,447)             | (985,154)         | (2,545,376)           | (2,125)                          | -                      | (702,719)                | (4,673,821)              |
| Fund balance               | <u>\$ (8,769,472)</u> | <u>\$ 762,183</u> | <u>\$ (9,587,373)</u> | <u>\$ 3,995,620</u>              | <u>\$12,571,291</u>    | <u>\$ (10,600,041)</u>   | <u>\$ (11,627,792)</u>   |
| <b>% change</b>            |                       |                   |                       |                                  |                        |                          |                          |
| Assets                     | -32.72%               | -1.53%            | -53.38%               | 58.33%                           | 355.67%                | -27.15%                  | -13.88%                  |
| Liabilities                | -6.96%                | -71.91%           | -56.55%               | 0.01%                            | 0.00%                  | -16.29%                  | -26.85%                  |
| Fund balance               | -40.15%               | 5.78%             | -52.59%               | 25.09%                           | 355.67%                | -28.40%                  | -11.62%                  |

As of the end of the current fiscal year, Mohave County's governmental funds reported a combined ending fund balance of \$88.4 million, a decrease of \$11.6 million from the prior year. Fund balances for the Road Fund, Flood Control Fund, Admin Building Debt Service Fund, Jail Debt Service Fund, and the Other Governmental Funds are nonspendable, restricted, or committed and can be used only for specific purposes.

The General Fund is the chief operating fund of Mohave County. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$10.5 million and the fund balance committed by the Board of Supervisors for future projects was \$2.5 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The General Fund unassigned fund balance equals 15% of total General Fund expenditures.

The Board of Supervisors approved a transfer of \$12 million from the General Fund and \$11.2 million from Other Governmental Funds to the Admin Building Debt Service and Jail Debt Service Funds' resources. The transferred funds will be used to pay off the Admin building BICs by July 1, 2014, and the Jail BICs by April 1, 2018.

As a result of the funds transferred to the Admin Building and Jail Debt Service Funds, the General Fund's fund balance decreased by \$8.8 million. Revenues increased by \$.4 million (0.6%), mostly from additional state and federal grants. Expenditures decreased \$8.5 thousand and 15.6% of the total original budget was not used. The County did not provide employees with any cost of living or step increases during the year.

**Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30,**

|                                | <u>General<br/>Fund</u> | <u>Road<br/>Fund</u> | <u>Flood<br/>Control Fund</u> | <u>Admin<br/>Building<br/>Debt Service<br/>Fund</u> | <u>Jail Debt<br/>Service<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------|-------------------------|----------------------|-------------------------------|---|---------------------------------------|---|---|
| <b>2012</b>                    |                         |                      |                               |   |                                       |   |   |
| Revenues                       | \$ 73,607,098           | \$12,778,109         | \$ 9,136,964                  | \$ 48,707   | \$ 14,227                             | \$ 37,471,289                           | \$133,056,394                           |
| Expenditures                   | 69,994,748              | 15,162,015           | 8,178,826                     | 1,840,306   | 4,871,687                             | 37,141,470                              | 137,189,052                             |
| Other financing sources (uses) | <u>(1,633,501)</u>      | <u>(36,984)</u>      | <u>(2,081,184)</u>            | <u>(3,576,960)</u>                                  | <u>6,511,629</u>                      | <u>4,406,038</u>                        | <u>3,589,038</u>                        |
| Net change in fund balance     | <u>1,978,849</u>        | <u>(2,420,890)</u>   | <u>(1,123,046)</u>            | <u>(5,368,559)</u>                                  | <u>1,654,169</u>                      | <u>4,735,857</u>                        | <u>(543,620)</u>                        |
| <b>2013</b>                    |                         |                      |                               |   |                                       |   |   |
| Revenues                       | 74,048,454              | 13,249,798           | 8,052,706                     | 30,973  | 29,885                                | 35,775,211                              | 131,187,027                             |
| Expenditures                   | 69,986,217              | 12,677,127           | 16,399,396                    | 1,836,806   | 4,873,750                             | 36,558,100                              | 142,331,396                             |
| Other financing sources (uses) | <u>(12,831,709)</u>     | <u>242,933</u>       | <u>(1,240,683)</u>            | <u>5,801,453</u>                                    | <u>17,415,156</u>                     | <u>(9,817,152)</u>                      | <u>(430,002)</u>                        |
| Net change in fund balance     | <u>(8,769,472)</u>      | <u>815,604</u>       | <u>(9,587,373)</u>            | <u>3,995,620</u>                                    | <u>12,571,291</u>                     | <u>(10,600,041)</u>                     | <u>(11,574,371)</u>                     |
| <b>Increase (decrease)</b>     |                         |                      |                               |   |                                       |   |   |
| Revenues                       | 441,356                 | 471,689              | (1,084,258)                   | (17,734)  | 15,658                                | (1,696,078)                             | (1,869,367)                             |
| Expenditures                   | (8,531)                 | (2,484,888)          | 8,220,570                     | (3,500)   | 2,063                                 | (583,370)                               | 5,142,344                               |
| Other financing sources (uses) | <u>(11,198,208)</u>     | <u>279,917</u>       | <u>840,501</u>                | <u>9,378,413</u>                                    | <u>10,903,527</u>                     | <u>(14,223,190)</u>                     | <u>(4,019,040)</u>                      |
| Net change in fund balance     | <u>\$(10,748,321)</u>   | <u>\$ 3,236,494</u>  | <u>\$(8,464,327)</u>          | <u>\$9,364,179</u>                                  | <u>\$10,917,122</u>                   | <u>\$(15,335,898)</u>                   | <u>\$(11,030,751)</u>                   |
| <b>% change</b>                |                         |                      |                               |   |                                       |   |   |
| Revenues                       | 0.60%                   | 3.69%                | -11.87%                       | -36.41%   | 110.06%                               | -4.53%                                  | -1.40%                                  |
| Expenditures                   | -0.01%                  | -16.39%              | 100.51%                       | -0.19%  | 0.04%                                 | -1.57%                                  | 3.75%                                   |
| Other financing sources (uses) | 685.53%                 | -756.86%             | -40.39%                       | -262.19%  | 167.45%                               | -322.81%                                | -111.98%                                |
| Net change in fund balance     | -543.16%                | -133.69%             | 753.69%                       | -174.43%  | 659.98%                               | -323.83%                                | 2029.13%                                |

The Road Fund had a total fund balance of \$14 million, of which \$236,338 is for inventories and \$13.7 million is restricted and will be used for road maintenance and other approved projects for highway user funds. The current year road revenues plus transfers-in exceeded the current year road projects expense by \$0.8 million, which is reflected by a corresponding increase in the fund balance.

The Flood Control Fund had a total fund balance of \$8.6 million, which was a decrease of \$9.6 million. Expenses increased \$8.2 million over the prior year due to design and construction on the Mockingbird wash and Tierra Del Rio Wash and increased contributions to the city governments for flood control projects. Revenue was down \$1.1 million due to lower assessed values, resulting in decreased tax revenue. Funds are restricted for ongoing County flood control projects.

The Admin Building Debt Service Fund balance was \$9.9 million at year-end. The fund balance represents transfers in from the County capital improvement—sales tax fund and the General Fund for future debt service payments. In addition, \$5 million of the fund balance (resulting from prior years' transfers in) was re-allocated and moved to the Jail Debt Service Fund. The remaining funds are available for future debt payments.

The Jail Debt Service fund balance was \$16.1 million. This was an increase of \$12.6 million due to transfers in from other governmental funds for future debt service payments. The sole purpose of that fund is to collect resources for the repayment of the Jail Beneficial Interest Certificates.

The Other Governmental Funds had a combined fund balance of \$26.7 million at year-end. This was a net decrease of \$10.6 million from the prior year. The 2013 decrease primarily reflects the transfer out of \$11.2 million to the Jail and Admin Building Debt Service Funds. The prior year a capital projects fund was created for the construction of a public works building, and funds totaling \$4.2 million were transferred in from various major funds, which caused the large change in other financing sources (uses).

### ***Proprietary funds***

Reports for Mohave County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. In response to the economic downturn, County departments cut expenses wherever possible. Even with these measures, some funds reflected in the statements show decreases to net position.

**Statement of Net Position—Business-type Activities**—Net position for the enterprise funds, in total, decreased \$9 thousand. At the end of the year, the unrestricted net position of the water companies and Other Enterprise Funds, which includes park services, was \$4.3 million. After recording depreciation expense, the Golden Valley Improvement District Fund and the Other Enterprise Funds reflected net losses before contributions, losses, and transfers, these losses were offset by a net increase in the Landfill Fund.

**Statement of Net Position—Governmental Activities-Internal Service Funds**—Net position for the internal service funds increased by \$234 thousand over the prior year, as restated. The largest portion of the net position for the Internal Service funds is the unrestricted net position. Most of these funds carry a sizable reserve for a combination of future fixed asset purchases or as a hedge against unexpected or planned future expenses. The Employee Benefit Trust fund (EBT) carries a reserve suggested by the actuary. The Vehicle Replacement fund was designed to collect funds for future vehicle purchases, from departments that currently have vehicles, to replace the current fleet. The balance in this fund represents approximately 6 years of vehicle purchases, by design. These two funds represent 73% of the unrestricted fund balance of the eight internal service funds. The small increase in net position reflects offsetting increases in assets and liabilities. The cash reserves have increased by \$659 thousand and other current assets have decreased \$170 thousand. The liabilities have also increased by \$107 thousand to offset the asset increase.

**Statement of Revenues, Expenses, and Changes in Fund Net Position-Business-type Activities**—The only difference between this statement and the Statement of Activities-Business type, discussed previously, is the presentation. The expenses are broken out in more detail on this statement, and the revenues are shown as either operating or non-operating.

## **Statement of Revenues, Expenses, and Changes in Fund Net Position-Governmental Activities**

**Internal Service Funds**—The income (loss) before transfers decreased by \$1.4 million from the prior year. Net revenues before transfers decreased by \$1.4 million (7%) and expenses increased by approximately \$1.1 million or 6% in total for all the internal service funds. The majority of the increase in expenses came from an increase in insurance claims of \$1 million in the Employee Benefit Trust fund. There are minor increases and decreases in all the internal service funds revenue; however, the largest decrease of \$241 thousand is also in the EBT fund. This was primarily due to a reduction in the allocation of costs determined in the budget process. The increase in net position of \$234 thousand is attributed to all the changes discussed above, as well as a decrease in net transfers in the Self Insurance fund of \$304 thousand. Transfers in from the departments were decreased in the budgeting process and there was a transfer out in the current year to cover claims incurred in nonmajor governmental funds.

## General Fund Budgetary Highlights

**Revenues:** The General Fund revenue was below the total amount budgeted by \$1.46 million (1.9%). Actual revenues increased by \$441 thousand over the prior year's actuals, but remained lower than budgeted.

**Expenditures:** Differences between the original budget and the final amended budget line items resulted from moving expenditures between departments. The total budgeted expenditures between the original and final budgets for 2013 decreased by \$287,643. Budgeted expenditures decreased \$926 thousand from 2012. Total actual expenditures were below budgeted expenditures by \$13 million, \$9.7 million of that amount (74%) was remaining budgeted contingency funds.

Variances between actual revenues, expenditures, and final budgeted amounts will be discussed below for all significant differences, as related to the schedule in required supplementary information on pages 40-41.

**Revenues:** Revenue budgets were increased by 1.2% for 2013, and actual revenue fell short of the increased budget by 1.9%. Even though the budget for property tax was reduced by 4% from the prior year (due to decreased assessed values), property tax revenue collected was 2.5% short of the decreased budget. This was due to slow collections and court approved tax adjustments. Intergovernmental revenue, a major revenue source, was below budget by \$920 thousand. The primary cause was shortfalls in federal and auto lieu tax revenues. Charges for services revenue exceeded the budgeted amount by \$408 thousand. This excess is mostly due to the aggressive billing of inmate charges at the jail for temporary housing of prison inmates.

**Expenditures:** Actual expenditures were less than budgeted expenditures by \$13 million. For the prior year, the difference was \$13.9 million. The budgeted amounts decreased \$926 thousand for 2013, and actual expenditures decreased over the prior year by \$9 thousand. Of the County contingency budget of \$11 million, \$951 thousand was transferred to other general fund departments, \$398 thousand was transferred to nongeneral fund departments, and \$9.7 million of the budget remained. This accounted for most of the remaining budget that was used for debt purposes. The balance of available budget is scattered throughout the other departments. Most departments were able to maintain expenses at the prior year level or reduce them. The Sheriff continued to patrol the strip area at the request of the State, which was funded by a state-run federal grant. No merit raises or cost-of-living increases have been given to employees since fiscal year 2009, when a 2.5% step increase was given. This continues to keep the expenditures down.

**Other financing sources (uses):** Transfers out to other funds increased \$11 million over the prior year. Nearly \$10 million of that amount was transferred to the Jail Debt Service Fund to partially defease the 2008 BICs in the next fiscal year. The other \$1.4 million was increased transfers to the Admin Building Debt Service Fund and the Other Governmental Funds for capital projects. The transfer to the Admin Building Debt Service Fund was to fully defease that debt next fiscal year, see Note 16 for additional disclosure.

## Capital Assets and Debt Administration

**Capital assets**—Mohave County's investment in capital assets for its governmental and business-type activities as of June 30, 2013, is \$268.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water systems, improvements other than buildings, machinery and equipment, park facilities, roads, highways, bridges, and an internally generated software program. The increase in capital assets of \$7.1 million (net of depreciation) resulted from the following major projects and purchases: completion of the Public Works Administration Building, several flood control projects, donated roads accepted into the County maintenance program, and the purchase of additional fleet vehicles and road equipment.

### Capital Assets, net of accumulated depreciation As of June 30,

|  | 2012<br>(As restated) | 2013                 | Increase<br>(Decrease) | %<br>Change   |
|--|-----------------------|----------------------|------------------------|---------------|
| <b>Governmental activities</b>                         |                       |                      |                        |               |
| Capital assets, not being depreciated                  | \$ 38,000,267         | \$ 38,101,354        | \$ 101,087             | 0.27%         |
| Capital assets, being depreciated                      | <u>208,499,537</u>    | <u>216,032,033</u>   | <u>7,532,496</u>       | <u>3.61%</u>  |
| Total governmental capital assets                      | <u>246,499,804</u>    | <u>254,133,387</u>   | <u>7,633,583</u>       | <u>3.10%</u>  |
| <b>Business-type activities</b>                        |                       |                      |                        |               |
| Capital assets, not being depreciated                  | 1,687,754             | 1,737,634            | 49,880                 | 2.96%         |
| Capital assets, being depreciated                      | <u>12,918,791</u>     | <u>12,314,408</u>    | <u>(604,383)</u>       | <u>-4.68%</u> |
| Total business-type capital assets                     | <u>14,606,545</u>     | <u>14,052,042</u>    | <u>(554,503)</u>       | <u>-3.80%</u> |
| <b>Total governmental and business-type activities</b> |                       |                      |                        |               |
| Capital assets, not being depreciated                  | 39,688,021            | 39,838,988           | 150,967                | 0.38%         |
| Capital assets, being depreciated                      | <u>221,418,328</u>    | <u>228,346,441</u>   | <u>6,928,113</u>       | <u>3.13%</u>  |
| Total capital assets                                   | <u>\$261,106,349</u>  | <u>\$268,185,429</u> | <u>\$7,079,080</u>     | <u>2.71%</u>  |

Major capital asset events during the current fiscal year include the following:

- The Public Works Administration Building was completed at a total cost of \$6.3 million.
- The County replaced 35 aging vehicles from the fleet at a total cost of \$1 million. Various sources funded these purchases—17 from the Vehicle Replacement Fund, 10 from Road Fund, 7 from Other Governmental Funds and 1 from Other Enterprise Funds.
- Infrastructure projects completed, including the Terra Del Rio project, were capitalized for a total of \$2.6 million.
- Approximately \$5.2 million was added to the Mockingbird wash project for a total of \$8.6 million spent to date, with additional costs of \$2.8 million.
- The BHC Library remodel was completed and capitalized at a total cost of \$5 million.

Notes 6 and 7, on pages 23-25 of this report, contain additional information on Mohave County's capital assets.

**Long-term liabilities**—At the end of the current fiscal year, Mohave County had total long-term liabilities outstanding of \$54.5 million. Of this amount, \$39.1 million is related to completed construction projects backed as follows: \$25.9 million of funds set aside for early repayment of debt and \$13.2 million backed

by buildings of the government used as collateral for Beneficial Interest Certificates issued. The remainder of Mohave County's long-term liabilities is comprised of claims and judgments payable, landfill closure and postclosure care costs payable, and compensated absences payable incurred during normal operations.

State statutes limit the amount of general obligation debt a government entity may issue to 6% of its total secondary assessed valuation, without taxpayer approval, and up to 15% with the approval of a majority of taxpayers. The debt limitation for Mohave County for fiscal year 2013 was \$109.8 million (6% of \$1.83 billion secondary assessed value). Mohave County does not have any outstanding general obligation debt and, therefore, has its full debt limit capacity available for future needs.

Note 9, on pages 25-29 of this report, contains additional information on Mohave County's long-term debt.

## Economic Factors and Next Year's Budgets and Rates

Population growth has leveled off, but there are still significant service demands for the existing population. The revenue trend for governments was stagnant for 2013 and is just beginning to come back, slowly, in 2014. This trend is predicted to continue for the next year. A full recovery is not expected until 2015 or 2016. All of these factors were considered in preparing Mohave County's budget for the 2014 fiscal year. In an effort to keep expenses down and avoid layoffs, the County will continue to reduce operating costs through attrition and increased efficiency.

The average unemployment rate for Mohave County was 9.7% for 2013, no change from the prior year. The unemployment rate in Mohave County exceeded the State's average unemployment rate of 8% and compares unfavorably to the national average rate 7.4%. In August 2013, Mohave County's rate was at 10.2% while the State's was 8.3% and the federal rate was 7.2%.

## Requests for Information

This financial report is designed to provide a general overview of Mohave County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mohave County Finance  
PO Box 7000  
Kingman, AZ 86402-7000

## Basic Financial Statements

Mohave County  
Statement of Net Position  
June 30, 2013

|   | Primary Government         |                             |                       |
|---|----------------------------|-----------------------------|-----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |
| <b>Assets</b>                                       |                            |                             |                       |
| Current Assets                                      |                            |                             |                       |
| Cash and investments                                | \$ 79,778,955              | \$ 15,835,591               | \$ 95,614,546         |
| Receivables (net of allowances for uncollectibles): |                            |                             |                       |
| Property taxes                                      | 6,257,876                  | 346                         | 6,258,222             |
| Accounts  | 1,206,615                  | 213,456                     | 1,420,071             |
| Accrued interest                                    | 55,973                     | 10,015                      | 65,988                |
| Due from other governments                          | 5,435,356                  | 133,457                     | 5,568,813             |
| Inventories   | 295,549                    | 406,604                     | 702,153               |
| Prepaid items                                       | 585,386                    | 205                         | 585,591               |
| Noncurrent Assets                                   |                            |                             |                       |
| Cash and investments held by trustee                | 27,552,272                 | -                           | 27,552,272            |
| Restricted cash                                     | -                          | 1,053,595                   | 1,053,595             |
| Internal balances                                   | (736,262)                  | 736,262                     | -                     |
| Restricted assets- HUD properties                   | 1,138,630                  | -                           | 1,138,630             |
| Capital assets, not being depreciated               | 38,101,354                 | 1,737,634                   | 39,838,988            |
| Capital assets, being depreciated, net              | <u>216,032,033</u>         | <u>12,314,408</u>           | <u>228,346,441</u>    |
| Total assets  | <u>375,703,737</u>         | <u>32,441,573</u>           | <u>408,145,310</u>    |
| <b>Liabilities</b>                                  |                            |                             |                       |
| Current Liabilities                                 |                            |                             |                       |
| Accounts payable                                    | 2,480,435                  | 145,691                     | 2,626,126             |
| Accrued payroll and employee benefits               | 2,685,106                  | 52,564                      | 2,737,670             |
| Accrued interest                                    | 251,278                    | -                           | 251,278               |
| Due to other governments                            | 120,538                    | 5,472                       | 126,010               |
| Deposits held for others                            | 253,300                    | 100,016                     | 353,316               |
| Deferred revenue                                    | 540,883                    | 14,068                      | 554,951               |
| Noncurrent liabilities                              |                            |                             |                       |
| Current portion of long-term obligations            | 12,584,775                 | 115,149                     | 12,699,924            |
| Noncurrent portion of long-term obligations         | <u>35,153,168</u>          | <u>6,676,326</u>            | <u>41,829,494</u>     |
| Total liabilities                                   | <u>54,069,483</u>          | <u>7,109,286</u>            | <u>61,178,769</u>     |
| <b>Net Position</b>                                 |                            |                             |                       |
| Net investment in capital assets                    | 215,693,387                | 14,052,042                  | 229,745,429           |
| Restricted for:                                     |                            |                             |                       |
| Public safety                                       | 11,608,450                 | -                           | 11,608,450            |
| Highways and streets                                | 13,721,071                 | -                           | 13,721,071            |
| Health  | 843,442                    | -                           | 843,442               |
| Welfare   | 1,029,880                  | -                           | 1,029,880             |
| Sanitation  | -                          | 5,985,701                   | 5,985,701             |
| Culture and recreation                              | 8,798,588                  | -                           | 8,798,588             |
| Education   | 254,875                    | -                           | 254,875               |
| Debt service  | 26,028,988                 | -                           | 26,028,988            |
| Capital projects                                    | 4,854,322                  | 1,053,595                   | 5,907,917             |
| Other purposes                                      | 2,019,565                  | -                           | 2,019,565             |
| Unrestricted  | <u>36,781,686</u>          | <u>4,240,949</u>            | <u>41,022,635</u>     |
| Total net position                                  | <u>\$ 321,634,254</u>      | <u>\$ 25,332,287</u>        | <u>\$ 346,966,541</u> |

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

Mohave County  
Statement of Activities  
Year Ended June 30, 2013

| Functions/Programs                            | Program Revenues      |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                       |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
|   | Expenses              | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |                       |
|   |                       |                      |                                    |                                  | Governmental Activities                           | Business-type Activities | Total                 |
| Primary government:                           |                       |                      |                                    |                                  |   |                          |                       |
| Governmental activities:                      |                       |                      |                                    |                                  |   |                          |                       |
| General government                            | \$ 60,978,902         | \$ 11,451,857        | \$ 1,401,746                       | \$ 4,728                         | \$ (48,120,571)                                   | \$ -                     | \$ (48,120,571)       |
| Public safety                                 | 35,772,456            | 3,372,966            | 4,753,754                          | -                                | (27,645,736)                                      | -                        | (27,645,736)          |
| Highways and streets                          | 6,966,664             | 420,267              | 12,625,845                         | -                                | 6,079,448   | -                        | 6,079,448             |
| Health  | 14,166,165            | 1,629,304            | 3,145,958                          | -                                | (9,390,903)                                       | -                        | (9,390,903)           |
| Welfare                                       | 4,509,744             | 634,459              | 4,030,685                          | -                                | 155,400   | -                        | 155,400               |
| Sanitation                                    | 16,973                | 57,055               | -                                  | -                                | 40,082  | -                        | 40,082                |
| Culture and recreation                        | 4,412,992             | 177,983              | 36,201                             | -                                | (4,198,808)                                       | -                        | (4,198,808)           |
| Education                                     | 2,109,263             | 92,134               | 1,895,646                          | -                                | (121,483)   | -                        | (121,483)             |
| Interest on long-term debt                    | <u>1,805,556</u>      | <u>-</u>             | <u>-</u>                           | <u>-</u>                         | <u>(1,805,556)</u>                                | <u>-</u>                 | <u>(1,805,556)</u>    |
| Total governmental activities                 | <u>130,738,715</u>    | <u>17,836,025</u>    | <u>27,889,835</u>                  | <u>4,728</u>                     | <u>(85,008,127)</u>                               | <u>-</u>                 | <u>(85,008,127)</u>   |
| Business-type activities:                     |                       |                      |                                    |                                  |   |                          |                       |
| Landfill                                      | 1,038,130             | 1,003,705            | 425,534                            | -                                | -   | 391,109                  | 391,109               |
| Recreation                                    | 1,613,759             | 1,510,548            | -                                  | 22,494                           | -   | (80,717)                 | (80,717)              |
| Water companies                               | <u>2,347,827</u>      | <u>1,827,918</u>     | <u>-</u>                           | <u>-</u>                         | <u>-</u>  | <u>(519,909)</u>         | <u>(519,909)</u>      |
| Total business-type activities                | <u>4,999,716</u>      | <u>4,342,171</u>     | <u>425,534</u>                     | <u>22,494</u>                    | <u>-</u>  | <u>(209,517)</u>         | <u>(209,517)</u>      |
| Total primary government                      | <u>\$ 135,738,431</u> | <u>\$ 22,178,196</u> | <u>\$ 28,315,369</u>               | <u>\$ 27,222</u>                 | <u>(85,008,127)</u>                               | <u>(209,517)</u>         | <u>(85,217,644)</u>   |
| General revenues:                             |                       |                      |                                    |                                  |   |                          |                       |
| Taxes:  |                       |                      |                                    |                                  |   |                          |                       |
| Property taxes, levied for general purposes   |                       |                      |                                    |                                  | 43,793,094  | -                        | 43,793,094            |
| Property taxes, levied for flood control      |                       |                      |                                    |                                  | 7,982,995   | -                        | 7,982,995             |
| Share of state sales taxes                    |                       |                      |                                    |                                  | 18,655,593  | -                        | 18,655,593            |
| Special county sales tax for capital projects |                       |                      |                                    |                                  | 5,747,761   | -                        | 5,747,761             |
| Auto-lieu tax                                 |                       |                      |                                    |                                  | 5,764,115   | -                        | 5,764,115             |
| Federal in-lieu tax                           |                       |                      |                                    |                                  | 3,240,983   | 100,000                  | 3,340,983             |
| Local in-lieu tax                             |                       |                      |                                    |                                  | 19,200  | -                        | 19,200                |
| Utilities franchise tax                       |                       |                      |                                    |                                  | 419,238   | -                        | 419,238               |
| County equalization revenue                   |                       |                      |                                    |                                  | 103,471   | -                        | 103,471               |
| Investment earnings                           |                       |                      |                                    |                                  | 393,993   | 75,515                   | 469,508               |
| Miscellaneous                                 |                       |                      |                                    |                                  | 328,828   | 28,203                   | 357,031               |
| Rent  |                       |                      |                                    |                                  | 291,053   | 2,000                    | 293,053               |
| Gain or Loss on Sale/Trade of Capital Assets  |                       |                      |                                    |                                  | <u>(39,467)</u>                                   | <u>(5,475)</u>           | <u>(44,942)</u>       |
| Total general revenues                        |                       |                      |                                    |                                  | <u>86,700,857</u>                                 | <u>200,243</u>           | <u>86,901,100</u>     |
| Change in net position                        |                       |                      |                                    |                                  | 1,692,730   | (9,274)                  | 1,683,456             |
| Net position, July 1, 2012, as restated       |                       |                      |                                    |                                  | <u>319,941,524</u>                                | <u>25,341,561</u>        | <u>345,283,085</u>    |
| Net position, June 30, 2013                   |                       |                      |                                    |                                  | <u>\$ 321,634,254</u>                             | <u>\$ 25,332,287</u>     | <u>\$ 346,966,541</u> |

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

Mohave County  
Balance Sheet  
Governmental Funds  
June 30, 2013

| <b>Assets</b>                                       | <b>General<br/>Fund</b> | <b>Road<br/>Fund</b> | <b>Flood<br/>Control<br/>Fund</b> | <b>Admin Building<br/>Debt Service<br/>Fund</b> | <b>Jail<br/>Debt Service<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|----------------------|-----------------------------------|---|---------------------------------------|---|---|
| Cash and investments                                | \$ 12,284,339           | \$ 12,978,824        | \$ 9,363,392                      | \$ 28,356                                       | \$ 1,003,854                          | \$ 25,149,213                           | \$ 60,807,978                           |
| Receivables (net of allowances for uncollectibles): |                         |                      |                                   |   |                                       |   |   |
| Property taxes                                      | 3,984,326               | -                    | 1,228,730                         | -   | -                                     | 1,044,820                               | 6,257,876                               |
| Accounts  | 635,303                 | 8,633                | 150                               | -   | -                                     | 256,132                                 | 900,218                                 |
| Accrued interest                                    | 8,947                   | 8,025                | 5,873                             | 1   | 6,336                                 | 15,760                                  | 44,942                                  |
| Due from:   |                         |                      |                                   |   |                                       |   |   |
| Other funds   | 137,795                 | 903                  | -                                 | -   | -                                     | 90,468                                  | 229,166                                 |
| Other governments                                   | 1,840,798               | 1,108,935            | -                                 | -   | -                                     | 2,481,924                               | 5,431,657                               |
| Inventories   | -                       | 235,678              | -                                 | -   | -                                     | -                                       | 235,678                                 |
| Prepaid items                                       | 45,062                  | 660                  | 99                                | -   | -                                     | 239,701                                 | 285,522                                 |
| Cash and investments held by trustee                | -                       | -                    | -                                 | 10,811,122                                      | 15,095,597                            | 1,055,634                               | 26,962,353                              |
| Total assets  | <u>\$ 18,936,570</u>    | <u>\$ 14,341,658</u> | <u>\$ 10,598,244</u>              | <u>\$ 10,839,479</u>                            | <u>\$ 16,105,787</u>                  | <u>\$ 30,333,652</u>                    | <u>\$ 101,155,390</u>                   |
| <b>Liabilities and Fund Balances</b>                |                         |                      |                                   |   |                                       |   |   |
| <b>Liabilities</b>                                  |                         |                      |                                   |   |                                       |   |   |
| Accounts payable                                    | \$ 603,962              | \$ 138,121           | \$ 867,439                        | \$ -  | \$ -                                  | \$ 466,452                              | \$ 2,075,974                            |
| Accrued payroll and employee benefits               | 1,719,848               | 246,761              | 41,066                            | -   | -                                     | 577,473                                 | 2,585,148                               |
| Due to:   |                         |                      |                                   |   |                                       |   |   |
| Other funds   | 21,509                  | -                    | 770                               | -   | -                                     | 204,359                                 | 226,638                                 |
| Other governments                                   | 20,031                  | 27                   | 117                               | -   | -                                     | 100,363                                 | 120,538                                 |
| Deposits held for others                            | 158,436                 | -                    | -                                 | -   | -                                     | 94,390                                  | 252,826                                 |
| Advances payable - Landfill                         | -                       | -                    | -                                 | -   | -                                     | 734,851                                 | 734,851                                 |
| Beneficial interest certificates:                   |                         |                      |                                   |   |                                       |   |   |
| Principal payable                                   | -                       | -                    | -                                 | 665,000   | -                                     | -                                       | 665,000                                 |
| Interest payable                                    | -                       | -                    | -                                 | 251,278   | -                                     | -                                       | 251,278                                 |
| Unrealized revenue                                  | 3,340,946               | -                    | 1,046,640                         | -   | -                                     | 1,433,782                               | 5,821,368                               |
| Total liabilities                                   | <u>5,864,732</u>        | <u>384,909</u>       | <u>1,956,032</u>                  | <u>916,278</u>                                  | <u>-</u>                              | <u>3,611,670</u>                        | <u>12,733,621</u>                       |
| <b>Fund balances</b>                                |                         |                      |                                   |   |                                       |   |   |
| Nonspendable  | 45,062                  | 236,338              | 99                                | -   | -                                     | 239,701                                 | 521,200                                 |
| Restricted  | -                       | 13,720,411           | 8,642,113                         | 9,894,844                                       | 15,095,597                            | 23,520,922                              | 70,873,887                              |
| Committed   | 2,523,786               | -                    | -                                 | 28,357  | 1,010,190                             | 2,961,359                               | 6,523,692                               |
| Unassigned  | 10,502,990              | -                    | -                                 | -   | -                                     | -                                       | 10,502,990                              |
| Total fund balances                                 | <u>13,071,838</u>       | <u>13,956,749</u>    | <u>8,642,212</u>                  | <u>9,923,201</u>                                | <u>16,105,787</u>                     | <u>26,721,982</u>                       | <u>88,421,769</u>                       |
| Total liabilities and fund balances                 | <u>\$ 18,936,570</u>    | <u>\$ 14,341,658</u> | <u>\$ 10,598,244</u>              | <u>\$ 10,839,479</u>                            | <u>\$ 16,105,787</u>                  | <u>\$ 30,333,652</u>                    | <u>\$ 101,155,390</u>                   |

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

Mohave County  
 Reconciliation of the Balance Sheet to the Statement of Net Position  
 Governmental Funds  
 June 30, 2013

|  |                    |                       |
|--|--------------------|-----------------------|
| Fund balances—total governmental funds   |                    | \$ 88,421,769         |
| Amounts reported for governmental activities in the Statement of Net Position are different because:   |                    |                       |
| Capital assets and restricted assets—Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.   |                    | 251,745,134           |
| Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.   |                    |                       |
| Property taxes receivable  |                    | 5,280,485             |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, automotive maintenance and operation, and telecommunications to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. |                    | 21,416,981            |
| Some liabilities, including beneficial interest certificates payable, are not due and payable in the current period and, therefore, are not reported in the funds.   |                    |                       |
| Beneficial interest certificates   | \$ (38,440,000)    |                       |
| Beneficial interest certificates premium-unamortized   | (238,653)          |                       |
| Compensated absences   | <u>(6,551,462)</u> | <u>(45,230,115)</u>   |
| Net position of governmental activities  |                    | <u>\$ 321,634,254</u> |

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

Mohave County  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2013

|  | General<br>Fund      | Road<br>Fund         | Flood<br>Control<br>Fund | Admin Building<br>Debt Service<br>Fund | Jail<br>Debt Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|----------------------|--------------------------|--|------------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>                                     |                      |                      |                          |  |                              |                                |                                |
| Taxes  | \$ 36,526,135        | \$ -                 | \$ 7,982,996             | \$ -                                   | \$ -                         | \$ 13,440,847                  | \$ 57,949,978                  |
| Special assessments                                  | -                    | -                    | -                        | -                                      | -                            | 121,436                        | 121,436                        |
| Licenses and permits                                 | 582,935              | 33,950               | 6,345                    | -                                      | -                            | 705,291                        | 1,328,521                      |
| Intergovernmental                                    | 27,884,561           | 12,625,886           | 41                       | -                                      | -                            | 15,307,383                     | 55,817,871                     |
| Charges for services                                 | 7,007,558            | 385,770              | 960                      | -                                      | -                            | 4,722,217                      | 12,116,505                     |
| Fines and forfeits                                   | 1,778,082            | 547                  | -                        | -                                      | -                            | 828,588                        | 2,607,217                      |
| Investment earnings                                  | 57,875               | 44,223               | 61,602                   | 30,973                                 | 29,885                       | 113,637                        | 338,195                        |
| Rents  | -                    | 86,358               | -                        | -                                      | -                            | 275,695                        | 362,053                        |
| Contributions  | 49,296               | -                    | -                        | -                                      | -                            | 173,797                        | 223,093                        |
| Miscellaneous  | 162,012              | 73,064               | 762                      | -                                      | -                            | 86,320                         | 322,158                        |
| Total revenues                                       | <u>74,048,454</u>    | <u>13,249,798</u>    | <u>8,052,706</u>         | <u>30,973</u>                          | <u>29,885</u>                | <u>35,775,211</u>              | <u>131,187,027</u>             |
| <b>Expenditures:</b>                                 |                      |                      |                          |  |                              |                                |                                |
| Current:   |                      |                      |                          |  |                              |                                |                                |
| General government                                   | 35,772,904           | -                    | -                        | -                                      | -                            | 6,066,673                      | 41,839,577                     |
| Public safety  | 24,288,929           | -                    | 16,399,396               | -                                      | -                            | 6,103,289                      | 46,791,614                     |
| Highways and streets                                 | -                    | 12,677,127           | -                        | -                                      | -                            | -                              | 12,677,127                     |
| Sanitation   | -                    | -                    | -                        | -                                      | -                            | 16,973                         | 16,973                         |
| Health   | 9,500,808            | -                    | -                        | -                                      | -                            | 5,737,826                      | 15,238,634                     |
| Welfare  | -                    | -                    | -                        | -                                      | -                            | 5,019,708                      | 5,019,708                      |
| Culture and recreation                               | -                    | -                    | -                        | -                                      | -                            | 5,415,564                      | 5,415,564                      |
| Education  | 423,576              | -                    | -                        | -                                      | -                            | 2,037,848                      | 2,461,424                      |
| Capital outlay                                       | -                    | -                    | -                        | -                                      | -                            | 6,160,219                      | 6,160,219                      |
| Debt service:  |                      |                      |                          |  |                              |                                |                                |
| Principal retirement                                 | -                    | -                    | -                        | 1,315,000                              | 3,590,000                    | -                              | 4,905,000                      |
| Interest and fiscal charges                          | -                    | -                    | -                        | 521,806                                | 1,283,750                    | -                              | 1,805,556                      |
| Total expenditures                                   | <u>69,986,217</u>    | <u>12,677,127</u>    | <u>16,399,396</u>        | <u>1,836,806</u>                       | <u>4,873,750</u>             | <u>36,558,100</u>              | <u>142,331,396</u>             |
| Excess (deficiency) of<br>revenues over expenditures | <u>4,062,237</u>     | <u>572,671</u>       | <u>(8,346,690)</u>       | <u>(1,805,833)</u>                     | <u>(4,843,865)</u>           | <u>(782,889)</u>               | <u>(11,144,369)</u>            |
| <b>Other financing sources (uses):</b>               |                      |                      |                          |  |                              |                                |                                |
| Transfers in   | 2,442,693            | 242,933              | -                        | 5,801,453                              | 17,415,156                   | 4,255,934                      | 30,158,169                     |
| Transfers out  | <u>(15,274,402)</u>  | <u>-</u>             | <u>(1,240,683)</u>       | <u>-</u>                               | <u>-</u>                     | <u>(14,073,086)</u>            | <u>(30,588,171)</u>            |
| Total other financing sources<br>(uses)              | <u>(12,831,709)</u>  | <u>242,933</u>       | <u>(1,240,683)</u>       | <u>5,801,453</u>                       | <u>17,415,156</u>            | <u>(9,817,152)</u>             | <u>(430,002)</u>               |
| Net change in fund balances                          | (8,769,472)          | 815,604              | (9,587,373)              | 3,995,620                              | 12,571,291                   | (10,600,041)                   | (11,574,371)                   |
| Fund balances, July 1, 2012,<br>as restated          | 21,841,310           | 13,194,566           | 18,229,585               | 5,927,581                              | 3,534,496                    | 37,322,023                     | 100,049,561                    |
| Changes in nonspendable resources:                   |                      |                      |                          |  |                              |                                |                                |
| Decrease in inventories                              | -                    | (53,421)             | -                        | -                                      | -                            | -                              | (53,421)                       |
| Fund balances, June 30, 2013                         | <u>\$ 13,071,838</u> | <u>\$ 13,956,749</u> | <u>\$ 8,642,212</u>      | <u>\$ 9,923,201</u>                    | <u>\$ 16,105,787</u>         | <u>\$ 26,721,982</u>           | <u>\$ 88,421,769</u>           |

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

Mohave County  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances to the Statement of Activities  
 Governmental Funds  
 Year Ended June 30, 2013

Net change in fund balances—total governmental funds \$ (11,574,371)

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       | \$ 19,123,223       |           |
| Depreciation expense | <u>(10,160,744)</u> | 8,962,479 |

In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.

|  |  |           |
|--|--|-----------|
| Net effect of disposal of capital assets |  | (739,655) |
|--|--|-----------|

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net position.

Principal repaid on long-term debt:

|   |               |           |
|---|---------------|-----------|
| Beneficial interest certificates-payments             | 4,905,000     |           |
| Beneficial interest certificates premium-amortization | <u>39,775</u> | 4,944,775 |

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

|                                  |  |         |
|----------------------------------|--|---------|
| Decrease in compensated absences |  | 358,385 |
|----------------------------------|--|---------|

|  |  |           |
|--|--|-----------|
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. |  | (439,365) |
|--|--|-----------|

Some cash outlays, such as the purchase of supply inventories, are recorded as expenditures in the governmental funds when purchased. In the Statement of Activities, however, inventories are reported as expenses when consumed.

|                              |  |          |
|------------------------------|--|----------|
| Decrease in supply inventory |  | (53,421) |
|------------------------------|--|----------|

Internal service funds are used by management to charge the costs of certain activities, such as insurance, automotive maintenance and operation, information technology and telecommunications, to individual funds. The net revenue of certain internal service funds is reported with governmental activities in the Statement of Activities.

|  |  |                |
|--|--|----------------|
|  |  | <u>233,903</u> |
|--|--|----------------|

|   |  |                     |
|---|--|---------------------|
| Change in net position of governmental activities |  | <u>\$ 1,692,730</u> |
|---|--|---------------------|

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

Mohave County  
Statement of Net Position  
Proprietary Funds  
June 30, 2013

|   | <b>Business-Type Activities—Enterprise Funds</b> |                          |                                       |                      | <b>Governmental</b>                               |
|---|--|--------------------------|---------------------------------------|----------------------|---|
|   | <b>Landfill<br/>Fund</b>                         | <b>G.V.I.D.<br/>Fund</b> | <b>Other<br/>Enterprise<br/>Funds</b> | <b>Total</b>         | <b>Activities—<br/>Internal Service<br/>Funds</b> |
| <b>Assets</b>   |  |                          |                                       |                      |   |
| Current assets:   |  |                          |                                       |                      |   |
| Cash and investments  | \$ 11,747,666                                    | \$ 1,307,742             | \$ 2,780,183                          | \$ 15,835,591        | \$ 18,970,977                                     |
| Cash and investments held by trustee                              | -  | -                        | -                                     | -                    | 589,919   |
| Receivables (net of allowances for uncollectibles):               |  |                          |                                       |                      |   |
| Property taxes  | -  | 346                      | -                                     | 346                  | -   |
| Accounts  | 122,648  | 50,305                   | 40,503                                | 213,456              | 306,397   |
| Accrued interest  | 6,986  | 1,128                    | 1,901                                 | 10,015               | 11,031  |
| Due from:   |  |                          |                                       |                      |   |
| Other funds   | 456  | -                        | 7,227                                 | 7,683                | 9,773   |
| Other governments   | 103,381  | -                        | 30,076                                | 133,457              | 3,699   |
| Inventories   | -  | 176,939                  | 229,665                               | 406,604              | 59,871  |
| Prepaid items   | 205  | -                        | -                                     | 205                  | 299,864   |
| Total current assets  | <u>11,981,342</u>                                | <u>1,536,460</u>         | <u>3,089,555</u>                      | <u>16,607,357</u>    | <u>20,251,531</u>                                 |
| Noncurrent assets:  |  |                          |                                       |                      |   |
| Restricted cash   | -  | 553,798                  | 499,797                               | 1,053,595            | -   |
| Advance to other funds  | 734,851  | -                        | -                                     | 734,851              | -   |
| Capital assets, net of accumulated depreciation, where applicable |  |                          |                                       |                      |   |
| Land  | 108,699  | 40,388                   | 1,481,772                             | 1,630,859            | -   |
| Infrastructure, net   | 801,219  | 5,641,108                | 4,116,407                             | 10,558,734           | -   |
| Buildings, net  | -  | 44,811                   | 1,229,519                             | 1,274,330            | -   |
| Equipment, net  | -  | 133,678                  | 347,666                               | 481,344              | 3,526,883   |
| Construction in progress  | 56,895   | -                        | 49,880                                | 106,775              | -   |
| Total noncurrent assets   | <u>1,701,664</u>                                 | <u>6,413,783</u>         | <u>7,725,041</u>                      | <u>15,840,488</u>    | <u>3,526,883</u>                                  |
| Total assets  | <u>13,683,006</u>                                | <u>7,950,243</u>         | <u>10,814,596</u>                     | <u>32,447,845</u>    | <u>23,778,414</u>                                 |
| <b>Liabilities</b>  |  |                          |                                       |                      |   |
| Current liabilities:  |  |                          |                                       |                      |   |
| Accounts payable  | 61,289   | 7,832                    | 76,570                                | 145,691              | 404,461   |
| Accrued payroll and employee benefits                             | 4,866  | 8,950                    | 38,748                                | 52,564               | 99,958  |
| Due to:   |  |                          |                                       |                      |   |
| Other funds   | 46   | 3                        | 6,223                                 | 6,272                | 13,712  |
| Other governments   | -  | 4,831                    | 641                                   | 5,472                | -   |
| Deposits held for others  | -  | 75,016                   | 25,000                                | 100,016              | 474   |
| Deferred revenues   | -  | 14,068                   | -                                     | 14,068               | -   |
| Current portion of:   |  |                          |                                       |                      |   |
| Compensated absences payable                                      | 13,402   | 10,247                   | 91,500                                | 115,149              | 225,781   |
| Claims and judgments payable                                      | -  | -                        | -                                     | -                    | 1,560,602   |
| Total current liabilities   | <u>79,603</u>                                    | <u>120,947</u>           | <u>238,682</u>                        | <u>439,232</u>       | <u>2,304,988</u>                                  |
| Noncurrent liabilities:   |  |                          |                                       |                      |   |
| Landfill closure and postclosure care costs payable               | 6,647,539  | -                        | -                                     | 6,647,539            | -   |
| Compensated absences payable                                      | 3,350  | 2,562                    | 22,875                                | 28,787               | 56,445  |
| Total noncurrent liabilities                                      | <u>6,650,889</u>                                 | <u>2,562</u>             | <u>22,875</u>                         | <u>6,676,326</u>     | <u>56,445</u>                                     |
| Total liabilities   | <u>6,730,492</u>                                 | <u>123,509</u>           | <u>261,557</u>                        | <u>7,115,558</u>     | <u>2,361,433</u>                                  |
| <b>Net Position</b>   |  |                          |                                       |                      |   |
| Net investment in capital assets                                  | 966,813  | 5,859,985                | 7,225,244                             | 14,052,042           | 3,526,883   |
| Restricted for:   |  |                          |                                       |                      |   |
| Capital projects  | -  | 553,798                  | 499,797                               | 1,053,595            | -   |
| Sanitation  | 5,985,701  | -                        | -                                     | 5,985,701            | -   |
| Unrestricted  | -  | 1,412,951                | 2,827,998                             | 4,240,949            | 17,890,098  |
| Total net position  | <u>\$ 6,952,514</u>                              | <u>\$ 7,826,734</u>      | <u>\$ 10,553,039</u>                  | <u>\$ 25,332,287</u> | <u>\$ 21,416,981</u>                              |

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

Mohave County  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2013

|   | <b>Business-Type Activities—Enterprise Funds</b> |                          |                                       |                      | <b>Governmental<br/>Activities—<br/>Internal<br/>Service Funds</b> |
|---|--|--------------------------|---------------------------------------|----------------------|--|
|   | <b>Landfill<br/>Fund</b>                         | <b>G.V.I.D.<br/>Fund</b> | <b>Other<br/>Enterprise<br/>Funds</b> | <b>Total</b>         |  |
| Operating revenues:   |  |                          |                                       |                      |  |
| Charges for services  | \$ 1,003,705                                     | \$ 618,324               | \$ 2,720,142                          | \$ 4,342,171         | \$ 19,905,316  |
| Miscellaneous   | -  | 6,619                    | 21,584                                | 28,203               | 6,670  |
| Total operating revenues  | <u>1,003,705</u>                                 | <u>624,943</u>           | <u>2,741,726</u>                      | <u>4,370,374</u>     | <u>19,911,986</u>  |
| Operating expenses:   |  |                          |                                       |                      |  |
| Personnel services  | 125,023  | 203,272                  | 1,002,276                             | 1,330,571            | 2,459,773  |
| Supplies  | 592  | 15,147                   | 189,785                               | 205,524              | 353,336  |
| Professional services   | 276,144  | 148,053                  | 267,987                               | 692,184              | 384,900  |
| Communications  | 1,200  | 18,279                   | 24,931                                | 44,410               | 658,913  |
| Insurance   | -  | 17,424                   | 114,341                               | 131,765              | 782,215  |
| Landfill closure and postclosure care costs                         | 410,560  | -                        | -                                     | 410,560              | -  |
| Insurance claims  | -  | -                        | -                                     | -                    | 11,635,020   |
| Lawsuit judgments   | -  | -                        | -                                     | -                    | 200,227  |
| Repairs and maintenance   | -  | 12,988                   | 114,249                               | 127,237              | 62,694   |
| Public utility service  | 76,810   | 100,576                  | 799,653                               | 977,039              | -  |
| Rents and leases  | 5,595  | 11,393                   | 16,852                                | 33,840               | 1,305,787  |
| Depreciation  | 47,763   | 378,504                  | 445,723                               | 871,990              | 1,018,515  |
| Other   | 94,443   | 49,132                   | 31,021                                | 174,596              | 1,263,036  |
| Total operating expenses  | <u>1,038,130</u>                                 | <u>954,768</u>           | <u>3,006,818</u>                      | <u>4,999,716</u>     | <u>20,124,416</u>  |
| Operating income (loss)   | <u>(34,425)</u>                                  | <u>(329,825)</u>         | <u>(265,092)</u>                      | <u>(629,342)</u>     | <u>(212,430)</u>   |
| Nonoperating revenues (expenses):                                   |  |                          |                                       |                      |  |
| Investment earnings   | 58,609   | 8,014                    | 8,892                                 | 75,515               | 55,798   |
| Rent income   | -  | 2,000                    | -                                     | 2,000                | -  |
| Grants  | 425,534  | -                        | 122,494                               | 548,028              | -  |
| Loss on disposal of capital assets                                  | -  | -                        | (5,475)                               | (5,475)              | (39,467)   |
| Total nonoperating revenues   | <u>484,143</u>                                   | <u>10,014</u>            | <u>125,911</u>                        | <u>620,068</u>       | <u>16,331</u>  |
| Income (loss) before contributions, gains,<br>losses, and transfers | 449,718  | (319,811)                | (139,181)                             | (9,274)              | (196,099)  |
| Transfers in  | -  | -                        | 28,828                                | 28,828               | 608,394  |
| Transfers out   | -  | -                        | (28,828)                              | (28,828)             | (178,392)  |
| Increase (decrease) in net position                                 | 449,718  | (319,811)                | (139,181)                             | (9,274)              | 233,903  |
| Total net position, July 1, 2012, as restated                       | <u>6,502,796</u>                                 | <u>8,146,545</u>         | <u>10,692,220</u>                     | <u>25,341,561</u>    | <u>21,183,078</u>  |
| Total net position, June 30, 2013                                   | <u>\$ 6,952,514</u>                              | <u>\$ 7,826,734</u>      | <u>\$ 10,553,039</u>                  | <u>\$ 25,332,287</u> | <u>\$ 21,416,981</u>   |

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

Mohave County  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2013

|  | Business-Type Activities- Enterprise Funds |                     |                              |                      | Governmental<br>Activities-<br>Internal<br>Service Funds |
|--|--|---------------------|------------------------------|----------------------|--|
|  | Landfill<br>Fund                           | G.V.I.D.<br>Fund    | Other<br>Enterprise<br>Funds | Total                |  |
| Cash flows from operating activities:  |  |                     |                              |                      |  |
| Receipts from customers and users  | \$ 996,505                                 | \$ 614,118          | \$ 3,001,605                 | \$ 4,612,228         | \$ 1,329,378   |
| Receipts from interfund services provided  | -  | -                   | -                            | -                    | 18,782,031   |
| Payments to suppliers  | (415,660)                                  | (297,614)           | (1,514,186)                  | (2,227,460)          | (16,387,562)   |
| Payments for employee wages and benefits   | (120,052)                                  | (200,476)           | (940,050)                    | (1,260,578)          | (2,339,192)  |
| Payments for interfund services used   | (40,072)                                   | (97,444)            | (195,586)                    | (333,102)            | (340,344)  |
| Net cash provided by operating activities  | <u>420,721</u>                             | <u>18,584</u>       | <u>351,783</u>               | <u>791,088</u>       | <u>1,044,311</u>   |
| Cash flows from noncapital financing activities:   |  |                     |                              |                      |  |
| Transfers from other funds   | 93,549                                     | -                   | -                            | 93,549               | 430,002  |
| Rent income  | -  | 2,500               | -                            | 2,500                | -  |
| Subsidy from noncapital grant  | 424,237                                    | -                   | 270,000                      | 694,237              | -  |
| Net cash provided by noncapital financing activities   | <u>517,786</u>                             | <u>2,500</u>        | <u>270,000</u>               | <u>790,286</u>       | <u>430,002</u>   |
| Cash flows from capital and related financing activities:  |  |                     |                              |                      |  |
| Purchases of capital assets  | -  | -                   | (284,658)                    | (284,658)            | (924,496)  |
| Proceeds from sales of capital assets  | -  | -                   | 2,480                        | 2,480                | 14,814   |
| Net cash used for capital and related financing activities   | <u>-</u>                                   | <u>-</u>            | <u>(282,178)</u>             | <u>(282,178)</u>     | <u>(909,682)</u>   |
| Cash flows from investing activities:  |  |                     |                              |                      |  |
| Interest and dividends received  | 72,721                                     | 10,661              | 12,907                       | 96,289               | 76,283   |
| Net cash provided by investing activities  | <u>72,721</u>                              | <u>10,661</u>       | <u>12,907</u>                | <u>96,289</u>        | <u>76,283</u>  |
| Net increase in cash and cash equivalents  | 1,011,228                                  | 31,745              | 352,512                      | 1,395,485            | 640,914  |
| Cash and cash equivalents, July 1, 2012, as restated   | 10,736,438                                 | 1,829,795           | 2,927,468                    | 15,493,701           | 18,919,982   |
| Cash and cash equivalents, June 30, 2013   | <u>\$ 11,747,666</u>                       | <u>\$ 1,861,540</u> | <u>\$ 3,279,980</u>          | <u>\$ 16,889,186</u> | <u>\$ 19,560,896</u>                                     |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: |  |                     |                              |                      |  |
| Operating income (loss)  | \$ (34,425)                                | \$ (329,825)        | \$ (265,092)                 | \$ (629,342)         | \$ (212,430)   |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities:     |  |                     |                              |                      |  |
| Depreciation expense   | 47,763                                     | 378,504             | 445,723                      | 871,990              | 1,018,515  |
| Landfill closure and postclosure care costs  | 410,560                                    | -                   | -                            | 410,560              | -  |
| Expenses incurred but not reported   | -  | -                   | -                            | -                    | 96,724   |
| Changes in assets and liabilities:   |  |                     |                              |                      |  |
| Receivables, (increase) decrease   | (8,633)                                    | 3,364               | 174,582                      | 169,313              | 142,232  |
| Due from other funds, (increase)   | (456)                                      | -                   | -                            | (456)                | (9,704)  |
| Due from other governments, (increase) decrease  | -  | -                   | (2,417)                      | (2,417)              | 131  |
| Inventories, decrease  | -  | 2,326               | 22,398                       | 24,724               | 10,384   |
| Prepaid items, (increase) decrease   | (205)                                      | -                   | 63,476                       | 63,271               | 5,986  |
| Accounts payable, increase (decrease)  | 6,377                                      | (19,471)            | (91,961)                     | (105,055)            | 2,479  |
| Due to other funds, increase   | 46   | 3                   | 5,723                        | 5,772                | 7,315  |
| Due to other governments, (decrease)   | (353)                                      | (909)               | (2,102)                      | (3,364)              | (38)   |
| Accrued payroll and employee benefits, increase (decrease)   | 69   | (93)                | 309                          | 285                  | (8,424)  |
| Compensated absences payable, increase (decrease)  | (22)                                       | (6,966)             | 11,144                       | 4,156                | (9,273)  |
| Deferred revenues, (decrease)  | -  | (5,904)             | -                            | (5,904)              | (60)   |
| Deposits held for others, increase (decrease)  | -  | (2,445)             | (10,000)                     | (12,445)             | 474  |
| Total adjustments  | <u>455,146</u>                             | <u>348,409</u>      | <u>616,875</u>               | <u>1,420,430</u>     | <u>1,256,741</u>   |
| Net cash provided by operating activities  | <u>\$ 420,721</u>                          | <u>\$ 18,584</u>    | <u>\$ 351,783</u>            | <u>\$ 791,088</u>    | <u>\$ 1,044,311</u>                                      |
| Cash at June 30, 2013, comprises of the following:   |  |                     |                              |                      |  |
| Cash and investments   | \$ 11,747,666                              | \$ 1,307,742        | \$ 2,780,183                 | \$ 15,835,591        | \$ 18,970,977  |
| Cash held by trustee   | -  | 553,798             | 499,797                      | 1,053,595            | 589,919  |
| Total  | <u>\$ 11,747,666</u>                       | <u>\$ 1,861,540</u> | <u>\$ 3,279,980</u>          | <u>\$ 16,889,186</u> | <u>\$ 19,560,896</u>                                     |

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

Mohave County  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013

|   | <u>Investment<br/>Trust<br/>Funds</u> | <u>Agency<br/>Fund</u> |
|---|---------------------------------------|------------------------|
| <b>Assets</b>                                   |                                       |                        |
| Cash and investments                            | \$ 47,702,206                         | \$ 125,655             |
| Total assets                                    | <u>47,702,206</u>                     | <u>125,655</u>         |
| <b>Liabilities</b>                              |                                       |                        |
| Deposits held for others                        | <u>-</u>                              | <u>125,655</u>         |
| Total liabilities                               | <u>-</u>                              | <u>\$ 125,655</u>      |
| <b>Net Position</b>                             |                                       |                        |
| Held in trust for investment trust participants | <u>\$ 47,702,206</u>                  |                        |

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

Mohave County  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2013

|   | <u>Investment<br/>Trust<br/>Funds</u> |
|---|---------------------------------------|
| Additions:                                |                                       |
| Contributions from participants           | \$ 368,944,028                        |
| Investment earnings:                      |                                       |
| Interest and dividend income              | 363,461                               |
| Net decrease in fair value of investments | <u>(115,173)</u>                      |
| Net investment earnings                   | <u>248,288</u>                        |
| Total additions                           | <u>369,192,316</u>                    |
| Deductions:                               |                                       |
| Distributions to participants             | <u>(371,562,224)</u>                  |
| Total deductions                          | <u>(371,562,224)</u>                  |
| Change in net position                    | (2,369,908)                           |
| Net position, July 1, 2012                | <u>50,072,114</u>                     |
| Net position, June 30, 2013               | <u><u>\$ 47,702,206</u></u>           |

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

Mohave County  
Notes to Financial Statements  
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

Mohave County's accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

Mohave County is a general purpose local government that is governed by a separately elected board of five county supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. The County has no discretely presented component units. Each blended component unit discussed below has a June 30 year-end.

The following table describes the County's component units:

| <b>Component Unit</b>                   | <b>Description; Criteria for Inclusion</b>  | <b>Reporting Method</b> | <b>For Separate Financial Statements</b> |
|---|---|-------------------------|--|
| Mohave County Flood Control District    | A tax-levying district that provides flood control systems; county board of supervisors serves as board of directors  | Blended                 | Not available                            |
| Mohave County Library District          | A tax-levying district that provides and maintains library services for county residents; county board of supervisors serves as board of directors  | Blended                 | Not available                            |
| Mohave County Television District       | A tax-levying district that provides and maintains communication equipment resources to provide television signals to residents; county board of supervisors serves as board of directors | Blended                 | Not available                            |
| Mohave County Holiday Lighting District | A tax-levying district that provides street lighting for the Holiday Shores area of Bullhead City in Mohave County; county board of supervisors serves as board of directors              | Blended                 | Not available                            |

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| Component Unit                                     | Description; Criteria for Inclusion   | Reporting Method | For Separate Financial Statements |
|--|---|------------------|-----------------------------------|
| Mohave County Special Assessment Districts         | Constructs or improves roads, bridges, and water distribution systems; county board of supervisors serves as board of directors for the districts   | Blended          | Not available                     |
| Mohave Administration Building—Finance Corporation | A corporation set up to provide financing and oversight of the construction and operation of the Mohave County administration building; management of Mohave County serves as the board of directors of the corporation | Blended          | Not available                     |
| Mohave Jail—Finance Corporation                    | A corporation set up to provide financing and oversight of the construction and operation of the Mohave County jail facility; management of Mohave County serves as the board of directors of the corporation           | Blended          | Not available                     |

Related Organization

The Industrial Development Authority of Mohave County (Authority) is a legally separate entity that was created to assist in the financing of commercial and industrial enterprises; affordable housing, healthcare, and various facilities. The Authority fulfills its function through the issuance of tax-exempt or taxable revenue bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County, and the County is not financially accountable for the Authority. Therefore, the Authority's financial activities have not been included in the accompanying financial statements.

**B. Basis of Presentation**

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

**Government-wide statements**—Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County allocates indirect expenses only to special taxing districts and proprietary funds. Program revenues include:

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- Charges to customers or applicants for goods, services, or privileges provided;
- Operating grants and contributions; and
- Capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes levied or imposed by the County, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

**Fund financial statements**—Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges and insurance premiums, in which each party receives and gives up essentially equal values, are operating revenues. Other revenues, such as noncapital grants, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenue generated by ancillary activities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be nonoperating expenses.

The County reports the following fund types:

The *governmental funds* account for the General Fund, special revenue funds, debt service funds, and capital projects funds.

The *internal service funds* account for automotive maintenance and operation, insurance, computer services, janitorial services, and telecommunications services provided to the County's departments or to other governments on a cost-reimbursement basis.

The *enterprise funds* account for activities for which fees are charged to external users in exchange for goods and services.

The *investment trust funds* account for pooled assets the County Treasurer holds and invests on behalf of other governmental entities.

The *agency fund* accounts for assets the County holds as an agent for the Public Fiduciary clients.

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**The County reports the following major governmental funds:**

- **The General Fund** is the County'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 Road Fund** accounts for all taxes on gas and auto license fees collected for building and maintaining county roads.
- **The Flood Control Fund** accounts for all monies collected from local taxpayers in the form of a levy on real property. These funds are used in planning, engineering, constructing, repairing, and maintaining flood control channels in Mohave County. The fund's expenditures were previously classified as Highways and Streets. Beginning with this fiscal year, they will be presented in these financial statements as Public Safety expenditures.
- **The Administration Building Debt Service Fund** accounts for debt service payments on the 2004 Beneficial Interest Certificates and is funded from the ¼-cent sales tax fund.

**The Jail Debt Service Fund** accounts for debt service payments on the 2008 Beneficial Interest Certificates and is funded from the ¼-cent sales tax fund.

**The County reports the following major enterprise funds:**

- **The Landfill Fund** accounts for the operations of two landfills located in Mohave County.
- **The Golden Valley Improvement District Fund** accounts for the operations of a water company located in Golden Valley.

### C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus, but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges

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for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there is both restricted and unrestricted net position resources available to finance the program. The County applies grant resources to such programs before using general revenues except where matching requirements exist.

#### D. Cash and Investments

For purposes of its statement of cash flows, the County considers all cash on hand, demand deposits, cash on deposit with the County Treasurer, and only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. All other investments are stated at fair value.

#### E. Inventories and Prepaid Items

The County accounts for its inventories in the governmental funds using the purchase method. Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and as nonspendable fund balance to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out method.

Inventories in the government-wide and the proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the first-in, first-out method.

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.

#### F. Property Tax Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

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A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

### G. Capital Assets

Capital assets are reported at actual cost, or estimated historical cost if historical records are not available. Certain infrastructure costs were estimated by calculating the current replacement cost of a similar asset and deflating this cost through the use of price-level indexes. Donated assets are reported at estimated fair value at the time received. Certain types of road improvements are expensed rather than capitalized. The improvement types that are expensed are millings and soil stabilization.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

#### Capitalization Threshold

|   |         |                                |                                  |
|---|---------|--------------------------------|----------------------------------|
| Land  | All     |                                |                                  |
| Construction in progress                                | \$5,000 |                                |                                  |
|   |         | <b>Depreciation<br/>Method</b> | <b>Estimated<br/>Useful Life</b> |
| Buildings   | \$5,000 | Straight Line                  | 20-50 years                      |
| Equipment   | \$5,000 | Straight Line                  | 3-20 years                       |
| Infrastructure and improvements other<br>than buildings | \$5,000 | Straight Line                  | 10-50 years                      |
| Utility systems   | \$5,000 | Straight Line                  | 10-50 years                      |
| Intangibles   | \$5,000 | Straight Line                  | 7-15 years                       |

### H. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

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The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved by the County's Board of Supervisors, which is the highest level of decision-making authority within the County. The constraints placed on committed fund balances can be removed or changed only by the Board.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, the County will use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the County's policy to use committed amounts first, followed by unassigned amounts.

#### I. Investment Earnings

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

#### J. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. The County uses PTO (personal time off), which is a combination of vacation and sick leave, for compensating employees. PTO benefits do not vest with employees until they have satisfactorily completed their probationary period. Public Safety employees and those employees covered under the Judicial Merit System have a 1-year probationary period. All other employees have a 6-month probationary period.

Employees may accumulate up to 900 hours of PTO annually. Upon terminating employment, most employees will be paid up to 400 hours of PTO. However, at-will employees are paid up to 600 hours of PTO. Any remaining PTO balance, in excess of the maximum, will be forfeited. Accordingly, benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

#### Note 2 - Beginning Balances Restated

The beginning net position of the governmental activities in the government-wide Statement of Activities was restated by \$20,101,215. The adjustment affected the General Fund, capital assets, and the Self-Insured Trust Fund, an internal service fund. An increase of \$146,526 to the General Fund prior year fund balance and reduction in liabilities was made to reflect an amount

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incorrectly classified as deposits held for others in prior years. An increase to capital assets was made to record \$19,187,200 for roads constructed by other entities and donated to the County for maintenance from 2003 through 2011. The net increase to internal service funds was a result of adding the Arizona Counties Insurance Pool (ACIP) distribution of a \$767,489 dividend to the County in a prior year that was held by ACIP to pay future claims and a decrease of \$17,797 for fiscal year 2012 compensated absences expenses for Self-Insured Trust Fund employees that were recorded in the governmental activities in error.

|   |                                    |
|---|------------------------------------|
| <b>Statement of Activities</b>          | <b>Governmental<br/>Activities</b> |
| Net position, June 30, 2012             | \$299,840,309                      |
| Prior period corrections                | <u>20,101,215</u>                  |
| Net position, July 1, 2012, as restated | <u>\$319,941,524</u>               |

|  |                      |
|--|----------------------|
| <b>Statement of Revenues, Expenditures, and Changes in<br/>Fund Balance—Governmental Funds</b> | <b>General Fund</b>  |
| Fund balance, June 30, 2012  | \$ 21,694,784        |
| Prior period correction  | <u>146,526</u>       |
| Fund balance, July 1, 2012, as restated  | <u>\$ 21,841,310</u> |

|  |   |
|--|---|
| <b>Statement of Revenues, Expenditures, and Changes in<br/>Fund Net Position—Proprietary Funds</b> | <b>Governmental<br/>Activities—Internal<br/>Service Funds</b> |
| Net position, June 30, 2012  | \$ 20,433,386   |
| Prior period corrections   | <u>749,692</u>  |
| Net position, July 1, 2012, as restated  | <u>\$ 21,183,078</u>  |

|  |   |
|--|---|
| <b>Statement of Cash Flows—Proprietary Funds</b>     | <b>Governmental<br/>Activities—Internal<br/>Service Funds</b> |
| Cash and cash equivalents, June 30, 2012             | \$ 18,152,493   |
| Prior period correction                              | <u>767,489</u>  |
| Cash and cash equivalents, July 1, 2012, as restated | <u>\$ 18,919,982</u>  |

Note 3 - Stewardship, Compliance, and Accountability

**Deficit fund balances or net position**—At June 30, 2013, the following nonmajor funds reported deficit fund balances or net position:

| Fund   | Deficit          |
|--|------------------|
| <b>Governmental Funds:</b>                             |                  |
| Arizona Nutrition Network                              | \$ 15            |
| Kingman 2100 CFD                                       | 3,452            |
| Golden Valley Improvement District—capital<br>projects | 613,452          |
| Probation JABG   | <u>2,407</u>     |
| Total  | <u>\$619,326</u> |

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The Golden Valley Improvement District Construction Fund borrowed excess resources from the Landfill Fund to cover expenses of an improvement district instead of issuing bonds. This loan is recorded as a liability, rather than as revenue, resulting in a negative fund balance. The liability is to be paid back to the Landfill Fund through collections from the property owners. The Arizona Nutrition Network and Probation Juvenile Accountability Block Grant (JABG) funds consist of federal or state grants and had deficit fund balances due to timing differences with reimbursements. The Kingman 2100 Community Facilities District (CFD) Fund has property taxes receivable to cover the deficit fund balance; however, the CFD has been dissolved and future collections are uncertain.

#### Note 4 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds and notes; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk—Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Corporate bonds, debentures, and notes must be rated within the top three ratings by a nationally recognized rating agency.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating services. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes require collateral for demand deposits and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk—Statutes do not include any requirements regarding concentration of credit risk.

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk—Statutes do not allow foreign investments.

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**Deposits**—At June 30, 2013, the carrying amount of the County’s deposits was \$53,833,094 and the bank balance was \$56,789,127. There was cash on hand of \$25,722. It is the County’s policy to collateralize all deposits by at least 101 percent of the deposits not covered by depository insurance.

**Investments**—The County’s investments at June 30, 2013, were as follows:

| <b>Investment Type</b>                    | <b>Amount</b>        |
|---|----------------------|
| U.S. agency securities                    | \$114,910,009        |
| Corporate bonds                           | 1,250,000            |
| State Treasurer’s Investment Pools 7 & 57 | <u>2,029,449</u>     |
| Total investments                         | <u>\$118,189,458</u> |

The State Board of Investment provides oversight for the State Treasurer’s Pools. 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.

**Credit risk**—It is the County’s investment policy to preserve the principal value of the portfolio. This is to be accomplished through limiting the types of securities purchased, the percent of the portfolio of each type of security, and the length of time they can be held. Investments allowed are obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities. The County can also invest in certificates of deposits, commercial paper, obligations of Arizona state and local governments, repurchase agreements, money market mutual funds, and corporate bonds, debentures, or notes issued by United States companies with AA or greater ratings by Standard and Poor’s rating service. All purchases must have prior approval of the investment oversight committee. At the time of purchase, all investments carried ratings at or above AA. At June 30, 2013, credit risk of the County’s investments was:

| <b>Investment Type</b>                    | <b>Rating</b> | <b>Rating Agency</b> | <b>Amount</b>        |
|---|---------------|----------------------|----------------------|
| U.S. agency securities                    | AA+           | S & P                | \$114,910,009        |
| Corporate bonds                           | Unrated       | Not applicable       | 1,250,000            |
| State Treasurer’s Investment Pools 7 & 57 | Unrated       | Not applicable       | <u>2,029,449</u>     |
|   |               |                      | <u>\$118,189,458</u> |

**Custodial credit risk**—For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in an outside party’s possession. The County’s formal policy for custodial credit risk states that an independent third-party custodian, selected by the Mohave County Treasurer, will hold the securities in the County’s name.

**Concentration of credit risk**—The County’s formal investment policy requires at least 10 percent of the overall portfolio to be invested in highly liquid accounts, such as local government pools, money market funds, or overnight repurchase agreements to ensure the ability to meet ongoing obligations. It also limits the total amount of corporate securities to 20 percent of the total portfolio, with not more than 5 percent invested in any single corporation. Corporate bonds

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represented approximately 1 percent of the total portfolio at June 30, 2013. All other securities will be structured with varying maturity dates, not to exceed 5 years, and in various types of investments described under credit risk. The County had investments at June 30, 2013, of 5 percent or more in the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. These investments were 12.6 percent, 37.8 percent, and 46.9 percent, respectively, of the County's total investments.

**Interest rate risk**—The County's formal policy with respect to interest rate risk minimizes the risk by structuring the portfolio into two accounts to meet cash needs. The return on investment is secondary to safety and liquidity. One account consists of highly liquid securities with maturities of 120 days or less. The second account has maturities of greater than 120 days. Both accounts will have active secondary markets. At June 30, 2013, the County had the following investments in debt securities:

| Investment Type                           | Amount               | Investment Maturities |                     |
|---|----------------------|-----------------------|---------------------|
|   |                      | Less than 1 Year      | 1 to 5 Years        |
| State Treasurer's Investment Pools 7 & 57 | \$ 2,029,449         | \$ 2,029,449          | -                   |
| U.S. agency securities                    | 114,910,009          | 18,034,804            | \$96,875,205        |
| Corporate bonds                           | <u>1,250,000</u>     | <u>1,250,000</u>      | <u>-</u>            |
| Total                                     | <u>\$118,189,458</u> | <u>\$21,314,253</u>   | <u>\$96,875,205</u> |

At June 30, 2013, \$14,828,535 of the investments in U.S. agency securities were considered to be highly sensitive to interest rate changes, as follows:

U.S. agency step-up securities—On specified dates, the issuer can call the security. If the security is not called, the interest rate is increased by a specified amount. Prevailing interest rates may increase faster than the increase in the coupon interest rate.

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Position follows:

Cash, deposits, and investments:

|                       | Amount               |
|-----------------------|----------------------|
| Cash on hand          | \$ 25,722            |
| Amount of deposits    | 53,833,094           |
| Amount of investments | <u>118,189,458</u>   |
| Total                 | <u>\$172,048,274</u> |

Statements of Net Position:

|                                      | Governmental Activities | Business-Type Activities | Investment Trust Funds | Agency Fund      | Total                |
|--------------------------------------|-------------------------|--------------------------|------------------------|------------------|----------------------|
| Cash and investments                 | \$ 79,778,955           | \$15,835,591             | \$47,702,206           | \$125,655        | \$143,442,407        |
| Cash and investments held by trustee | 27,552,272              | -                        | -                      | -                | 27,552,272           |
| Restricted cash                      | -                       | 1,053,595                | -                      | -                | 1,053,595            |
| Total                                | <u>\$107,331,227</u>    | <u>\$16,889,186</u>      | <u>\$47,702,206</u>    | <u>\$125,655</u> | <u>\$172,048,274</u> |

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Note 5 - Property Taxes Receivable

Property taxes receivable consist of uncollected real and personal property taxes as determined from the records of the County Treasurer's Office, and at June 30, 2013, were as follows:

| Fiscal Year | General Fund       | Flood Control Fund | Other Governmental Funds | Total Governmental Funds |
|-------------|--------------------|--------------------|--------------------------|--------------------------|
| 2012        | \$2,217,497        | \$ 609,715         | \$ 518,140               | \$3,345,352              |
| 2011        | 487,608            | 143,299            | 122,581                  | 753,488                  |
| Prior       | <u>1,279,221</u>   | <u>475,716</u>     | <u>404,099</u>           | <u>2,159,036</u>         |
| Total       | <u>\$3,984,326</u> | <u>\$1,228,730</u> | <u>\$1,044,820</u>       | <u>\$6,257,876</u>       |

That portion of property taxes receivable, not collected within 60 days after June 30, 2013, has been deferred and, consequently, is not included in current-year revenues on the fund statements. For the government-wide statements, the entire receivable balance has been recognized as revenue.

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

|  | Balance<br>July 1, 2012,<br>as restated | Increases           | Decreases           | Balance<br>June 30, 2013 |
|--|---|---------------------|---------------------|--------------------------|
| Governmental activities:                             |   |                     |                     |                          |
| Capital assets not being depreciated:                |   |                     |                     |                          |
| Land   | \$ 27,300,255                           | \$ 1,011,801        | -                   | \$ 28,312,056            |
| Construction in progress                             | <u>10,700,012</u>                       | <u>13,119,023</u>   | <u>\$14,029,737</u> | <u>9,789,298</u>         |
| Total capital assets not being depreciated           | <u>38,000,267</u>                       | <u>14,130,824</u>   | <u>14,029,737</u>   | <u>38,101,354</u>        |
| Capital assets being depreciated:                    |   |                     |                     |                          |
| Buildings  | 147,769,019                             | 11,785,957          | 9,527               | 159,545,449              |
| Infrastructure and improvements other than buildings | 146,295,101                             | 4,211,823           | -                   | 150,506,924              |
| Intangibles  | 64,501                                  | -                   | -                   | 64,501                   |
| Equipment  | <u>45,168,398</u>                       | <u>3,660,149</u>    | <u>4,066,081</u>    | <u>44,762,466</u>        |
| Total  | <u>339,297,019</u>                      | <u>19,657,929</u>   | <u>4,075,608</u>    | <u>354,879,340</u>       |
| Less accumulated depreciation for:                   |   |                     |                     |                          |
| Buildings  | 22,364,428                              | 4,377,034           | 3,508               | 26,737,954               |
| Infrastructure and improvements other than buildings | 80,705,583                              | 3,803,558           | -                   | 84,509,141               |
| Intangibles  | 16,893                                  | 9,214               | -                   | 26,107                   |
| Equipment  | <u>27,710,578</u>                       | <u>2,989,453</u>    | <u>3,125,926</u>    | <u>27,574,105</u>        |
| Total  | <u>130,797,482</u>                      | <u>11,179,259</u>   | <u>3,129,434</u>    | <u>138,847,307</u>       |
| Total capital assets being depreciated, net          | <u>208,499,537</u>                      | <u>8,478,670</u>    | <u>946,174</u>      | <u>216,032,033</u>       |
| Governmental activities capital assets, net          | <u>\$246,499,804</u>                    | <u>\$22,609,494</u> | <u>\$14,975,911</u> | <u>\$254,133,387</u>     |

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|  | Balance<br>July 1, 2012,<br>as restated | Increases           | Decreases         | Balance<br>June 30, 2013 |
|--|---|---------------------|-------------------|--------------------------|
| Business-type activities:                    |   |                     |                   |                          |
| Capital assets not being depreciated:        |   |                     |                   |                          |
| Land   | \$ 1,630,859                            | -                   | -                 | \$ 1,630,859             |
| Construction in progress                     | <u>56,895</u>                           | <u>\$ 49,880</u>    | <u>-</u>          | <u>106,775</u>           |
| Total capital assets not being depreciated   | <u>1,687,754</u>                        | <u>49,880</u>       | <u>-</u>          | <u>1,737,634</u>         |
| Capital assets being depreciated:            |   |                     |                   |                          |
| Buildings                                    | 2,116,675                               | 37,151              | -                 | 2,153,826                |
| Utility systems                              | 21,594,375                              | 124,075             | -                 | 21,718,450               |
| Equipment                                    | <u>1,304,430</u>                        | <u>132,053</u>      | <u>\$ 104,509</u> | <u>1,331,974</u>         |
| Total  | <u>25,015,480</u>                       | <u>293,279</u>      | <u>104,509</u>    | <u>25,204,250</u>        |
| Less accumulated depreciation for:           |   |                     |                   |                          |
| Buildings                                    | 816,886                                 | 62,610              | -                 | 879,496                  |
| Utility systems                              | 10,454,925                              | 704,791             | -                 | 11,159,716               |
| Equipment                                    | <u>824,878</u>                          | <u>104,589</u>      | <u>78,837</u>     | <u>850,630</u>           |
| Total  | <u>12,096,689</u>                       | <u>871,990</u>      | <u>78,837</u>     | <u>12,889,842</u>        |
| Total capital assets being depreciated, net  | <u>12,918,791</u>                       | <u>(578,711)</u>    | <u>25,672</u>     | <u>12,314,408</u>        |
| Business-type activities capital assets, net | <u>\$ 14,606,545</u>                    | <u>\$ (528,831)</u> | <u>\$ 25,672</u>  | <u>\$ 14,052,042</u>     |

Capital asset balances at July 1, 2012, were restated by \$19,187,200 to record roads constructed by other entities and donated to the County in prior years for maintenance. See Note 2 on pages 18-19 for more information.

Depreciation expense was charged to functions as follows:

|   |                     |
|---|---------------------|
| Governmental activities:                            |                     |
| General government                                  | \$ 1,477,069        |
| Public safety                                       | 3,494,249           |
| Highways and streets                                | 4,801,382           |
| Health  | 57,418              |
| Welfare   | 74,034              |
| Culture and recreation                              | 255,195             |
| Education   | 1,397               |
| Internal service funds                              | <u>1,018,515</u>    |
| Total governmental activities depreciation expense  | <u>\$11,179,259</u> |
| Business-type activities:                           |                     |
| Landfill  | \$ 47,763           |
| Recreation  | 104,173             |
| Water companies                                     | <u>720,054</u>      |
| Total business-type activities depreciation expense | <u>\$ 871,990</u>   |

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Note 7 - Construction and Other Significant Commitments

The County had four major contractual commitments at June 30, 2013, as follows:

| Contractual Commitments  | Funding Source           | Expenditures<br>to Date | Total<br>Contractual<br>Commitments | Remaining<br>Commitments |
|--|--------------------------|-------------------------|-------------------------------------|--------------------------|
| Horizon Six subdivision–<br>construction of detention<br>basin | Secondary tax<br>revenue | \$ 863,811              | \$3,481,707                         | \$2,617,896              |
| Assessor’s software contract<br>7/1/2013 through 6/30/2021     | Tax revenues             | 149,811                 | 1,548,483                           | 1,398,672                |
| Prison health care contract<br>11/17/12 through 11/16/13       | Tax revenues             | 1,353,210               | 2,311,064                           | 957,854                  |
| Treasurer’s software   | Tax revenues             | <u>195,945</u>          | <u>434,825</u>                      | <u>238,880</u>           |
| Total  |                          | <u>\$2,562,777</u>      | <u>\$7,776,079</u>                  | <u>\$5,213,302</u>       |

Note 8 - Restricted Assets

As of June 30, 2013, the County had restricted assets as follows:

**Governmental activities assets:**

|                                      |                     |  |
|--------------------------------------|---------------------|--|
| Cash and investments held by trustee | \$26,962,353        | Cash held by trustees restricted by agreements for construction, debt payments, loans, or major maintenance. |
| HUD Properties                       | <u>1,138,630</u>    | U.S. Housing and Urban Development (HUD) rehabilitated homes restricted for sale to qualified buyers.        |
| Total governmental activities        | <u>\$28,100,983</u> |  |

**Business-type activities assets:**

|                                |                     |  |
|--------------------------------|---------------------|--|
| Cash                           | \$ 499,797          | I-40 collections restricted for future repairs of infrastructure by agreement with customers.                  |
| Cash                           | <u>553,798</u>      | GVID Fund water corridor collections restricted for future infrastructure repairs by agreement with customers. |
| Total business-type activities | <u>\$ 1,053,595</u> |  |

Note 9 - Long-Term Liabilities

The following schedule details the County’s long-term liability and obligation activity for the year ended June 30, 2013:

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|  | Balance<br>July 1, 2012 | Additions           | Reductions          | Balance<br>June 30, 2013 | Due Within<br>1 Year |
|--|-------------------------|---------------------|---------------------|--------------------------|----------------------|
| <b>Governmental activities:</b>                      |                         |                     |                     |                          |                      |
| Beneficial interest certificates payable             | \$43,980,000            | \$ -                | \$ 4,875,000        | \$39,105,000             | \$ 5,045,000         |
| Beneficial interest certificates premium unamortized | 278,428                 | -                   | 39,775              | 238,653                  | 39,775               |
| Compensated absences payable                         | 7,201,346               | 5,628,946           | 5,996,604           | 6,833,688                | 6,000,000            |
| Insurance claims payable                             | <u>1,538,978</u>        | <u>12,290,564</u>   | <u>12,268,940</u>   | <u>1,560,602</u>         | <u>1,500,000</u>     |
| Total governmental activities long-term liabilities  | <u>\$52,998,752</u>     | <u>\$17,919,510</u> | <u>\$23,180,319</u> | <u>\$47,737,943</u>      | <u>\$12,584,775</u>  |
| <b>Business-type activities:</b>                     |                         |                     |                     |                          |                      |
| Landfill closure and postclosure care costs payable  | \$ 6,236,979            | \$ 410,560          | \$ -                | \$ 6,647,539             | \$ -                 |
| Compensated absences payable                         | <u>139,780</u>          | <u>108,491</u>      | <u>104,335</u>      | <u>143,936</u>           | <u>115,149</u>       |
| Total business-type activities long-term liabilities | <u>\$ 6,376,759</u>     | <u>\$ 519,051</u>   | <u>\$ 104,335</u>   | <u>\$ 6,791,475</u>      | <u>\$ 115,149</u>    |

**Beneficial Interest Certificates (BIC)**—The County has issued 15- and 12-year beneficial interest certificates that are only callable at a specified future date. The principal is payable in annual installments and interest is payable semiannually. The proceeds were used to construct capital facilities. The BICs are secured, for the life of the certificates, by pledges of the ¼ percent sales tax revenue, up to the amount of the annual debt payments. Current year debt payments were \$6.7 million. \$5.2 million of the payments were made from current year sales tax revenue (90% of current year revenue). The remaining payments for the 2004 BICs were made from the Jail Debt Service Fund’s prior year fund balance. The remaining debt secured by the ¼ percent sales tax revenue is for the Jail 2008 BICs, with annual payments of \$4.9 million. The County projects sales tax revenue of approximately \$6 million per year to cover future debt payments. The original amount of certificates issued in prior years was \$65 million.

Beneficial interest certificates outstanding at June 30, 2013, were as follows:

| Description                                  | Original Amount      | Maturity Ranges | Interest Rates | Outstanding Principal<br>June 30, 2013 |
|--|----------------------|-----------------|----------------|--|
| Beneficial interest certificates Series 2004 | \$ 19,320,000        | 7/2013-7/2019   | 4.125%-5.25%   | \$ 10,015,000                          |
| Beneficial interest certificates Series 2008 | <u>46,000,000</u>    | 10/2013-4/2020  | 3.25%-4.25%    | <u>29,090,000</u>                      |
| Total  | <u>\$ 65,320,000</u> |                 |                | <u>\$ 39,105,000</u>                   |

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The following schedule details debt service requirements to maturity for the County's beneficial interest certificates payable at June 30, 2013:

| Year Ending June 30, | <b>Governmental Activities</b>          |                    |
|----------------------|---|--------------------|
|                      | <b>Beneficial Interest Certificates</b> |                    |
|                      | <b>Principal</b>                        | <b>Interest</b>    |
| 2014                 | \$ 5,045,000                            | \$1,657,903        |
| 2015                 | 5,225,000                               | 1,475,169          |
| 2016                 | 5,445,000                               | 1,258,394          |
| 2017                 | 5,685,000                               | 1,021,169          |
| 2018                 | 5,935,000                               | 768,175            |
| 2019-20              | <u>11,770,000</u>                       | <u>720,425</u>     |
| Total                | <u>\$39,105,000</u>                     | <u>\$6,901,235</u> |

**Compensated absences and insurance claims**—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Insurance claims are paid from the internal service funds. During fiscal year 2013, the County's liability for compensated absences was allocated as follows: 60 percent to the General Fund, 12 percent to other major funds, and 28 percent to other nonmajor funds. The County paid for insurance claims as follows: 98 percent from the Employee Benefits Trust Fund and 2 percent from the Self-Insured Trust Fund. The claims paid from the Employee Benefits Trust Fund were medical claims funded through payroll deductions and contributions from county funds. The Self-Insured Trust Fund was funded \$396,368 (49%) by the General Fund, \$311,588 (38%) by various public works funds, \$36,000 (4%) by internal service funds, \$59,758 (8%) by enterprise funds, and \$9,623 (1%) by the Other Governmental Funds this past year to cover insurance expense and possible settlements.

The insurance claims payable liability of the Self-Insured Trust Fund and Employee Benefits Trust Fund totaling \$1,560,602, included in the balance below at June 30, 2013, is the estimated ultimate cost of settling claims that have been reported but not settled, and claims that have been incurred but not reported. This estimate is based on actuarial estimates provided by the County's healthcare administrator (based on claims received subsequent to June 30, 2013) and the Arizona Counties Property and Casualty Pool (based on expected outcomes of outstanding lawsuits and incurred but not reported occurrences).

Changes in the funds' insurance claims payable for the years ended June 30, 2012 and 2013, were as follows:

|  | <b>2012</b>         | <b>2013</b>         |
|--|---------------------|---------------------|
| Claims payable, beginning of year        | \$ 1,841,182        | \$ 1,538,978        |
| Claims incurred and changes in estimates | 10,617,471          | 12,290,564          |
| Claims paid                              | <u>(10,919,675)</u> | <u>(12,268,940)</u> |
| Claims payable, end of year              | <u>\$ 1,538,978</u> | <u>\$ 1,560,602</u> |

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**Landfill closure and postclosure care costs**—The County owns two 160-acre landfill sites, Cerbat and Mohave Valley, which are operated by independent contractors under contract with the County. Both landfills began operations in January 1989. The County operates its landfills on a cell basis. The County owns additional unused parcels of land adjacent to the existing landfill sites that will (or may) be used, as needed, to open additional cells.

State and federal laws and regulations require the County to place a final cover on its Cerbat and Mohave Valley landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs in each period that the County operates the landfills. These costs will be paid from the Enterprise Fund.

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$6,647,539 reported as landfill closure and postclosure care liability at June 30, 2013, represents the cumulative amount reported to date at the Cerbat and Mohave Valley landfills. The calculation is based on the use of 98.0% and 83.3%, respectively, of the estimated capacity of the open cells of the landfills. The County will recognize the remaining estimated costs of closure and postclosure care costs of \$439,708 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2013. The County expects to close the landfills in the years 2014 and 2016, respectively, and the actual cost may be higher due to inflation, changes in technology, or changes in regulations.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that ensure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

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Note 10 - Fund Balance Classifications of the Governmental Funds

The fund balance classifications of the governmental funds as of June 30, 2013, were as follows:

|                        | General<br>Fund     | Road<br>Fund        | Flood<br>Control<br>Fund | Admin<br>Building<br>Debt<br>Service<br>Fund | Jail Debt<br>Service<br>Fund | Other<br>Governmental<br>Funds | Total               |
|------------------------|---------------------|---------------------|--------------------------|--|------------------------------|--------------------------------|---------------------|
| <b>Fund balances:</b>  |                     |                     |                          |  |                              |                                |                     |
| <b>Nonspendable</b>    |                     |                     |                          |  |                              |                                |                     |
| Inventories            |                     | \$ 235,678          |                          |  |                              |                                | \$ 235,678          |
| Prepaid items          | \$ 45,062           | 660                 | \$ 99                    |  |                              | \$ 239,701                     | 285,522             |
| Total nonspendable     | <u>45,062</u>       | <u>236,338</u>      | <u>99</u>                |  |                              | <u>239,701</u>                 | <u>521,200</u>      |
| <b>Restricted for:</b> |                     |                     |                          |  |                              |                                |                     |
| Government services    | -                   | -                   | -                        |  |                              | 2,125,204                      | 2,125,204           |
| Law enforcement        | -                   | -                   | 8,642,113                |  |                              | 5,591,760                      | 14,233,875          |
| Highways and streets   | -                   | 13,720,411          | -                        |  |                              | 58                             | 13,720,469          |
| Health                 | -                   | -                   | -                        |  |                              | 1,264,026                      | 1,264,026           |
| Welfare                | -                   | -                   | -                        |  |                              | 1,038,618                      | 1,038,618           |
| Education              | -                   | -                   | -                        |  |                              | 254,875                        | 254,875             |
| Culture and recreation | -                   | -                   | -                        |  |                              | 11,274,469                     | 11,274,469          |
| Debt service           | -                   | -                   | -                        | \$9,894,844                                  | \$15,095,597                 | 1,971,912                      | 26,962,353          |
| Total restricted       | <u>-</u>            | <u>13,720,411</u>   | <u>8,642,113</u>         | <u>9,894,844</u>                             | <u>15,095,597</u>            | <u>23,520,922</u>              | <u>70,873,887</u>   |
| <b>Committed to:</b>   |                     |                     |                          |  |                              |                                |                     |
| Government services    | 2,523,786           | -                   | -                        | -  | -                            | -                              | 2,523,786           |
| Sanitation             | -                   | -                   | -                        | -  | -                            | 78,949                         | 78,949              |
| Debt service           | -                   | -                   | -                        | 28,357                                       | 1,010,190                    | 2,882,410                      | 3,920,957           |
| Total committed        | <u>2,523,786</u>    | <u>-</u>            | <u>-</u>                 | <u>28,357</u>                                | <u>1,010,190</u>             | <u>2,961,359</u>               | <u>6,523,692</u>    |
| <b>Unassigned</b>      |                     |                     |                          |  |                              |                                |                     |
|                        | <u>10,502,990</u>   | <u>-</u>            | <u>-</u>                 | <u>-</u>                                     | <u>-</u>                     | <u>-</u>                       | <u>10,502,990</u>   |
| Total fund balances    | <u>\$13,071,838</u> | <u>\$13,956,749</u> | <u>\$8,642,212</u>       | <u>\$9,923,201</u>                           | <u>\$16,105,787</u>          | <u>\$26,721,982</u>            | <u>\$88,421,769</u> |

Note 11 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the County joined and is covered by two public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$10,000 per occurrence for property claims and \$50,000 per occurrence

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for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as required by law, and risk management services. The County is responsible for paying a premium, based on an experience-rating formula that allocates pool expenditures and liabilities among the members.

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

The County established two internal service funds, the Employee Benefits Trust Fund and the Self-Insured Trust Fund. The Employee Benefits Trust Fund accounts for employee health benefits through a combination of self-insurance and commercial insurance. The Self-Insured Trust Fund provides property, casualty, and general liability coverage up to \$50,000 per claim and also accounts for premium payments to the Arizona Counties Workers' Compensation Pool for workers' compensation coverage. The Self-Insured Trust Fund accounts for the risk financing of certain benefits and losses through combinations of cost-reimbursement, self-insurance for losses up to certain limits, participation in public entity risk pools, and the purchase of insurance for losses above the limits. Settled claims have not exceeded risk pool coverage or the purchased commercial insurance in any of the past five fiscal years.

The Employee Benefits Trust Fund accounts for the financing of the uninsured risk of loss for certain health benefits (comprehensive major medical, prescriptions, dental, life/accidental and death and dismemberment) to eligible employees and their dependents, through a combination of commercial insurance and self-insurance. The County is self-insured up to certain limits, with commercial insurance to cover losses above the limits. The life insurance is 100% commercial insurance. Under the health insurance program, the employees have a preferred provider organization program. The County is fully self-insured for dental, which is administered by a third party. A third party administers a short-term disability program offered directly to employees that are interested. This is not a comprehensive program. Settled medical and dental claims have not exceeded available self-insurance funds, or the purchased commercial insurance, in any of the past five fiscal years.

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Note 12 - Operating Leases

The County leases buildings, copiers, computers, fiber optics, and land under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases were \$1,173,843 for the year ended June 30, 2013. The operating leases have remaining noncancellable lease terms from 1 to 83 years and provide renewal options. The future minimum payments required under the operating leases at June 30, 2013, were as follows:

| Year ending June 30          | Governmental<br>Activities | Business-Type<br>Activities |
|------------------------------|----------------------------|-----------------------------|
| 2014                         | \$ 998,120                 | \$664                       |
| 2015                         | 443,797                    | -                           |
| 2016                         | 165,466                    | -                           |
| 2017                         | <u>10,480</u>              | <u>-</u>                    |
| Total minimum lease payments | <u>\$1,617,863</u>         | <u>\$664</u>                |

Note 13 - Pensions and Other Postemployment Benefits

**Plan Descriptions**—The County contributes to four plans, three of which are described below. The Elected Officials Retirement Plan (EORP) is not described, due to its relative insignificance to the County's financial statements. The plans are component units of the State of Arizona, and benefits are established by state statute. The plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month toward the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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

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The *Corrections Officer Retirement Plan* (CORP) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit plan that covers state, county, and local correction officers; dispatchers; and probation, surveillance, and juvenile detention officers. The CORP is governed by The Board of Trustees of PSPRS and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

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

|  |   |
|--|---|
| ASRS<br>3300 N. Central Ave.<br>PO Box 33910<br>Phoenix, AZ 85067-3910<br>(602) 240-2000 or 1-800-621-3778<br>www.azasrs.gov | PSPRS and CORP<br>3010 E. Camelback Rd., Suite 200<br>Phoenix, AZ 85016-4416<br>(602) 255-5575<br>www.psprs.com |
|--|---|

**Funding Policy**—The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates for ASRS, PSPRS, and CORP.

*Cost-sharing plans*—For the year ended June 30, 2013, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.9 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll, and the County was required by statute to contribute at the actuarially determined rate of 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium benefit, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The County's contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

| Year ended June 30 | Retirement<br>Fund | Health Benefit<br>Supplement Fund | Long-Term<br>Disability Fund |
|--------------------|--------------------|-----------------------------------|------------------------------|
| 2013               | \$3,544,105        | \$224,748                         | \$82,984                     |
| 2012               | 3,577,496          | 228,351                           | 86,991                       |
| 2011               | 3,367,385          | 224,492                           | 93,538                       |

*Agent plans*—For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members' annual covered payroll and the County was required to contribute 24.93 percent, the aggregate of which is the actuarially required amount. The health insurance premium benefit portion of the contribution was actuarially set at 1.58 percent of covered payroll. Active CORP members were required by statute to contribute 8.41 percent of the members' annual covered payroll. In addition, the County was required to contribute 7.82 percent. The aggregate of the members' and the County's contributions is the actuarially required amount. The health insurance premium benefit portion of the contribution

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rate was actuarially set at 0.93 percent of covered payroll. Active CORP Administrative Office of the Courts (AOC) members were required by statute to contribute 8.41 percent of covered payroll and the County was required to contribute 13.12 percent of the members' annual covered payroll, which included 1.43 percent for the health insurance premium benefit portion.

All participating employers in CORP-AOC are accounted for as one group within the Corrections Officer Retirement Plan and, as such, an actuarial valuation of CORP-AOC is performed for only the group as a whole. Therefore, actuarial information and certain trend information for the County, as a participating government, are not available.

**Actuarial methods and assumptions**—The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2011, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plans as understood by the County and the plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for both plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements, are as follows:

|  |  |
|--|--|
| Actuarial valuation date                         | June 30, 2011  |
| Actuarial cost method                            | Entry age normal   |
| Amortization method                              | Level percent closed for unfunded actuarial accrued liability, open for excess |
| Remaining amortization period                    | 25 years for unfunded actuarial accrued liability, 20 years for excess         |
| Asset valuation method                           | 7-year smoothed market value   |
| Actuarial assumptions:                           |  |
| Investment rate of return                        | 8.25%  |
| Projected salary increases includes inflation at | 5%-8% for PSPRS and CORP<br>5% for PSPRS and CORP                              |

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**Annual Pension/OPEB Cost**—The County’s pension/OPEB cost for the agent plans for the year ended June 30, 2013, and related information follows:

|                          | PSPRS       |                                  | CORP      |                                  | CORP-AOC  |                                  |
|--------------------------|-------------|----------------------------------|-----------|----------------------------------|-----------|----------------------------------|
|                          | Pension     | Health Insurance Premium Benefit | Pension   | Health Insurance Premium Benefit | Pension   | Health Insurance Premium Benefit |
| Annual pension/OPEB cost | \$1,028,981 | \$74,680                         | \$256,680 | \$40,052                         | \$314,294 | \$43,805                         |
| Contributions made       | 1,028,981   | 74,680                           | 256,680   | 40,052                           | 314,294   | 43,805                           |

**Trend Information**—Annual pension cost and OPEB cost information for the current and 2 preceding years follows for each of the agent plans:

| Plan                             | Year Ended June 30 | Annual Pension/OPEB Cost | Percentage of Annual Cost Contributed | Net Pension/OPEB Obligation |
|----------------------------------|--------------------|--------------------------|---------------------------------------|-----------------------------|
| <b>PSPRS</b>                     |                    |                          |                                       |                             |
| Pension                          | 2013               | 1,028,981                | 100%                                  | \$-                         |
| Health insurance premium benefit | 2013               | 74,680                   | 100%                                  | -                           |
| Pension                          | 2012               | 785,331                  | 100%                                  | -                           |
| Health insurance premium benefit | 2012               | 71,696                   | 100%                                  | -                           |
| Pension                          | 2011               | 776,588                  | 100%                                  | -                           |
| Health insurance premium benefit | 2011               | 64,906                   | 100%                                  | -                           |
| <b>CORP</b>                      |                    |                          |                                       |                             |
| Pension                          | 2013               | 256,680                  | 100%                                  | -                           |
| Health insurance premium benefit | 2013               | 40,052                   | 100%                                  | -                           |
| Pension                          | 2012               | 155,969                  | 100%                                  | -                           |
| Health insurance premium benefit | 2012               | 36,111                   | 100%                                  | -                           |
| Pension                          | 2011               | 145,631                  | 100%                                  | -                           |
| Health insurance premium benefit | 2011               | 29,406                   | 100%                                  | -                           |
| <b>CORP-AOC</b>                  |                    |                          |                                       |                             |
| Pension                          | 2013               | 314,294                  | 100%                                  | -                           |
| Health insurance premium benefit | 2013               | 43,805                   | 100%                                  | -                           |
| Pension                          | 2012               | 309,932                  | 100%                                  | -                           |
| Health insurance premium benefit | 2012               | 37,881                   | 100%                                  | -                           |
| Pension                          | 2011               | 268,952                  | 100%                                  | -                           |
| Health insurance premium benefit | 2011               | 34,695                   | 100%                                  | -                           |

Mohave County  
Notes to Financial Statements  
June 30, 2013

**Funded Status**—Except for the CORP-AOC, the funded status of the plans as of the most recent valuation date, June 30, 2013, along with the actuarial assumptions and methods used in those valuations follow:

|  | PSPRS        |                                  | CORP         |                                  |
|--|--------------|----------------------------------|--------------|----------------------------------|
|  | Pension      | Health Insurance Premium Benefit | Pension      | Health Insurance Premium Benefit |
| Actuarial value of assets (a)  | \$20,062,339 |                                  | \$ 6,532,044 |                                  |
| Actuarial accrued liability (b)  | 32,283,981   | \$ 854,452                       | 5,045,425    | \$ 240,522                       |
| Unfunded actuarial accrued liability (funding excess) (b) – (a)  | 12,221,642   | 854,452                          | (1,486,619)  | 240,522                          |
| Funded ratio (a)/(b)   | 62.1%        | 0.0%                             | 129.5%       | 0.0%                             |
| Annual covered payroll (c)   | \$ 4,346,341 | \$ 4,346,341                     | \$ 3,715,361 | \$3,715,361                      |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a)/(c) | 281.2%       | 19.66%                           | (40.1)%      | 6.47%                            |

The actuarial methods and assumptions used are the same for all plans and related benefits, and for the most recent valuation date, are as follows:

|                               |  |
|-------------------------------|--|
| Actuarial valuation date      | June 30, 2013  |
| Actuarial cost method         | Entry age normal   |
| Amortization method           | Level percent-of-pay closed  |
| Remaining amortization period | 23 years for unfunded actuarial accrued liability, 20 years for overfunded |
| Asset valuation method        | 7-year smoothed market value (80%/120% market)                             |
| Actuarial assumptions:        |  |
| Investment rate of return     | 7.85%  |
| Projected salary increases    | 4.5%-8.5% for PSPRS and 4.5%-7.75% for CORP                                |
| includes payroll growth at    | 4.5% for PSPRS and CORP  |

The CORP-AOC's actuarial valuation is prepared on a state-wide basis; accordingly, actuarial information for the County, as a participating government, is not available.

Mohave County  
Notes to Financial Statements  
June 30, 2013

Note 14 - Interfund Balances and Activity

**Interfund receivables and payables**—Interfund balances at June 30, 2013, were as follows:

|                             | Payable to       |              |                             |                  |                        |                        | Total            |
|-----------------------------|------------------|--------------|-----------------------------|------------------|------------------------|------------------------|------------------|
|                             | General Fund     | Road Fund    | Nonmajor Governmental Funds | Landfill Fund    | Other Enterprise Funds | Internal Service Funds |                  |
| <b>Payable from</b>         |                  |              |                             |                  |                        |                        |                  |
| General Fund                | -                | -            | \$18,058                    | -                | -                      | \$3,451                | \$ 21,509        |
| Flood Control Fund          | -                | \$696        | 74                          | -                | -                      | -                      | 770              |
| Nonmajor Governmental Funds | \$131,310        | 161          | 72,333                      | \$734,851        | -                      | 555                    | 939,210          |
| Landfill Fund               | -                | 46           | -                           | -                | -                      | -                      | 46               |
| GVID Fund                   | -                | -            | 3                           | -                | -                      | -                      | 3                |
| Other Enterprise Funds      | -                | -            | -                           | 456              | -                      | 5,767                  | 6,223            |
| Internal Service Funds      | 6,485            | -            | -                           | -                | \$7,227                | -                      | 13,712           |
| Total                       | <u>\$137,795</u> | <u>\$903</u> | <u>\$90,468</u>             | <u>\$735,307</u> | <u>\$7,227</u>         | <u>\$9,773</u>         | <u>\$981,473</u> |

The majority of the interfund receivables and payables result from year-end accruals and adjustments. All cash is transferred within the first few months of the next fiscal year for these transactions.

The balance of \$734,851 due to the Landfill Fund from the nonmajor governmental funds is an advance from the landfill to cover special assessment engineering fees. This expense is to be reimbursed over the next 9 years, from property owners, through collections assessed on tax bills.

**Interfund Transfers**—Interfund transfers for the year ended June 30, 2013, were as follows:

|                             | Transfer to        |                  |                                  |                        |                             |                        |                        | Total               |
|-----------------------------|--------------------|------------------|----------------------------------|------------------------|-----------------------------|------------------------|------------------------|---------------------|
|                             | General Fund       | Road Fund        | Admin Building Debt Service Fund | Jail Debt Service Fund | Nonmajor Governmental Funds | Other Enterprise Funds | Internal Service Funds |                     |
| <b>Transfer from</b>        |                    |                  |                                  |                        |                             |                        |                        |                     |
| General Fund                | -                  | -                | -                                | \$12,023,040           | \$2,642,968                 | -                      | \$608,394              | \$15,274,402        |
| Flood Control Fund          | \$1,103,883        | -                | -                                | -                      | 136,800                     | -                      | -                      | 1,240,683           |
| Nonmajor Governmental Funds | 1,338,810          | \$242,933        | \$5,801,453                      | 5,392,116              | 1,297,774                   | -                      | -                      | 14,073,086          |
| Other Enterprise Funds      | -                  | -                | -                                | -                      | -                           | \$28,828               | -                      | 28,828              |
| Internal Service Funds      | -                  | -                | -                                | -                      | 178,392                     | -                      | -                      | 178,392             |
| Total                       | <u>\$2,442,693</u> | <u>\$242,933</u> | <u>\$5,801,453</u>               | <u>\$17,415,156</u>    | <u>\$4,255,934</u>          | <u>\$28,828</u>        | <u>\$608,394</u>       | <u>\$30,795,391</u> |

The General Fund transfers monies to other funds to provide support for such items as matching funds for grants or to make up the shortfall of grant-funded programs that the County feels are important. Other funds also transfer monies to reimburse the General Fund for shared expenses of programs and to cover matching requirements.

Mohave County  
Notes to Financial Statements  
June 30, 2013

Note 15 - County Treasurer's Investment Pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County's monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

The County Treasurer's investment pool is not registered with the Securities and Exchange Commission as an investment company, and there is no regulatory oversight of its operations. The pool's structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments. The Treasurer allocates interest earnings to each of the pool's participants.

The deposits and investments held by the County are included in the County Treasurer's investment pool, except for \$2,022,457 of deposits held by the Treasurer and \$27,552,272 held by trustees in the County's name. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 4 for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

| Investment Type                                    | Principal            | Interest Rates | Maturities  | Fair Value           |
|--|----------------------|----------------|-------------|----------------------|
| U.S. agency securities                             | \$116,000,000        | 0.125-1.375%   | 10/13-03/18 | \$114,910,009        |
| Corporate bonds                                    | 4,191,568            | N/A            | N/A         | 1,250,000            |
| State Treasurer's Local Government Investment Pool | <u>2,119,709</u>     | None stated    | N/A         | <u>2,029,449</u>     |
|  | <u>\$122,311,277</u> |                |             | <u>\$118,189,458</u> |

A condensed statement of the investment pool's net position and changes in net position follows:

**Statement of Net Position**

|                                  |                       |
|----------------------------------|-----------------------|
| Assets                           | \$ 142,526,140        |
| Liabilities                      | -                     |
| Net position                     | <u>\$ 142,526,140</u> |
| Net position held in trust for:  |                       |
| Internal participants            | \$ 96,013,325         |
| External participants            | <u>46,512,815</u>     |
| Total net position held in trust | <u>\$ 142,526,140</u> |

Mohave County  
Notes to Financial Statements  
June 30, 2013

**Statement of Changes in Net Position**

|                             |                       |
|-----------------------------|-----------------------|
| Total additions             | \$ 676,001,273        |
| Total deductions            | <u>(715,183,163)</u>  |
| Net decrease                | (39,181,890)          |
| Net position held in trust: |                       |
| July 1, 2012                | <u>181,708,030</u>    |
| June 30, 2013               | <u>\$ 142,526,140</u> |

**Note 16 - Loss Contingency**

The County is currently in tax litigation with two taxpayers that may create a liability for all the taxing districts in Mohave County. Legal counsel has advised that if the prior tax years' assessed valuations are lowered by the tax court, there is a probability that between \$4 million and \$6.5 million may be owed back to the taxpayers. Mohave County and its blended component units' share of the liability would be between \$900 thousand and \$1.5 million of the total.

**Note 17 - Subsequent Event**

The County's Beneficial Interest Certificates debt is being administered by a trustee. On March 6, 2013, the County transferred sufficient monies to the trustee handling the Administration Building Beneficial Interest Certificates Series 2004 trust, to defease the debt. The monies became irrevocable in January 2014, by communicating to the trustee the County's intention to pay off the debt at the earliest possible date, July 1, 2014.

## Required Supplementary Information

Mohave County  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2013

|                                  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|----------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
|                                  | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| Revenues:                        |                         |                   |                           |                                       |
| Taxes                            | \$ 37,450,000           | \$ 37,450,000     | \$ 36,526,135             | \$ (923,865)                          |
| Licenses and permits             | 551,918                 | 551,918           | 582,935                   | 31,017                                |
| Intergovernmental                | 28,805,121              | 28,805,121        | 27,884,561                | (920,560)                             |
| Charges for services             | 6,598,871               | 6,599,621         | 7,007,558                 | 407,937                               |
| Fines and forfeits               | 1,773,683               | 1,773,683         | 1,778,082                 | 4,399                                 |
| Investment earnings              | 113,753                 | 113,003           | 57,875                    | (55,128)                              |
| Contributions                    | 1,000                   | 49,896            | 49,296                    | (600)                                 |
| Miscellaneous                    | 165,455                 | 165,455           | 162,012                   | (3,443)                               |
| Total revenues                   | <u>75,459,801</u>       | <u>75,508,697</u> | <u>74,048,454</u>         | <u>(1,460,243)</u>                    |
| Expenditures:                    |                         |                   |                           |                                       |
| General government               |                         |                   |                           |                                       |
| Assessor                         | 3,377,114               | 3,377,114         | 3,301,193                 | 75,921                                |
| County attorney                  | 3,819,458               | 3,819,458         | 3,680,945                 | 138,513                               |
| Board of Supervisors             | 736,013                 | 736,013           | 685,113                   | 50,900                                |
| Clerk of board                   | 276,770                 | 276,770           | 199,837                   | 76,933                                |
| Housing community development    | 434,785                 | 434,785           | 429,626                   | 5,159                                 |
| General administration           | 1,436,671               | 1,435,921         | 1,348,851                 | 87,070                                |
| Clerk of superior court          | 2,006,899               | 2,006,899         | 1,947,160                 | 59,739                                |
| Constables                       | 381,640                 | 382,440           | 380,985                   | 1,455                                 |
| Contingency                      | 11,033,443              | 9,683,544         | -                         | 9,683,544                             |
| Elections                        | 916,628                 | 916,628           | 857,844                   | 58,784                                |
| Finance                          | 1,013,171               | 1,040,721         | 1,040,566                 | 155                                   |
| Building and grounds maintenance | 2,207,664               | 2,207,664         | 2,011,533                 | 196,131                               |
| Justice courts                   | 3,026,352               | 3,026,352         | 2,841,910                 | 184,442                               |
| Juvenile detention               | 1,334,736               | 1,335,936         | 1,254,332                 | 81,604                                |
| Personnel                        | 535,289                 | 535,289           | 480,193                   | 55,096                                |
| Development services             | 2,292,411               | 2,292,411         | 1,746,511                 | 545,900                               |
| Public fiduciary                 | 529,855                 | 529,855           | 465,293                   | 64,562                                |
| Public defender                  | 4,574,134               | 5,134,134         | 5,088,463                 | 45,671                                |
| Public legal defender            | 808,625                 | 826,425           | 826,291                   | 134                                   |
| Building inspector               | 1,101,852               | 1,101,852         | 946,652                   | 155,200                               |
| Public works                     | 92,425                  | 92,425            | 46,939                    | 45,486                                |
| Procurement                      | 364,493                 | 364,493           | 342,981                   | 21,512                                |
| Recorder                         | 662,837                 | 662,837           | 594,882                   | 67,955                                |
| Superior courts                  | 2,797,410               | 2,862,910         | 2,794,126                 | 68,784                                |
| Treasurer                        | 1,463,562               | 1,463,562         | 1,312,172                 | 151,390                               |
| Voter registration               | 388,327                 | 443,327           | 401,001                   | 42,326                                |
| Supervisory districts            | 762,393                 | 898,909           | 747,505                   | 151,404                               |
| Total general government         | <u>48,374,957</u>       | <u>47,888,674</u> | <u>35,772,904</u>         | <u>12,115,770</u>                     |

See accompanying notes to budgetary comparison schedule.

Mohave County  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2013  
(Continued)

|   | <u>Budgeted Amounts</u> |                    | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|--------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>       |                           |                                       |
| Expenditures:                                     |                         |                    |                           |                                       |
| Public safety:                                    |                         |                    |                           |                                       |
| Animal control                                    | \$ 555,209              | \$ 555,209         | \$ 548,719                | \$ 6,490                              |
| Jail  | 10,806,603              | 10,806,603         | 10,603,166                | 203,437                               |
| Medical examiner                                  | 567,600                 | 567,600            | 567,600                   | -                                     |
| Probation   | 1,718,208               | 1,718,208          | 1,586,818                 | 131,390                               |
| Sheriff   | <u>11,169,487</u>       | <u>11,368,127</u>  | <u>10,982,626</u>         | <u>385,501</u>                        |
| Total public safety                               | <u>24,817,107</u>       | <u>25,015,747</u>  | <u>24,288,929</u>         | <u>726,818</u>                        |
| Health  |                         |                    |                           |                                       |
| AHCCCS  | <u>9,653,200</u>        | <u>9,653,200</u>   | <u>9,500,808</u>          | <u>152,392</u>                        |
| Education   |                         |                    |                           |                                       |
| School superintendent                             | <u>452,318</u>          | <u>452,318</u>     | <u>423,576</u>            | <u>28,742</u>                         |
| Total expenditures                                | <u>83,297,582</u>       | <u>83,009,939</u>  | <u>69,986,217</u>         | <u>13,023,722</u>                     |
| Excess (deficiency) of revenues over expenditures | <u>(7,837,781)</u>      | <u>(7,501,242)</u> | <u>4,062,237</u>          | <u>11,563,479</u>                     |
| Other financing sources (uses):                   |                         |                    |                           |                                       |
| Transfers in                                      | 2,530,222               | 2,530,222          | 2,442,693                 | (87,529)                              |
| Transfers out                                     | <u>(5,725,884)</u>      | <u>(6,058,853)</u> | <u>(15,274,402)</u>       | <u>(9,215,549)</u>                    |
| Total other financing sources (uses)              | <u>(3,195,662)</u>      | <u>(3,528,631)</u> | <u>(12,831,709)</u>       | <u>(9,303,078)</u>                    |
| Net change in fund balance                        | (11,033,443)            | (11,029,873)       | (8,769,472)               | 2,260,401                             |
| Fund balances, July 1, 2012, as restated          | <u>11,033,443</u>       | <u>11,029,873</u>  | <u>21,841,310</u>         | <u>10,811,437</u>                     |
| Fund balances, June 30, 2013                      | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 13,071,838</u>      | <u>\$ 13,071,838</u>                  |

See accompanying notes to budgetary comparison schedule.

Mohave County  
Required Supplementary Information  
Budgetary Comparison Schedule  
Road Fund  
Year Ended June 30, 2013

|  | <u>Budgeted Amounts</u> |                    | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|--------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>       |                           |                                       |
| Revenues:  |                         |                    |                           |                                       |
| Licenses and permits                                 | \$ 30,000               | \$ 30,000          | \$ 33,950                 | \$ 3,950                              |
| Intergovernmental                                    | 11,747,873              | 11,747,873         | 12,625,886                | 878,013                               |
| Charges for services                                 | 538,150                 | 538,150            | 385,770                   | (152,380)                             |
| Fines and forfeits                                   | 548                     | 548                | 547                       | (1)                                   |
| Investment earnings                                  | 62,220                  | 62,220             | 44,223                    | (17,997)                              |
| Rents  | 86,358                  | 86,358             | 86,358                    | -                                     |
| Miscellaneous  | <u>53,700</u>           | <u>53,700</u>      | <u>73,064</u>             | <u>19,364</u>                         |
| Total revenues                                       | <u>12,518,849</u>       | <u>12,518,849</u>  | <u>13,249,798</u>         | <u>730,949</u>                        |
| Expenditures:  |                         |                    |                           |                                       |
| Highways and streets                                 | <u>18,515,104</u>       | <u>18,515,104</u>  | <u>12,677,127</u>         | <u>5,837,977</u>                      |
| Total expenditures                                   | <u>18,515,104</u>       | <u>18,515,104</u>  | <u>12,677,127</u>         | <u>5,837,977</u>                      |
| Excess (deficiency) of revenues over<br>expenditures | <u>(5,996,255)</u>      | <u>(5,996,255)</u> | <u>572,671</u>            | <u>6,568,926</u>                      |
| Other financing sources (uses):                      |                         |                    |                           |                                       |
| Transfers in   | <u>35,258</u>           | <u>35,258</u>      | <u>242,933</u>            | <u>207,675</u>                        |
| Total other financing sources (uses)                 | <u>35,258</u>           | <u>35,258</u>      | <u>242,933</u>            | <u>207,675</u>                        |
| Net change in fund balance                           | (5,960,997)             | (5,960,997)        | 815,604                   | 6,776,601                             |
| Fund balances, July 1, 2012                          | 5,960,997               | 5,960,997          | 13,194,566                | 7,233,569                             |
| Decrease in reserve for inventory                    | <u>-</u>                | <u>-</u>           | <u>(53,421)</u>           | <u>(53,421)</u>                       |
| Fund balances, June 30, 2013                         | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 13,956,749</u>      | <u>\$ 13,956,749</u>                  |

See accompanying notes to budgetary comparison schedule.

Mohave County  
Required Supplementary Information  
Budgetary Comparison Schedule  
Flood Control Fund  
Year Ended June 30, 2013

|  | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| Revenues:  |                         |                     |                           |                                       |
| Taxes  | \$ 8,666,483            | \$ 8,666,483        | \$ 7,982,996              | \$ (683,487)                          |
| Licenses and permits                                 | 5,000                   | 5,000               | 6,345                     | 1,345                                 |
| Intergovernmental                                    | 350,000                 | 350,000             | 41                        | (349,959)                             |
| Charges for services                                 | -                       | -                   | 960                       | 960                                   |
| Investment earnings                                  | 69,734                  | 69,734              | 61,602                    | (8,132)                               |
| Miscellaneous  | -                       | -                   | 762                       | 762                                   |
| Total revenues                                       | <u>9,091,217</u>        | <u>9,091,217</u>    | <u>8,052,706</u>          | <u>(1,038,511)</u>                    |
| Expenditures:  |                         |                     |                           |                                       |
| Public safety  | <u>25,949,640</u>       | <u>25,949,640</u>   | <u>16,399,396</u>         | <u>9,550,244</u>                      |
| Total expenditures                                   | <u>25,949,640</u>       | <u>25,949,640</u>   | <u>16,399,396</u>         | <u>9,550,244</u>                      |
| Excess (deficiency) of revenues over<br>expenditures | <u>(16,858,423)</u>     | <u>(16,858,423)</u> | <u>(8,346,690)</u>        | <u>8,511,733</u>                      |
| Other financing sources (uses):                      |                         |                     |                           |                                       |
| Transfers out  | <u>(1,251,872)</u>      | <u>(1,251,872)</u>  | <u>(1,240,683)</u>        | <u>11,189</u>                         |
| Total other financing sources (uses)                 | <u>(1,251,872)</u>      | <u>(1,251,872)</u>  | <u>(1,240,683)</u>        | <u>11,189</u>                         |
| Net change in fund balance                           | (18,110,295)            | (18,110,295)        | (9,587,373)               | 8,522,922                             |
| Fund balances, July 1, 2012                          | <u>18,110,295</u>       | <u>18,110,295</u>   | <u>18,229,585</u>         | <u>119,290</u>                        |
| Fund balances, June 30, 2013                         | <u>\$ -</u>             | <u>\$ -</u>         | <u>\$ 8,642,212</u>       | <u>\$ 8,642,212</u>                   |

See accompanying notes to budgetary comparison schedule.

Mohave County  
Required Supplementary Information  
Notes to Budgetary Comparison Schedules  
June 30, 2013

Note 1 - Budgeting and Budgetary Control

A.R.S. requires the County to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval. With the exception of the General Fund, each fund includes only one department.

Note 2 - Budgetary Basis of Accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles. There are no differences between the budget and the annual financial report based on the basis of accounting used.

Note 3 - Expenditures in Excess of Appropriations

For the year ended June 30, 2013, there were no expenditures that exceeded final budget amounts at the department level (the legal level of budgetary control) in the General Fund or in any of the major special revenue funds presented.

Mohave County  
 Required Supplementary Information  
 Schedule of Agent Retirement Plans' Funding Progress  
 June 30, 2013

**Public Safety Personnel Retirement System**

| Actuarial Valuation Date                    | Actuarial value of assets (a) | Actuarial accrued Liability (b) | Unfunded actuarial accrued liability (UAAL) (funding excess) (b) - (a) | Funded ratio (a)/(b) | Annual covered payroll (c) | UAAL (funding excess) as a percentage of covered payroll (b)-(a)/c |
|---|-------------------------------|---------------------------------|--|----------------------|----------------------------|--|
| Pension 06/30/2013                          | \$20,062,339                  | \$32,283,981                    | \$12,221,642   | 62.1%                | \$4,346,341                | 281.2%   |
| Health insurance premium benefit 06/30/2013 | -                             | 854,452                         | 854,452  | 0.0%                 | 4,346,341                  | 19.7%  |
| Pension 06/30/2012                          | 19,464,007                    | 31,053,893                      | 11,589,886   | 62.7%                | 4,574,572                  | 253.4%   |
| Health insurance premium benefit 06/30/2012 | -                             | 837,829                         | 837,829  | 0.0%                 | 4,574,572                  | 18.3%  |
| Pension 06/30/2011                          | 19,015,513                    | 27,927,107                      | 8,911,594  | 68.1%                | 4,348,662                  | 204.9%   |
| Health insurance premium benefit 06/30/2011 | -                             | 831,305                         | 831,305  | 0.0%                 | 4,348,662                  | 19.1%  |

**Corrections Officer Retirement Plan**

| Actuarial Valuation Date                    | Actuarial value of assets (a) | Actuarial accrued Liability (b) | Unfunded actuarial accrued liability (UAAL) (funding excess) (b) - (a) | Funded ratio (a)/(b) | Annual covered payroll (c) | UAAL (funding excess) as a percentage of covered payroll (b)-(a)/c |
|---|-------------------------------|---------------------------------|--|----------------------|----------------------------|--|
| Pension 06/30/2013                          | \$6,532,044                   | \$5,045,425                     | \$(1,486,619)  | 129.5%               | \$3,715,361                | 0%   |
| Health insurance premium benefit 06/30/2013 | -                             | 240,522                         | 240,522  | 0%                   | 3,715,361                  | 6.47%  |
| Pension 06/30/2012                          | 6,208,354                     | 5,274,146                       | (934,208)  | 117.7%               | 4,017,855                  | (23.3%)  |
| Health insurance premium benefit 06/30/2012 | -                             | 242,406                         | 242,406  | 0.0%                 | 4,017,855                  | 6.0%   |
| Pension 06/30/2011                          | 5,768,066                     | 4,437,310                       | (1,330,756)  | 130.0%               | 3,716,730                  | (35.8%)  |
| Health insurance premium benefit 06/30/2011 | -                             | 246,539                         | 246,539  | 0.0%                 | 3,716,730                  | 6.6%   |

See accompanying Note to Schedule of Agent Retirement Plans' Funding Progress.

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Note 1 - Actuarial Information Available

The CORP-AOC's actuarial valuation is prepared on a state-wide basis; accordingly, actuarial information for the County, as a participating government, is not available.