

# MOHAVE COUNTY ANNUAL FINANCIAL REPORT

**Fiscal Year Ended June 30, 2012**



*Mohave County Development Services Building, completed 2011*



**MOHAVE COUNTY**  
**Annual Financial Report**  
**Year Ended June 30, 2012**

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## Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of  
Mohave County, Arizona

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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Mohave County as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 through 15, the Budgetary Comparison Schedules on pages 55 through 59,

and the Schedule of Agent Retirement Plans' Funding Progress on pages 60 through 61 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.

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. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with *Government Auditing Standards*, we will also 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, 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* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, and others within the County and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink that reads "Fester & Chapman P.C." The signature is written in a cursive, slightly slanted style.

February 28, 2013

# Mohave County Financial Services

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Financial Services Director

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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, 2012. Please read the following discussion in conjunction with the County's basic financial statements, which begin on page 17.

### Financial Highlights

- Total assets of the County exceeded its liabilities at the close of the fiscal year by \$325.2 million, a 3.9% increase from the prior year. Of this amount, \$81.4 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets as reported in the Statement of Activities increased by \$12.2 million. Of this amount, \$15 million (123%) is attributable to governmental activities and -\$2.7 million (-23%) is attributable to business-type activities.
- Total liabilities decreased by \$1.8 million from the prior year.
- Long-term Debt decreased by \$5.7 million (8.8%) from the prior year.
- The unassigned fund balance for the General fund decreased by \$.6 million (22.5%), General fund revenues were below budgeted revenues by \$1 million, and expenditures were only 83% 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 themselves.

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

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

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 17-18 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 19-22 of this report.

Mohave County maintains 157 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, and the Admin building debt service fund, all of which are major funds. Data from the other 153 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 55 to 59.

**Proprietary funds** - Mohave County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. 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 for its 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 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 23-25 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 26-27 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 28-53 of this report.

**Other information** - In addition to the basic financial statements and accompanying notes, pages 55-61 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 assets may serve over time as a useful indicator of a government's financial position. In the case of Mohave County, assets exceeded liabilities by \$325 million at the close of the most recent fiscal year.

By far the largest portion of Mohave County's net assets (61%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, 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.

|   | Government-wide<br>Net Assets<br>As of June 30, |                       |                        |               |
|---|---|-----------------------|------------------------|---------------|
|   | 2011  | 2012                  | Increase<br>(Decrease) | %<br>Change   |
| Current assets and other assets                 | \$ 150,869,422                                  | \$ 153,654,302        | \$ 2,784,880           | 1.85%         |
| Capital assets                                  | 234,245,927                                     | 241,919,149           | 7,673,222              | 3.28%         |
| Total assets                                    | <u>385,115,349</u>                              | <u>395,573,451</u>    | <u>10,458,102</u>      | <u>2.72%</u>  |
| Long-term liabilities outstanding               | 65,080,890                                      | 59,375,511            | (5,705,379)            | -8.77%        |
| Other liabilities                               | 7,094,597                                       | 11,016,070            | 3,921,473              | 55.27%        |
| Total liabilities                               | <u>72,175,487</u>                               | <u>70,391,581</u>     | <u>(1,783,906)</u>     | <u>-2.47%</u> |
| Net assets:                                     |   |                       |                        |               |
| Invested in capital assets, net of related debt | 185,243,637                                     | 198,574,149           | 13,330,512             | 7.20%         |
| Restricted                                      | 47,328,033                                      | 45,164,560            | (2,163,473)            | -4.57%        |
| Unrestricted                                    | 80,368,192                                      | 81,443,161            | 1,074,969              | 1.34%         |
| Total net assets                                | <u>\$ 312,939,862</u>                           | <u>\$ 325,181,870</u> | <u>\$ 12,242,008</u>   | <u>3.91%</u>  |

14% of Mohave County's net assets represent resources subject to external restrictions on how they may be used. The remaining \$81.4 million (25%) of *unrestricted net assets* may be used to meet the government's ongoing obligations to citizens and creditors. The largest changes in the net assets occurred in the governmental funds. The changes are discussed separately under the following sections; Governmental activities – net assets highlights, Business-type activities – net assets highlights, and Capital Asset and Debt Administration.

The **restricted** net assets reflected a net decrease of \$2.2 million from the prior year. Decreases of approximately \$2.4 million from highways and streets, \$2.1 million from sanitation, \$4.5 million from debt service and \$.5 million from other sources were offset with increases of \$6.6 million from capital projects. **Unrestricted** net assets increased by \$1.1 million from the prior year, due to tax revenue exceeding expenditures. The increase in **Net assets invested in capital assets, net of related debt** reflects the decrease in long-term debt of \$5.7 million which offsets the investment in fixed assets (restricted for debt service) and the majority of the excess revenue over expenditures, in the current fiscal year, which was invested in capital purchases.

**Governmental activities - net assets highlights:** The net assets *invested in capital assets, net of related debt* had a net increase of \$13.7 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 \$2.3 million from last year. The decrease was due to principal payments made on the County's Beneficial Interest Certificates (BIC's) and special assessment bonds payable, without incurring any new long-term debt. On the other hand, other liabilities increased \$3.9 million (58.5%). This was due to a delay in payment of the flood control distributions for 2012 of \$2.6 million. In addition, there was an increase in purchases of road materials of \$.6 million and various other timing differences of \$.7 million spread over all the governmental funds for payments of expenditures.

| <b>Governmental Activities</b>                  |                       |                       |                        |               |
|---|-----------------------|-----------------------|------------------------|---------------|
| <b>Net Assets</b>                               |                       |                       |                        |               |
| <b>As of June 30,</b>                           |                       |                       |                        |               |
|   | 2011                  | 2012                  | Increase<br>(Decrease) | %<br>Change   |
| Current assets and other assets                 | \$ 131,431,096        | \$ 136,142,333        | \$ 4,711,237           | 3.58%         |
| Capital assets                                  | 219,284,988           | 227,312,604           | 8,027,616              | 3.66%         |
| Total assets                                    | <u>350,716,084</u>    | <u>363,454,937</u>    | <u>12,738,853</u>      | <u>3.63%</u>  |
| Long-term liabilities outstanding               | 59,167,108            | 52,998,752            | (6,168,356)            | -10.43%       |
| Other liabilities                               | 6,699,315             | 10,615,876            | 3,916,561              | 58.46%        |
| Total liabilities                               | <u>65,866,423</u>     | <u>63,614,628</u>     | <u>(2,251,795)</u>     | <u>-3.42%</u> |
| Net assets:                                     |                       |                       |                        |               |
| Invested in capital assets, net of related debt | 170,282,698           | 183,967,604           | 13,684,906             | 8.04%         |
| Restricted                                      | 38,753,020            | 38,791,768            | 38,748                 | 0.10%         |
| Unrestricted                                    | <u>75,813,943</u>     | <u>77,080,937</u>     | <u>1,266,994</u>       | <u>1.67%</u>  |
| Total net assets                                | <u>\$ 284,849,661</u> | <u>\$ 299,840,309</u> | <u>\$ 14,990,648</u>   | <u>5.26%</u>  |

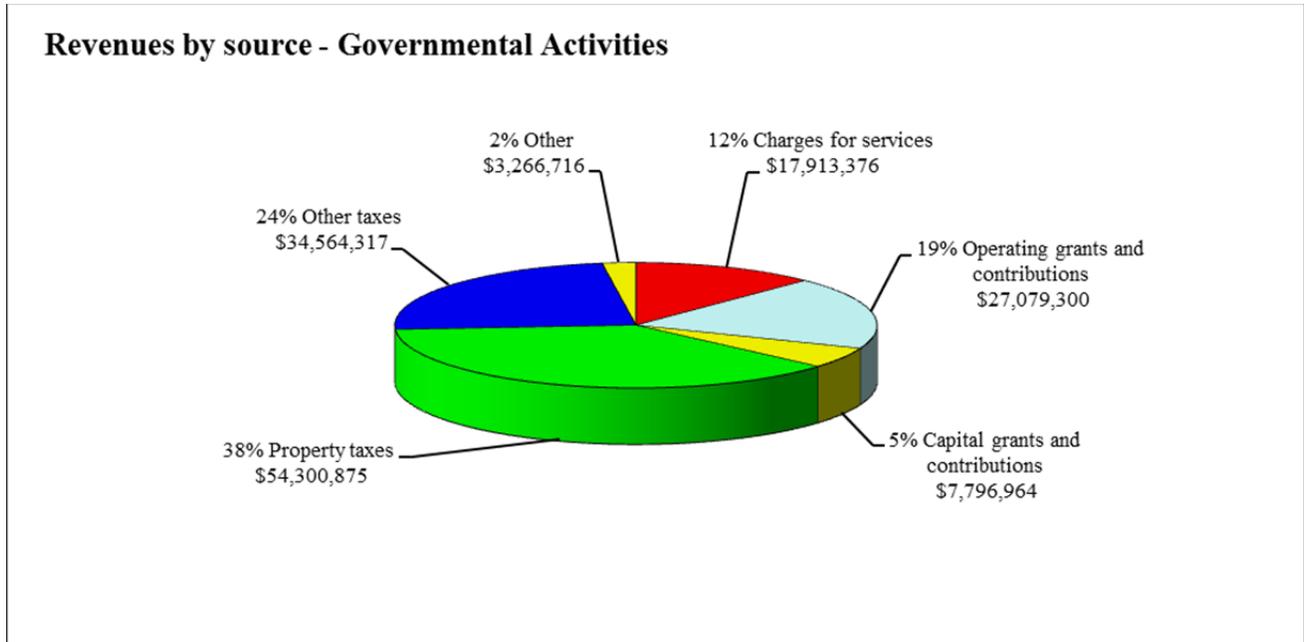
**Governmental activities – comparative statement of activities highlights:** The current year governmental activities financial statements reflect an increase of \$7.7 million in total program revenues. This amount is attributed to the completion of the Beaver Dam bridge project on the Colorado strip and paved roads that were donated to the county and accepted into the road maintenance program. The State of Arizona contributed \$7.6 million for the bridge project which is recorded under capital grants and contributions. The decrease in general revenues is caused by the decrease in assessed values, resulting in decreased tax revenues. The \$1.7 million (108%) increase in other revenues results from recording the trade-in of motor graders.

Expenses increased \$1.7 million (1.3%) 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 fourth 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 main increases in expenditures for fiscal year 2012 were in jail costs (public safety) and A.H.C.C.C.S costs (health), both are non-controllable. The jail costs vary with occupancy and the A.H.C.C.C.S costs are an allocation from the State of the actual expenses incurred.

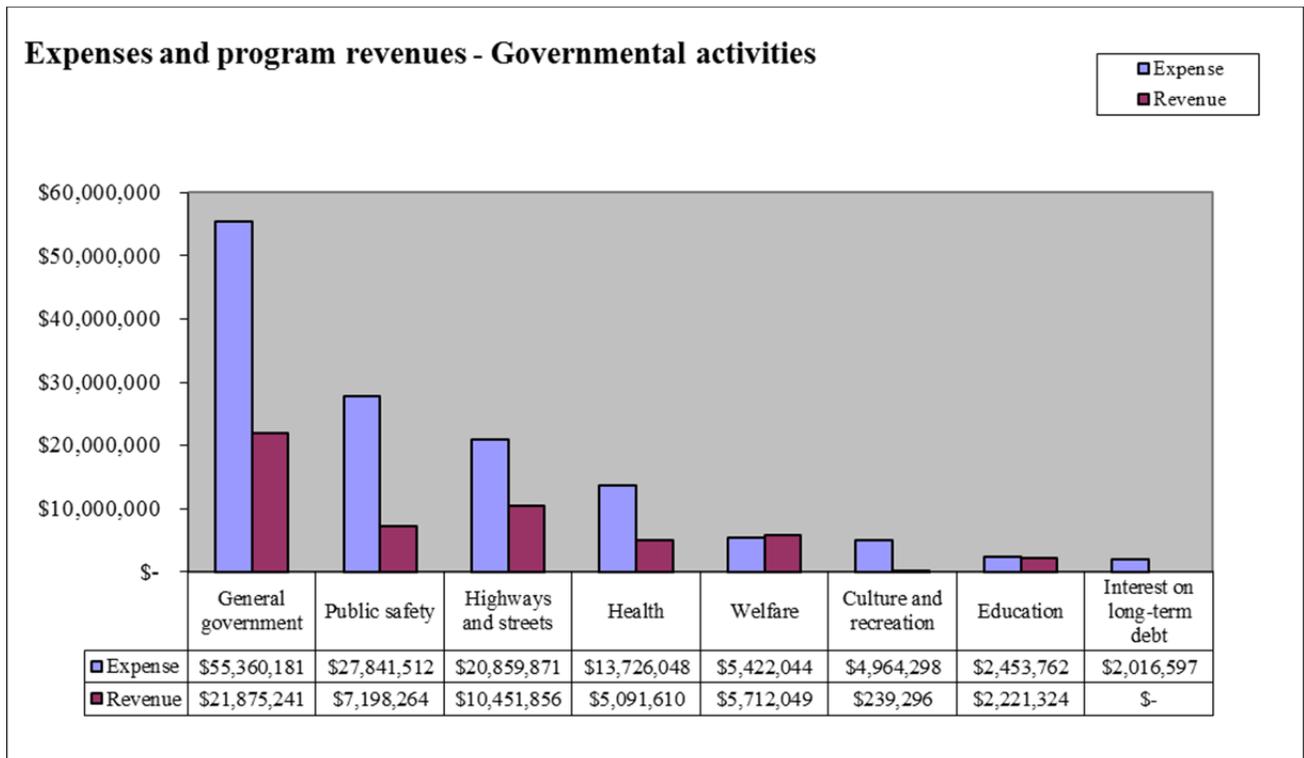
**Governmental Activities  
Comparative Statement of Activities  
Year Ended June 30,**

|   | 2011                  | 2012                  | Increase<br>(decrease) | %<br>Change   |
|---|-----------------------|-----------------------|------------------------|---------------|
| <b>Revenues:</b>                        |                       |                       |                        |               |
| Program revenues                        |                       |                       |                        |               |
| Charges for services                    | \$ 18,930,726         | \$ 17,913,376         | \$ (1,017,350)         | -5.37%        |
| Operating grants and contributions      | 26,107,374            | 27,079,300            | 971,926                | 3.72%         |
| Capital grants and contributions        | 46,945                | 7,796,964             | 7,750,019              | 16508.72%     |
| Total program revenues                  | <u>45,085,045</u>     | <u>52,789,640</u>     | <u>7,704,595</u>       | <u>17.09%</u> |
| General revenues                        |                       |                       |                        |               |
| Property taxes                          | 57,461,013            | 54,300,875            | (3,160,138)            | -5.50%        |
| Other taxes                             | 35,063,969            | 34,564,317            | (499,652)              | -1.42%        |
| Other revenues                          | 1,569,340             | 3,266,716             | 1,697,376              | 108.16%       |
| Total general revenues                  | <u>94,094,322</u>     | <u>92,131,908</u>     | <u>(1,962,414)</u>     | <u>-2.09%</u> |
| Total revenues                          | <u>139,179,367</u>    | <u>144,921,548</u>    | <u>5,742,181</u>       | <u>4.13%</u>  |
| <b>Expenses:</b>                        |                       |                       |                        |               |
| General government                      | 59,154,601            | 55,360,181            | (3,794,420)            | -6.41%        |
| Public safety                           | 23,201,571            | 27,841,512            | 4,639,941              | 20.00%        |
| Highways and streets                    | 23,262,369            | 20,859,871            | (2,402,498)            | -10.33%       |
| Health                                  | 11,653,603            | 13,726,048            | 2,072,445              | 17.78%        |
| Welfare                                 | 4,697,172             | 5,422,044             | 724,872                | 15.43%        |
| Culture and recreation                  | 4,506,929             | 4,964,298             | 457,369                | 10.15%        |
| Education                               | 2,250,034             | 2,453,762             | 203,728                | 9.05%         |
| Interest on long-term debt              | 2,219,545             | 2,016,597             | (202,948)              | -9.14%        |
| Total expenses                          | <u>130,945,824</u>    | <u>132,644,313</u>    | <u>1,698,489</u>       | <u>1.30%</u>  |
| Increase in net assets before transfers | 8,233,543             | 12,277,235            | 4,043,692              | 49.11%        |
| Transfers                               | 463,780               | 2,713,413             | 2,249,633              | 485.06%       |
| Increase in net assets                  | <u>8,697,323</u>      | <u>14,990,648</u>     | <u>6,293,325</u>       | <u>72.36%</u> |
| Net assets beginning of year            | 276,152,338           | 284,849,661           | 8,697,323              | 3.15%         |
| Net assets end of year                  | <u>\$ 284,849,661</u> | <u>\$ 299,840,309</u> | <u>\$ 14,990,648</u>   | <u>5.26%</u>  |

The chart below represents all revenues collected from governmental activities, including general revenues, as reported in the Statement of 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 \$145 million. General revenues of \$92.1 million are not included in this graph, though they represent 64% 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 assets of \$15 million for the fiscal year as indicated on the Statement of Activities.

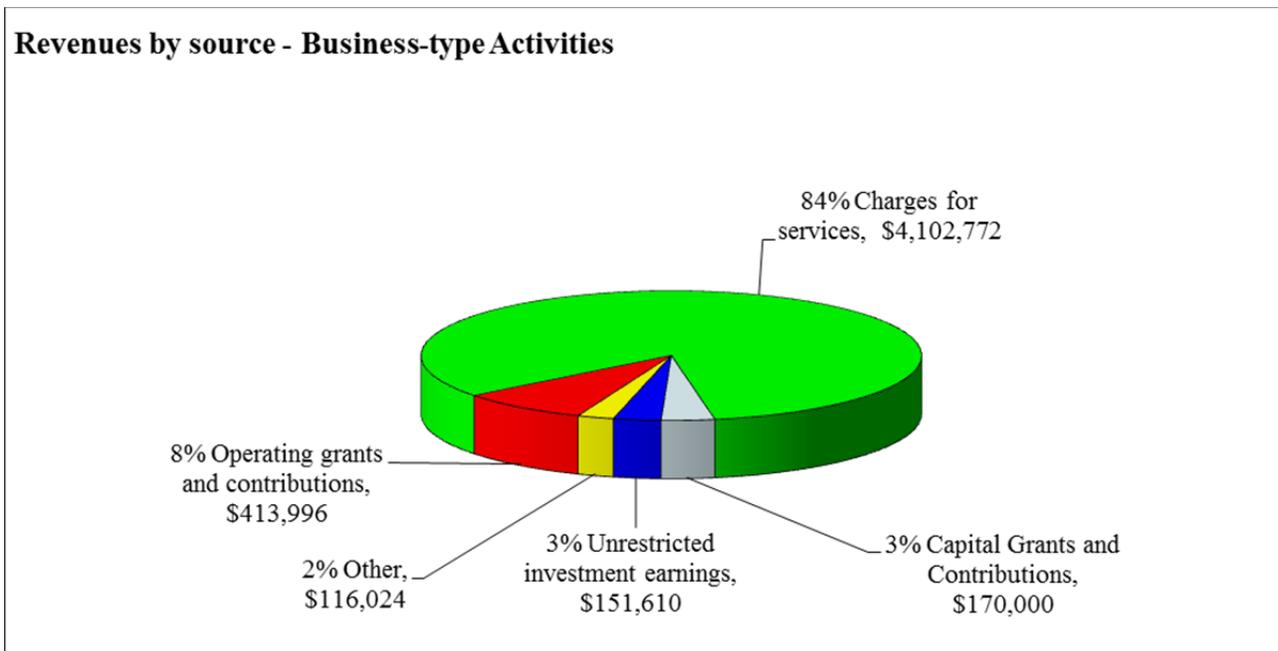


**Business-type activities - net assets highlights:** Net assets decreased by \$2.7 million due to a transfer to the public works department to cover a portion of the cost of the new public works building. This building will provide space for the administrative offices for the business-type funds. Long-term liabilities increased due to the increase in landfill closure and post-closure costs from the prior year; these are estimated future costs provided by engineering consultants for managing the Cerbat and Mohave Valley landfills.

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

|   | 2011          | 2012          | Increase<br>(Decrease) | %<br>Change |
|---|---------------|---------------|------------------------|-------------|
| Current assets and other assets                 | \$ 19,438,326 | \$ 17,511,969 | \$ (1,926,357)         | -9.91%      |
| Capital assets                                  | 14,960,939    | 14,606,545    | (354,394)              | -2.37%      |
| Total assets                                    | 34,399,265    | 32,118,514    | (2,280,751)            | -6.63%      |
| Long-term liabilities outstanding               | 5,913,782     | 6,376,759     | 462,977                | 7.83%       |
| Other liabilities                               | 395,282       | 400,194       | 4,912                  | 1.24%       |
| Total liabilities                               | 6,309,064     | 6,776,953     | 467,889                | 7.42%       |
| Net assets:                                     |               |               |                        |             |
| Invested in capital assets, net of related debt | 14,960,939    | 14,606,545    | (354,394)              | -2.37%      |
| Restricted                                      | 8,575,013     | 6,372,792     | (2,202,221)            | -25.68%     |
| Unrestricted                                    | 4,554,249     | 4,362,224     | (192,025)              | -4.22%      |
| Total net assets                                | \$ 28,090,201 | \$ 25,341,561 | \$ (2,748,640)         | -9.79%      |

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



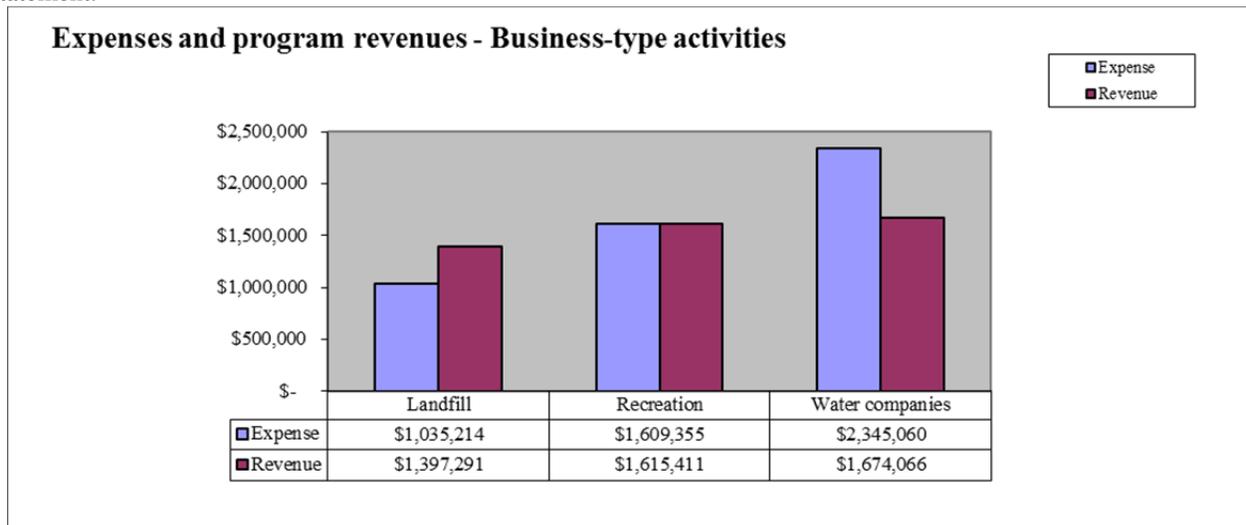
**Analysis of revenue changes** - The Business-type Activities Comparative Statement of Activities schedule on the following page shows the increases and decreases in revenue with an overall 2.2% increase to total revenues. The only significant change was the increase in the amount of Capital grants received by the Parks department this year.

**Business-type activities - comparative statement of activities highlights:** Net assets for the enterprise funds decreased by \$2.7 million (9.8%) from the prior year. This decrease was due to transfers made to the Road fund for the construction of a public works building. The 46.1% decrease in the landfill expenses reflects a decrease in the estimated closure/postclosure costs for 2012 from last year's estimate along with a decrease in the waste tire disposal cost and a restructuring of the enterprise funds. A portion of the prior years' landfill costs related to a division called "ERACE" was moved from the Landfill fund to a separate non-major fund. The new fund is combined with recreation on the Statement of Activities, to better reflect the purpose of the fund. This explains the increase in the recreation line and the remaining decrease in the landfill line, approximately 25%. The ERACE expenses increased from \$215,000 in fiscal year 2011 to \$380,000 in fiscal year 2012. This reflected the division being fully staffed in 2012.

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

|   | 2011                 | 2012                 | Increase<br>(decrease) | %Change        |
|---|----------------------|----------------------|------------------------|----------------|
| <b>Revenues:</b>                        |                      |                      |                        |                |
| Program revenues                        |                      |                      |                        |                |
| Charges for services                    | \$ 4,105,571         | \$ 4,102,772         | \$ (2,799)             | -0.07%         |
| Operating grants and contributions      | 390,315              | 413,996              | 23,681                 | 6.07%          |
| Capital grants and contributions        | 80,000               | 170,000              | 90,000                 | 112.50%        |
| Total program revenues                  | <u>4,575,886</u>     | <u>4,686,768</u>     | <u>110,882</u>         | <u>2.42%</u>   |
| General revenues                        |                      |                      |                        |                |
| Other taxes                             | 100,000              | 100,000              | -                      | 0.00%          |
| Other revenues                          | 174,334              | 167,634              | (6,700)                | -3.84%         |
| Total general revenues                  | <u>274,334</u>       | <u>267,634</u>       | <u>(6,700)</u>         | <u>-2.44%</u>  |
| Total revenues                          | <u>4,850,220</u>     | <u>4,954,402</u>     | <u>104,182</u>         | <u>2.15%</u>   |
| <b>Expenses:</b>                        |                      |                      |                        |                |
| Landfill                                | 1,922,039            | 1,035,214            | (886,825)              | -46.14%        |
| Recreation                              | 1,259,673            | 1,609,355            | 349,682                | 27.76%         |
| Water companies                         | 2,083,998            | 2,345,060            | 261,062                | 12.53%         |
| Total expenses                          | <u>5,265,710</u>     | <u>4,989,629</u>     | <u>(276,081)</u>       | <u>-5.24%</u>  |
| Increase in net assets before transfers | (415,490)            | (35,227)             | 380,263                | -91.52%        |
| Transfers                               | (463,780)            | (2,713,413)          | (2,249,633)            | -485.06%       |
| Increase in net assets                  | <u>(879,270)</u>     | <u>(2,748,640)</u>   | <u>(1,869,370)</u>     | <u>212.60%</u> |
| Net assets beginning of year            | 28,969,471           | 28,090,201           | (879,270)              | -3.04%         |
| Net assets end of year                  | <u>\$ 28,090,201</u> | <u>\$ 25,341,561</u> | <u>\$ (2,748,640)</u>  | <u>-9.79%</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.



## 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, *unrestricted 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 | Other Governmental Funds | Total Governmental Funds |
|----------------------------|---------------|----------------|--------------------|----------------------------------|--------------------------|--------------------------|
| <b>2011</b>                |               |                |                    |                                  |                          |                          |
| Assets                     | \$ 25,057,877 | \$ 16,218,721  | \$ 20,947,621      | \$ 12,215,168                    | \$ 40,223,120            | \$ 114,662,507           |
| Liabilities                | 5,341,942     | 588,657        | 1,594,990          | 919,028                          | 5,756,627                | 14,201,244               |
| Total fund balance         | 19,715,935    | 15,630,064     | 19,352,631         | 11,296,140                       | 34,466,493               | 100,461,263              |
| <b>2012</b>                |               |                |                    |                                  |                          |                          |
| Assets                     | 28,144,489    | 14,564,629     | 22,730,993         | 6,845,984                        | 45,170,908               | 117,457,003              |
| Liabilities                | 6,449,705     | 1,370,063      | 4,501,408          | 918,403                          | 4,314,389                | 17,553,968               |
| Total fund balance         | 21,694,784    | 13,194,566     | 18,229,585         | 5,927,581                        | 40,856,519               | 99,903,035               |
| <b>Increase (decrease)</b> |               |                |                    |                                  |                          |                          |
| Assets                     | 3,086,612     | (1,654,092)    | 1,783,372          | (5,369,184)                      | 4,947,788                | 2,794,496                |
| Liabilities                | 1,107,763     | 781,406        | 2,906,418          | (625)                            | (1,442,238)              | 3,352,724                |
| Total fund balance         | \$ 1,978,849  | \$ (2,435,498) | \$ (1,123,046)     | \$ (5,368,559)                   | \$ 6,390,026             | \$ (558,228)             |
| <b>% change</b>            |               |                |                    |                                  |                          |                          |
| Assets                     | 12.32%        | -10.20%        | 8.51%              | -43.96%                          | 12.30%                   | 2.44%                    |
| Liabilities                | 20.74%        | 132.74%        | 182.22%            | -0.07%                           | -25.05%                  | 23.61%                   |
| Total fund balance         | 10.04%        | -15.58%        | -5.80%             | -47.53%                          | 18.54%                   | -0.56%                   |

As of the end of the current fiscal year, Mohave County's governmental funds reported combined ending fund balances of \$99.9 million, a decrease of \$.6 million in comparison with the prior year. Fund balances totaling \$77.7 million for the Road fund, Flood control fund, Admin building debt service fund and the Other governmental funds are restricted or committed and can only be used 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 million and the fund balance committed by the Board of Supervisors for future projects was \$11.7 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 14.2% of total General fund expenditures.

The total change in governmental fund balances was minimal even though there were significant changes in individual major funds and other governmental funds. The reason for this is that there were several significant transfers between funds during the year. The Board of Supervisors authorized the transfer of \$5 million from the Admin Building debt Service fund (a major fund) to the Jail debt service fund (a non-major fund) to better meet the debt payment needs of the County. In addition, the Road fund transferred funds to a capital project fund to build the new public works building. The changes in the General fund were a reflection of increases in property tax rates resulting in increased revenue and receivables, as well as an increase in deferred revenue, related to property taxes receivable. The lack of significant changes in fund balance also reflects the effort put into maintaining the expenses at a level not to exceed the expected revenue in all the funds.

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

|                                | General Fund          | Road Fund             | Flood Control<br>Fund | Admin Building<br>Debt Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------|-----------------------|-----------------------|-----------------------|--|--------------------------------|--------------------------------|
| <b>2011</b>                    |                       |                       |                       |  |                                |                                |
| Revenues                       | \$ 72,937,465         | \$ 13,697,592         | \$ 11,558,586         | \$ 116,783                             | \$ 37,926,073                  | \$ 136,236,499                 |
| Expenditures                   | 68,259,605            | 12,146,026            | 11,995,795            | 1,840,806                              | 46,309,276                     | 140,551,508                    |
| Other financing sources (uses) | (1,060,638)           | 2,349,392             | (2,639,430)           | 4,028,553                              | (2,214,097)                    | 463,780                        |
| Net change in fund balance     | <u>3,617,222</u>      | <u>3,900,958</u>      | <u>(3,076,639)</u>    | <u>2,304,530</u>                       | <u>(10,597,300)</u>            | <u>(3,851,229)</u>             |
| <b>2012</b>                    |                       |                       |                       |  |                                |                                |
| Revenues                       | 73,607,098            | 12,778,109            | 9,136,964             | 48,707                                 | 37,485,516                     | 133,056,394                    |
| Expenditures                   | 69,994,748            | 15,162,015            | 8,178,826             | 1,840,306                              | 42,013,157                     | 137,189,052                    |
| Other financing sources (uses) | (1,633,501)           | (36,984)              | (2,081,184)           | (3,576,960)                            | 10,917,667                     | 3,589,038                      |
| 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>6,390,026</u>               | <u>(543,620)</u>               |
| <b>Increase (decrease)</b>     |                       |                       |                       |  |                                |                                |
| Revenues                       | 669,633               | (919,483)             | (2,421,622)           | (68,076)                               | (440,557)                      | (3,180,105)                    |
| Expenditures                   | 1,735,143             | 3,015,989             | (3,816,969)           | (500)                                  | (4,296,119)                    | (3,362,456)                    |
| Other financing sources (uses) | (572,863)             | (2,386,376)           | 558,246               | (7,605,513)                            | 13,131,764                     | 3,125,258                      |
| Net change in fund balance     | <u>\$ (1,638,373)</u> | <u>\$ (6,321,848)</u> | <u>\$ 1,953,593</u>   | <u>\$ (7,673,089)</u>                  | <u>\$ 16,987,326</u>           | <u>\$ 3,307,609</u>            |
| <b>% change</b>                |                       |                       |                       |  |                                |                                |
| Revenues                       | 0.92%                 | -6.71%                | -20.95%               | -58.29%                                | -1.16%                         | -2.33%                         |
| Expenditures                   | 2.54%                 | 24.83%                | -31.82%               | -0.03%                                 | -9.28%                         | -2.39%                         |
| Other financing sources (uses) | 54.01%                | -101.57%              | -21.15%               | -188.79%                               | -593.10%                       | 673.87%                        |
| Net change in fund balance     | <u>-45.29%</u>        | <u>-162.06%</u>       | <u>-63.50%</u>        | <u>-332.96%</u>                        | <u>-160.30%</u>                | <u>-85.88%</u>                 |

During the current fiscal year, the fund balance of the General fund increased by \$2 million. This was a decrease of \$1.6 million from the prior year increase of \$3.6 million. Most of this decrease was due to a one-time transfer in of \$2 million from other funds to offset income the State withheld from state shared revenues in 2011. This represents a 10% increase from the fiscal year 2011 ending fund balance. Revenues increased by \$.7 million (.9%), mostly from tax revenues as a result of increased tax rates. Expenditures increased by \$1.7 million and total expenditures as a percentage of the total original budget were only 83% in fiscal year 2012. The County did not provide employees with any cost of living or step increases during the year. Most of the increase in expense arose from increased A.H.C.C.S payments to the State and increased public safety costs. Expenditures in most of the other funds decreased in 2012.

The Road fund had a total fund balance of \$13.2 million, of which \$289,099 is reserved for inventories and \$12.9 million is restricted and will be used for road maintenance and other approved projects for highway user funds. The remaining fund balance reflects funds available for ongoing road projects of the County. The current year road projects exceeded the current year revenue by \$2.4 million, which is reflected by a corresponding decrease in the fund balance.

The Flood Control fund had a total fund balance of \$18.2, which was a decrease of \$1.1 million. Expenses decreased \$3.8 million over the prior year, consisting of fewer channel maintenance projects and capital improvement projects of flood control systems in 2012. Revenue was down \$2.4 million due to lower assessed values, resulting in lower tax revenue. Funds are restricted for ongoing flood control projects of the County.

The Admin Building Debt Service fund balance was \$5.9 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. During the current year, the debt payments exceeded the transfers in by \$.4 million. 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 other governmental funds had a combined fund balance of \$40.9 million at year-end. This was a net increase of \$6.4 million from the prior year. The increase primarily reflects the transfer in of \$5 million to the jail debt service fund, from the Admin building debt service fund. A capital projects fund was created for the construction of a public works building and funds totaling \$5.1 million were transferred in from various major funds. The Bullhead City library remodel cost an additional \$1.8 million, which decreased the fund balance. In addition, \$2.7 million of expenditures were made from prior years' balances, from various funds.

### ***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 assets.

**Statement of Net Assets-Business-type Activities** - Net assets for the enterprise funds, in total, decreased \$2.7 million. At the end of the year, the unrestricted net assets of the water companies and other enterprise funds, which includes park services, was \$4.4 million. The I-40 water corridor fund and G.V.I.D. fund reflected net losses before contributions and transfers, after recording depreciation expense. The Landfill fund showed a \$2.2 million decrease in net assets, which reflected three transfers during the year. The first was \$.4 million to a new fund to separate out the "ERACE" program from the Landfill fund. For the second year in a row, the landfill transferred funds to the HURF fund (as allowed by Arizona Revised Statutes) to help offset the State's withholding of HURF funds (\$.7 million in 2012). The third transfer of \$1.5 million was for a new public works facility, which will house the Landfill administrative offices. The other enterprise funds' net assets increased by \$.37 million primarily due to the ERACE transfer discussed above.

**Statement of Net Assets-Governmental Activities-Internal Service Funds** - Net assets for the internal service funds increased by \$2 million. \$1.2 million of the increase was from the Employee Benefit Trust fund (EBT). Insurance claims expenses decreased this year in the EBT fund, resulting in \$1.2 million excess revenue over expenses which will be used as a hedge against future claims. Another \$.77 million was from increases to the Vehicle Replacement fund and Communications fund. The investment in capital assets, net of related debt, increased due to purchases in the current year exceeding depreciation expense by \$1 million. The Vehicle Replacement fund purchased vehicles totaling \$1.6 million, offset by depreciation of \$.6 million.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets-Business-type Activities** - The only difference between this statement and the Statement of Activities-Business type, discussed previously on page 10, is the presentation. The expenses are broken out in more detail on this report and the revenues are shown as either operating or non-operating.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets-Governmental Activities Internal Service Funds** - There was no significant change in the income before contributions and transfers this year. Both revenues and expenses decreased by approximately \$1.2 million or 6% in total for all the internal service funds. To consolidate all of the Self Insurance Retention Trust fund (SIR fund) expenses into one fund, the operating expenses previously reported in the General fund were moved into the SIR fund. These expenses are supported by a corresponding transfer from the General fund in the amount of \$.7 million. The increase in net assets of \$2 million is attributed to a decrease in insurance claims.

### **General Fund Budgetary Highlights**

**Revenues:** The General fund revenue was below the total amount budgeted by \$1 million (1%). Actual revenues increased by \$670 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 2012 decreased by \$162,328. Budgeted expenditures increased \$1.9 million from 2011. Total actual expenditures were below budgeted expenditures by \$13.9 million, \$10 million of that amount (72%) was unspent 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 55-56.

**Revenues:** Revenue budgets were increased by 1% for 2012 and actual revenue fell short of the increased budget by 1%. Property tax revenues fell 4% short of the increased budget, but were actually slightly higher than the amount collected in the previous year. This was due to slow collections and court approved tax adjustments. Intergovernmental revenue, a major revenue source, was below budget by \$.6 million. The primary cause was shortfalls in the State shared and in lieu tax revenues. Charges for services revenue exceeded the budgeted amount by \$1 million. The budget reflected expected revenue decreases in certain areas, but did not reflect the aggressive billing of inmate charges for the prison or the unexpected increase in population at the jail.

**Expenditures:** Actual expenditures were less than budgeted expenditures by \$13.9 million. For the prior year the difference was \$13.7 million. The budgeted amounts increased \$2 million for 2012 while actual expenditures increased over the prior year by \$1.7 million (3%). Of the County contingency budget of \$11.2 million, \$1.04 million was transferred to other general fund departments, \$.16 million was transferred to non-general fund departments (including capital projects of \$159,500) and \$10 million remained unused. This accounted for most of the remaining unspent budget. 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 exceptions fell in the public safety area. The jail continues to make adjustments for the expansion of the new jail. The Sheriff had a special detail to patrol the strip area at the request of the State. This was covered by a \$500,000 grant from the State. 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.

### 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, 2012 amounts to \$241.9 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 \$7.6 million (net of depreciation) resulted from the following major projects and purchases: remodel and expansion of the Bullhead City Library, North Canyon justice court, 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,**

|  | 2011                  | 2012                  | Increase<br>(Decrease) | %<br>Change   |
|--|-----------------------|-----------------------|------------------------|---------------|
| <b>Governmental activities</b>                         |                       |                       |                        |               |
| Capital assets, not being depreciated                  | \$ 36,779,101         | \$ 38,000,267         | \$ 1,221,166           | 3.32%         |
| Capital assets, being depreciated                      | 182,505,887           | 189,312,337           | 6,806,450              | 3.73%         |
| Total governmental capital assets                      | <u>219,284,988</u>    | <u>227,312,604</u>    | <u>8,027,616</u>       | <u>3.66%</u>  |
| <b>Business-type activities</b>                        |                       |                       |                        |               |
| Capital assets, not being depreciated                  | 1,812,136             | 1,687,754             | (124,382)              | -6.86%        |
| Capital assets, being depreciated                      | 13,148,803            | 12,918,791            | (230,012)              | -1.75%        |
| Total business-type capital assets                     | <u>14,960,939</u>     | <u>14,606,545</u>     | <u>(354,394)</u>       | <u>-2.37%</u> |
| <b>Total governmental and business-type activities</b> |                       |                       |                        |               |
| Capital assets, not being depreciated                  | 38,591,237            | 39,688,021            | 1,096,784              | 2.84%         |
| Capital assets, being depreciated                      | 195,654,690           | 202,231,128           | 6,576,438              | 3.36%         |
| Total capital assets                                   | <u>\$ 234,245,927</u> | <u>\$ 241,919,149</u> | <u>\$ 7,673,222</u>    | <u>3.28%</u>  |

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

- \$1.7 million was spent on the Bullhead City library addition/remodel with completion expected by December 2012.
- The County replaced fifty-seven aging vehicles from the fleet at a total cost of \$1.9 million. All were purchased using general government funding: forty-five from the Vehicle Replacement fund, seven from Road fund, and five from other governmental funds.

- The Board of supervisors approved the construction of a new Public Works building and entered into a \$5 million construction contract. The building is to be completed in fiscal year 2013.
- \$7.6 million was spent by the State on the completion of the Beaver-dam Bridge project, which was recorded this year.

Notes 5 and 6, on pages 39-40 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 \$59.4 million. Of this amount, \$44 million is related to completed construction projects backed as follows: \$10 million of funds set aside for early re-payment of debt, \$34 million backed by buildings of the government used as collateral for Beneficial Interest Certificates issued. The special assessment the County had been paying, was paid off in fiscal year 2012. 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. For details see note 8.

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 2011/2012 was \$120 million (6% of \$2 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 8, on pages 41-44 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 2012 and is just beginning to come back, slowly, in 2013. 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 2013 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 2012, which is a decrease from an average rate of 11.0%<sup>1</sup> in 2011. The unemployment rate in Mohave County exceeded the State's average unemployment rate of 8.4% and compares unfavorably to the national average rate 8.1%. In September 2012, Mohave County's rate was at 9.1% while the State's was 8.0% and the Federal rate was 7.8%.

### **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  
P.O. Box 7000  
Kingman, AZ 86402-7000

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<sup>1</sup> Bureau of Labor Statistics (BLS) website is the source of unemployment data. Mohave County's 2011 figures were amended after fiscal year 2011 financials were prepared.

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## **Basic Financial Statements**

**MOHAVE COUNTY**  
**Statement of Net Assets**  
**June 30, 2012**

|   | Primary Government    |                      |                       |
|---|-----------------------|----------------------|-----------------------|
|   | Governmental          | Business-type        | Total                 |
|   | Activities            | Activities           |                       |
| <b>Assets</b>                                       |                       |                      |                       |
| <b>Current Assets</b>                               |                       |                      |                       |
| Cash and investments                                | \$ 117,684,578        | \$ 14,610,561        | \$ 132,295,139        |
| Receivables (net of allowances for uncollectibles): |                       |                      |                       |
| Property taxes                                      | 7,073,179             | 376                  | 7,073,555             |
| Accounts  | 1,254,456             | 384,171              | 1,638,627             |
| Accrued interest                                    | 240,157               | 30,774               | 270,931               |
| Due from other governments                          | 5,637,625             | 279,743              | 5,917,368             |
| Inventories   | 359,354               | 431,328              | 790,682               |
| Prepaid items                                       | 549,306               | 63,476               | 612,782               |
| <b>Noncurrent Assets</b>                            |                       |                      |                       |
| Restricted cash                                     | 3,474,389             | 883,140              | 4,357,529             |
| Internal balances                                   | (828,400)             | 828,400              | -                     |
| Restricted assets- HUD properties                   | 697,689               | -                    | 697,689               |
| Capital assets, not being depreciated               | 38,000,267            | 1,687,754            | 39,688,021            |
| Capital assets, being depreciated, net              | 189,312,337           | 12,918,791           | 202,231,128           |
| Total assets  | <u>363,454,937</u>    | <u>32,118,514</u>    | <u>395,573,451</u>    |
| <b>Liabilities</b>                                  |                       |                      |                       |
| <b>Current Liabilities</b>                          |                       |                      |                       |
| Accounts payable                                    | 3,796,669             | 206,646              | 4,003,315             |
| Accrued payroll and employee benefits               | 2,701,635             | 52,279               | 2,753,914             |
| Accrued interest                                    | 283,403               | -                    | 283,403               |
| Due to other governments                            | 2,986,319             | 8,836                | 2,995,155             |
| Deposits held for others                            | 357,516               | 112,461              | 469,977               |
| Deferred revenue                                    | 490,334               | 19,972               | 510,306               |
| <b>Noncurrent liabilities</b>                       |                       |                      |                       |
| Current portion of long-term obligations            | 12,414,776            | 125,801              | 12,540,577            |
| Noncurrent portion of long-term obligations         | 40,583,976            | 6,250,958            | 46,834,934            |
| Total liabilities                                   | <u>63,614,628</u>     | <u>6,776,953</u>     | <u>70,391,581</u>     |
| <b>Net Assets</b>                                   |                       |                      |                       |
| Invested in capital assets, net of related debt     | 183,967,604           | 14,606,545           | 198,574,149           |
| Restricted for:                                     |                       |                      |                       |
| Public safety                                       | 2,747,405             | -                    | 2,747,405             |
| Highways and streets                                | 12,905,467            | -                    | 12,905,467            |
| Health  | 769,016               | -                    | 769,016               |
| Welfare   | 940,445               | -                    | 940,445               |
| Sanitation  | -                     | 5,489,652            | 5,489,652             |
| Education   | 174,752               | -                    | 174,752               |
| Debt service  | 9,481,697             | -                    | 9,481,697             |
| Capital projects                                    | 10,472,487            | 883,140              | 11,355,627            |
| Other purposes                                      | 1,300,499             | -                    | 1,300,499             |
| Unrestricted  | 77,080,937            | 4,362,224            | 81,443,161            |
| Total net assets                                    | <u>\$ 299,840,309</u> | <u>\$ 25,341,561</u> | <u>\$ 325,181,870</u> |

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

**MOHAVE COUNTY**  
**Statement of Activities**  
**Year Ended June 30, 2012**

| Functions/Programs                            | Program Revenues      |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                          |                       |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
|   | Expenses              | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                              |                          |                       |
|   |                       |                      |                                    |                                  | Governmental Activities                         | Business-type Activities | Total                 |
| <b>Primary government:</b>                    |                       |                      |                                    |                                  |   |                          |                       |
| Governmental activities:                      |                       |                      |                                    |                                  |   |                          |                       |
| General government                            | \$ 55,360,181         | \$ 11,977,162        | \$ 2,101,115                       | \$ 7,796,964                     | \$ (33,484,940)                                 | \$ -                     | \$ (33,484,940)       |
| Public safety                                 | 27,841,512            | 2,958,775            | 4,239,489                          | -                                | (20,643,248)                                    | -                        | (20,643,248)          |
| Highways and streets                          | 20,859,871            | 667,163              | 9,784,693                          | -                                | (10,408,015)                                    | -                        | (10,408,015)          |
| Health  | 13,726,048            | 1,710,746            | 3,380,864                          | -                                | (8,634,438)                                     | -                        | (8,634,438)           |
| Welfare                                       | 5,422,044             | 527,004              | 5,185,045                          | -                                | 290,005   | -                        | 290,005               |
| Culture and recreation                        | 4,964,298             | 72,526               | 166,770                            | -                                | (4,725,002)                                     | -                        | (4,725,002)           |
| Education                                     | 2,453,762             | -                    | 2,221,324                          | -                                | (232,438)                                       | -                        | (232,438)             |
| Interest on long-term debt                    | 2,016,597             | -                    | -                                  | -                                | (2,016,597)                                     | -                        | (2,016,597)           |
| <b>Total governmental activities</b>          | <b>132,644,313</b>    | <b>17,913,376</b>    | <b>27,079,300</b>                  | <b>7,796,964</b>                 | <b>(79,854,673)</b>                             | <b>-</b>                 | <b>(79,854,673)</b>   |
| Business-type activities:                     |                       |                      |                                    |                                  |   |                          |                       |
| Landfill                                      | 1,035,214             | 983,295              | 413,996                            | -                                | -   | 362,077                  | 362,077               |
| Recreation                                    | 1,609,355             | 1,445,411            | -                                  | 170,000                          | -   | 6,056                    | 6,056                 |
| Water companies                               | 2,345,060             | 1,674,066            | -                                  | -                                | -   | (670,994)                | (670,994)             |
| <b>Total business-type activities</b>         | <b>4,989,629</b>      | <b>4,102,772</b>     | <b>413,996</b>                     | <b>170,000</b>                   | <b>-</b>  | <b>(302,861)</b>         | <b>(302,861)</b>      |
| <b>Total primary government</b>               | <b>\$ 137,633,942</b> | <b>\$ 22,016,148</b> | <b>\$ 27,493,296</b>               | <b>\$ 7,966,964</b>              | <b>(79,854,673)</b>                             | <b>(302,861)</b>         | <b>(80,157,534)</b>   |
| General revenues:                             |                       |                      |                                    |                                  |   |                          |                       |
| Taxes:  |                       |                      |                                    |                                  |   |                          |                       |
| Property taxes, levied for general purposes   |                       |                      |                                    |                                  | 45,690,144                                      | -                        | 45,690,144            |
| Property taxes, levied for flood control      |                       |                      |                                    |                                  | 8,610,731                                       | -                        | 8,610,731             |
| Share of state sales taxes                    |                       |                      |                                    |                                  | 17,335,534                                      | -                        | 17,335,534            |
| Special county sales tax for capital projects |                       |                      |                                    |                                  | 5,396,008                                       | -                        | 5,396,008             |
| Auto-lieu tax                                 |                       |                      |                                    |                                  | 8,119,156                                       | -                        | 8,119,156             |
| Federal in-lieu tax                           |                       |                      |                                    |                                  | 3,316,599                                       | 100,000                  | 3,416,599             |
| Local in-lieu tax                             |                       |                      |                                    |                                  | 19,061  | -                        | 19,061                |
| Utilities franchise tax                       |                       |                      |                                    |                                  | 377,959   | -                        | 377,959               |
| County equalization revenue                   |                       |                      |                                    |                                  | 94,636  | -                        | 94,636                |
| Investment earnings                           |                       |                      |                                    |                                  | 910,544   | 151,610                  | 1,062,154             |
| Miscellaneous                                 |                       |                      |                                    |                                  | 399,322   | 14,780                   | 414,102               |
| Rent  |                       |                      |                                    |                                  | 253,008   | 2,000                    | 255,008               |
| Gain or Loss on Sale/Trade of Capital Assets  |                       |                      |                                    |                                  | 1,609,206                                       | (756)                    | 1,608,450             |
| Transfers                                     |                       |                      |                                    |                                  | 2,713,413                                       | (2,713,413)              | -                     |
| <b>Total general revenues and transfers</b>   |                       |                      |                                    |                                  | <b>94,845,321</b>                               | <b>(2,445,779)</b>       | <b>92,399,542</b>     |
| Change in net assets                          |                       |                      |                                    |                                  | 14,990,648                                      | (2,748,640)              | 12,242,008            |
| Net assets, July 1, 2011                      |                       |                      |                                    |                                  | 284,849,661                                     | 28,090,201               | 312,939,862           |
| <b>Net assets, June 30, 2012</b>              |                       |                      |                                    |                                  | <b>\$ 299,840,309</b>                           | <b>\$ 25,341,561</b>     | <b>\$ 325,181,870</b> |

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

**MOHAVE COUNTY**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

| <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>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|----------------------|-----------------------------------|---|---|---|
| Cash and investments                                   | \$ 21,302,763           | \$ 13,041,512        | \$ 21,243,147                     | \$ 5,595,315                                    | \$ 38,550,508                           | \$ 99,733,245                           |
| Receivables (net of allowances<br>for uncollectibles): |                         |                      |                                   |   |   |   |
| Property taxes   | 4,402,291               | -                    | 1,442,050                         | -   | 1,228,838                               | 7,073,179                               |
| Accounts   | 550,707                 | 5,892                | -                                 | -   | 249,228                                 | 805,827                                 |
| Accrued interest                                       | 45,415                  | 25,876               | 45,746                            | 11,064  | 80,539                                  | 208,640                                 |
| Due from:  |                         |                      |                                   |   |   |   |
| Other funds  | 10,925                  | -                    | -                                 | -   | 185,608                                 | 196,533                                 |
| Other governments                                      | 1,818,838               | 1,202,250            | -                                 | -   | 2,612,707                               | 5,633,795                               |
| Inventories  | -                       | 289,099              | -                                 | -   | -                                       | 289,099                                 |
| Prepaid items  | 13,550                  | -                    | 50                                | -   | 229,856                                 | 243,456                                 |
| Restricted cash  | -                       | -                    | -                                 | 1,239,605                                       | 2,033,624                               | 3,273,229                               |
| <b>Total assets</b>                                    | <b>\$ 28,144,489</b>    | <b>\$ 14,564,629</b> | <b>\$ 22,730,993</b>              | <b>\$ 6,845,984</b>                             | <b>\$ 45,170,908</b>                    | <b>\$ 117,457,003</b>                   |
| <b>Liabilities and Fund Balances</b>                   |                         |                      |                                   |   |   |   |
| <b>Liabilities</b>                                     |                         |                      |                                   |   |   |   |
| Accounts payable                                       | \$ 929,304              | \$ 1,102,218         | \$ 665,940                        | \$ -  | \$ 772,325                              | \$ 3,469,787                            |
| Accrued payroll and employee benefits                  | 1,680,395               | 243,206              | 48,345                            | -   | 621,307                                 | 2,593,253                               |
| Due to:  |                         |                      |                                   |   |   |   |
| Other funds  | 15,196                  | 1,815                | 10                                | -   | 173,184                                 | 190,205                                 |
| Other governments                                      | 27,868                  | 22,824               | 2,598,180                         | -   | 337,408                                 | 2,986,280                               |
| Deposits held for others                               | 278,938                 | -                    | -                                 | -   | 78,578                                  | 357,516                                 |
| Advances payable - Landfill                            | -                       | -                    | -                                 | -   | 828,400                                 | 828,400                                 |
| Beneficial interest certificates:                      |                         |                      |                                   |   |   |   |
| Principal payable                                      | -                       | -                    | -                                 | 635,000   | -                                       | 635,000                                 |
| Interest payable                                       | -                       | -                    | -                                 | 283,403   | -                                       | 283,403                                 |
| Deferred revenue                                       | 3,518,004               | -                    | 1,188,933                         | -   | 1,503,187                               | 6,210,124                               |
| <b>Total liabilities</b>                               | <b>6,449,705</b>        | <b>1,370,063</b>     | <b>4,501,408</b>                  | <b>918,403</b>                                  | <b>4,314,389</b>                        | <b>17,553,968</b>                       |
| <b>Fund balances</b>                                   |                         |                      |                                   |   |   |   |
| Nonspendable   | 13,550                  | 289,099              | 50                                | -   | 229,856                                 | 532,555                                 |
| Restricted   | -                       | 12,905,467           | 18,229,535                        | 1,239,605                                       | 28,633,684                              | 61,008,291                              |
| Committed  | 11,708,898              | -                    | -                                 | 4,687,976                                       | 11,992,979                              | 28,389,853                              |
| Unassigned   | 9,972,336               | -                    | -                                 | -   | -                                       | 9,972,336                               |
| <b>Total fund balances</b>                             | <b>21,694,784</b>       | <b>13,194,566</b>    | <b>18,229,585</b>                 | <b>5,927,581</b>                                | <b>40,856,519</b>                       | <b>99,903,035</b>                       |
| <b>Total liabilities and fund balances</b>             | <b>\$ 28,144,489</b>    | <b>\$ 14,564,629</b> | <b>\$ 22,730,993</b>              | <b>\$ 6,845,984</b>                             | <b>\$ 45,170,908</b>                    | <b>\$ 117,457,003</b>                   |

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 Assets**  
**Governmental Funds**  
**June 30, 2012**

|  |                    |                       |
|--|--------------------|-----------------------|
| Fund balances - total governmental funds   |                    | \$ 99,903,035         |
| Amounts reported for governmental activities in the Statement of Net Assets are different because:   |                    |                       |
| Capital assets and restricted assets - HUD properties used in governmental activities are not financial resources and, therefore, are not reported in the funds.   |                    | 224,335,110           |
| Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.   |                    |                       |
| Property taxes receivable  |                    | 5,719,850             |
| 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 Assets. |                    | 20,433,386            |
| Some liabilities, including bonds and beneficial interest certificates payable, are not due and payable in the current period and, therefore, are not reported in the funds.   |                    |                       |
| Beneficial interest certificates   | \$ (43,345,000)    |                       |
| Beneficial interest certificates premium-unamortized   | (278,428)          |                       |
| Compensated absences   | <u>(6,927,644)</u> | <u>(50,551,072)</u>   |
| Net assets of governmental activities  |                    | <u>\$ 299,840,309</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, 2012**

|   | General<br>Fund      | Road<br>Fund         | Flood<br>Control<br>Fund | Admin Building<br>Debt Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|----------------------|--------------------------|--|--------------------------------|--------------------------------|
| <b>Revenues:</b>                                  |                      |                      |                          |  |                                |                                |
| Taxes   | \$ 37,290,972        | \$ -                 | \$ 8,610,731             | \$ -                                   | \$ 13,690,450                  | \$ 59,592,153                  |
| Special assessments                               | -                    | -                    | -                        | -                                      | 355,274                        | 355,274                        |
| Licenses and permits                              | 557,623              | 34,100               | 5,800                    | -                                      | 724,190                        | 1,321,713                      |
| Intergovernmental                                 | 26,738,788           | 11,712,294           | 360,041                  | -                                      | 16,713,918                     | 55,525,041                     |
| Charges for services                              | 6,867,180            | 626,693              | -                        | -                                      | 4,536,569                      | 12,030,442                     |
| Fines and forfeits                                | 1,834,219            | 570                  | -                        | -                                      | 523,504                        | 2,358,293                      |
| Investment earnings                               | 160,655              | 115,369              | 160,392                  | 48,707                                 | 292,628                        | 777,751                        |
| Rents   | -                    | 86,358               | -                        | -                                      | 231,650                        | 318,008                        |
| Contributions                                     | 226                  | -                    | -                        | -                                      | 382,983                        | 383,209                        |
| Miscellaneous                                     | 157,435              | 202,725              | -                        | -                                      | 34,350                         | 394,510                        |
| Total revenues                                    | <u>73,607,098</u>    | <u>12,778,109</u>    | <u>9,136,964</u>         | <u>48,707</u>                          | <u>37,485,516</u>              | <u>133,056,394</u>             |
| <b>Expenditures:</b>                              |                      |                      |                          |  |                                |                                |
| Current:  |                      |                      |                          |  |                                |                                |
| General government                                | 36,657,364           | -                    | -                        | -                                      | 5,573,545                      | 42,230,909                     |
| Public safety                                     | 24,126,824           | -                    | -                        | -                                      | 5,928,955                      | 30,055,779                     |
| Highways and streets                              | -                    | 15,162,015           | 8,178,826                | -                                      | 12,963                         | 23,353,804                     |
| Health  | 8,815,566            | -                    | -                        | -                                      | 6,109,728                      | 14,925,294                     |
| Welfare   | -                    | -                    | -                        | -                                      | 6,208,365                      | 6,208,365                      |
| Culture and recreation                            | -                    | -                    | -                        | -                                      | 7,620,649                      | 7,620,649                      |
| Education   | 394,994              | -                    | -                        | -                                      | 2,419,336                      | 2,814,330                      |
| Capital outlay                                    | -                    | -                    | -                        | -                                      | 2,333,325                      | 2,333,325                      |
| Debt service:                                     |                      |                      |                          |  |                                |                                |
| Principal retirement                              | -                    | -                    | -                        | 1,255,000                              | 4,375,000                      | 5,630,000                      |
| Interest and fiscal charges                       | -                    | -                    | -                        | 585,306                                | 1,431,291                      | 2,016,597                      |
| Total expenditures                                | <u>69,994,748</u>    | <u>15,162,015</u>    | <u>8,178,826</u>         | <u>1,840,306</u>                       | <u>42,013,157</u>              | <u>137,189,052</u>             |
| Excess (deficiency) of revenues over expenditures | <u>3,612,350</u>     | <u>(2,383,906)</u>   | <u>958,138</u>           | <u>(1,791,599)</u>                     | <u>(4,527,641)</u>             | <u>(4,132,658)</u>             |
| <b>Other financing sources (uses):</b>            |                      |                      |                          |  |                                |                                |
| Transfers in                                      | 2,673,007            | 4,010,602            | -                        | 1,423,040                              | 16,308,487                     | 24,415,136                     |
| Transfers out                                     | (4,306,508)          | (5,656,792)          | (2,081,184)              | (5,000,000)                            | (5,390,820)                    | (22,435,304)                   |
| Sale of Capital assets                            | -                    | 1,609,206            | -                        | -                                      | -                              | 1,609,206                      |
| Total other financing sources (uses)              | <u>(1,633,501)</u>   | <u>(36,984)</u>      | <u>(2,081,184)</u>       | <u>(3,576,960)</u>                     | <u>10,917,667</u>              | <u>3,589,038</u>               |
| Net change in fund balances                       | 1,978,849            | (2,420,890)          | (1,123,046)              | (5,368,559)                            | 6,390,026                      | (543,620)                      |
| Fund balances, July 1, 2011                       | 19,715,935           | 15,630,064           | 19,352,631               | 11,296,140                             | 34,466,493                     | 100,461,263                    |
| Changes in nonspendable resources:                |                      |                      |                          |  |                                |                                |
| Decrease in inventories                           | -                    | (14,608)             | -                        | -                                      | -                              | (14,608)                       |
| Fund balances, June 30, 2012                      | <u>\$ 21,694,784</u> | <u>\$ 13,194,566</u> | <u>\$ 18,229,585</u>     | <u>\$ 5,927,581</u>                    | <u>\$ 40,856,519</u>           | <u>\$ 99,903,035</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, 2012**

|   |                    |                      |
|---|--------------------|----------------------|
| Net change in fund balances - total governmental funds  |                    | \$ (543,620)         |
| 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  | \$10,888,359       |                      |
| Depreciation expense  | <u>(9,367,605)</u> | 1,520,754            |
| 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 assets differs from the change in fund balance by the book value of the capital assets sold.  |                    |                      |
| Net effect of disposal of capital assets  |                    | (1,853,249)          |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.  |                    |                      |
| Principal repaid on long-term debt:   |                    |                      |
| Special assessment bonds  | 991,000            |                      |
| Beneficial interest certificates-payments   | 4,730,000          |                      |
| Beneficial interest certificates premium-amortization   | <u>39,775</u>      | 5,760,775            |
| 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  |                    | 148,760              |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.  |                    | 8,019,015            |
| 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  |                    | (14,608)             |
| 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>1,952,821</u>     |
| Change in net assets of governmental activities   |                    | <u>\$ 14,990,648</u> |

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

**MOHAVE COUNTY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

|  | <b>Business-Type Activities-Enterprise Funds</b> |                          |                          |                                       |                      | <b>Governmental<br/>Activities-<br/>Internal Service<br/>Funds</b> |
|--|--|--------------------------|--------------------------|---------------------------------------|----------------------|--|
|  | <b>I-40 Water<br/>Corridor<br/>Fund</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>Assets</b>  |  |                          |                          |                                       |                      |  |
| Current assets:  |  |                          |                          |                                       |                      |  |
| Cash and investments   | \$ 1,389,057                                     | \$ 10,736,438            | \$ 1,280,054             | \$ 1,205,012                          | \$ 14,610,561        | \$ 17,951,333  |
| Receivables (net of allowances<br>for uncollectibles):               |  |                          |                          |                                       |                      |  |
| Property taxes   | -  | -                        | 376                      | -                                     | 376                  | -  |
| Accounts   | 185,730  | 115,447                  | 53,639                   | 29,355                                | 384,171              | 448,629  |
| Accrued interest   | 3,662  | 21,098                   | 3,775                    | 2,239                                 | 30,774               | 31,517   |
| Due from:  |  |                          |                          |                                       |                      |  |
| Other funds  | -  | -                        | 500                      | -                                     | 500                  | 69   |
| Other governments  | -  | 102,084                  | -                        | 177,659                               | 279,743              | 3,830  |
| Inventories  | 252,063  | -                        | 179,265                  | -                                     | 431,328              | 70,255   |
| Prepaid items  | 61,261   | -                        | -                        | 2,215                                 | 63,476               | 305,850  |
| Total current assets   | <u>1,891,773</u>                                 | <u>10,975,067</u>        | <u>1,517,609</u>         | <u>1,416,480</u>                      | <u>15,800,929</u>    | <u>18,811,483</u>  |
| Noncurrent assets:   |  |                          |                          |                                       |                      |  |
| Restricted cash  | 333,399  | -                        | 549,741                  | -                                     | 883,140              | 201,160  |
| Advance to other funds   | -  | 828,400                  | -                        | -                                     | 828,400              | -  |
| Capital assets, net of accumulated<br>depreciation, where applicable |  |                          |                          |                                       |                      |  |
| Land   | -  | 108,699                  | 40,388                   | 1,481,772                             | 1,630,859            | -  |
| Infrastructure, net  | 3,475,459  | 847,550                  | 5,954,546                | 861,895                               | 11,139,450           | -  |
| Buildings, net   | -  | -                        | 46,023                   | 1,253,765                             | 1,299,788            | -  |
| Equipment, net   | 28,350   | -                        | 197,532                  | 253,671                               | 479,553              | 3,675,183  |
| Construction in progress   | -  | 56,895                   | -                        | -                                     | 56,895               | -  |
| Total noncurrent assets  | <u>3,837,208</u>                                 | <u>1,841,544</u>         | <u>6,788,230</u>         | <u>3,851,103</u>                      | <u>16,318,085</u>    | <u>3,876,343</u>   |
| Total assets   | <u>5,728,981</u>                                 | <u>12,816,611</u>        | <u>8,305,839</u>         | <u>5,267,583</u>                      | <u>32,119,014</u>    | <u>22,687,826</u>  |
| <b>Liabilities</b>   |  |                          |                          |                                       |                      |  |
| Current liabilities:   |  |                          |                          |                                       |                      |  |
| Accounts payable   | 87,255   | 54,912                   | 27,303                   | 37,176                                | 206,646              | 326,882  |
| Accrued payroll and employee benefits                                | 5,289  | 4,797                    | 9,043                    | 33,150                                | 52,279               | 108,382  |
| Due to:  |  |                          |                          |                                       |                      |  |
| Other funds  | 500  | -                        | -                        | -                                     | 500                  | 6,397  |
| Other governments  | 934  | 353                      | 5,740                    | 1,809                                 | 8,836                | 39   |
| Deposits held for others   | 35,000   | -                        | 77,461                   | -                                     | 112,461              | -  |
| Deferred revenues  | -  | -                        | 19,972                   | -                                     | 19,972               | 60   |
| Current portion of:  |  |                          |                          |                                       |                      |  |
| Compensated absences payable   | 10,001   | 15,097                   | 17,798                   | 82,908                                | 125,804              | 246,333  |
| Claims and judgments payable   | -  | -                        | -                        | -                                     | -                    | 1,538,978  |
| Total current liabilities  | <u>138,979</u>                                   | <u>75,159</u>            | <u>157,317</u>           | <u>155,043</u>                        | <u>526,498</u>       | <u>2,227,071</u>   |
| Noncurrent liabilities:  |  |                          |                          |                                       |                      |  |
| Landfill closure and postclosure<br>care costs payable               | -  | 6,236,979                | -                        | -                                     | 6,236,979            | -  |
| Compensated absences payable   | 1,111  | 1,677                    | 1,977                    | 9,211                                 | 13,976               | 27,369   |
| Total noncurrent liabilities   | <u>1,111</u>                                     | <u>6,238,656</u>         | <u>1,977</u>             | <u>9,211</u>                          | <u>6,250,955</u>     | <u>27,369</u>  |
| Total liabilities  | <u>140,090</u>                                   | <u>6,313,815</u>         | <u>159,294</u>           | <u>164,254</u>                        | <u>6,777,453</u>     | <u>2,254,440</u>   |
| <b>Net Assets</b>  |  |                          |                          |                                       |                      |  |
| Invested in capital assets,<br>net of related debt                   | 3,503,809  | 1,013,144                | 6,238,489                | 3,851,103                             | 14,606,545           | 3,675,183  |
| Restricted for:  |  |                          |                          |                                       |                      |  |
| Capital projects   | 333,399  | -                        | 549,741                  | -                                     | 883,140              | -  |
| Sanitation   | -  | 5,489,652                | -                        | -                                     | 5,489,652            | -  |
| Unrestricted   | 1,751,683  | -                        | 1,358,315                | 1,252,226                             | 4,362,224            | 16,758,203   |
| Total net assets   | <u>\$ 5,588,891</u>                              | <u>\$ 6,502,796</u>      | <u>\$ 8,146,545</u>      | <u>\$ 5,103,329</u>                   | <u>\$ 25,341,561</u> | <u>\$ 20,433,386</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 Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2012**

|  | <b>Business-type Activities - Enterprise Funds</b> |                          |                          |                                       |                      | <b>Governmental<br/>Activities-<br/>Internal<br/>Service Funds</b> |
|--|--|--------------------------|--------------------------|---------------------------------------|----------------------|--|
|  | <b>I-40 Water<br/>Corridor<br/>Fund</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                             | \$ 1,041,573                                       | \$ 983,295               | \$ 602,033               | \$ 1,475,871                          | \$ 4,102,772         | \$ 20,123,096  |
| Miscellaneous                                    | 5,623  | -                        | 3,843                    | 5,314                                 | 14,780               | 4,812  |
| Total operating revenues                         | <u>1,047,196</u>                                   | <u>983,295</u>           | <u>605,876</u>           | <u>1,481,185</u>                      | <u>4,117,552</u>     | <u>20,127,908</u>  |
| Operating expenses:                              |  |                          |                          |                                       |                      |  |
| Personnel services                               | 111,535  | 110,506                  | 235,029                  | 876,805                               | 1,333,875            | 2,533,760  |
| Supplies   | 8,185  | 554                      | 14,776                   | 195,959                               | 219,474              | 367,227  |
| Professional services                            | 127,524  | 229,618                  | 144,315                  | 76,118                                | 577,575              | 446,218  |
| Communications                                   | 5,633  | 685                      | 18,289                   | 20,092                                | 44,699               | 632,309  |
| Insurance  | 76,019   | -                        | 17,917                   | 39,497                                | 133,433              | 725,397  |
| Landfill closure and postclosure care costs      | -  | 459,889                  | -                        | -                                     | 459,889              | -  |
| Insurance claims                                 | -  | -                        | -                        | -                                     | -                    | 10,574,869   |
| Lawsuit judgments                                | -  | -                        | -                        | -                                     | -                    | 212,391  |
| Repairs and maintenance                          | 16,059   | -                        | 126,686                  | 76,258                                | 219,003              | 93,134   |
| Public utility service                           | 521,756  | 83,421                   | 102,792                  | 266,430                               | 974,399              | -  |
| Rents and leases                                 | 5,500  | 5,500                    | 11,000                   | 10,358                                | 32,358               | 1,265,542  |
| Depreciation                                     | 297,925  | 47,737                   | 381,196                  | 105,458                               | 832,316              | 888,778  |
| Other  | 16,942   | 97,304                   | 40,248                   | 8,114                                 | 162,608              | 1,316,287  |
| Total operating expenses                         | <u>1,187,078</u>                                   | <u>1,035,214</u>         | <u>1,092,248</u>         | <u>1,675,089</u>                      | <u>4,989,629</u>     | <u>19,055,912</u>  |
| Operating income (loss)                          | <u>(139,882)</u>                                   | <u>(51,919)</u>          | <u>(486,372)</u>         | <u>(193,904)</u>                      | <u>(872,077)</u>     | <u>1,071,996</u>   |
| Nonoperating revenues (expenses):                |  |                          |                          |                                       |                      |  |
| Investment earnings                              | 16,219   | 111,788                  | 12,996                   | 10,607                                | 151,610              | 132,793  |
| Rent income                                      | -  | -                        | 2,000                    | -                                     | 2,000                | -  |
| Grants   | -  | 413,996                  | -                        | 270,000                               | 683,996              | -  |
| Gain (loss) on disposal of capital assets        | -  | -                        | -                        | (756)                                 | (756)                | 14,451   |
| Total nonoperating revenues                      | <u>16,219</u>                                      | <u>525,784</u>           | <u>14,996</u>            | <u>279,851</u>                        | <u>836,850</u>       | <u>147,244</u>   |
| Income (loss) before contributions and transfers | <u>(123,663)</u>                                   | <u>473,865</u>           | <u>(471,376)</u>         | <u>85,947</u>                         | <u>(35,227)</u>      | <u>1,219,240</u>   |
| Transfers in                                     | -  | -                        | -                        | 484,745                               | 484,745              | 733,581  |
| Transfers out                                    | <u>(150,000)</u>                                   | <u>(2,698,158)</u>       | <u>(150,000)</u>         | <u>(200,000)</u>                      | <u>(3,198,158)</u>   | <u>-</u>   |
| Increase (decrease) in net assets                | <u>(273,663)</u>                                   | <u>(2,224,293)</u>       | <u>(621,376)</u>         | <u>370,692</u>                        | <u>(2,748,640)</u>   | <u>1,952,821</u>   |
| Total net assets, July 1, 2011                   | <u>5,862,554</u>                                   | <u>8,727,089</u>         | <u>8,767,921</u>         | <u>4,732,637</u>                      | <u>28,090,201</u>    | <u>18,480,565</u>  |
| Total net assets, June 30, 2012                  | <u>\$ 5,588,891</u>                                | <u>\$ 6,502,796</u>      | <u>\$ 8,146,545</u>      | <u>\$ 5,103,329</u>                   | <u>\$ 25,341,561</u> | <u>\$ 20,433,386</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, 2012**

|   | Business-type Activities- Enterprise Funds |                      |                     |                              | Total                | Governmental<br>Activities-<br>Internal<br>Service Funds |
|---|--|----------------------|---------------------|------------------------------|----------------------|--|
|   | I-40 Water<br>Corridor<br>Fund             | Landfill<br>Fund     | G.V.I.D.<br>Fund    | Other<br>Enterprise<br>Funds |                      |  |
| Cash flows from operating activities:   |  |                      |                     |                              |                      |  |
| Receipts from customers and users   | \$ 890,053                                 | \$ 1,030,516         | \$ 601,802          | \$ 1,449,026                 | \$ 3,971,397         | \$ 1,042,639   |
| Receipts from interfund services provided   | -  | -                    | -                   | -                            | -                    | 19,701,580   |
| Payments to suppliers   | (822,652)                                  | (425,215)            | (363,931)           | (589,656)                    | (2,201,454)          | (16,014,064)   |
| Payments for employee wages and benefits  | (110,476)                                  | (121,665)            | (223,482)           | (818,627)                    | (1,274,250)          | (2,414,321)  |
| Payments for interfund services used  | (23,845)                                   | (2,250)              | (100,476)           | (115,152)                    | (241,723)            | (283,419)  |
| Net cash provided by (used for)<br>operating activities   | (66,920)                                   | 481,386              | (86,087)            | (74,409)                     | 253,970              | 2,032,415  |
| Cash flows from noncapital financing activities:  |  |                      |                     |                              |                      |  |
| Transfers from (to) other funds   | (150,000)                                  | (2,563,324)          | (150,000)           | 241,178                      | (2,622,146)          | 733,753  |
| Rent income   | -  | -                    | 1,500               | -                            | 1,500                | -  |
| Subsidy from non-capital grant  | -  | 408,944              | -                   | 100,000                      | 508,944              | -  |
| Net cash provided by (used for)<br>noncapital financing activities  | (150,000)                                  | (2,154,380)          | (148,500)           | 341,178                      | (2,111,702)          | 733,753  |
| Cash flows from capital and related<br>financing activities:  |  |                      |                     |                              |                      |  |
| Purchases of capital assets   | (163,823)                                  | -                    | (33,689)            | (261,188)                    | (458,700)            | (1,734,259)  |
| Proceeds from sales of capital assets   | -  | -                    | 8                   | 13,437                       | 13,445               | 60,305   |
| Net cash used for capital<br>and related financing activities   | (163,823)                                  | -                    | (33,681)            | (247,751)                    | (445,255)            | (1,673,954)  |
| Cash flows from investing activities:   |  |                      |                     |                              |                      |  |
| Interest and dividends received   | 18,741                                     | 128,754              | 18,796              | 11,744                       | 178,035              | 146,191  |
| Net cash provided by investing activities   | 18,741                                     | 128,754              | 18,796              | 11,744                       | 178,035              | 146,191  |
| Net increase (decrease)<br>in cash and cash equivalents   | (362,002)                                  | (1,544,240)          | (249,472)           | 30,762                       | (2,124,952)          | 1,238,405  |
| Cash and cash equivalents, July 1, 2011   | 2,084,458                                  | 12,280,678           | 2,079,267           | 1,174,250                    | 17,618,653           | 16,914,088   |
| Cash and cash equivalents, June 30, 2012  | <u>\$ 1,722,456</u>                        | <u>\$ 10,736,438</u> | <u>\$ 1,829,795</u> | <u>\$ 1,205,012</u>          | <u>\$ 15,493,701</u> | <u>\$ 18,152,493</u>                                     |
| Reconciliation of operating income (loss) to net cash<br>provided by (used for) operating activities:           |  |                      |                     |                              |                      |  |
| Operating income (loss)   | \$ (139,882)                               | \$ (51,919)          | \$ (486,372)        | \$ (193,904)                 | \$ (872,077)         | \$ 1,071,996   |
| Adjustments to reconcile operating income (loss)<br>to net cash provided by (used for) operating<br>activities: |  |                      |                     |                              |                      |  |
| Depreciation expense  | 297,925                                    | 47,737               | 381,196             | 105,458                      | 832,316              | 888,778  |
| Landfill closure and postclosure care costs   | -  | 459,889              | -                   | -                            | 459,889              | -  |
| Expenses incurred but not reported  | -  | -                    | -                   | -                            | -                    | (281,533)  |
| Changes in assets and liabilities:  |  |                      |                     |                              |                      |  |
| Receivables, (increase) decrease  | (80,225)                                   | 47,324               | (441)               | (29,355)                     | (62,697)             | 103,864  |
| Due from other funds, (increase) decrease   | -  | -                    | (492)               | -                            | (492)                | 223  |
| Due from other governments,<br>(increase) decrease  | -  | -                    | -                   | (260)                        | (260)                | 2,142  |
| Inventories, (increase) decrease  | (35,049)                                   | -                    | 20,652              | -                            | (14,397)             | 32,627   |
| Prepaid items, (increase) decrease  | (61,261)                                   | -                    | -                   | 338                          | (60,923)             | 179,165  |
| Accounts payable, increase (decrease)   | 34,906                                     | (1,922)              | 648                 | 9,474                        | 43,106               | 3,086  |
| Due to other funds, increase (decrease)   | 500  | -                    | -                   | -                            | 500                  | (15,047)   |
| Due to other governments, increase (decrease)   | (4,624)                                    | 353                  | (2,151)             | 1,809                        | (4,613)              | 39   |
| Accrued payroll and employee benefits<br>increase (decrease)  | 1,553                                      | (4,089)              | 1,331               | 10,858                       | 9,653                | 33,692   |
| Compensated absences payable,<br>increase (decrease)  | (4,405)                                    | (15,987)             | 2,307               | 21,173                       | 3,088                | 13,383   |
| Deferred revenues, increase (decrease)  | (86,358)                                   | -                    | 5,769               | -                            | (80,589)             | -  |
| Deposits held for others, increase (decrease)   | 10,000                                     | -                    | (8,534)             | -                            | 1,466                | -  |
| Total adjustments   | 72,962                                     | 533,305              | 400,285             | 119,495                      | 1,126,047            | 960,419  |
| Net cash provided by (used for) operating activities  | <u>\$ (66,920)</u>                         | <u>\$ 481,386</u>    | <u>\$ (86,087)</u>  | <u>\$ (74,409)</u>           | <u>\$ 253,970</u>    | <u>\$ 2,032,415</u>                                      |
| Cash at June 30, 2012 is comprised of the following:  |  |                      |                     |                              |                      |  |
| Cash and investments  | \$ 1,389,057                               | \$ 10,736,438        | \$ 1,280,054        | \$ 1,205,012                 | \$ 14,610,561        | \$ 17,951,333  |
| Restricted cash   | 333,399                                    | -                    | 549,741             | -                            | 883,140              | 201,160  |
| Total   | <u>\$ 1,722,456</u>                        | <u>\$ 10,736,438</u> | <u>\$ 1,829,795</u> | <u>\$ 1,205,012</u>          | <u>\$ 15,493,701</u> | <u>\$ 18,152,493</u>                                     |

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

**MOHAVE COUNTY**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

|   | <u>Investment<br/>Trust<br/>Funds</u> | <u>Agency<br/>Fund</u> |
|---|---------------------------------------|------------------------|
| <b>Assets</b>                                       |                                       |                        |
| Cash and investments                                | \$ 49,961,216                         | \$ 175,585             |
| Receivables (net of allowances for uncollectibles): |                                       |                        |
| Accrued interest                                    | <u>110,898</u>                        | <u>-</u>               |
| Total assets  | <u>50,072,114</u>                     | <u>175,585</u>         |
| <b>Liabilities</b>                                  |                                       |                        |
| Deposits held for others                            | <u>-</u>                              | <u>175,585</u>         |
| Total liabilities                                   | <u>-</u>                              | <u>\$ 175,585</u>      |
| <b>Net Assets</b>                                   |                                       |                        |
| Held in trust for investment trust participants     | <u>\$ 50,072,114</u>                  |                        |

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

**MOHAVE COUNTY**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2012**

|                                 | <b>Investment<br/>Trust<br/>Funds</b> |
|---------------------------------|---------------------------------------|
| Additions:                      |                                       |
| Contributions from participants | \$ 379,892,324                        |
| Investment earnings:            |                                       |
| Interest and dividend income    | 656,110                               |
| Net investment earnings         | 656,110                               |
| Total additions                 | 380,548,434                           |
| Deductions:                     |                                       |
| Distributions to participants   | (385,514,515)                         |
| Total deductions                | (385,514,515)                         |
| Change in net assets            | (4,966,081)                           |
| Net assets, July 1, 2011        | 55,038,195                            |
| Net assets, June 30, 2012       | \$ 50,072,114                         |

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

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

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**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**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 three 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 that 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                    | 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 Special Assessment Districts           | Constructs or improves roads, bridges, and water distribution systems; County board of supervisors serves as board of directors   | 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                            |

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 1 - Summary of Significant Accounting Policies (cont'd)**

**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 assets 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 of the County. 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 only allocates indirect expenses to special taxing districts and proprietary funds. Program revenues include:

- 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.

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 1 - Summary of Significant Accounting Policies (cont'd)**

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

- **The I-40 water corridor fund** accounts for the operations of a water company located in the County's industrial park, off U.S. I-40.
- **The Landfill fund** accounts for the operations of two landfills located in Mohave County.
- **The G.V.I.D. fund** accounts for the operations of a water company located in Golden Valley.

The County reports the following fund types:

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

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

**C. Basis of Accounting**

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus, with the exception of agency funds, and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus. 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.

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 1 - Summary of Significant Accounting Policies (cont'd)**

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 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 are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues except where matching requirements exist.

The County's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

**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.

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 1 - Summary of Significant Accounting Policies (cont'd)**

**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.

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</b> | <b>Estimated</b>   |
|   |         | <b>Method</b>       | <b>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.

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 1 - Summary of Significant Accounting Policies (concl'd)**

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.

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 one year probationary period. All other employees have a six 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.

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 2 – Stewardship, Compliance, and Accountability**

**Deficit fund balances or net assets-**At June 30, 2012, the following nonmajor fund reported a deficit fund balance:

| <u>Fund</u>           | <u>Deficit</u>    |
|-----------------------|-------------------|
| Capital projects      |                   |
| G.V.I.D. construction | \$ <u>709,965</u> |

The G.V.I.D. construction fund borrowed funds from the Landfill fund to cover expenses of an improvement district instead of issuing bonds. These funds are reflected as a liability, rather than revenue, resulting in a negative fund balance. The liability is to be paid back to the Landfill fund through collections from the property owners.

**Note 3 – 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. Investments in repurchase agreements must have a maximum maturity of 180 days.

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 3 – Deposits and Investments (cont'd)**

**Foreign currency risk** - Statutes do not allow foreign investments.

**Deposits** - At June 30, 2012, the carrying amount of the County's deposits was \$10,407,890 and the bank balance was \$12,780,121. There was cash on hand of \$33,204. 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, 2012, were as follows:

| <u>Investment Type</u>                             | <u>Amount</u>         |
|--|-----------------------|
| U.S. agency securities                             | \$ 166,351,339        |
| Corporate bonds                                    | 5,997,036             |
| State Treasurer's Local Government Investment Pool | 4,000,000             |
| Total investments                                  | <u>\$ 176,348,375</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 invest 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 June 30, 2012, credit risk for the County's investments was as follows:

| <u>Investment Type</u>                               | <u>Rating</u> | <u>Rating Agency</u> | <u>Amount</u>         |
|--|---------------|----------------------|-----------------------|
| U.S. agency securities                               | AA+           | S & P                | \$ 161,356,954        |
| U.S. agency securities                               | A-1+          | S & P                | 4,994,385             |
| Corporate bonds                                      | BBB-          | S & P                | 5,000,000             |
| Corporate bonds                                      | Unrated       | S & P                | 997,036               |
| State Treasurer's Local Government Investment Pool 7 | Unrated       | Not applicable       | 4,000,000             |
|  |               |                      | <u>\$ 176,348,375</u> |

At the time of purchase, all investments carried ratings at or above AA.

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 3 – Deposits and Investments (cont'd)**

**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 the possession of an outside party. 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 represented 3.4 percent of the total portfolio at June 30, 2012. 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, 2012, of 5 percent or more in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. These investments were 9.9 percent, 19.93 percent, and 64.5 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, 2012, the County had the following investments in debt securities:

| <b>Investment Type</b>            | <b><u>Amount</u></b>  | <b><u>Investment Maturities</u></b> |                                |
|-----------------------------------|-----------------------|-------------------------------------|--------------------------------|
|                                   |                       | <b><u>Less than<br/>1 year</u></b>  | <b><u>1 to 5<br/>Years</u></b> |
| State Treasurer's investment pool | \$ 4,000,000          | \$ 4,000,000                        | \$ -                           |
| U.S. agency securities            | 166,351,339           | 17,454,747                          | 148,896,592                    |
| Corporate bonds                   | 5,997,036             | 5,997,036                           | -                              |
| Total                             | <u>\$ 176,348,375</u> | <u>\$ 27,451,783</u>                | <u>\$ 148,896,592</u>          |

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 3 – Deposits and Investments (concl'd)**

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

Cash, deposits, and investments:

|                       | <u>Amount</u>        |
|-----------------------|----------------------|
| Cash on hand          | \$ 33,204            |
| Amount of deposits    | 10,407,890           |
| Amount of investments | <u>176,348,375</u>   |
| Total                 | <u>\$186,789,469</u> |

Statements of Net Assets:

|                      | <u>Governmental activities</u> | <u>Business-type activities</u> | <u>Investment trust funds</u> | <u>Agency funds</u> | <u>Total</u>          |
|----------------------|--------------------------------|---------------------------------|-------------------------------|---------------------|-----------------------|
| Cash and investments | \$ 117,684,578                 | \$ 14,610,561                   | \$ 49,961,216                 | \$ 175,585          | \$ 182,431,940        |
| Restricted cash      | <u>3,474,389</u>               | <u>883,140</u>                  | <u>-</u>                      | <u>-</u>            | <u>4,357,529</u>      |
| Total                | <u>\$ 121,158,967</u>          | <u>\$ 15,493,701</u>            | <u>\$ 49,961,216</u>          | <u>\$ 175,585</u>   | <u>\$ 186,789,469</u> |

**Note 4 – 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, 2012 were as follows:

| <u>Fiscal Year</u> | <u>General fund</u> | <u>Flood control fund</u> | <u>Other governmental funds</u> | <u>Total governmental funds</u> |
|--------------------|---------------------|---------------------------|---------------------------------|---------------------------------|
| 2011               | \$ 2,722,003        | \$ 780,809                | \$ 663,221                      | \$ 4,166,033                    |
| 2010               | 574,420             | 250,584                   | 211,280                         | 1,036,284                       |
| Prior              | <u>1,105,867</u>    | <u>410,658</u>            | <u>354,337</u>                  | <u>1,870,862</u>                |
| Total              | <u>\$ 4,402,290</u> | <u>\$ 1,442,051</u>       | <u>\$ 1,228,838</u>             | <u>\$ 7,073,179</u>             |

That portion of property taxes receivable, not collected within 60 days after June 30, 2012, 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.

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 5 – Capital Assets**

Capital asset activity for the year ended June 30, 2012, was as follows:

|  | Balance<br>July 1, 2011 | Increases            | Decreases             | Balance<br>June 30, 2012 |
|--|-------------------------|----------------------|-----------------------|--------------------------|
| Governmental activities:                             |                         |                      |                       |                          |
| Capital assets not being depreciated:                |                         |                      |                       |                          |
| Land   | \$ 26,737,632           | \$ 562,623           | \$ -                  | \$ 27,300,255            |
| Construction in progress                             | 10,041,469              | 5,382,954            | (4,724,411)           | 10,700,012               |
| Total capital assets not being depreciated           | <u>36,779,101</u>       | <u>5,945,577</u>     | <u>(4,724,411)</u>    | <u>38,000,267</u>        |
| Capital assets being depreciated:                    |                         |                      |                       |                          |
| Buildings  | 146,449,809             | 1,319,210            | -                     | 147,769,019              |
| Infrastructure and improvements other than buildings | 109,715,419             | 11,833,682           | -                     | 121,549,101              |
| Intangibles  | 64,501                  | -                    | -                     | 64,501                   |
| Equipment  | 42,734,658              | 5,650,242            | (3,216,502)           | 45,168,398               |
| Total  | <u>298,964,387</u>      | <u>18,803,134</u>    | <u>(3,216,502)</u>    | <u>314,551,019</u>       |
| Less accumulated depreciation for:                   |                         |                      |                       |                          |
| Buildings  | (18,096,882)            | (4,267,546)          | -                     | (22,364,428)             |
| Infrastructure and improvements other than buildings | (71,993,366)            | (3,153,417)          | -                     | (75,146,783)             |
| Intangibles  | (7,679)                 | (9,214)              | -                     | (16,893)                 |
| Equipment  | <u>(26,360,573)</u>     | <u>(2,826,206)</u>   | <u>1,476,201</u>      | <u>(27,710,578)</u>      |
| Total  | <u>(116,458,500)</u>    | <u>(10,256,383)</u>  | <u>1,476,201</u>      | <u>(125,238,682)</u>     |
| Total capital assets being depreciated, net          | <u>182,505,887</u>      | <u>8,546,751</u>     | <u>(1,740,301)</u>    | <u>189,312,337</u>       |
| Governmental activities capital assets, net          | <u>\$ 219,284,988</u>   | <u>\$ 14,492,328</u> | <u>\$ (6,464,712)</u> | <u>\$ 227,312,604</u>    |
| Business-type activities:                            |                         |                      |                       |                          |
| Capital assets not being depreciated:                |                         |                      |                       |                          |
| Land   | \$ 1,630,859            | \$ -                 | \$ -                  | \$ 1,630,859             |
| Construction in progress                             | 181,277                 | 190,817              | (315,199)             | 56,895                   |
| Total capital assets not being depreciated           | <u>1,812,136</u>        | <u>190,817</u>       | <u>(315,199)</u>      | <u>1,687,754</u>         |
| Capital assets being depreciated:                    |                         |                      |                       |                          |
| Buildings  | 2,056,567               | 60,108               | -                     | 2,116,675                |
| Utility systems                                      | 21,088,650              | 505,725              | -                     | 21,594,375               |
| Equipment  | 1,388,091               | 49,820               | (133,481)             | 1,304,430                |
| Total  | <u>24,533,308</u>       | <u>615,653</u>       | <u>(133,481)</u>      | <u>25,015,480</u>        |
| Less accumulated depreciation for:                   |                         |                      |                       |                          |
| Buildings  | (767,895)               | (48,991)             | -                     | (816,886)                |
| Utility systems                                      | (9,777,252)             | (677,673)            | -                     | (10,454,925)             |
| Equipment  | <u>(839,358)</u>        | <u>(105,652)</u>     | <u>120,132</u>        | <u>(824,878)</u>         |
| Total  | <u>(11,384,505)</u>     | <u>(832,316)</u>     | <u>120,132</u>        | <u>(12,096,689)</u>      |
| Total capital assets being depreciated, net          | <u>13,148,803</u>       | <u>(216,663)</u>     | <u>(13,349)</u>       | <u>12,918,791</u>        |
| Business-type activities capital assets, net         | <u>\$ 14,960,939</u>    | <u>\$ (25,846)</u>   | <u>\$ (328,548)</u>   | <u>\$ 14,606,545</u>     |

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 5 – Capital Assets (concl'd)**

Depreciation expense was charged to functions as follows:

|   |                             |
|---|-----------------------------|
| Governmental activities:                            |                             |
| General government                                  | \$ 1,448,725                |
| Public safety                                       | 3,443,698                   |
| Highways and streets                                | 4,112,980                   |
| Health  | 43,355                      |
| Welfare   | 75,528                      |
| Culture and recreation                              | 229,806                     |
| Education   | 13,513                      |
| Internal service funds                              | 888,778                     |
| Total governmental activities depreciation expense  | <u><u>\$ 10,256,383</u></u> |
|   |                             |
| Business-type activities:                           |                             |
| Landfill  | \$ 47,737                   |
| Recreation  | 90,652                      |
| Water companies                                     | 693,927                     |
| Total business-type activities depreciation expense | <u><u>\$ 832,316</u></u>    |

**Note 6 – Construction and Other Significant Commitments**

The County had 5 major contractual commitments at June 30, 2012, as follows:

| <u>Contractual Commitments</u>                               | <u>Funding Source</u>  | <u>Expenditures<br/>to Date</u> | <u>Total<br/>Contractual<br/>Commitments</u> | <u>Remaining<br/>Commitments</u> |
|--|------------------------|---------------------------------|--|----------------------------------|
| Horizon Six subdivision – construction<br>of detention basin | Secondary tax revenue  | \$ 694,193                      | \$ 4,375,738                                 | \$ 3,681,545                     |
| Assessor's software contract<br>7/1/2012 through 6/30/2021   | Tax revenues           | -                               | 1,528,039                                    | 1,528,039                        |
| Prison health care contract<br>11/17/11 through 11/16/12     | Tax revenues           | 1,650,411                       | 2,471,666                                    | 821,255                          |
| Public works building construction                           | Secondary tax revenues | 404,493                         | 5,781,068                                    | 5,376,575                        |
| Treasurer's software   | Tax revenues           | 67,103                          | 434,825                                      | 367,722                          |
| <b>Total</b>   |                        | <u><u>\$ 2,816,200</u></u>      | <u><u>\$ 14,595,526</u></u>                  | <u><u>\$ 11,779,326</u></u>      |

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 7 – Restricted Assets**

As of June 30, 2012, the County had restricted assets as follows:

**Governmental activities assets:**

|                               |                     |  |
|-------------------------------|---------------------|--|
| Cash                          | \$ 3,474,389        | Cash held by trustees restricted by agreements for construction, debt payments, insurance trusts, loans, or major maintenance. |
| HUD Properties                | <u>697,689</u>      | HUD rehabilitated homes restricted for sale to qualified buyers.   |
| Total governmental activities | <u>\$ 4,172,078</u> |  |

**Business-type activities assets:**

|                                |                   |   |
|--------------------------------|-------------------|---|
| Cash                           | \$ 333,399        | I-40 collections restricted for future repairs of infrastructure by agreement with customers.                 |
| Cash                           | <u>549,741</u>    | G.V.I.D. water corridor collections restricted for future infrastructure repairs by agreement with customers. |
| Total business-type activities | <u>\$ 883,140</u> |   |

**Note 8 – Long-Term Liabilities**

The following schedule details the County’s long-term liability and obligation activity for the year ended June 30, 2012:

|  | <u>Balance</u><br><u>July 1, 2011</u> | <u>Additions</u>    | <u>Reductions</u>     | <u>Balance</u><br><u>June 30, 2012</u> | <u>Due Within</u><br><u>1 Year</u> |
|--|---------------------------------------|---------------------|-----------------------|--|------------------------------------|
| <b><u>Governmental activities:</u></b>               |                                       |                     |                       |  |                                    |
| Special assessment bonds payable                     | \$ 991,000                            | \$ -                | \$ (991,000)          | \$ -                                   | \$ -                               |
| Beneficial interest certificates payable             | 48,680,000                            | -                   | (4,700,000)           | 43,980,000                             | 4,875,000                          |
| Beneficial interest certificates premium-unamortized | 318,203                               | -                   | (39,775)              | 278,428                                | 39,776                             |
| Compensated absences payable                         | 7,336,723                             | 6,250,527           | (6,385,904)           | 7,201,346                              | 6,000,000                          |
| Insurance claims payable                             | <u>1,841,182</u>                      | <u>10,617,471</u>   | <u>(10,919,675)</u>   | <u>1,538,978</u>                       | <u>1,500,000</u>                   |
| Total governmental activities long-term liabilities  | <u>\$59,167,108</u>                   | <u>\$16,867,998</u> | <u>\$(23,036,354)</u> | <u>\$ 52,998,752</u>                   | <u>\$12,414,776</u>                |
| <b><u>Business-type activities:</u></b>              |                                       |                     |                       |  |                                    |
| Landfill closure and postclosure care costs payable  | \$ 5,777,090                          | \$ 459,889          | \$ -                  | \$ 6,236,979                           | \$ -                               |
| Compensated absences payable                         | <u>136,692</u>                        | <u>117,182</u>      | <u>(114,094)</u>      | <u>139,780</u>                         | <u>125,801</u>                     |
| Total business-type activities long-term liabilities | <u>\$ 5,913,782</u>                   | <u>\$ 577,071</u>   | <u>\$ (114,094)</u>   | <u>\$ 6,376,759</u>                    | <u>\$ 125,801</u>                  |

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 8 – Long-Term Liabilities (cont'd)**

**Bonds** - The County's bonded debt for special assessment bonds was paid off in fiscal year 2012. The principal and interest paid in 2012 was \$932,850 (79.5% of available net revenue collected in the current and prior years.) The original amount of special assessment bonds issued in prior years was \$4,591,000.

**Beneficial Interest Certificates (BIC)** - The County has issued 15 and 12 year beneficial interest certificates that are generally noncallable, with principal payable in annual installments and interest payable semiannually, 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. The 2012 debt service requirement of \$6,707,119 was 125 % of the current year tax revenue. This amount exceeded revenue by approximately \$1.3 million, which was paid from prior years fund balance. The County expects to do a defeasance of the beneficial interest certificates series 2004 in fiscal year 2013. The remaining amount of debt to be covered by the ¼ percent sales tax revenue, after the defeasance, will be \$4.9 million annually. The expected annual sales tax revenue that will be available for the debt payments during that period is \$6 million per year. The original amount of certificates issued in prior years was \$65,320,000.

Beneficial interest certificates outstanding at June 30, 2012, were as follows:

| <u>Description</u>                                 | <u>Original<br/>Amount</u> | <u>Maturity<br/>Ranges</u> | <u>Interest<br/>Rates</u> | <u>Outstanding<br/>Principal<br/>June 30, 2012</u> |
|--|----------------------------|----------------------------|---------------------------|--|
| Beneficial interest<br>certificates<br>Series 2004 | \$ 19,320,000              | 7/2012-7/2019              | 4.12%-5.25%               | \$ 11,300,000                                      |
| Beneficial interest<br>certificates<br>Series 2008 | <u>46,000,000</u>          | 10/2012-4/2020             | 3.125%-4.25%              | <u>32,680,000</u>                                  |
| Total  | <u>\$ 65,320,000</u>       |                            |                           | <u>\$ 43,980,000</u>                               |

The following schedule details debt service requirements to maturity for the County's beneficial interest certificates payable at June 30, 2012:

| Year<br>Ending<br><u>June 30,</u> | <u>Governmental activities</u><br><u>Beneficial Interest Certificates</u> |                     |
|-----------------------------------|---|---------------------|
|                                   | <u>Principal</u>  | <u>Interest</u>     |
| 2013                              | \$ 4,875,000  | \$ 1,832,181        |
| 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           |
| 2018-20                           | <u>17,705,000</u>   | <u>1,488,600</u>    |
| Total                             | <u>\$ 43,980,000</u>  | <u>\$ 8,733,416</u> |

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 8 - Long-Term Liabilities (cont'd)**

**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 of cost recognized each year is based on landfill capacity used at the end of each fiscal year. The \$6,236,979 reported as landfill closure and postclosure care liability at June 30, 2012, represents the cumulative amount reported to date at the Cerbat and Mohave Valley landfills. The calculation is based on the use of 94.3% and 79.1%, 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 \$725,648 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 2012. The County expects to close the landfills in the years 2013 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.

**Insurance Claims** - The County established two internal service funds, Health Insurance and Self-Insurance. The health insurance fund accounts for employee health benefits through a combination of self-insurance and commercial insurance. The self-insurance 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-Insurance 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 four fiscal years.

The health insurance fund accounts for the financing of the uninsured risk of loss for certain health benefits (comprehensive major medical, prescriptions, dental, life/accidental death and dismemberment, and short-term disability) 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 Delta Dental. A third party, AFLAC, administers the short-term disability program. Settled claims have not exceeded available self-insurance funds or the purchased commercial insurance in any of the past four fiscal years.

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 8 - Long-Term Liabilities (concl'd)**

The insurance claims payable liability of the self-insurance fund and health insurance fund totaling \$1,538,978, included in the balance below at June 30, 2012, 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, 2012) and Arizona Counties Property and Casualty Pool (based on expected outcomes of outstanding lawsuits and incurred but not reported occurrences).

Changes in the funds' claims payable for the years ended June 30, 2011 and 2012, were as follows:

|   | <u>2011</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| Claims payable - beginning of year            | \$ 1,219,017        | \$ 1,841,182        |
| Add: Claims incurred and changes in estimates | 14,573,842          | 10,617,471          |
| Deduct: Claims paid                           | <u>(13,951,677)</u> | <u>(10,919,675)</u> |
| Claims payable - end of year                  | <u>\$ 1,841,182</u> | <u>\$ 1,538,978</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 health insurance and self-insurance funds. During fiscal year 2012, the County's liability for compensated absences is allocated as follows: 60 percent to the General fund, 12 percent to other major funds, and 28 percent to Other governmental funds. The County paid for insurance claims as follows: 98 percent from the health insurance fund and 2 percent from the self-Insurance Fund. The claims paid from the health insurance fund were medical claims funded through payroll deductions and contributions from County funds. The self-insurance fund was funded \$389,528 (49%) by the General fund, \$348,237 (44%) by various public works funds, \$36,000 (4%) by Internal service funds and \$23,109 (3%) by Enterprise funds this past year to cover insurance expense and possible settlements.

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 9 – Fund Balance Classifications of the Governmental funds**

The fund balance classifications of the governmental funds as of June 30, 2012, were as follows:

|                        | General<br>Fund     | Road<br>Fund        | Flood<br>Control<br>Fund | Admin Building<br>Debt Service<br>Fund | Other<br>Governmental<br>Funds | Total                |
|------------------------|---------------------|---------------------|--------------------------|--|--------------------------------|----------------------|
| <b>Fund balances:</b>  |                     |                     |                          |  |                                |                      |
| <b>Nonspendable</b>    |                     |                     |                          |  |                                |                      |
| Inventories            | \$ -                | \$ 289,099          | \$ -                     | \$ -                                   | \$ -                           | \$ 289,099           |
| Prepaid items          | 13,550              | -                   | 50                       | -                                      | 229,856                        | 243,456              |
| Total nonspendable     | <u>13,550</u>       | <u>289,099</u>      | <u>50</u>                | <u>-</u>                               | <u>229,856</u>                 | <u>532,555</u>       |
| <b>Restricted for:</b> |                     |                     |                          |  |                                |                      |
| Government services    | -                   | -                   | -                        | -                                      | 2,147,121                      | 2,147,121            |
| Law enforcement        | -                   | -                   | -                        | -                                      | 5,719,655                      | 5,719,655            |
| Highways and streets   | -                   | 12,905,467          | 18,229,535               | -                                      | 1,550                          | 31,136,552           |
| Health                 | -                   | -                   | -                        | -                                      | 1,112,593                      | 1,112,593            |
| Welfare                | -                   | -                   | -                        | -                                      | 949,136                        | 949,136              |
| Education              | -                   | -                   | -                        | -                                      | 174,752                        | 174,752              |
| Culture and recreation | -                   | -                   | -                        | -                                      | 16,495,253                     | 16,495,253           |
| Debt service           | -                   | -                   | -                        | 1,239,605                              | 2,033,624                      | 3,273,229            |
| Total Restricted       | <u>-</u>            | <u>12,905,467</u>   | <u>18,229,535</u>        | <u>1,239,605</u>                       | <u>28,633,684</u>              | <u>61,008,291</u>    |
| <b>Committed to:</b>   |                     |                     |                          |  |                                |                      |
| Government services    | 11,708,898          | -                   | -                        | -                                      | -                              | 11,708,898           |
| Debt service           | -                   | -                   | -                        | 4,687,976                              | 2,249,349                      | 6,937,325            |
| Capital outlay         | -                   | -                   | -                        | -                                      | 9,743,630                      | 9,743,630            |
| Total committed        | <u>11,708,898</u>   | <u>-</u>            | <u>-</u>                 | <u>4,687,976</u>                       | <u>11,992,979</u>              | <u>28,389,853</u>    |
| <b>Unassigned</b>      |                     |                     |                          |  |                                |                      |
|                        | <u>9,972,336</u>    | <u>-</u>            | <u>-</u>                 | <u>-</u>                               | <u>-</u>                       | <u>9,972,336</u>     |
| Total fund balances    | <u>\$21,694,784</u> | <u>\$13,194,566</u> | <u>\$18,229,585</u>      | <u>\$ 5,927,581</u>                    | <u>\$40,856,519</u>            | <u>\$ 99,903,035</u> |

**Note 10 – 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 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 three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 10 – Risk Management (concl'd)**

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.

**Note 11 – 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 \$994,650 for the year ended June 30, 2012. The operating leases have remaining noncancellable lease terms from one to eighty-four years and provide renewal options. The future minimum payments required under the operating leases at June 30, 2012, were as follows:

| <u>Year ending June 30,</u>  | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> |
|------------------------------|------------------------------------|-------------------------------------|
| 2013                         | \$ 1,044,290                       | \$ 1,993                            |
| 2014                         | 760,933                            | 664                                 |
| 2015                         | 224,159                            | -                                   |
| 2016                         | 33,287                             | -                                   |
| 2017                         | 3,751                              | -                                   |
| 2018-2022                    | 12,005                             | -                                   |
| 2023-2096                    | 4,874                              | -                                   |
| Total minimum lease payments | \$ 2,083,299                       | \$ 2,657                            |

**Note 12 – 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. Benefits are established by state statute, and 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 towards 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 plan

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 12- Pensions and Other Postemployment Benefits (cont'd)**

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 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.

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 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 may be obtained by writing or calling the applicable plan.

**ASRS**

3300 N. Central Ave.  
P. O. Box 33910  
Phoenix, AZ 85067-3910  
(602) 240-2000 or (800) 621-3778

**PSPRS and CORP**

3010 E. Camelback Rd., Suite 200  
Phoenix, AZ 85016-4416  
(602) 255-5575

**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, 2012, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.5 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 10.74 percent (9.87 percent for retirement, 0.63 percent for health insurance premium, 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:

| <u>Year ended June 30</u> | <u>Retirement<br/>fund</u> | <u>Health benefit<br/>supplement fund</u> | <u>Long-term<br/>disability fund</u> |
|---------------------------|----------------------------|---|--------------------------------------|
| 2012                      | \$3,577,496                | \$ 228,351                                | \$86,991                             |
| 2011                      | 3,367,385                  | 224,492                                   | 93,538                               |
| 2010                      | 3,205,300                  | 253,657                                   | 153,731                              |

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 12- Pensions and Other Postemployment Benefits (cont'd)**

*Agent plans* - For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 8.65 percent of the members' annual covered payroll and the County was required to contribute 19.56 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution was actuarially set at 1.51 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 5.00 percent. The aggregate of the members' and the County's contributions is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.94 percent of covered payroll. Active CORP-AOC members were required by statute to contribute 8.41 percent of covered payroll and the County was required to contribute 13.13 percent of the members' annual covered payroll, which included 1.43 percent for the health insurance premium portion.

All participating employers in CORP Administrative Office of the Courts (AOC) are accounted for as one group within the Corrections Officer Retirement Plan and, as such, an actuarial valuation of CORP-AOC is only performed for 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, 2012, were established by the June 30, 2010 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 all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2012 contribution requirements, are as follows:

|                               |  |
|-------------------------------|--|
| Actuarial valuation date      | June 30, 2010  |
| Actuarial cost method         | Projected unit credit  |
| Amortization method           | Level percent closed for unfunded actuarial accrued liability, open for excess |
| Remaining amortization period | 26 years for unfunded actuarial accrued liability, 20 years for excess         |
| Asset valuation method        | 7-year smoothed market value   |
| Actuarial assumptions:        |  |
| Investment rate of return     | 8.5%   |
| Projected salary increases    | 5.5%-8.5% for PSPRS and CORP   |
| includes inflation at         | 5.5% for PSPRS and CORP  |

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 12- Pensions and Other Postemployment Benefits (cont'd)**

**Annual Pension/OPEB Cost** - The County's pension/OPEB cost for the agent plans for the year ended June 30, 2012, and related information follows.

|                              | <u>PSPRS</u>   |                         | <u>CORP</u>    |                         | <u>CORP-AOC</u> |                         |
|------------------------------|----------------|-------------------------|----------------|-------------------------|-----------------|-------------------------|
|                              | <u>Pension</u> | <u>Health Insurance</u> | <u>Pension</u> | <u>Health Insurance</u> | <u>Pension</u>  | <u>Health Insurance</u> |
| Annual pension/<br>OPEB cost | \$785,331      | \$71,696                | \$155,969      | \$36,111                | \$309,932       | \$37,881                |
| Contributions made           | 785,331        | 71,696                  | 155,969        | 36,111                  | 309,932         | 37,881                  |

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

| <u>Plan</u>      | <u>Year Ended June 30</u> | <u>Annual Pension/OPEB Cost</u> | <u>Percentage of Annual Cost Contributed</u> | <u>Net Pension/OPEB Obligation</u> |
|------------------|---------------------------|---------------------------------|--|------------------------------------|
| <u>PSPRS</u>     |                           |                                 |  |                                    |
| Pension          | 2012                      | \$785,331                       | 100%   | \$ -                               |
| Health insurance | 2012                      | 71,696                          | 100%   | -                                  |
| Pension          | 2011                      | 776,588                         | 100%   | -                                  |
| Health insurance | 2011                      | 64,906                          | 100%   | -                                  |
| Pension          | 2010                      | 824,041                         | 100%   | -                                  |
| Health insurance | 2010                      | 62,014                          | 100%   | -                                  |
| <u>CORP</u>      |                           |                                 |  |                                    |
| Pension          | 2012                      | 155,969                         | 100%   | -                                  |
| Health insurance | 2012                      | 36,111                          | 100%   | -                                  |
| Pension          | 2011                      | 145,631                         | 100%   | -                                  |
| Health insurance | 2011                      | 29,406                          | 100%   | -                                  |
| Pension          | 2010                      | 123,404                         | 100%   | -                                  |
| Health insurance | 2010                      | 22,809                          | 100%   | -                                  |
| <u>CORP-AOC</u>  |                           |                                 |  |                                    |
| Pension          | 2012                      | 309,932                         | 100%   | -                                  |
| Health insurance | 2012                      | 37,881                          | 100%   | -                                  |
| Pension          | 2011                      | 268,952                         | 100%   | -                                  |
| Health insurance | 2011                      | 34,695                          | 100%   | -                                  |
| Pension          | 2010                      | 159,518                         | 100%   | -                                  |
| Health insurance | 2010                      | 3,255                           | 100%   | -                                  |

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 12- Pensions and Other Postemployment Benefits (concl'd)**

**Funded Status** – Except for the CORP-AOC, the funded status of the plans as of the most recent valuation date, June 30, 2012, along with the actuarial assumptions and methods used in those valuations follow.

|  | <u>PSPRS</u>   |                         | <u>CORP</u>    |                         |
|--|----------------|-------------------------|----------------|-------------------------|
|  | <u>Pension</u> | <u>Health Insurance</u> | <u>Pension</u> | <u>Health Insurance</u> |
| Actuarial accrued liability (a)  | \$31,053,893   | \$ 837,829              | \$ 5,274,146   | \$ 242,406              |
| Actuarial value of assets (b)  | 19,464,007     | -                       | 6,208,354      | -                       |
| Unfunded actuarial accrued liability (funding excess) (b) – (a)  | 11,589,886     | 837,829                 | (934,208)      | 242,406                 |
| Funded ratio (a) / (b)   | 62.7%          | 0.0%                    | 117.7%         | 0.0%                    |
| Annual Covered payroll (c)   | \$ 4,574,572   | \$ 4,574,572            | \$ 4,017,855   | \$ 4,017,855            |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c) | 253.4%         | 18.31%                  | (23.3%)        | 6.03%                   |

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, 2012  |
| Actuarial cost method                            | Entry age normal   |
| Amortization method                              | Level percent closed for unfunded actuarial accrued liability, open for excess |
| Remaining amortization period                    | 24 years for unfunded actuarial accrued liability, 20 years for excess         |
| Asset valuation method                           | 7-Year smoothed market value   |
| Actuarial assumptions:                           |  |
| Investment rate of return                        | 8.00%  |
| Projected salary increases includes inflation at | 5%-9% for PSPRS and 5%-8.25% for CORP<br>5% for PSPRS and CORP                 |

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

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 13 – Interfund Balances and Activity**

**Interfund Receivables and Payables** - Interfund balances at June 30, 2012, were as follows:

|                             | <b>Payable to</b>       |  |                      |                          |                                       | <b>Total</b>        |
|-----------------------------|-------------------------|--|----------------------|--------------------------|---------------------------------------|---------------------|
|                             | <b>General<br/>Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Landfill Fund</b> | <b>G.V.I.D.<br/>Fund</b> | <b>Internal<br/>Service<br/>Funds</b> |                     |
| <b>Payable From</b>         |                         |  |                      |                          |                                       |                     |
| General Fund                | \$ -                    | \$ 15,127                                  | \$ -                 | \$ -                     | \$ 69                                 | \$ 15,196           |
| Road Fund                   | 1,815                   | -  | -                    | -                        | -                                     | 1,815               |
| Flood Control Fund          | 10                      | -  | -                    | -                        | -                                     | 10                  |
| Nonmajor Governmental Funds | 3,537                   | 169,647                                    | 828,400              | -                        | -                                     | 1,001,584           |
| I-40 Water Corridor Fund    | -                       | -  | -                    | 500                      | -                                     | 500                 |
| Internal Service Funds      | 5,563                   | 834  | -                    | -                        | -                                     | 6,397               |
| <b>Total</b>                | <b>\$ 10,925</b>        | <b>\$ 185,608</b>                          | <b>\$ 828,400</b>    | <b>\$ 500</b>            | <b>\$ 69</b>                          | <b>\$ 1,025,502</b> |

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 \$828,400 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 10 years, from property owners, through collections assessed on tax bills.

**MOHAVE COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 13 – Interfund Balances and Activity (concl'd)**

**Interfund Transfers** –Interfund transfers for the year ended June 30, 2012, were as follows:

|                                     | <b>Transfers in from Other Funds</b> |                     |                                  |                             |                        |                        | Total                |
|-------------------------------------|--------------------------------------|---------------------|----------------------------------|-----------------------------|------------------------|------------------------|----------------------|
|                                     | General Fund                         | Road Fund           | Admin Building Debt Service Fund | Nonmajor Governmental Funds | Other Enterprise Funds | Internal Service Funds |                      |
| <b>Transfers out to Other Funds</b> |                                      |                     |                                  |                             |                        |                        |                      |
| General Fund                        | \$ -                                 | \$ -                | \$ -                             | \$ 4,306,508                | \$ -                   | \$ -                   | \$ 4,306,508         |
| Road Fund                           | -                                    | -                   | -                                | 5,656,792                   | -                      | -                      | 5,656,792            |
| Flood Control Fund                  | 1,813,469                            | -                   | -                                | 267,715                     | -                      | -                      | 2,081,184            |
| Admin Building Debt Service Fund    | -                                    | -                   | -                                | 5,000,000                   | -                      | -                      | 5,000,000            |
| Nonmajor Governmental Funds         | 859,538                              | 1,297,189           | 1,423,040                        | 1,077,472                   | -                      | 733,581                | 5,390,820            |
| I-40 Water Corridor Fund            | -                                    | 150,000             | -                                | -                           | -                      | -                      | 150,000              |
| Landfill Fund                       | -                                    | 2,213,413           | -                                | -                           | 484,745                | -                      | 2,698,158            |
| G.V.I.D. Fund                       | -                                    | 150,000             | -                                | -                           | -                      | -                      | 150,000              |
| Other Enterprise Funds              | -                                    | 200,000             | -                                | -                           | -                      | -                      | 200,000              |
| <b>Total</b>                        | <b>\$ 2,673,007</b>                  | <b>\$ 4,010,602</b> | <b>\$ 1,423,040</b>              | <b>\$ 16,308,487</b>        | <b>\$ 484,745</b>      | <b>\$ 733,581</b>      | <b>\$ 25,633,462</b> |

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 for shared expenses of programs and to cover matching grants.

**Note 14 – 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.



## **Required Supplementary Information**

**MOHAVE COUNTY**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2012**

|                                  | <u>Budgeted Amounts</u> |                      | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|----------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
|                                  | <u>Original</u>         | <u>Final</u>         |                           |                                       |
| <b>Revenues:</b>                 |                         |                      |                           |                                       |
| Taxes                            | \$ 38,958,722           | \$ 38,958,722        | \$ 37,290,972             | \$ (1,667,750)                        |
| Licenses and permits             | 571,918                 | 571,918              | 557,623                   | (14,295)                              |
| Intergovernmental                | 27,291,324              | 27,299,676           | 26,738,788                | (560,888)                             |
| Charges for services             | 5,814,203               | 5,814,203            | 6,867,180                 | 1,052,977                             |
| Fines and forfeits               | 1,748,082               | 1,748,082            | 1,834,219                 | 86,137                                |
| Investment earnings              | 100,000                 | 100,000              | 160,655                   | 60,655                                |
| Contributions                    | 1,000                   | 1,000                | 226                       | (774)                                 |
| Miscellaneous                    | 141,455                 | 141,455              | 157,435                   | 15,980                                |
| Total revenues                   | <u>74,626,704</u>       | <u>74,635,056</u>    | <u>73,607,098</u>         | <u>(1,027,958)</u>                    |
| <b>Expenditures:</b>             |                         |                      |                           |                                       |
| <b>Current:</b>                  |                         |                      |                           |                                       |
| <b>General government</b>        |                         |                      |                           |                                       |
| Assessor                         | 3,467,310               | 3,467,310            | 3,327,692                 | 139,618                               |
| County attorney                  | 3,877,825               | 3,877,825            | 3,742,183                 | 135,642                               |
| Board of supervisors             | 1,000,388               | 1,000,388            | 965,482                   | 34,906                                |
| Clerk of board                   | 221,998                 | 221,998              | 205,566                   | 16,432                                |
| Housing community development    | 434,876                 | 434,876              | 429,333                   | 5,543                                 |
| General administration           | 3,104,557               | 3,104,557            | 3,044,824                 | 59,733                                |
| Clerk of superior court          | 1,973,778               | 1,973,778            | 1,910,420                 | 63,358                                |
| Constables                       | 378,811                 | 380,415              | 375,156                   | 5,259                                 |
| Contingency                      | 11,192,943              | 9,972,336            | -                         | 9,972,336                             |
| Elections                        | 612,843                 | 612,843              | 479,467                   | 133,376                               |
| Finance                          | 1,033,871               | 1,033,871            | 1,023,904                 | 9,967                                 |
| Building and grounds maintenance | 2,271,270               | 2,271,270            | 2,018,793                 | 252,477                               |
| Justice courts                   | 3,138,256               | 3,169,228            | 2,992,556                 | 176,672                               |
| Juvenile detention               | 1,380,677               | 1,380,677            | 1,268,371                 | 112,306                               |
| Personnel                        | 651,717                 | 651,717              | 496,847                   | 154,870                               |
| Development services             | 2,088,137               | 2,088,137            | 1,665,732                 | 422,405                               |
| Public fiduciary                 | 530,686                 | 530,686              | 497,426                   | 33,260                                |
| Public defender                  | 4,698,293               | 5,173,293            | 4,727,498                 | 445,795                               |
| Public legal defender            | 811,588                 | 811,588              | 793,155                   | 18,433                                |
| Building inspector               | 1,136,281               | 1,136,281            | 921,992                   | 214,289                               |
| Public works                     | 99,007                  | 99,007               | 95,916                    | 3,091                                 |
| Procurement                      | 385,100                 | 385,100              | 341,418                   | 43,682                                |
| Recorder                         | 703,557                 | 703,557              | 613,483                   | 90,074                                |
| Superior courts                  | 2,800,671               | 2,812,374            | 2,694,093                 | 118,281                               |
| Treasurer                        | 1,565,851               | 1,565,851            | 1,465,909                 | 99,942                                |
| Voter registration               | 393,380                 | 393,380              | 275,948                   | 117,432                               |
| Supervisory districts            | 406,521                 | 406,521              | 284,200                   | 122,321                               |
| Total general government         | <u>\$ 50,360,192</u>    | <u>\$ 49,658,864</u> | <u>\$ 36,657,364</u>      | <u>\$ 13,001,500</u>                  |

(Continued)

See accompanying notes to budgetary comparison schedule.

**MOHAVE COUNTY**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2012**  
**(Concluded)**

|   | <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  | \$ 551,531              | \$ 560,531         | \$ 554,542                | \$ 5,989                              |
| Jail  | 10,509,836              | 11,039,836         | 10,812,060                | 227,776                               |
| Medical examiner  | 567,600                 | 567,600            | 567,600                   | -                                     |
| Probation   | 1,808,694               | 1,808,694          | 1,653,397                 | 155,297                               |
| Sheriff   | 10,867,397              | 10,867,397         | 10,539,225                | 328,172                               |
| Total public safety   | <u>24,305,058</u>       | <u>24,844,058</u>  | <u>24,126,824</u>         | <u>717,234</u>                        |
| Health  |                         |                    |                           |                                       |
| A.H.C.C.C.S.  | <u>8,984,374</u>        | <u>8,984,374</u>   | <u>8,815,566</u>          | <u>168,808</u>                        |
| Education   |                         |                    |                           |                                       |
| School superintendent   | <u>448,510</u>          | <u>448,510</u>     | <u>394,994</u>            | <u>53,516</u>                         |
| Total expenditures  | <u>84,098,134</u>       | <u>83,935,806</u>  | <u>69,994,748</u>         | <u>13,941,058</u>                     |
| Excess (deficiency) of revenues over expenditures                             | <u>(9,471,430)</u>      | <u>(9,300,750)</u> | <u>3,612,350</u>          | <u>12,913,100</u>                     |
| Other financing sources (uses):   |                         |                    |                           |                                       |
| Transfers in  | 2,676,007               | 2,676,007          | 2,673,007                 | (3,000)                               |
| Transfers out   | <u>(4,397,520)</u>      | <u>(4,559,848)</u> | <u>(4,306,508)</u>        | <u>253,340</u>                        |
| Total other financing sources (uses)  | <u>(1,721,513)</u>      | <u>(1,883,841)</u> | <u>(1,633,501)</u>        | <u>250,340</u>                        |
| Excess of revenues and other sources over (under) expenditures and other uses | (11,562,064)            | (9,596,520)        | 1,978,849                 | 11,575,369                            |
| Fund balances, July 1, 2011   | <u>11,562,064</u>       | <u>9,596,520</u>   | <u>19,715,935</u>         | <u>19,715,935</u>                     |
| Fund balances, June 30, 2012  | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 21,694,784</u>      | <u>\$ 21,694,784</u>                  |

See accompanying notes to budgetary comparison schedule.

**MOHAVE COUNTY**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Road Fund**  
**Year Ended June 30, 2012**

|  | <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          | \$ 34,100                 | \$ 4,100                              |
| Intergovernmental  | 11,588,737              | 11,588,737         | 11,712,294                | 123,557                               |
| Charges for services   | 479,888                 | 479,888            | 626,693                   | 146,805                               |
| Fines and forfeits   | -                       | -                  | 570                       | 570                                   |
| Investment earnings  | 93,666                  | 93,666             | 115,369                   | 21,703                                |
| Rents  | 86,358                  | 86,358             | 86,358                    | -                                     |
| Miscellaneous  | 225,000                 | 1,834,207          | 202,725                   | (1,631,482)                           |
| Total revenues   | <u>12,503,649</u>       | <u>14,112,856</u>  | <u>12,778,109</u>         | <u>(1,334,747)</u>                    |
| Expenditures:  |                         |                    |                           |                                       |
| Current:   |                         |                    |                           |                                       |
| Highways and streets   | 19,287,446              | 20,897,099         | 15,162,015                | 5,735,084                             |
| Total expenditures   | <u>19,287,446</u>       | <u>20,897,099</u>  | <u>15,162,015</u>         | <u>5,735,084</u>                      |
| Excess (deficiency) of revenues<br>over expenditures                             | <u>(6,783,797)</u>      | <u>(6,784,243)</u> | <u>(2,383,906)</u>        | <u>4,400,337</u>                      |
| Other financing sources (uses):  |                         |                    |                           |                                       |
| Transfers in   | 2,547,554               | 2,552,792          | 4,010,602                 | 1,457,810                             |
| Transfers out  | (5,652,000)             | (5,656,792)        | (5,656,792)               | -                                     |
| Proceeds of sale of County property  | -                       | -                  | 1,609,206                 | 1,609,206                             |
| Total other financing sources (uses)   | <u>(3,104,446)</u>      | <u>(3,104,000)</u> | <u>(36,984)</u>           | <u>3,067,016</u>                      |
| Excess of revenues and other sources over (under)<br>expenditures and other uses | <u>(9,888,243)</u>      | <u>(9,888,243)</u> | <u>(2,420,890)</u>        | <u>7,467,353</u>                      |
| Fund balances, July 1, 2011  | 9,888,243               | 9,888,243          | 15,630,064                | 5,741,821                             |
| Decrease in reserve for inventory  | <u>-</u>                | <u>-</u>           | <u>(14,608)</u>           | <u>(14,608)</u>                       |
| Fund balances, June 30, 2012   | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 13,194,566</u>      | <u>\$ 13,194,566</u>                  |

See accompanying notes to budgetary comparison schedule.

**MOHAVE COUNTY**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Flood Control Fund**  
**Year Ended June 30, 2012**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| Revenues:  |                         |                     |                           |                                       |
| Taxes  | \$ 10,353,769           | \$ 10,353,769       | \$ 8,610,731              | \$ (1,743,038)                        |
| Licenses and permits   | 5,000                   | 5,000               | 5,800                     | 800                                   |
| Intergovernmental  | 1,147,878               | 1,147,878           | 360,041                   | (787,837)                             |
| Investment earnings  | 153,688                 | 153,688             | 160,392                   | 6,704                                 |
| Total revenues   | <u>11,660,335</u>       | <u>11,660,335</u>   | <u>9,136,964</u>          | <u>(2,523,371)</u>                    |
| Expenditures:  |                         |                     |                           |                                       |
| Current:   |                         |                     |                           |                                       |
| Highways and streets   | 22,877,006              | 22,744,006          | 8,178,826                 | 14,565,180                            |
| Total expenditures   | <u>22,877,006</u>       | <u>22,744,006</u>   | <u>8,178,826</u>          | <u>14,565,180</u>                     |
| Excess (deficiency) of revenues over expenditures                                | <u>(11,216,671)</u>     | <u>(11,083,671)</u> | 958,138                   | 12,041,809                            |
| Other financing sources (uses):  |                         |                     |                           |                                       |
| Transfers out  | <u>(1,949,469)</u>      | <u>(2,082,469)</u>  | <u>(2,081,184)</u>        | 1,285                                 |
| Total other financing sources (uses)   | <u>(1,949,469)</u>      | <u>(2,082,469)</u>  | <u>(2,081,184)</u>        | 1,285                                 |
| Excess of revenues and other sources over<br>(under) expenditures and other uses | (13,166,140)            | (13,166,140)        | (1,123,046)               | 12,043,094                            |
| Fund balances, July 1, 2011  | <u>13,166,140</u>       | <u>13,166,140</u>   | <u>19,352,631</u>         | <u>6,186,491</u>                      |
| Fund balances, June 30, 2012   | <u>\$ -</u>             | <u>\$ -</u>         | <u>\$ 18,229,585</u>      | <u>\$ 18,229,585</u>                  |

See accompanying notes to budgetary comparison schedule.

**Mohave County**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2012**

**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, 2012, 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, 2012**

**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                  |                               |                                 |  |                      |                            |  |
| 06/30/2012               | \$ 19,464,007                 | \$ 31,053,893                   | \$ 11,589,886  | 62.7%                | \$ 4,574,572               | 253.4%   |
| Health Insurance         |                               |                                 |  |                      |                            |  |
| 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         |                               |                                 |  |                      |                            |  |
| 06/30/2011               | -                             | 831,305                         | 831,305  | 0.0%                 | 4,348,662                  | 19.1%  |
| Pension                  |                               |                                 |  |                      |                            |  |
| 06/30/2010               | 18,729,245                    | 25,568,864                      | 6,839,619  | 73.3%                | 4,782,717                  | 143.0%   |
| Health Insurance         |                               |                                 |  |                      |                            |  |
| 06/30/2010               | -                             | 760,418                         | 760,418  | 0.0%                 | 4,782,717                  | 15.9%  |

**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                  |                               |                                 |  |                      |                            |  |
| 06/30/2012               | \$ 6,208,354                  | \$ 5,274,146                    | \$ (934,208)   | 117.7%               | \$ 4,017,855               | (23.3) %   |
| Health Insurance         |                               |                                 |  |                      |                            |  |
| 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         |                               |                                 |  |                      |                            |  |
| 06/30/2011               | -                             | 246,539                         | 246,539  | 0.0%                 | 3,716,730                  | 6.6 %  |
| Pension                  |                               |                                 |  |                      |                            |  |
| 06/30/2010               | 5,200,975                     | 3,636,215                       | (1,564,760)  | 143.0%               | 2,947,082                  | (53.1) %   |
| Health Insurance         |                               |                                 |  |                      |                            |  |
| 06/30/2010               | -                             | 171,518                         | 171,518  | 0.0%                 | 2,947,082                  | 5.8 %  |

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

**Mohave County**  
**Required Supplementary Information**  
**Note to Schedule of Agent Retirement Plans' Funding Progress**  
**June 30, 2012**

**Note 1 – Actuarial Information Available**

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