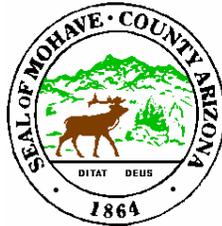


Mohave County Annual Financial Report Fiscal Year Ended 2006



Mohave County Administration Building, built 2005



MOHAVE COUNTY
Annual Financial Report
Year Ended June 30, 2006

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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, the business-type activities, each major fund, and the aggregate remaining fund information of Mohave County as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mohave 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 the aggregate remaining fund information of Mohave County as of June 30, 2006, 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.

The Management's Discussion and Analysis on pages 3 through 14, the Budgetary Comparison Schedules on pages 52 through 57, and the Schedule of Agent Retirement Plans' Funding Progress on page 58 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Budgetary Comparison Schedules of the Scenic Debt Service Fund and the County Capital Improvement Fund on pages 60 through 61 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Those schedules have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

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 have also issued our report dated January 12, 2007, on our consideration of Mohave County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.

Phoenix, Arizona
January 12, 2007

Mohave County Financial Services



JOHN TIMKO
Financial Services Director

700 West Beale Street
P.O. Box 7000
Kingman, AZ 86402-7000

Phone: (928) 753-0735
Fax: (928) 753-0704

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, 2006. Please read it in conjunction with the County's basic financial statements, which begin on page 16.

Financial Highlights

- Total net assets of the County are \$227.3 million, of which \$60.5 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- Property taxes increased by \$3 million (8%) during the year. As Mohave County continues to be one of the fastest growing counties in the U.S., much of this increase is due to a larger tax base and rising assessed values.
- At June 30, 2006, total fund balances of the governmental funds were \$78.1 million, down \$2.6 million from the previous year's balances.
- General Fund revenues exceeded budgeted revenues by \$1.3 million and expenditures were only 83% of the original adopted General Fund budget and 91% of the final General Fund budget.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Mohave County's basic financial statements. Mohave County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of 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 the 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. They include the following: a television district, two tax-levying districts, special assessment districts and a finance corporation. The County's Board of Supervisors serves as the board of directors for all of the component units except the finance corporation which has 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 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 construction and operation of the Mohave County administration building.

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 16-17 of this report.

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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*.

Mohave County maintains 183 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, Scenic Debt Service Fund, and the County Capital Improvement Fund, all of which are major funds. Data from the other 178 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 58.

The governmental funds financial statements can be found on pages 18-21 of this report.

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, employees benefit health insurance trust, self-insurance trust, janitorial services, communication services, central print shop 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 considered major funds of Mohave County. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements.

The proprietary funds financial statements can be found on pages 22-24 of this report.

Fiduciary funds - Fiduciary funds are used to 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 25-26 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 can be found on pages 27-50 of this report.

Other information - In addition to the basic financial statements and accompanying notes, pages 52-58 presents *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. *Other supplementary information* presenting budgetary comparison schedules for the Scenic Debt Service Fund, and County Capital Improvement Fund are located on pages 60-61.

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 \$227.3 million at the close of the most recent fiscal year. For details regarding the 2005 restatement, refer to Note 2 on page 33.

By far the largest portion of Mohave County's net assets (59%) 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.

14% of Mohave County's net assets represent resources subject to external restrictions on how they may be used. The remaining \$60.5 million of *unrestricted net assets* may be used to meet the government's ongoing obligations to citizens and creditors.

**Government-wide
Statement of Net Assets
As of June 30,**

	2005 As restated	2006	Increase (Decrease)	% Change
Current assets and other assets	\$ 118,832,269	\$ 119,492,403	\$ 660,134	0.56%
Capital assets	137,669,286	156,008,318	18,339,032	13.32%
Total assets	<u>256,501,555</u>	<u>275,500,721</u>	18,999,166	7.41%
Long-term liabilities outstanding	41,803,482	36,736,008	(5,067,474)	-12.12%
Other liabilities	9,129,583	11,503,710	2,374,127	26.00%
Total liabilities	<u>50,933,065</u>	<u>48,239,718</u>	(2,693,347)	-5.29%
Net assets:				
Invested in capital assets, net of related debt	117,945,702	134,634,026	16,688,324	14.15%
Restricted	45,490,944	32,134,041	(13,356,903)	-29.36%
Unrestricted	42,131,844	60,492,936	18,361,092	43.58%
Total net assets	<u>\$ 205,568,490</u>	<u>\$ 227,261,003</u>	\$ 21,692,513	10.55%

Governmental activities - net assets highlights: The net assets *invested in capital assets, net of related debt* had a net increase of \$16.5 million, details of the increase in assets are discussed later in this report under the Capital Asset and Debt Administration heading. Most of the increase is attributed to the increase in capital assets. The difference of \$1.6 million between the increase in capital assets and increase in *net assets-invested in capital assets, net of related debt* is the change in debt offsetting the assets. Long-term liabilities decreased 14% from last year due to an early payoff of both the series 1998 Certificates of Participation and one improvement district. Other liabilities increased \$2.1 million mostly due to increased accrued liabilities at year-end of \$3.8 million. The Flood Control Fund had an outstanding distribution of taxes of \$2.4 million, which is normally paid prior to year-end, included in accrued liabilities. The balance of the increase in accrued expenses was from various construction projects and one-time election equipment purchases. These increases were offset by a decrease in the payroll accrual of \$1.3 million, due to the timing of the payroll.

The **restricted** net assets reflected a net decrease of \$13.7 million. This decrease was due to a \$7.8 million reduction in restricted cash in the County Capital Improvement Fund for completion of the administration building and an additional \$8 million of restricted cash in other governmental funds used for capital projects. There was also a \$4.4 million reduction in cash of debt service funds due to the early payoff of the series 1998 Certificates of Participation. Additionally, Highways and streets

experienced a reduction in cash of \$.5 million related to the completion of the road project in Golden Valley, which used up the balance of funds held by trustee for that project.

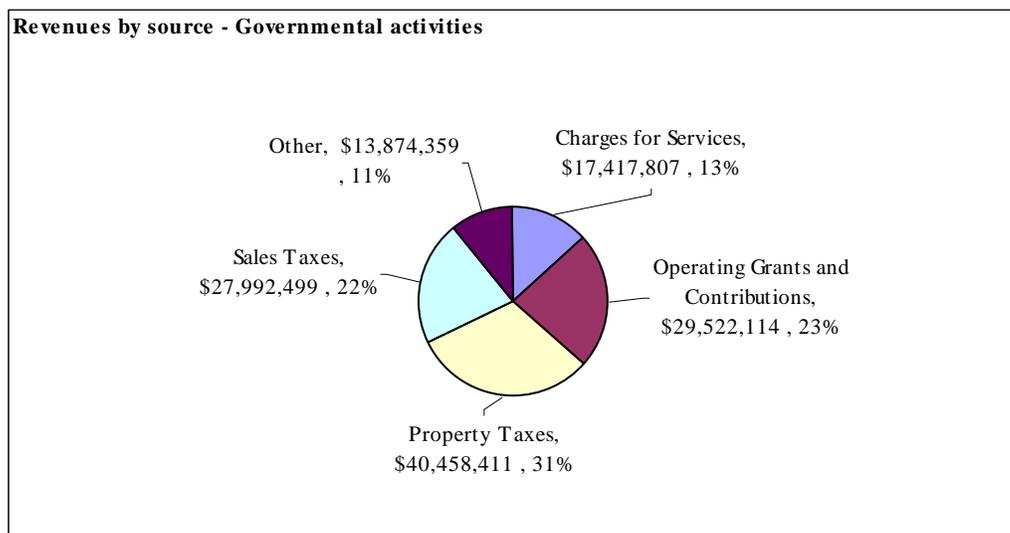
Unrestricted net assets increased by \$18 million from the prior year. \$6 million of this increase is unspent revenue in the County Capital Improvement Fund. Unrestricted net assets were offset by \$8.1 million for the administration building debt from the prior year, representing unspent construction proceeds. This year \$.2 million remained unspent at year-end and offset the unrestricted net assets balance. The balance of the debt is now offsetting the invested in capital assets net assets. In addition, the internal service funds net assets, which are included here, increased by \$1.4 million over the prior year, the majority of this increase represents funds set aside for fleet replacement. The remaining \$2.3 million reflects the net increase resulting from the prior period adjustment of \$4.1 million increase and \$1.9 million excess of expenditures over revenues.

**Governmental Activities
Statement of Net Assets
As of June 30,**

	2005 As restated	2006	Increase (Decrease)	% Change
Current assets and other assets	\$ 106,319,059	\$ 105,632,929	\$ (686,130)	-0.65%
Capital assets	122,558,045	140,730,557	18,172,512	14.83%
Total assets	<u>228,877,104</u>	<u>246,363,486</u>	<u>17,486,382</u>	<u>7.64%</u>
Long-term liabilities outstanding	38,746,370	33,227,870	(5,518,500)	-14.24%
Other liabilities	8,589,596	10,709,144	2,119,548	24.68%
Total liabilities	<u>47,335,966</u>	<u>43,937,014</u>	<u>(3,398,952)</u>	<u>-7.18%</u>
Net assets:				
Invested in capital assets, net of related debt	102,834,461	119,356,265	16,521,804	16.07%
Restricted	38,255,834	24,577,330	(13,678,504)	-35.76%
Unrestricted	40,450,843	58,492,877	18,042,034	44.60%
Total net assets	<u>\$ 181,541,138</u>	<u>\$ 202,426,472</u>	<u>\$ 20,885,334</u>	<u>11.50%</u>

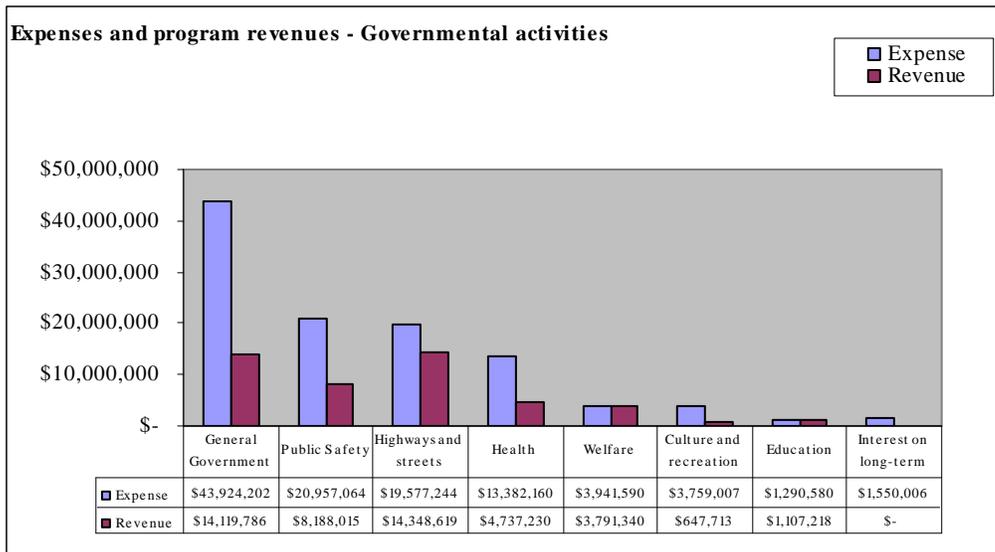
Governmental activities – comparative statement of activities highlights: Mohave County continues to have record-breaking growth in population and its economy. This has resulted in increases in assessed values for taxes, as well as other types of revenue. While providing services to an expanding population, the County has managed to maintain moderate growth in expenses, due to increased efficiency. The increase in expenses was primarily from a mid-year cost of living and market adjustment to salaries, which the County felt was necessary to attract and keep qualified personnel. Staffing levels also increased by approximately 4% over the previous year to meet the demands of our citizens. The County’s total revenues increased \$11.1 million while the expenses only increased \$7.6 million over the prior year.

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



The following graph represents the expenses and program revenues for governmental activities from 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 \$129.3 million. The \$82.3

million of general revenues, which are not included in this graph, represents 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 \$20.9 million for the fiscal year as indicated on the Statement of Activities.



**Governmental Activities
Comparative Statement of Activities**

As of June 30,

	2005 As restated	2006	Increase (decrease)	% Change
Revenues:				
Program revenues				
Charges for services	\$ 16,481,133	\$ 17,417,807	\$ 936,674	5.7%
Operating grants & contributions	28,507,253	29,522,114	1,014,861	3.6%
Total program revenues	44,988,386	46,939,921	1,951,535	4.3%
General revenues				
Property taxes	36,665,781	40,458,411	3,792,630	10.3%
Other taxes	33,434,340	39,964,725	6,530,385	19.5%
Other revenues	3,076,439	1,902,133	(1,174,306)	-38.2%
Total general revenues	73,176,560	82,325,269	9,148,709	12.5%
Total revenues	118,164,946	129,265,190	11,100,244	9.4%
Expenses:				
General government	40,612,403	43,924,202	3,311,799	8.2%
Public safety	20,872,097	20,957,064	84,967	0.4%
Highways and streets	17,343,734	19,577,244	2,233,510	12.9%
Health	12,524,742	13,382,160	857,418	6.8%
Welfare	3,555,556	3,941,590	386,034	10.9%
Culture and recreation	2,831,185	3,759,007	927,822	32.8%
Education	1,318,684	1,290,580	(28,104)	-2.1%
Interest on long-term debt	1,748,146	1,550,006	(198,140)	-11.3%
Total expenses	100,806,547	108,381,853	7,575,306	7.5%
Increase in net assets before transfers	17,358,399	20,883,337	3,524,938	20.3%
Transfers	156,555	1,997	(154,558)	-98.7%
Increase in net assets	17,514,954	20,885,334	3,370,380	19.2%
Net assets beginning of year	164,026,184	181,541,138	17,514,954	10.7%
Net assets end of year	\$ 181,541,138	\$ 202,426,472	\$ 20,885,334	11.5%

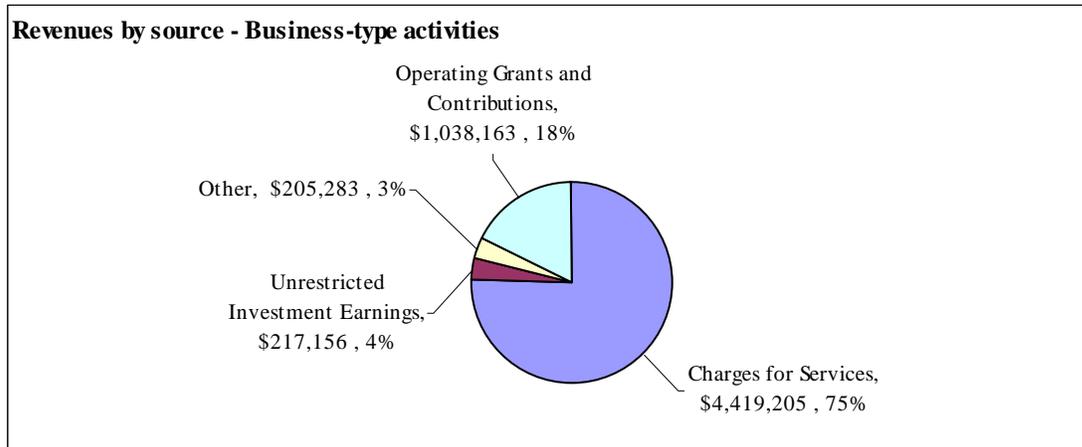
The current year governmental financial statements reflect an increase of \$2 million in program revenues. Program revenues increased due to a \$.9 million increase in charges for services-from an increase in client base and an increase of \$1 million in operating grants and contributions due to increases in federal grants. The \$9.1 million increase in general revenues was due to the following increases and decreases. Increases of \$3.8 million in property taxes levied for flood control purposes, \$2.1 million in sales tax, \$3.3 in auto lieu tax and a \$1.1 million capital projects sales tax. The increases were generated by increased population growth and tourism. The assessed values rose substantially and new construction was at an all time high. Investment earnings decreased by \$1.3 million due to the current year unrealized loss adjustment.

Business-Type Activities - net assets highlights: The net assets increased by \$807,000. This increase was due to capital contributions from other non-major governmental funds to business-type activities totaling \$651,000, included in operating grants and contributions, and income before contributions and transfers of \$158,000. Accounts receivable increased by \$300,000 in the I-40 fund along with sales tax payable of the same amount for funds due from a customer for sales tax liability. The 15% increase to long-term liabilities outstanding resulted from the annual review by engineers projecting the closure and postclosure costs for the Landfill Fund. The 47% increase to other liabilities was due to a lump sum payment by Griffith Energy for sales taxes that were not previously paid to the I-40 Water Corridor Fund. These funds were accrued to fiscal year 2006 and will be paid to the State of Arizona in fiscal year 2007.

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

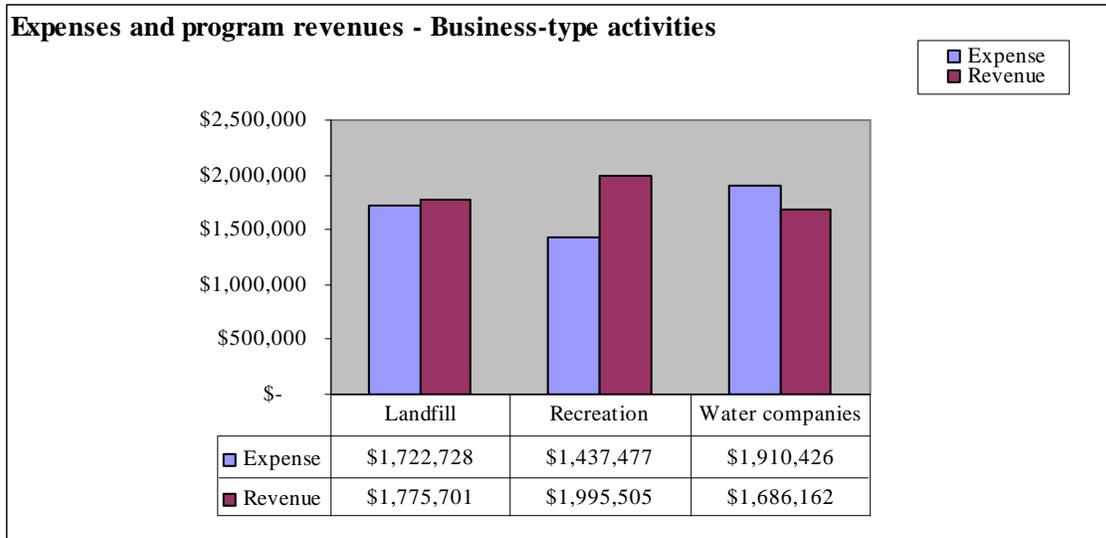
	2005	2006	Increase (Decrease)	%
				Change
Current assets and other assets	\$ 12,513,210	\$ 13,859,474	\$ 1,346,264	10.76%
Capital assets	15,111,241	15,277,761	166,520	1.10%
Total assets	<u>27,624,451</u>	<u>29,137,235</u>	<u>1,512,784</u>	<u>5.48%</u>
Long-term liabilities outstanding	3,057,112	3,508,138	451,026	14.75%
Other liabilities	539,987	794,566	254,579	47.15%
Total liabilities	<u>3,597,099</u>	<u>4,302,704</u>	<u>705,605</u>	<u>19.62%</u>
Net assets:				
Invested in capital assets, net of related debt	15,111,241	15,277,761	166,520	1.10%
Restricted	7,235,110	7,556,711	321,601	4.45%
Unrestricted	1,681,001	2,000,059	319,058	18.98%
Total net assets	<u>\$ 24,027,352</u>	<u>\$ 24,834,531</u>	<u>\$ 807,179</u>	<u>3.36%</u>

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



Analysis of revenue changes - The Business-type Statement of Activities graph on the following page shows the increases and decreases in revenue discussed below. The charges for services increased by a total of \$230,602. This increase is spread across all funds and is related to the population growth in the county. The water usage is up along with additional landfill use. The increase to the parks is related more to non-residents. This fluctuates from year to year but the trend is generally upward. Operating grants and contributions rose by \$524,000. The majority of this increase was due to capital contributions from other non-major governmental funds to business-type activities totaling \$651,000, which was offset by a decrease in grants to the parks department. The contributions are discussed in more detail on the next page. The major change in general revenues was in other revenues which decreased by 213,000. \$59,000 of the decrease was due to the current year investment loss. The balance of the decrease of approximately \$154,000 was in miscellaneous revenue in G.V.I.D. This is a result of a reduction in the amount of assessment lien purchases.

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



Business-type activities - comparative statement of activities highlights: Net assets for all enterprise funds increased \$807,000 from the prior year. The majority of this increase was due to capital contributions from other non-major governmental funds to business-type activities totaling \$651,000, included in operating grants and contributions. These funds were used to purchase assets assigned to business-type activities; \$601,000 to other enterprise funds to fund projects for County parks and \$50,000 for well site improvements for the G.V.I.D. Fund. The Landfill expenses increased \$1.1 million over the prior year. The majority of the increase was in waste tire removal expense of \$800,000. This is an expense that happens every two to three years. In addition the landfill closure / postclosure costs increased by \$237,000 due to the increase use in the current year landfill usage, caused by continued population growth. The recreation expenses increased by \$210,000 mainly because of increases in personnel expense of \$98,000 from market increases and increased personnel. Depreciation increased by \$55,000 due to adding additional buildings and other structures. Maintenance supplies and outside services increased by \$25,400 due to expansion of facilities and some major repairs. Utilities, including sewage increased by 16,000. The remaining increase was spread across other operating expenses also due to increased park usage and adding additional personnel. The water company expenses increased in total by \$33,618, due to salary increases of \$81,000. The increase in salaries was due to being fully staffed, in addition to market increases and raises. This was offset by decreases in depreciation of \$40,000 and electric usage of \$41,000. Some assets became fully depreciated the prior year. Demand charges were down in 2006 making our electric cost lower.

**Business-type Activities
Comparative Statement of Activities
As of June 30,**

	2005	2006	Increase (decrease)	% Change
Revenues:				
Program revenues				
Charges for services	\$ 4,188,603	\$ 4,419,205	\$ 230,602	5.5%
Operating grants & contributions	514,074	1,038,163	524,089	101.9%
Total program revenues	<u>4,702,677</u>	<u>5,457,368</u>	<u>754,691</u>	<u>16.0%</u>
General revenues				
Property taxes	(23)	-	23	-100.0%
Other taxes	100,000	100,000	-	0.0%
Other revenues	535,186	322,439	(212,747)	-39.8%
Total general revenues	<u>635,163</u>	<u>422,439</u>	<u>(212,724)</u>	<u>-33.5%</u>
Total revenues	<u>5,337,840</u>	<u>5,879,807</u>	<u>541,967</u>	<u>10.2%</u>
Expenses:				
Landfill	612,246	1,722,728	1,110,482	181.4%
Recreation	1,226,713	1,437,477	210,764	17.2%
Water companies	1,876,808	1,910,426	33,618	1.8%
Total expenses	<u>3,715,767</u>	<u>5,070,631</u>	<u>1,354,864</u>	<u>36.5%</u>
Increase in net assets before transfers	1,622,073	809,176	(812,897)	-50.1%
Transfers	(156,555)	(1,997)	154,558	-98.7%
Increase in net assets	<u>1,465,518</u>	<u>807,179</u>	<u>(658,339)</u>	<u>-44.9%</u>
Net assets beginning of year	22,561,834	24,027,352	1,465,518	6.5%
Net assets end of year	<u>\$ 24,027,352</u>	<u>\$ 24,834,531</u>	<u>\$ 807,179</u>	<u>3.4%</u>

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 *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Mohave County's governmental funds reported combined ending fund balances of \$78.1 million, a decrease of \$2.6 million in comparison with the prior year. The reserved fund balances consist of \$4.7 million reserved for debt service and \$262,747 invested in inventory.

The General Fund is the chief operating fund of Mohave County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$10 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The General Fund unreserved fund balance represents 17% of total General Fund expenditures.

During the current fiscal year, the fund balance of Mohave County's General Fund increased by \$1,797. This represents less than a 1% increase from the fiscal year 2005 ending balance. Revenues increased by \$4.7 million (7%), while expenditures increased \$2.9 million (5%) over the previous year. Total expenditures as a percentage of the total budget were only 91% in fiscal year 2006. These increases are the result of rapid population growth in the county. The County addressed personnel requirements to provide services to a growing Mohave County population by giving market adjustments and COLA increases. These increases along with increased retirement and health insurance costs accounted for a 13% increase in personnel costs. Other major cost increases occurred in the following expenses: legal services, mental health and AHCCCS services, inmate costs, and equipment automation.

The Road Fund had a total fund balance of \$12.6 million, of which \$262,747 is reserved for inventories and \$12.4 million is unreserved and will be used for road maintenance. The net decrease in unrestricted fund balance during the current year in the Road Fund was \$520,179. The decrease results from more road projects completed in this fiscal year than the amount of funds collected. The balance reflects funds available for ongoing road projects of the County.

The Scenic Debt Service Fund had an ending fund balance of \$1.3 million. The fund balance increased by \$273,801 due to early payoffs of special assessment debt by property owners.

The County Capital Improvement Fund had a fund balance of \$28.2 million at June 30, 2006. This was an increase of \$1.5 million from the prior year. The increase is partly due to a transfer in of \$5.5 million for future capital projects and a \$1.9 million transfer out for debt service and maintenance of the County administration building. Revenues increased by \$790,000, while expenditures decreased by \$3.3 million over the prior year (reflecting the construction in progress and debt payments of the County administration building). Overall the operating expenses exceeded revenue by \$2.1 million.

The Other Governmental Funds had a combined fund balance of \$20.3 million at June 30, 2006. This was a net decrease of \$1.5 million from the prior year, after adjusting for the change in classification for the Flood Control Fund to a major fund this year, rather than as a part of the Other Governmental Funds. The net decrease is made up of a \$4.7 million decrease in the Certificates of participation fund from an early payoff, and an increase of \$1.3 million in capital projects funds and a net increase of \$1.9 million in the special revenue funds. The increase in capital projects resulted from unexpected funds transferred in from the general fund for on-going county capital projects. The increase in the special revenue funds is partially from unexpended taxes in two taxing districts, the Library, and the T.V. district for a total of \$.7 million. The remaining \$1.2 million increase in net assets was the result of an increase of \$2.2 million in intergovernmental revenue resulting from new grant funding sources in various special revenue funds and an increase in offsetting expenditures on those grants of \$1 million. These are simply timing differences in federal grants that have different year ends and from unexpected levels of service. The demand for services has increased with the population growth.

Proprietary funds - Mohave County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the water companies, park services, and landfill operations at the end of the year amounted to \$1.4 million. Net assets for all enterprise funds increased \$807,179, a 3% increase from the prior year. The only individual fund that did not show a profit was the 1-40 Water Corridor Fund, which had a decrease in net assets of \$174,143. However, if you add back the non-cash expense of depreciation to that fund, they would have made a small

profit. The Landfill fund's net assets increased by \$242,470. The increase is from charges for services generated by increased usage from a growing population in Mohave County. The accumulated fund balance will be used for future expansion, as well as closure and postclosure costs. The G.V.I.D. Fund had a small profit of \$160,000 from charges for services and some contributions of capital assets for a total increase of \$209,869 in net assets. This increase was due to increased development in the water district. The Other Enterprise Funds posted a loss of \$70,000, primarily due to the Parks Fund using resources to complete on-going projects.

Net assets for the internal service funds increased by \$1.3 million. \$1 million of that amount was due to the Vehicle Replacement Fund, which will be used to replace an aging County fleet; these funds will be used during the next fiscal year to purchase new vehicles.

General Fund Budgetary Highlights

Revenues: The budgeted revenues were increased through a board-approved action to accept canine donations totaling \$54,317 for the Sheriff's office.

Expenditures: Differences between the original budget and the final amended budget were created by moving expenditures between line items and categories of budget. The net difference for expenditures was a decrease of \$6.3 million, moved to transfers out to other funds. The increase in transfers out came from contingency. There were \$6.8 million in decreases to general government activities, which included a decrease of \$7.1 million from contingency to cover transfers as described below and \$130,000 for a human resources compensation and classification study, an increase to indigent defense of \$160,000 to cover excess legal costs, \$461,000 to various other general fund departments to cover unexpected expenses, \$40,000 to the medical examiner for autopsies and \$25,000 to general administrative fund for a feasibility study for future expansion in Bullhead City. There was also a decrease in the general administrative fund of \$.3 million for transfers to various other general fund departments for market increases. The entire market increase for salaries was budgeted in the general administrative fund and transferred as needed to various other general fund budgets.

Transfers out: The increase of \$6.4 million (reallocated from expenditures) was used to fund a \$5.5 million allocation to the County Capital Improvement fund for the future jail expansion project and \$.9 to cover various other capital projects. Budgeted transfers out exceeded actual by \$2 million for unused budgeted transfers to internal service funds which were actually expenditures for services. The actual amounts were reflected as expenditures.

Variations 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. Overall, during the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates. The primary exceptions for revenue exceeding budget were in fines and forfeits, charges for services, and licenses and permits. Moccasin Justice Court budgeted for fines and forfeits based on previous years' revenue-during a construction project period (which doubles fines). The current year revenues are at normal rates, not double, as the construction project was completed the prior year. Planning and zoning and Building inspection planned on outsourcing plan reviews and budgeted accordingly, that accounted for \$367,000 of the uncollected charges for services. In addition, elections over estimated on the cities needs for elections this year, by \$119,000. Two major construction projects did not materialize that were included in the permit budget for Planning and zoning so the revenue is lower than budgeted by \$400,000 in licenses and permits. Tax revenue is budgeted at 95% of assessed valuation allowing for delinquent taxes. The \$895,148 increase reflects that delinquencies were lower than budgeted. Intergovernmental revenue exceeded budgeted amounts because the economy expanded at a faster rate than expected and state shared revenues exceeded projections by more than \$1.5 million.

As permitted by State statutes, the County budgets its available unrestricted fund balance at the end of the prior fiscal year as contingency for the next year. The remaining contingency at year-end was \$2 million. At year-end, the following departmental budgets exceeded actual expenses due to personnel vacancies: Assessor, Board of supervisors, Public defender, and Public legal defender. The Elections department budgeted revenues and expenditures exceeded the actual due to high budget estimates of election needs. The Justice courts had remaining budget of \$141,000 due to vacancies savings and a professional services contract not completed during this year. Planning and zoning had vacancy savings of \$234,000 along with excess budget of \$511,000 for not outsourcing the plans review as they had planned. Building inspection had excess budget due to \$289,000 vacancy savings, \$180,000 for plans review that were not outsourced, and \$100,000 for specialized laptops to use out in the field that were not purchased. The A.H.C.C.S. budget was inadvertently doubled for administrative expense by including the same \$356,970 on two different lines of the budget, which is why there is remaining budget. Please see note 3 of the required supplementary information for the explanation of variance of the General administrative department.

Capital Asset and Debt Administration

Capital assets – Mohave County’s investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$156 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, and bridges. The net increase in Mohave County’s invested in capital assets, net of related debt, for the current fiscal year was \$16.7 million or 14%. There was an increase in capital assets of \$18.3 million (net of depreciation) related to the following projects and purchases: \$8.1 million for the completion of construction on the new administration building; \$5.0 million for the Mohave Wash project; \$1.2 million for the Bullhead City Justice Court building; \$3.1 million for vehicles and road equipment added to the fleet, and \$.9 million for minor equipment purchases.

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

	2005	2006	Increase Decrease	% Change
Governmental activities				
Capital assets, not being depreciated	\$ 45,289,753	\$ 39,269,707	\$ (6,020,046)	-13.29%
Capital assets, being depreciated	<u>77,268,292</u>	<u>101,460,850</u>	<u>24,192,558</u>	<u>31.31%</u>
Total governmental assets	<u>\$ 122,558,045</u>	<u>\$ 140,730,557</u>	<u>\$ 18,172,512</u>	<u>14.83%</u>
Business-type activities				
Capital assets, not being depreciated	\$ 1,626,010	\$ 2,155,257	\$ 529,247	32.55%
Capital assets, being depreciated	<u>13,485,231</u>	<u>13,122,504</u>	<u>(362,727)</u>	<u>-2.69%</u>
Total business-type assets	<u>\$ 15,111,241</u>	<u>\$ 15,277,761</u>	<u>\$ 166,520</u>	<u>1.10%</u>
Total governmental and business-type activities				
Capital assets, not being depreciated	\$ 46,915,763	\$ 41,424,964	\$ (5,490,799)	-11.70%
Capital assets, being depreciated	<u>90,753,523</u>	<u>114,583,354</u>	<u>23,829,831</u>	<u>26.26%</u>
Total capital assets	<u>\$ 137,669,286</u>	<u>\$ 156,008,318</u>	<u>\$ 18,339,032</u>	<u>13.32%</u>

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

- OPUS International completed construction on the administration building in Kingman and the County received a certificate of occupancy in October 2005. Total expenditures for the year were \$8.1 million.
- The County completed the Golden Valley road improvement projects, using the final \$472,000 of the environmental trust funds awarded for those road improvements. The total cost of those improvements was \$3 million dollars.
- Construction continues on the Mohave Wash project with total expenditures in 2006 of \$5 million. The County expects to complete the project by June 30, 2007.
- The Parks fund spent \$306,000 on improvements to the Hualapai Mountain Park visitor center.
- Construction began on the Bullhead City Court Building addition with expenditures of \$1.2 million for the year. The County expects to complete the project by June 30, 2007, at estimated additional costs of \$200,000.
- The County replaced 62 aging vehicles from the fleet at a total cost of \$1.5 million. Forty-six vehicles were purchased using general government funds; thirteen were purchased with Road funds; and three with business-type funds.

The 15% decrease to the governmental activities capital assets not being depreciated reflects the completion of the administration building and the Golden Valley roads project. These projects were previously reported under construction in progress and were not depreciated. Upon completion, the assets were reclassified as depreciable assets. Note 6, on pages 38-39 of this report, contains additional information on Mohave County’s capital assets.

Long-term debt - At the end of the current fiscal year, Mohave County had total debt outstanding of \$36.7 million. Of this amount, \$20.9 million comprises debt backed by buildings of the government used as collateral for Certificates of Participation issued and \$3.7 million is special assessment debt for which the government can sell the taxpayer's property, to cover the debt, in the event of default by the property owners subject to the assessment. The remainder of Mohave County's long-term liabilities represents claims and judgments payable, notes payable, landfill closure and postclosure care costs payable, and compensated absences payable incurred during normal operations.

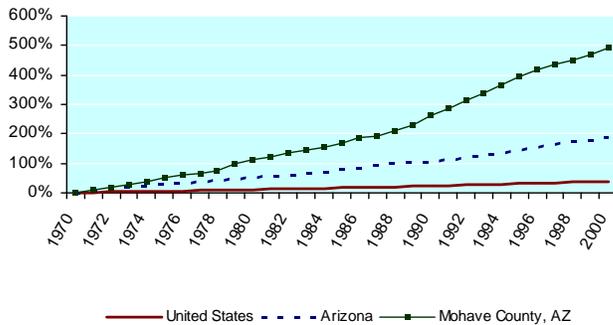
State statutes limit the amount of general obligation debt a government entity may issue to 6% of its total secondary assessed valuation, without taxpayer approval, and up to 15% with the approval of a majority of taxpayers. The debt limitation for Mohave County, for fiscal year 2005/2006, was \$92 million (6% of \$1.5 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 40-44 of this report, contains additional information on Mohave County's long-term debt.

Economic Factors and Next Year's Budgets and Rates

Continued population growth that exceeds State and national growth significantly influences future budgets. More citizens result in more service demands. A growing and changing economy creates additional costs and additional demand for public services, requiring public revenues to keep pace with economic growth. All of these factors were considered in preparing Mohave County's budget for the 2006 fiscal year.

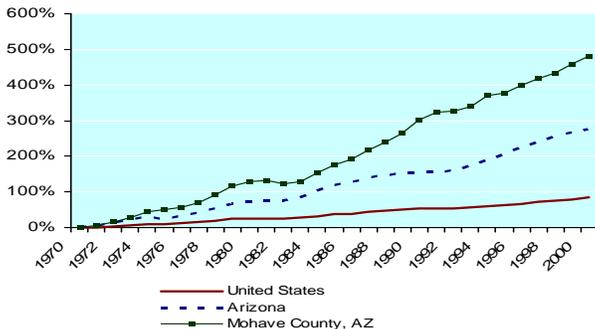
% of Population Growth Between 1970 and 2000



From 1970 to 2000 Mohave County, AZ grew by 130,052 people, a 494% increase in population.

In addition, the population in Mohave County, AZ has grown faster than the state and the nation.

% of Job Growth compared to the State and Nation



Over the last 30 years job growth in Mohave County, AZ has outpaced that of the state and the nation.

The unemployment rate for Mohave County for 2006 was 4.1%, which is a slight increase from a rate of 4.0% in 2005. Even with this minor increase, the County's unemployment rate compares favorably to the state's average unemployment rate of 4.2% and the national average rate of 4.7%.

Comparison of Local, State and Federal Unemployment Rates

Data Compiled from Bureau of Statistics

	2002	2003	2004	2005	2006
Mohave County	5.5	5.3	3.8	4.0	4.1
State of Arizona	6.2	5.6	4.8	4.5	4.2
Federal	5.8	6.0	5.5	5.2	4.7

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

Basic Financial Statements

MOHAVE COUNTY
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and investments	\$ 89,709,645	\$ 10,797,185	\$ 100,506,830
Receivables (net of allowances for uncollectibles):			
Property taxes	2,392,486	392	2,392,878
Accounts	687,991	781,931	1,469,922
Accrued interest	294,844	43,381	338,225
Special assessments	3,327,700	-	3,327,700
Internal balances	2,467	(2,467)	-
Due from other governments	6,081,228	174,498	6,255,726
Inventories	367,903	253,184	621,087
Prepaid items	257,354	59,865	317,219
Noncurrent Assets			
Restricted cash	2,511,311	906,103	3,417,414
Note receivable	-	845,402	845,402
Capital assets, not being depreciated	39,269,707	2,155,257	41,424,964
Capital assets, being depreciated, net	101,460,850	13,122,504	114,583,354
Total assets	<u>\$ 246,363,486</u>	<u>\$ 29,137,235</u>	<u>\$ 275,500,721</u>
Liabilities			
Current Liabilities			
Accounts payable and other current liabilities	\$ 5,679,483	\$ 242,984	\$ 5,922,467
Accrued payroll and employee benefits	1,224,157	31,992	1,256,149
Accrued interest payable	583,766	-	583,766
Due to other governments	76,825	261,510	338,335
Deposits held for others	1,175,309	158,080	1,333,389
Deferred revenue (unearned revenue)	1,969,604	100,000	2,069,604
Current portion of long-term obligations	9,060,783	111,777	9,172,560
Noncurrent liabilities			
Noncurrent portion of long-term obligations	24,167,087	3,396,361	27,563,448
Total liabilities	<u>\$ 43,937,014</u>	<u>\$ 4,302,704</u>	<u>\$ 48,239,718</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 119,356,265	\$ 15,277,761	\$ 134,634,026
Restricted for:			
Public safety	2,180,460	-	2,180,460
Highways and streets	12,383,996	-	12,383,996
Health	586,217	-	586,217
Welfare	373,166	-	373,166
Education	183,213	-	183,213
Debt service	7,976,683	-	7,976,683
Capital projects	525,692	906,103	1,431,795
Other purposes	367,903	6,650,608	7,018,511
Unrestricted	58,492,877	2,000,059	60,492,936
Total net assets	<u>\$ 202,426,472</u>	<u>\$ 24,834,531</u>	<u>\$ 227,261,003</u>

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

MOHAVE COUNTY
Statement of Activities
Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental activities:						
General government	\$ 43,924,202	\$ 11,491,895	\$ 2,627,891	\$ (29,804,416)	\$ -	\$ (29,804,416)
Public safety	20,957,064	2,225,227	5,962,788	(12,769,049)	-	(12,769,049)
Highways and streets	19,577,244	1,502,051	12,846,568	(5,228,625)	-	(5,228,625)
Health	13,382,160	1,696,153	3,041,077	(8,644,930)	-	(8,644,930)
Welfare	3,941,590	431,724	3,359,616	(150,250)	-	(150,250)
Culture and recreation	3,759,007	70,757	576,956	(3,111,294)	-	(3,111,294)
Education	1,290,580	-	1,107,218	(183,362)	-	(183,362)
Interest on long-term debt	1,550,006	-	-	(1,550,006)	-	(1,550,006)
Total governmental activities	108,381,853	17,417,807	29,522,114	(61,441,932)	-	(61,441,932)
Business-type activities:						
Landfill	1,722,728	1,388,329	387,372	-	52,973	52,973
Recreation	1,437,477	1,394,550	600,955	-	558,028	558,028
Water companies	1,910,426	1,636,326	49,836	-	(224,264)	(224,264)
Total business-type activities	5,070,631	4,419,205	1,038,163	-	386,737	386,737
Total primary government	\$ 113,452,484	\$ 21,837,012	\$ 30,560,277	(61,441,932)	386,737	(61,055,195)
General revenues:						
Taxes						
Property taxes, levied for general purposes				33,563,426	-	33,563,426
Property taxes, levied for flood control				6,627,190	-	6,627,190
Property taxes, levied for debt service				267,795	-	267,795
Share of state sales taxes				20,183,057	-	20,183,057
Special county sales tax for capital projects				7,809,442	-	7,809,442
Auto lieu tax				9,599,164	-	9,599,164
Federal in lieu tax				1,911,725	100,000	2,011,725
Local in lieu tax				22,391	-	22,391
Utilities franchise tax				438,946	-	438,946
County equalization revenue				195,150	-	195,150
Investment earnings				972,633	217,156	1,189,789
Miscellaneous				254,403	101,923	356,326
Rent				234,937	3,360	238,297
Deed sale revenue				245,010	-	245,010
Transfers				1,997	(1,997)	-
Total general revenues and transfers				82,327,266	420,442	82,747,708
Change in net assets				20,885,334	807,179	21,692,513
Net assets, July 1, 2005, as restated				181,541,138	24,027,352	205,568,490
Net assets, June 30, 2006				\$ 202,426,472	\$ 24,834,531	\$ 227,261,003

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

MOHAVE COUNTY
Balance Sheet
Governmental Funds
June 30, 2006

Assets	General Fund	Road Fund	Flood Control Fund	Scenic Debt Service Fund	County Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 12,214,854	\$ 11,596,418	\$ 8,511,733	\$ 1,320,304	\$ 27,261,480	\$ 18,409,555	\$ 79,314,344
Receivables (net of allowances for uncollectibles):							
Property taxes	1,712,022	-	352,217	-	-	328,247	2,392,486
Accounts	359,476	19,601	-	-	-	241,791	620,868
Accrued interest	53,042	31,273	32,559	4,344	70,449	70,795	262,462
Special assessments	-	-	-	2,886,956	-	440,744	3,327,700
Due from:							
Other funds	428,923	249,544	-	-	-	746,009	1,424,476
Other governments	1,858,968	1,459,705	-	-	693,179	2,066,166	6,078,018
Inventories	-	262,747	-	-	-	-	262,747
Prepaid items	25,391	4,775	575	-	-	159,201	189,942
Cash-restricted	-	-	-	-	525,692	1,985,619	2,511,311
Total assets	\$ 16,652,676	\$ 13,624,063	\$ 8,897,084	\$ 4,211,604	\$ 28,550,800	\$ 24,448,127	\$ 96,384,354
Liabilities and Fund Balances							
Liabilities							
Accrued liabilities	\$ 658,833	\$ 827,872	\$ 2,861,187	\$ -	\$ 398,647	\$ 839,690	\$ 5,586,229
Accrued payroll and employee benefits	748,024	143,386	9,193	-	-	286,532	1,187,135
Due to:							
Other funds	447,130	6,062	2,493	-	-	722,084	1,177,769
Other governments	-	-	-	-	-	76,825	76,825
Deposits held for others	1,124,234	-	-	-	-	49,131	1,173,365
Claims and judgments payable	301,003	-	50,905	-	-	62,037	413,945
Certificates of participation:							
Principal payable	-	-	-	-	-	900,000	900,000
Interest payable	-	-	-	-	-	583,766	583,766
Deferred revenue	3,329,009	-	252,468	2,886,956	-	653,985	7,122,418
Total liabilities	6,608,233	977,320	3,176,246	2,886,956	398,647	4,174,050	18,221,452
Fund balances							
Reserved for:							
Inventories	-	262,747	-	-	-	-	262,747
Debt service	-	-	-	1,324,648	-	3,379,441	4,704,089
Unreserved, reported in:							
General fund	10,044,443	-	-	-	-	-	10,044,443
Special revenue funds	-	12,383,996	5,720,838	-	-	12,431,344	30,536,178
Capital projects funds	-	-	-	-	28,152,153	4,463,292	32,615,445
Total fund balances	10,044,443	12,646,743	5,720,838	1,324,648	28,152,153	20,274,077	78,162,902
Total liabilities and fund balances	\$ 16,652,676	\$ 13,624,063	\$ 8,897,084	\$ 4,211,604	\$ 28,550,800	\$ 24,448,127	\$ 96,384,354

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, 2006

Fund balances - total governmental funds		\$ 78,162,902
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		137,060,693
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Property taxes receivable	1,880,220	
Special assessments receivable	<u>3,272,594</u>	5,152,814
Internal service funds are used by management to charge the costs of certain activities, such as insurance, equipment maintenance, 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.		12,499,029
Some liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Special assessment bonds	3,741,000	
Certificates of participation	20,080,000	
Certificates of participation premium-unamortized	517,082	
Note payable to landfill	845,402	
Compensated absences	<u>5,265,482</u>	<u>(30,448,966)</u>
Net assets of governmental activities		<u><u>\$ 202,426,472</u></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, 2006

	General Fund	Road Fund	Flood Control Fund	Scenic Debt Service Fund	County Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 27,949,311	\$ -	\$ 6,627,190	\$ -	\$ 7,809,442	\$ 6,497,698	\$ 48,883,641
Special assessments	-	-	-	919,527	-	265,853	1,185,380
Licenses and permits	1,686,351	-	42,886	-	-	-	1,729,237
Intergovernmental	30,035,457	15,363,121	635	-	20,000	15,642,219	61,061,432
Charges for services	6,989,193	1,459,164	-	-	55,735	5,867,873	14,371,965
Fines and forfeits	1,452,409	-	-	4,799	-	61,863	1,519,071
Investment income	163,553	125,323	116,033	12,964	147,567	320,678	886,118
Rents	360	116,200	-	-	109,067	9,310	234,937
Contributions	36,663	-	-	-	-	180,357	217,020
Miscellaneous	78,162	16,921	-	-	-	50,318	145,401
Total revenues	68,391,459	17,080,729	6,786,744	937,290	8,141,811	28,896,169	130,234,202
Expenditures:							
Current:							
General government	32,934,721	-	-	-	-	4,652,275	37,586,996
Public safety	18,059,137	-	-	-	-	7,079,899	25,139,036
Highways and streets	-	17,300,908	8,677,497	-	-	22,499	26,000,904
Health	8,925,746	-	-	-	-	5,460,643	14,386,389
Welfare	-	-	-	-	-	4,157,899	4,157,899
Culture and recreation	-	-	-	-	-	4,953,969	4,953,969
Education	347,638	-	-	-	-	1,236,202	1,583,840
Capital outlay	-	-	-	-	10,284,922	1,148,064	11,432,986
Debt service:							
Principal retirement	-	-	-	450,000	-	5,690,000	6,140,000
Interest and fiscal charges	-	-	-	213,489	-	1,336,517	1,550,006
Total expenditures	60,267,242	17,300,908	8,677,497	663,489	10,284,922	35,737,967	132,932,025
Excess (deficiency) of revenues over expenditures	8,124,217	(220,179)	(1,890,753)	273,801	(2,143,111)	(6,841,798)	(2,697,823)
Other financing sources (uses):							
Transfers in	1,052,647	-	27,500	-	5,500,000	6,723,548	13,303,695
Transfers out	(9,175,067)	(300,000)	(350,694)	-	(1,876,234)	(1,601,510)	(13,303,505)
Proceeds from deed sale	-	-	46,049	-	-	198,961	245,010
Total other financing sources and uses	(8,122,420)	(300,000)	(277,145)	-	3,623,766	5,320,999	245,200
Net change in fund balances	1,797	(520,179)	(2,167,898)	273,801	1,480,655	(1,520,799)	(2,452,623)
Fund balances, July 1, 2005	10,042,646	13,274,057	7,888,736	1,050,847	26,671,498	21,794,876	80,722,660
Decrease in reserve for inventory of supplies	-	(107,135)	-	-	-	-	(107,135)
Fund balances, June 30, 2006	\$ 10,044,443	\$ 12,646,743	\$ 5,720,838	\$ 1,324,648	\$ 28,152,153	\$ 20,274,077	\$ 78,162,902

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, 2006

Net change in fund balances - total governmental funds \$ (2,452,623)

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	22,790,797	
Net effect of disposal of capital assets	169,303	
Depreciation expense	<u>(5,257,002)</u>	17,703,098

Debt proceeds provide current financial resources to government 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	635,000	
Certificates of participation	5,505,000	
Certificates of participation premium-amortization	39,775	
Note payable to landfill	<u>154,598</u>	6,334,373

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 and liabilities are reported regardless of when the financial resources are available.

Increase in compensated absences		(751,135)
----------------------------------	--	-----------

Collections of deferred revenues plus current-year revenues recorded in the governmental funds exceeded revenues reported in the Statement of Activities.		(1,167,225)
---	--	-------------

Some cash outlays, such as purchases of 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 inventories		(107,135)
-------------------------	--	-----------

Internal service funds are used by management to charge the costs of certain activities, such as insurance, equipment maintenance, and telecommunications to individual funds. The net revenue of certain internal service funds is reported with governmental activities.

		<u>1,325,981</u>
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Change in net assets of governmental activities		<u><u>20,885,334</u></u>
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MOHAVE COUNTY
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	I-40 Water Corridor Fund	Landfill Fund	G.V.I.D. Fund	Other Enterprise Funds	Total	
Assets						
Current assets:						
Cash and investments	\$ 73,454	\$ 8,915,527	\$ 1,030,659	\$ 777,545	\$ 10,797,185	\$ 10,395,301
Receivables (net of allowances for uncollectibles):						
Property taxes	-	-	392	-	392	-
Accounts	515,171	167,009	99,174	577	781,931	67,123
Accrued interest	3,825	33,756	3,773	2,027	43,381	32,382
Due from:						
Other funds	430	-	9,112	101	9,643	99,366
Other governments	73,841	97,284	-	3,373	174,498	3,210
Inventories	226,799	-	26,385	-	253,184	105,156
Prepaid items	51,600	-	4,884	3,381	59,865	67,412
Total current assets	<u>945,120</u>	<u>9,213,576</u>	<u>1,174,379</u>	<u>787,004</u>	<u>12,120,079</u>	<u>10,769,950</u>
Noncurrent assets:						
Cash - restricted	606,219	-	299,884	-	906,103	-
Note receivable	-	845,402	-	-	845,402	-
accumulated depreciation, where applicable						
Land	-	106,818	40,388	1,481,772	1,628,978	-
Infrastructure, net	4,551,516	-	6,478,565	432,941	11,463,022	-
Buildings, net	-	-	53,297	987,622	1,040,919	-
Equipment, net	100,874	38,382	204,507	274,800	618,563	3,669,864
Construction in progress	-	-	16,956	509,323	526,279	-
Total noncurrent assets	<u>5,258,609</u>	<u>990,602</u>	<u>7,093,597</u>	<u>3,686,458</u>	<u>17,029,266</u>	<u>3,669,864</u>
Total assets	<u>6,203,729</u>	<u>10,204,178</u>	<u>8,267,976</u>	<u>4,473,462</u>	<u>29,149,345</u>	<u>14,439,814</u>
Liabilities						
Current liabilities:						
Accrued liabilities	145,199	28,625	27,404	41,756	242,984	93,254
Accrued payroll and employee benefits	3,412	4,072	6,661	17,847	31,992	37,022
Due to:						
Other funds	5,728	649	1,964	3,769	12,110	343,606
Other governments	255,424	-	6,086	-	261,510	-
Deposits held for others	17,798	-	134,982	5,300	158,080	1,944
Deferred revenues	-	-	-	100,000	100,000	-
Current portion of:						
Compensated absences payable	14,306	9,747	16,578	71,146	111,777	184,905
Claims and judgments payable	-	-	-	-	-	1,280,054
Total current liabilities	<u>441,867</u>	<u>43,093</u>	<u>193,675</u>	<u>239,818</u>	<u>918,453</u>	<u>1,940,785</u>
Noncurrent liabilities:						
Landfill closure and postclosure care costs payable	-	3,362,308	-	-	3,362,308	-
Compensated absences payable	4,361	2,969	5,050	21,673	34,053	-
Total noncurrent liabilities	<u>4,361</u>	<u>3,365,277</u>	<u>5,050</u>	<u>21,673</u>	<u>3,396,361</u>	<u>-</u>
Total liabilities	<u>446,228</u>	<u>3,408,370</u>	<u>198,725</u>	<u>261,491</u>	<u>4,314,814</u>	<u>1,940,785</u>
Net Assets						
Invested in capital assets, net of related debt	4,652,390	145,200	6,793,713	3,686,458	15,277,761	3,669,865
Restricted for:						
Capital projects	606,219	-	299,884	-	906,103	-
Sanitation	-	6,650,608	-	-	6,650,608	-
Unrestricted	498,892	-	975,654	525,513	2,000,059	8,829,164
Total net assets	<u>\$ 5,757,501</u>	<u>\$ 6,795,808</u>	<u>\$ 8,069,251</u>	<u>\$ 4,211,971</u>	<u>\$ 24,834,531</u>	<u>\$ 12,499,029</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, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	I-40 Water Corridor Fund	Landfill Fund	G.V.I.D. Fund	Other Enterprise Funds	Total	
Operating revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 154
Charges for services	839,264	1,388,329	893,819	1,297,793	4,419,205	16,945,286
Miscellaneous	4,791	-	90,138	6,994	101,923	6,467
Total operating revenues	<u>844,055</u>	<u>1,388,329</u>	<u>983,957</u>	<u>1,304,787</u>	<u>4,521,128</u>	<u>16,951,907</u>
Operating expenses:						
Personnel services	172,226	195,962	288,865	818,462	1,475,515	1,862,703
Supplies	11,401	19,844	55,790	178,312	265,347	921,343
Professional services	29,651	864,152	23,484	62,800	980,087	77,489
Communications	4,337	2,715	13,889	17,495	38,436	626,865
Insurance	56,079	-	6,647	3,627	66,353	656,631
Landfill closure and postclosure care costs	-	423,502	-	-	423,502	-
Insurance claims	-	-	-	-	-	9,016,219
Lawsuit judgments	-	-	-	-	-	137,134
Repairs and maintenance	3,390	3,394	17,613	17,304	41,701	148,915
Public utility service	263,546	108,983	95,595	213,914	682,038	775
Rents and leases	3,260	6,790	1,796	5,530	17,376	1,202,313
Depreciation	398,051	7,722	287,501	135,902	829,176	785,968
Other	15,190	89,664	43,525	14,103	162,482	171,044
Total operating expenses	<u>957,131</u>	<u>1,722,728</u>	<u>834,705</u>	<u>1,467,449</u>	<u>4,982,013</u>	<u>15,607,399</u>
Operating income (loss)	<u>(113,076)</u>	<u>(334,399)</u>	<u>149,252</u>	<u>(162,662)</u>	<u>(460,885)</u>	<u>1,344,508</u>
Nonoperating revenues (expenses):						
Investment income	12,287	189,497	9,101	6,271	217,156	86,514
Rent income	1,680	-	1,680	-	3,360	-
Intergovernmental	-	387,372	-	100,000	487,372	-
Gain (loss) on disposal of capital assets	(75,034)	-	-	(13,584)	(88,618)	(106,848)
Total nonoperating revenues (expenses)	<u>(61,067)</u>	<u>576,869</u>	<u>10,781</u>	<u>92,687</u>	<u>619,270</u>	<u>(20,334)</u>
Income (loss) before contributions and transfers	<u>(174,143)</u>	<u>242,470</u>	<u>160,033</u>	<u>(69,975)</u>	<u>158,385</u>	<u>1,324,174</u>
Capital contributions	-	-	49,836	600,955	650,791	-
Transfers in	-	-	-	-	-	1,807
Transfers out	-	-	-	(1,997)	(1,997)	-
Increase (decrease) in net assets	<u>(174,143)</u>	<u>242,470</u>	<u>209,869</u>	<u>528,983</u>	<u>807,179</u>	<u>1,325,981</u>
Total net assets, July 1, 2005	<u>5,931,644</u>	<u>6,553,338</u>	<u>7,859,382</u>	<u>3,682,988</u>	<u>24,027,352</u>	<u>11,173,048</u>
Total net assets, June 30, 2006	<u>\$ 5,757,501</u>	<u>\$ 6,795,808</u>	<u>\$ 8,069,251</u>	<u>\$ 4,211,971</u>	<u>\$ 24,834,531</u>	<u>\$ 12,499,029</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, 2006

	Business-type-Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	I-40 Water Corridor Fund	Landfill Fund	G.V.I.D. Fund	Other Enterprise Funds	Total	
Cash flows from operating activities:						
Receipts from customers and users	\$ 850,830	\$ 1,463,714	\$ 964,280	\$ 1,309,831	\$ 4,588,655	\$ 79,131
Receipts from interfund services provided	-	-	-	-	-	17,140,364
Payments to suppliers	(584,257)	(1,046,294)	(236,229)	(450,260)	(2,317,040)	(12,927,041)
Payments to employees	(168,720)	(192,108)	(286,378)	(820,791)	(1,467,997)	(1,873,935)
Payments for interfund services used	(27,268)	(43,544)	(79,761)	(49,557)	(200,130)	(141,499)
Net cash provided by (used for) operating activities	<u>70,585</u>	<u>181,768</u>	<u>361,912</u>	<u>(10,777)</u>	<u>603,488</u>	<u>2,277,020</u>
Cash flows from noncapital financing activities:						
Transfer to other funds	-	-	-	(1,997)	(1,997)	-
Rent income	1,820	-	1,680	-	3,500	-
Advances from other funds	-	-	-	-	-	17,154
Subsidy from federal grant	-	380,200	-	100,000	480,200	-
Net cash provided by (used for) noncapital financing activities	<u>1,820</u>	<u>380,200</u>	<u>1,680</u>	<u>98,003</u>	<u>481,703</u>	<u>17,154</u>
Cash flows from capital and related financing activities:						
Purchases of capital assets	(220,683)	(30,546)	(74,726)	(107,564)	(433,519)	(1,389,206)
Proceeds from sales of capital assets	-	-	-	6,443	6,443	68,283
Net cash used for capital and related financing activities	<u>(220,683)</u>	<u>(30,546)</u>	<u>(74,726)</u>	<u>(101,121)</u>	<u>(427,076)</u>	<u>(1,320,923)</u>
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	154,598	-	-	154,598	-
Interest and dividends received	8,462	155,741	7,120	(797)	170,526	65,481
Net cash provided by (used for) investing activities	<u>8,462</u>	<u>310,339</u>	<u>7,120</u>	<u>(797)</u>	<u>325,124</u>	<u>65,481</u>
Net increase (decrease) in cash and cash equivalents	(139,816)	841,761	295,986	(14,692)	983,239	1,038,732
Cash and cash equivalents, July 1, 2005	819,489	8,073,766	1,034,557	792,237	10,720,049	9,356,569
Cash and cash equivalents, June 30, 2006	<u>\$ 679,673</u>	<u>\$ 8,915,527</u>	<u>\$ 1,330,543</u>	<u>\$ 777,545</u>	<u>\$ 11,703,288</u>	<u>\$ 10,395,301</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (113,076)	\$ (334,399)	\$ 149,252	\$ (162,662)	\$ (460,885)	\$ 1,344,508
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation expense	398,051	7,722	287,501	135,902	829,176	785,968
Landfill closure and postclosure care costs	-	423,502	-	-	423,502	-
Expenses incurred but not reported	-	-	-	-	-	(105,811)
Change in assets and liabilities:						
Receivables, net (increase) decrease	(321,475)	74,797	(99,140)	2	(345,816)	217,948
Due from other funds, net (increase) decrease	(430)	-	(9,112)	5,090	(4,452)	(7,386)
Due from other governments, (increase) decrease	(73,841)	-	-	43	(73,798)	(2,125)
Inventories, (increase) decrease	-	-	-	-	-	(101,903)
Prepaid items, net (increase) decrease	(51,600)	-	478	(2,664)	(53,786)	(24,561)
Accrued liabilities, net increase (decrease)	(25,979)	9,653	(19,907)	12,453	(23,780)	23,532
Due to other funds, increase (decrease)	5,446	(784)	741	2,042	7,445	167,166
Due to other governments, net increase (decrease)	253,874	-	3,051	-	256,925	-
Accrued payroll and employee related benefits, net increase (decrease)	(3,093)	(1,996)	3,635	(23,525)	(24,979)	(37,783)
Compensated absences payable, net increase (decrease)	2,708	3,273	(5,353)	17,542	18,170	17,556
Customer deposits, net increase (decrease)	-	-	50,766	5,000	55,766	(89)
Total Adjustments	<u>183,661</u>	<u>516,167</u>	<u>212,660</u>	<u>151,885</u>	<u>1,064,373</u>	<u>932,512</u>
Net cash provided by (used for) operating activities	<u>\$ 70,585</u>	<u>\$ 181,768</u>	<u>\$ 361,912</u>	<u>\$ (10,777)</u>	<u>\$ 603,488</u>	<u>\$ 2,277,020</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, 2006

	Investment Trust Funds	Agency Funds
Assets		
Cash and investments	\$ 65,578,548	\$ 918,711
Receivables (net of allowances for uncollectibles):		
Accrued interest	52	1
	\$ 65,578,600	\$ 918,712
Total assets	\$ 65,578,600	\$ 918,712
Liabilities		
Accounts Payable	-	\$ 298
Deposits held for others	-	918,414
	-	918,712
Total liabilities	-	\$ 918,712
Net Assets		
Held in trust for investment trust participants	\$ 65,578,600	

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, 2006

	<u>Investment Trust Funds</u>
Additions:	
Contributions from participants	\$ 437,913,458
Investment income:	
Interest and dividend income	1,791,195
Net decrease in fair value of investments	<u>(944,897)</u>
Net investment income	<u>846,298</u>
Total additions	<u>438,759,756</u>
Deductions:	
Distributions to participants	<u>(435,379,054)</u>
Total deductions	<u>(435,379,054)</u>
Change in net assets	3,380,702
Net assets, July 1, 2005	<u>62,197,898</u>
Net assets, June 30, 2006	<u><u>\$ 65,578,600</u></u>

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

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

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MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Mohave County 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. These 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 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. Each blended component unit discussed below has a June 30 year-end. The County has no discretely presented component units.

The following table describes the County's component units:

Component Unit	Description: Criteria for Inclusion	Reporting Method	For Separate Financial Statements
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 COUNTY
Notes to Financial Statements
June 30, 2006

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 financial activities of the overall government, 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 some taxes, 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, in which each party receives and gives up essentially equal values, are operating revenues. Other revenues, such as investment income, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues. 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, 2006

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

The County reports the following major governmental funds:

- **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.
- **Road Fund** accounts for all taxes on gas and auto license fees collected for building and maintaining County roads.
- **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.
- **Scenic Debt Service Fund** accounts for collections of special district assessments from taxpayers, and semiannual bond payments.
- **County Capital Improvement Fund** accounts for a ¼ cent sales tax collected to provide for major capital improvements of the county.

The County reports the following major enterprise funds:

- **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.
- **Landfill Fund** accounts for the operations of two landfills located in Mohave County.
- **G.V.I.D. Fund** accounts for the operations of a water company located in Golden Valley.

The internal service funds account for automotive maintenance and operation, insurance, computer services, central purchasing 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 held and invested by the County Treasurer on behalf of the County's departments and other governmental entities; as well as individual investments, including money market investments held by outside trustees.

The agency funds account for assets held by the County as an agent for the State and various local governments and for property taxes collected and distributed to the State, local school districts, community college districts, and special districts.

C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. 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, 2006

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 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments and compensated absences, 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 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 Equivalents 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 are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out method.

Inventories of the proprietary funds 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 government-wide and fund financial statements.

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

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		
		Depreciation Method	Estimated Useful Life
Buildings	\$5,000	Straight Line	20-50 years
Equipment	\$5,000	Straight Line	3-20 years
Infrastructure and improvements other than buildings	\$5,000	Straight Line	10-50 years

H. Investment Income

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

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

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

I. Compensated Absences

Compensated absences consist of vacation leave / 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 an unlimited number of PTO hours. Upon termination of employment, unused PTO hours, up to a limit of 400, are paid to employees. Any PTO balance in excess of 400 hours is forfeited. Accordingly, benefits are accrued as a liability in the financial statements.

Note 2 – Beginning Balances Restated / Prior Period Adjustment

Prior Period Corrections: The beginning net assets of the governmental activities in the Statement of Activities, in the government-wide statements, were restated by \$4,190,179 to record the effect of removing the prior year deferred revenue for special assessments and reflecting the revenue under the full accrual basis of accounting.

Net Assets, June 30,2005	\$177,350,959
Prior period correction	<u>4,190,179</u>
Net Assets, July 1, 2005, as restated	<u>\$ 181,541,138</u>

Note 3 – Stewardship, Compliance, and Accountability

Deficit fund balances or net assets-At June 30, 2006, the following funds reported deficits in net assets or fund balances:

<u>Fund</u>	<u>Deficit</u>
Special revenue funds:	
Emergency management	1,659,985
J.I.P.S.	26,346
Victims crime assistance	17,140
Community punishment program	14,234
Health grant WIC	9,368
JAIBG grants	7,898
Workforce investment act	5,708

The Emergency management deficit reflects an expense for a FEMA declared emergency in Beaver Dam in December 2005. The expenditures qualify to be fully refunded by F.H.W.A. The County has not yet been notified whether or not they will be reimbursed for the permanent repairs. If we are notified that F.H.W.A. will not fund the expenditures, the Road Fund will transfer the funds to cover the costs incurred to rebuild the roads and bridges.

The other funds reflect programs for which additional funding is expected to become available in the next program year. The deficit will be made up by the General Fund for any funding that doesn't become available.

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 3 – Stewardship, Compliance, and Accountability, concl'd

<u>Fund</u>	<u>Deficit</u>
Internal Service fund:	
Central services	\$69,000

The County closed down the operations of this fund during fiscal year 2006/2007. The board of Supervisors voted to transfer the balance needed from the General Fund to clear up the deficit fund balance. Services formerly provided by this fund will either be outsourced or provided by the procurement office which is budgeted under the General Fund .

Note 4 – Deposits and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; interest earning investments such as saving 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. In addition, the County Treasurer may invest trust funds in 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 rated P1 by Moody's investors service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's 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, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk

Statutes do not allow foreign investments.

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 4 – Deposits and Investments (cont'd)

Deposits - At June 30, 2006, the carrying amount of the County's deposits was \$7,160,691 and the bank balance was \$7,023,648. There was cash on hand of \$26,010. The County does not have a formal policy for custodial credit risk.

At June 30, 2006, \$7,023,648 of the County's bank balance was exposed to custodial risk as follows:

Uninsured with collateral held by the pledging financial institution	\$ 4,512,337
Uninsured with collateral held by the pledging institution's trust department or agent but not in the County's name	2,511,311
Total deposits	<u><u>\$ 7,023,648</u></u>

At June 30, 2006, the Mohave Administration Building – Finance Corporation had \$1,506,921 of deposits held by a trustee. Of the total, \$525,692 was held in the County Capital Improvement Fund and represented 2% of the total cash and investments in that fund. The balance of the cash held by trustee, \$981,229, is reflected in the Administration Building Debt Service Fund and represents 100% of the total cash for that fund, which creates concentration of credit risk. These amounts are included in the deposit schedule above.

Investments – The County's investments at June 30, 2006, were as follows:

<u>Investment Type</u>	<u>Amount</u>
U.S. agency securities	\$161,093,222
Tennessee Valley Authority	959,669
State Treasurer's Local Government Investment Pool	<u>1,181,911</u>
Total investments	<u><u>\$163,234,802</u></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.

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 4 – Deposits and Investments (cont'd)

Credit Risk – The County does not have a formal credit risk policy. At June 30, 2006, credit risk for the County's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Federal Farm Credit Bank	Aaa	Moody's	\$ 26,639,037
Federal Home Loan Bank	Aaa	Moody's	55,696,577
Federal Home Loan Mortgage Corporation	Aaa	Moody's	31,469,697
Federal National Mortgage Association	Aaa	Moody's	47,287,911
Tennessee Valley Authority	Aaa	Moody's	959,669
State Treasurer's Local Government Investment Pool	Unrated	N/A	<u>1,181,911</u>
			<u>\$ 163,234,802</u>

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk.

Concentration of Credit Risk - The County does not have a formal policy for concentration of credit risk. The County had investments at June 30, 2006, of 5% or more in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. These investments were 16 percent, 34 percent, 19 percent and 29 percent, respectively, of the County's total investments.

Interest Rate Risk – The County does not have a formal policy with respect to interest rate risk. At June 30, 2006, the County had the following investments in debt securities.

Investment Type	Amount	Investment Maturities	
		Less than 1 year	1 to 5 Years
State Treasurer's investment pools	\$ 1,181,911	\$ 1,181,911	\$ -
U.S. agency securities	161,093,222	22,085,234	139,007,988
Tennessee Valley Authority	959,669	-	959,669
Total	<u>\$ 163,234,802</u>	<u>\$ 23,267,145</u>	<u>\$ 139,967,657</u>

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 4 – Deposits and Investments (concl'd)

A reconciliation of cash and investments to amounts shown on the statements of net assets follows.

Cash and Investments:	<u>Amount</u>
Cash on hand	\$ 26,010
Carrying amount of deposits	7,160,691
Reported amount of investments	<u>163,234,802</u>
Total	<u>\$ 170,421,503</u>

Statements of Net Assets:

	Governmental Activities	Business-type Activities	Investment Trust Funds	Agency Funds	Total
Cash and investments	\$ 89,709,645	\$ 10,797,185	\$65,578,548	\$ 918,711	\$167,004,089
Restricted cash	<u>2,511,311</u>	<u>906,103</u>	-	-	<u>3,417,414</u>
Total	<u>\$ 92,220,956</u>	<u>\$ 11,703,288</u>	<u>\$65,578,548</u>	<u>\$ 918,711</u>	<u>\$170,421,503</u>

Note 5 – Property Taxes Receivable

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.

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, 2006, were as follows:

<u>Fiscal Year</u>	General Fund	Flood Control Fund	Nonmajor Governmental Funds	Total Governmental Funds
2005	\$ 757,968	\$ 234,800	\$ 203,564	\$ 1,196,332
2004	45,910	9,697	10,851	66,458
Prior	<u>908,144</u>	<u>107,720</u>	<u>113,832</u>	<u>1,129,696</u>
Total	<u>\$1,712,022</u>	<u>\$ 352,217</u>	<u>\$ 328,247</u>	<u>\$ 2,392,486</u>

That portion of property taxes receivable, not collected within 60 days after June 30, 2006, 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, 2006

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 24,794,226	\$ 341,897	\$ -	\$ 25,136,123
Construction in progress (estimated cost to complete \$ 55,540,025)	20,495,527	16,831,431	(23,193,374)	14,133,584
Total capital assets not being depreciated	45,289,753	17,173,328	(23,193,374)	39,269,707
Capital assets being depreciated:				
Buildings	37,748,147	20,496,807	(86,219)	58,158,735
Infrastructure & improvements other than buildings	89,474,910	5,047,981	(43,335)	94,479,556
Equipment	33,598,609	4,712,457	(1,600,907)	36,710,159
Total	160,821,666	30,257,245	(1,730,461)	189,348,450
Less accumulated depreciation for:				
Buildings	(10,272,245)	(779,187)	348,703	(10,702,729)
Infrastructure & improvements other than buildings	(55,447,760)	(2,565,482)	43,335	(57,969,907)
Equipment	(17,833,369)	(2,698,301)	1,316,706	(19,214,964)
Total	(83,553,374)	(6,042,970)	1,708,744	(87,887,600)
Total capital assets being depreciated, net	77,268,292	24,214,275	(21,717)	101,460,850
Governmental activities capital assets, net	\$ 122,558,045	\$ 41,387,603	\$ (23,215,091)	\$ 140,730,557
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,586,010	\$ 42,968	\$ -	\$ 1,628,978
Construction in progress (estimated cost to complete \$ 246,420)	40,000	486,279	-	526,279
Total capital assets not being depreciated	1,626,010	529,247	-	2,155,257
Capital assets being depreciated:				
Buildings	1,673,666	83,349	(28,148)	1,728,867
Utility systems	17,775,583	145,420	-	17,921,003
Equipment	901,240	251,263	(5,414)	1,147,089
Total	20,350,489	480,032	(33,562)	20,796,959
Less accumulated depreciation for:				
Buildings	(648,242)	(54,810)	15,105	(687,947)
Utility systems	(5,787,551)	(670,431)	-	(6,457,982)
Equipment	(429,465)	(103,934)	4,873	(528,526)
Total	(6,865,258)	(829,175)	19,978	(7,674,455)
Total capital assets being depreciated, net	13,485,231	(349,143)	(13,584)	13,122,504
Business-type activities capital assets, net	\$ 15,111,241	\$ 180,104	\$ (13,584)	\$ 15,277,761

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 6 – Capital Assets (concl'd)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 3,373,583
Public safety	561,160
Highways and streets	1,090,173
Health	20,714
Welfare	64,838
Culture and recreation	144,953
Education	1,581
Internal service funds	785,968
Total governmental activities depreciation expense	<u><u>\$ 6,042,970</u></u>
Business-type activities:	
Landfill	\$ 7,722
Recreation	119,321
Water companies	702,132
Total business-type activities depreciation expense	<u><u>\$ 829,175</u></u>

Note 7 – Restricted Assets

As of June 30, 2006, the County had restricted assets as follows:

Governmental activities assets:

Cash	<u>\$2,511,311</u>	Cash held by trustees restricted by C.O.P.'s agreements for future construction, debt payments or major maintenance.
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Business-type activities assets:

Cash	\$ 299,884	GVID collections restricted for future repairs of infrastructure by agreement with customers.
Cash	606,219	I-40 water corridor collections restricted for future infrastructure repairs by agreement with customers.
Total business-type activities assets	<u><u>\$ 906,103</u></u>	

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 8 – Long-Term Liabilities

The following schedule details the County’s long-term liability and obligation activity for the year ended June 30, 2006:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due Within</u> <u>1 Year</u>
<u>Governmental activities:</u>					
Special assessment bonds payable	\$ 4,376,000	\$ -	\$ (635,000)	\$ 3,741,000	\$ 646,000
Certificates of participation payable	26,745,000	-	(5,765,000)	20,980,000	1,405,000
Certificates of participation premium-unamortized	556,857	-	(39,775)	517,082	39,775
Note payable	1,000,000	-	(154,598)	845,402	159,235
Compensated absences payable	4,681,696	5,693,031	(4,924,340)	5,450,387	5,416,774
Claims and judgments payable	<u>1,386,817</u>	<u>9,354,483</u>	<u>(9,047,301)</u>	<u>1,693,999</u>	<u>1,393,999</u>
Governmental activities long-term liabilities	<u>\$ 38,746,370</u>	<u>\$ 15,047,514</u>	<u>\$ (20,566,014)</u>	<u>\$ 33,227,870</u>	<u>\$ 9,060,783</u>
<u>Business-type activities:</u>					
Landfill closure and postclosure care costs payable	\$ 2,938,806	\$ 423,502	\$ -	\$ 3,362,308	\$ -
Compensated absences payable	<u>118,306</u>	<u>129,138</u>	<u>(101,614)</u>	<u>145,830</u>	<u>111,777</u>
Business-type activities long-term liabilities	<u>\$ 3,057,112</u>	<u>\$ 552,640</u>	<u>\$ (101,614)</u>	<u>\$ 3,508,138</u>	<u>\$ 111,777</u>

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

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

Bonds - The County's bonded debt consists of special assessment bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for constructing infrastructure assets. Special assessment bonds are secured by pledges of revenues from special assessments levied against the benefiting property owners. The County is not obligated in any manner for the special assessment debt. However, if the property owner defaults on their payment of the debt, the County places a lien on the property. In the event that the lien is not cleared, the property is sold and the proceeds are used to pay off the debt. The original amount of special assessment bonds issued in prior years was \$5,647,000.

Bonds outstanding at June 30, 2006, were as follows:

<u>District</u>	<u>Original Amount</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Outstanding Principal June 30, 2006</u>
G.V.I.D. No. 1 Phase IV	\$ 409,000	1/07-1/12	5.60%	\$ 240,000
Horizon six street improvement	647,000	1/07-1/10	6.375%	260,000
Scenic road and bridge project improvement	4,500,000	1/07-1/13	6.30%	3,150,000
Mohave County improvement district	<u>91,000</u>	in arrears	5.50%	<u>91,000</u>
Total	<u>\$ 5,647,000</u>			<u>\$ 3,741,000</u>

The following schedule details debt service requirements to maturity for the County's bonds payable at June 30, 2006.

Year Ending June 30	Governmental <u>activities</u>	
	Special Assessment Bonds	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 646,000	\$ 269,397
2008	555,000	179,556
2009	555,000	144,823
2010	555,000	110,089
2011	490,000	75,355
2012-13	<u>940,000</u>	<u>58,940</u>
Total	<u>\$ 3,741,000</u>	<u>\$ 838,160</u>

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

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

Certificates of participation - The County has issued certificates of participation that are generally noncallable with interest payable semiannually to purchase or construct capital facilities. The original amount of certificates issued in prior years was \$24,190,000.

Certificates outstanding at June 30, 2006, were as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal June 30, 2006</u>
Certificates of participation Series 2000	\$ 4,870,000	7/2006-7/2010	6.75%-7.375%	\$ 3,050,000
Certificates of participation Series 2004	<u>19,320,000</u>	7/2006-7/2019	2.0%-5.0%	<u>17,930,000</u>
Total	<u>\$ 24,190,000</u>			<u>\$ 20,980,000</u>

The following schedule details debt service requirements to maturity for the County's certificates of participation payable at June 30, 2006:

<u>Year Ending June 30</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,405,000	\$ 1,035,568
2008	1,640,000	969,193
2009	1,720,000	888,505
2010	1,795,000	794,411
2011	1,895,000	694,731
2012-16	6,730,000	2,441,441
2017-20	<u>5,795,000</u>	<u>624,356</u>
Total	<u>\$ 20,980,000</u>	<u>\$ 7,448,205</u>

Note payable – During fiscal year 2005, the library fund borrowed \$1,000,000 from the landfill to fund its portion of the 98 C.O.P.S reserve fund which was established to accumulate monies for an early payoff of the C.O.P.S. The landfill note is to be paid off over a period of six years at an interest rate of 3%. The following schedule details the debt service requirements for the note at June 30, 2006.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 159,235	\$ 25,362
2008	164,012	20,586
2009	168,933	15,664
2010	174,001	10,596
2011	<u>179,221</u>	<u>5,376</u>
Total	<u>\$845,402</u>	<u>\$ 77,584</u>

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

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. An additional cell (4 acres) was opened at Cerbat this year. This reduced the percentage used from 98% to 67% of the open cells. This also extended the life five years.

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 the long-term portion of these closure and postclosure care costs in each operating period even though actual payouts will not occur until the landfills are closed. These costs will be paid from the enterprise fund.

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$3,362,308 reported as landfill closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported to date at the Cerbat and Mohave Valley landfills based on the use of 67% and 86%, 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 \$1,100,796 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 2006. The County expects to close the landfills in the years 2011 and 2028, 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 assure 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 is used to account 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 is used to account 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 three 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 administers the short-term disability. Settled claims have not exceeded available self-insurance

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

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

funds or the purchased commercial insurance in any of the past three fiscal years.

The insurance claims payable liability of the Self-Insurance Fund and Health Insurance Fund of \$1,280,054 included in the balance below at June 30, 2006, is the estimated ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. These amounts are based on estimates provided by the County's healthcare administrator (based on claims received subsequent to June 30, 2006) and Arizona Counties Property and Casualty Pool (based on expected outcomes of outstanding lawsuits and incurred but not reported occurrences). The balance of \$413,945 is the liability due at June 30, 2006 from the Governmental funds for claims and judgments.

Changes in the claims payable liability amount for the years ended June 30, 2005 and 2006 were as follows:

	<u>2005</u>	<u>2006</u>
Claims payable - beginning of year	\$ 766,026	\$ 1,386,817
Add: Claims incurred and changes in estimates	8,714,007	9,354,483
Deduct: Claims paid	<u>(8,093,216)</u>	<u>(9,047,301)</u>
Claims payable - end of year	<u>\$ 1,386,817</u>	<u>\$ 1,693,999</u>

Compensated absences and claims and judgments – Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2006, the County paid for compensated absences as follows: 62 % from the General Fund, 12 % from major funds, and 26 % from other funds. The County paid for claims and judgments as follows: .6% from the General Fund and 99.4 % from the Self-Insurance Fund. However, the Self-Insurance Fund was funded \$450,000 by the General Fund and \$400,000 by the Road Fund this past year. Occasionally it is also reimbursed by other major funds. The Health Insurance Fund paid all claims, but was reimbursed 100% from the other funds for all claims and judgments paid.

Note 9 – 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; but was unable to obtain insurance at a cost it considered to be economically justifiable for Workers' Compensation or liability insurance. Therefore, 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 \$100 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

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 9 – Risk Management (concl'd)

insolvent, the County would be assessed an additional contribution.

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

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance triennially. 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 10 – Operating Leases

The County leases buildings, copiers, computers, land and a parking lot 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 \$923,268 for the year ended June 30, 2006. The operating leases have remaining noncancellable lease terms from one to ninety years and provide renewal options. The future minimum payments required under the operating leases at June 30, 2006, were as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>
2007	\$ 829,967
2008	403,086
2009	48,171
2010	21,551
2011	18,551
2012-2016	13,355
2017-2021	12,005
2022-2024	<u>7,275</u>
Total minimum lease payments	<u><u>\$1,353,961</u></u>

Note 11 – Retirement Plans

Plan Descriptions - The County contributes to four plans, three of which are described below. The Elected Officials Retirement System (EORP) is not described, due to its relative insignificance to the County's financial statements. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension 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.

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 11- Retirement Plans (cont'd)

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, 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) is an agent multiple-employer defined benefit pension plan that covers certain employees of the State of Arizona, Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The CORP is governed by The Fund Manager 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 Avenue
P. O. Box 33910
Phoenix, AZ 85012
(602) 240-2000 or (800) 621-3778

PSPRS, CORP, and EORP

3010 E. Camelback Road
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.

Cost-sharing plans - For the year ended June 30, 2006, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 7.4% (6.9% retirement and 0.5% long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2006, 2005, and 2004, were \$2,625,462, \$1,850,484 and \$1,649,976, respectively, which were equal to the required contributions for the year.

Agent plans - For the year ended June 30, 2006, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 10.06%. Active CORP members were required by statute to contribute 8.5% of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 4%.

Annual Pension Costs - The County's pension costs for the two agent plans for the year ended June 30, 2006 and related information follows.

	<u>PSPRS</u>	<u>CORP</u>
Contribution rates:		
County	10.06%	4.00%
Plan members	7.65%	8.50%
Annual pension cost	\$459,875	\$82,510
Contributions made	\$459,875	\$82,510

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 11- Retirement Plans (concl'd)

The current-year annual required contributions for both the PSPRS and CORP were determined as part of their June 30, 2004 actuarial valuations using the individual entry-age actuarial cost method. The actuarial assumptions included (a) 8.75% investment rate of return and (b) projected salary increases ranging from 6.25% to 9.25% per year. Both (a) and (b) included an inflation component of 5.25%. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 7-year period. The unfunded (excess) actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2004, was 20 years.

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

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS	2006	\$459,875	100%	\$ 0
	2005	292,708	100%	0
	2004	193,838	100%	0
CORP	2006	82,510	100%	0
	2005	39,230	100%	0
	2004	36,042	100%	0

Note 12 – Interfund Balances and Activity

Interfund Receivables and Payables - Interfund balances at June 30, 2006, were as follows:

		<u>Due from Other Funds</u>							
		<u>General Fund</u>	<u>Road Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>I-40 Water Corridor Fund</u>	<u>G.V.I.D. Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Due to Other Funds	General Fund	\$ -	\$ 4,423	\$ 365,907	\$ -	\$ -	\$ -	\$ 76,800	\$ 447,130
	Road Fund	1,211	-	-	-	3,797	-	1,054	6,062
	Flood Control Fund	-	146	2,347	-	-	-	-	2,493
	Nonmajor Governmental Funds	313,159	14,021	377,755	-	-	-	17,149	722,084
	I-40 Water Corridor Fund	-	413	-	-	5,315	-	-	5,728
	Landfill Fund	-	-	-	-	-	-	649	649
	G.V.I.D. Fund	-	1,220	-	390	-	-	354	1,964
	Nonmajor Enterprise Funds	-	1,635	-	40	-	101	1,993	3,769
	Internal Service Funds	114,553	227,686	-	-	-	-	1,367	343,606
	Total	\$ 428,923	\$ 249,544	\$ 746,009	\$ 430	\$9,112	\$ 101	\$ 99,366	\$ 1,533,485

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 12 – Interfund Balances and Activity (concl'd)

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

Interfund Transfers –Interfund transfers for the year ended June 30, 2006, were as follows:

		Transfers out to Other Funds						
		County						
		General	Road	Flood	County	Nonmajor	Nonmajor	
		Fund	Fund	Control	Capital	Governmental	Enterprise	Total
		Fund	Fund	Fund	Improvement	Funds	Funds	Total
Transfers in from Other Funds	General Fund	\$ -	\$ -	\$ 348,688	\$ -	\$ 703,959	\$ -	\$ 1,052,647
	Flood Control Fund	-	-	-	-	27,500	-	27,500
	County Capital Improvement Fund	5,500,000	-	-	-	-	-	5,500,000
	Nonmajor Governmental Funds	3,673,260	300,000	2,006	1,876,234	870,051	1,997	6,723,548
	Internal Service Funds	1,807	-	-	-	-	-	1,807
	Total	\$ 9,175,067	\$ 300,000	\$ 350,694	\$ 1,876,234	\$ 1,601,510	\$ 1,997	\$ 13,305,502

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 13 – 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 monies under his 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.

Substantially all deposits and investments of the County’s primary government are included in the County Treasurer’s investment pool, except for \$4,906,626 of deposits. Therefore, the deposit and

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 13 – County Treasurer’s Investment Pool (concl’d)

investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks. See Note 4 for disclosure of the County’s deposit and investment risks.

Details of each major investment classification follow:

<u>Investment Type</u>	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
Federal Farm Credit Bank	\$27,135,000	2.74-4.5%	12/06-04/11	\$26,639,037
Federal Home Loan Bank	56,545,000	2.00-6.05%	12/06-06/11	55,696,577
Federal Home Loan Mortgage Corporation	31,955,000	2.10-6.0%	12/06-5/11	31,469,697
Federal National Mortgage Association	48,056,000	2.00-6.05%	7/06-5/11	47,287,911
Other	1,000,000	2.45%	5/08	959,669
State Treasurer’s Local Government Investment Pool	1,181,911	1.00%	N/A	1,181,911
	<u>\$165,872,911</u>			<u>\$163,234,802</u>

A condensed statement of the investment pool’s net assets and changes in net assets follows.

Statement of Net Assets

Assets	\$165,853,154
Liabilities	-
Net assets	<u>\$165,853,154</u>
Net assets held in trust for:	
Internal participants	\$101,407,741
External participants	64,445,413
Total net assets held in trust	<u>\$165,853,154</u>

Statement of Changes in Net Assets

Total additions	\$752,015,222
Total deductions	(738,506,717)
Net increase	<u>13,508,505</u>
Net assets held in trust:	
July 1, 2005	152,344,649
June 30, 2006	<u>\$165,853,154</u>

MOHAVE COUNTY
Notes to Financial Statements
June 30, 2006

Note 14 – Subsequent Events

Capital Projects:

Mohave Wash, flood control project - The Board of Supervisors approved a \$4,478,182 contract for the Kingman Area Master Plan Mohave County Update, Mohave Wash Channel Project, Phase III, on September 6, 2006. This is an on-going flood control project.

Law and Justice Center - A needs assessment is being done to determine the requirements for a new Law and Justice Center in Kingman to accommodate all the courts and the Probation Department. Actual construction is not projected to begin for approximately one year.

Kingman Jail expansion - A needs assessment was done in fiscal year 2006 for expansion of the jail facilities. Construction is not projected to begin until fiscal year 2008. The estimated cost will be somewhere between \$40 and \$60 million, based on the needs assessment. Requests for proposals will not go out until sometime in the spring of 2007.

Change in Personnel:

The Chief Deputy Treasurer retired in October 2006 after over 26 years of service. The position is responsible for the investment of all the County funds, as well as overseeing all major bond and note payments and office operations. His replacement is to start December 11, 2006.

The Personnel Director resigned in September 2006. A replacement for this position has not yet been found.

Required Supplementary Information

MOHAVE COUNTY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 27,054,163	\$ 27,054,163	\$ 27,949,311	\$ 895,148
Licenses and permits	2,099,980	2,099,980	1,686,351	(413,629)
Intergovernmental	28,447,234	28,447,234	30,035,457	1,588,223
Charges for services	7,589,412	7,589,412	6,989,193	(600,219)
Fines and forfeits	1,620,000	1,620,000	1,452,409	(167,591)
Investment income	163,000	163,000	163,553	553
Rents	-	-	360	360
Contributions	-	54,317	36,663	(17,654)
Miscellaneous	84,346	84,346	78,162	(6,184)
Total revenues	<u>67,058,135</u>	<u>67,112,452</u>	<u>68,391,459</u>	<u>1,279,007</u>
Expenditures:				
Current:				
General government				
Assessor	3,500,839	3,549,216	3,420,245	128,971
County attorney	3,439,892	3,497,715	3,441,070	56,645
Risk management	213,405	222,100	189,071	33,029
Board of supervisors	1,116,601	1,116,601	794,625	321,976
Clerk of board	192,555	198,412	187,541	10,871
Housing community development	415,761	415,761	405,231	10,530
General administrative	3,234,849	2,987,455	3,198,056	(210,601)
Clerk of superior court	1,571,120	1,584,446	1,533,073	51,373
Constables	317,925	335,431	304,375	31,056
Contingency	9,100,000	2,005,817	-	2,005,817
Elections	366,484	373,837	254,155	119,682
Finance	975,749	989,791	949,500	40,291
Building & grounds maintenance	1,439,435	1,580,215	1,579,128	1,087
Justice courts	2,462,320	2,491,023	2,350,243	140,780
Juvenile detention	1,060,516	1,115,430	1,114,659	771
Personnel	589,282	589,402	567,436	21,966
Planning & zoning	2,695,402	2,695,402	1,824,413	870,989
Public fiduciary	449,692	449,692	411,892	37,800
Public defender	2,788,372	2,948,374	2,611,330	337,044
Public legal defender	763,411	763,411	682,882	80,529
Building inspector	1,516,696	1,516,696	946,955	569,741
Public works	35,169	46,036	36,357	9,679
Purchasing	325,322	325,322	290,506	34,816
Recorder	704,379	708,300	676,675	31,625
Superior courts	3,212,880	3,213,000	2,976,239	236,761
Treasurer	1,778,851	1,778,887	1,705,873	73,014
Voter registration	285,034	291,740	229,830	61,910
Supervisory districts	286,743	292,054	253,361	38,693
Total general government	<u>\$ 44,838,684</u>	<u>\$ 38,081,566</u>	<u>\$ 32,934,721</u>	<u>\$ 5,146,845</u>

(Continued)

See accompanying notes to budgetary comparison schedule

MOHAVE COUNTY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2006
(Concluded)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Public safety:				
Animal control	\$ 609,162	\$ 609,212	\$ 600,236	\$ 8,976
Jail	7,408,488	7,409,421	7,400,019	9,402
Medical examiner	255,000	295,000	248,268	46,732
Probation	1,621,033	1,621,033	1,544,958	76,075
Sheriff	7,902,081	8,292,723	8,265,656	27,067
Total public safety	<u>17,795,764</u>	<u>18,227,389</u>	<u>18,059,137</u>	<u>168,252</u>
Health				
A.H.C.C.C.S.	<u>9,282,716</u>	<u>9,282,716</u>	<u>8,925,746</u>	<u>356,970</u>
Education				
School superintendent	<u>356,302</u>	<u>367,110</u>	<u>347,638</u>	<u>19,472</u>
Total expenditures	<u>72,273,466</u>	<u>65,958,781</u>	<u>60,267,242</u>	<u>5,691,539</u>
Excess (deficiency) of revenues over expenditures	<u>(5,215,331)</u>	<u>1,153,671</u>	<u>8,124,217</u>	<u>6,970,546</u>
Other financing sources (uses):				
Transfers in	1,052,475	1,052,475	1,052,647	172
Transfers out	<u>(4,933,208)</u>	<u>(11,306,146)</u>	<u>(9,175,067)</u>	<u>2,131,079</u>
Total other financing sources (uses)	<u>(3,880,733)</u>	<u>(10,253,671)</u>	<u>(8,122,420)</u>	<u>2,131,251</u>
Excess of revenues and other sources over (under) expenditures and other uses	(9,096,064)	(9,100,000)	1,797	9,101,797
Fund balances, July 1, 2005	<u>9,100,000</u>	<u>9,100,000</u>	<u>10,042,646</u>	<u>942,646</u>
Fund balances, June 30, 2006	<u>\$ 3,936</u>	<u>\$ -</u>	<u>\$ 10,044,443</u>	<u>\$ 10,044,443</u>

See accompanying notes to budgetary comparison schedule

MOHAVE COUNTY
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 13,151,000	\$ 13,151,000	\$ 15,363,121	\$ 2,212,121
Charges for services	1,782,345	1,782,345	1,459,164	(323,181)
Investment income	270,000	270,000	125,323	(144,677)
Rents	115,000	115,000	116,200	1,200
Miscellaneous	20,000	20,000	16,921	(3,079)
Total revenues	<u>15,338,345</u>	<u>15,338,345</u>	<u>17,080,729</u>	<u>1,742,384</u>
Expenditures:				
Current:				
Highways and streets	<u>35,991,346</u>	<u>36,001,346</u>	<u>17,300,908</u>	<u>18,700,438</u>
Excess of revenues over (under) expenditures	<u>(20,653,001)</u>	<u>(20,663,001)</u>	<u>(220,179)</u>	<u>20,442,822</u>
Other financing sources (uses):				
Transfers out	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(300,000)</u>	<u>700,000</u>
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(300,000)</u>	<u>(700,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(21,653,001)	(21,663,001)	(520,179)	21,142,822
Fund balances, July 1, 2005	21,653,001	21,663,001	13,274,057	(8,388,944)
Increase (decrease) in reserve for inventory	<u>-</u>	<u>-</u>	<u>(107,135)</u>	<u>(107,135)</u>
Fund balances, June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,646,743</u>	<u>\$ 12,646,743</u>

See accompanying notes to budgetary comparison schedule

MOHAVE COUNTY
Required Supplementary Information
Budgetary Comparison Schedule
Flood Control Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 5,445,690	\$ 5,445,690	\$ 6,627,190	\$ 1,181,500
Licenses and permits	50,000	50,000	42,886	(7,114)
Intergovernmental	-	-	635	635
Charges for services	1,200,000	1,200,000	-	(1,200,000)
Investment income	120,000	120,000	116,033	(3,967)
Total revenues	<u>6,815,690</u>	<u>6,815,690</u>	<u>6,786,744</u>	<u>(28,946)</u>
Expenditures:				
Current:				
Highways and streets	<u>13,606,355</u>	<u>13,606,955</u>	<u>8,677,497</u>	<u>4,929,458</u>
Excess of revenues over (under) expenditures	<u>(6,790,665)</u>	<u>(6,791,265)</u>	<u>(1,890,753)</u>	<u>4,900,512</u>
Other financing sources (uses):				
Transfers in	-	-	27,500	27,500
Transfers out	(373,688)	(373,688)	(350,694)	22,994
Proceeds from deed sale	-	-	46,049	46,049
Total other financing sources (uses)	<u>(373,688)</u>	<u>(373,688)</u>	<u>(277,145)</u>	<u>96,543</u>
Excess of revenues and other sources over (under) expenditures and other uses	(7,164,353)	(7,164,953)	(2,167,898)	4,997,055
Fund balances, July 1, 2005	<u>7,164,353</u>	<u>7,164,953</u>	<u>7,888,736</u>	<u>723,783</u>
Fund balances, June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,720,838</u>	<u>\$ 5,720,838</u>

See accompanying notes to budgetary comparison schedule

Mohave County
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2006

Note 1 – Budgeting and Budgetary Control

A.R.S require 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.

Encumbrance accounting, under which purchase orders, contracts, and other commitments to expend monies are recorded to reserve that portion of the applicable fund balance, is employed as an extension of formal budgetary control. Encumbrances outstanding at year-end for goods or services that were not received before fiscal year-end are cancelled. However, the County may draw warrants against encumbered amounts for goods or services received but unpaid at June 30, for 60 days immediately following the close of the fiscal year. After 60 days the remaining encumbered balances lapse.

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.

Mohave County
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2006

Note 3 – Expenditures in Excess of Appropriations

For the year ended June 30, 2006, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the General Fund, as follows:

<u>Fund/Department</u>	<u>Excess</u>
General fund	
General administrative	\$ <u>210,601</u>
Total General fund	\$ <u>210,601</u>

The General Fund portion of insurance expense and vehicle replacement costs in the general administration department were budgeted as transfers rather than expenditures. The actual expenditure was recorded as an expenditure and corresponding revenue in the internal service funds was recorded as charges for services. The transaction will be budgeted correctly in both the General Fund and the internal service fund for the next fiscal year.

Mohave County
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2006

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)
06/30/2006	14,634,246	19,435,624	(4,801,378)	75.3%	4,496,673	106.8%
06/30/2005	14,008,411	16,515,362	(2,506,951)	84.8%	3,903,487	64.2%
06/30/2004	14,398,517	14,578,454	(179,937)	98.8%	3,638,482	4.9%

Corrections Officer Retirement Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)
06/30/2006	4,009,017	2,532,419	1,476,598	158.3%	2,184,299	N/A
06/30/2005	3,846,262	2,194,102	1,652,160	175.3%	2,143,213	N/A
06/30/2004	3,752,345	2,041,941	1,710,404	183.8%	1,925,091	N/A

Other Supplementary Information

MOHAVE COUNTY
Other Supplementary Information
Budgetary Comparison Schedule
Scenic Debt Service Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 676,800	\$ 676,800	\$ 919,527	\$ 242,727
Fines and forfeits	5,000	5,000	4,799	(201)
Investment income	-	-	12,964	12,964
Total revenues	<u>681,800</u>	<u>681,800</u>	<u>937,290</u>	<u>255,490</u>
Expenditures:				
Current:				
Debt service	<u>1,091,192</u>	<u>1,091,192</u>	<u>663,489</u>	<u>427,703</u>
Excess of revenues over (under) expenditures	<u>(409,392)</u>	<u>(409,392)</u>	<u>273,801</u>	<u>683,193</u>
Excess of revenues and other sources over (under) expenditures and other uses	(409,392)	(409,392)	273,801	683,193
Fund balances, July 1, 2005	409,392	409,392	1,050,847	641,455
Fund balances, June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,324,648</u>	<u>\$ 1,324,648</u>

MOHAVE COUNTY
Other Supplementary Information
Budgetary Comparison Schedule
County Capital Improvement Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 7,337,000	\$ 7,337,000	\$ 7,809,442	\$ 472,442
Intergovernmental	20,000	20,000	20,000	-
Charges for services	-	-	55,735	55,735
Investment income	300,000	300,000	147,567	(152,433)
Rents	109,100	109,100	109,067	(33)
Total revenues	<u>7,766,100</u>	<u>7,766,100</u>	<u>8,141,811</u>	<u>375,711</u>
Expenditures:				
Current:				
Capital outlay	<u>21,823,893</u>	<u>27,282,452</u>	<u>10,284,922</u>	<u>\$ 16,997,530</u>
Excess of revenues over (under) expenditures	<u>(14,057,793)</u>	<u>(19,516,352)</u>	<u>(2,143,111)</u>	<u>17,373,241</u>
Other financing sources (uses):				
Operating transfers in	-	5,500,000	5,500,000	-
Operating transfers out	<u>(1,834,793)</u>	<u>(1,876,234)</u>	<u>(1,876,234)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,834,793)</u>	<u>3,623,766</u>	<u>3,623,766</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(15,892,586)	(15,892,586)	1,480,655	17,373,241
Fund balances, July 1, 2005	15,892,586	15,892,586	26,671,498	10,778,912
Fund balances, June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,152,153</u>	<u>\$ 28,152,153</u>