

**MOHAVE COUNTY WATER AUTHORITY
REVIEW REPORT
FOR THE YEAR ENDED JUNE 30, 2010**

**MOHAVE COUNTY WATER AUTHORITY
JUNE 30, 2010**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Mohave County Water Authority

We have reviewed the accompanying Schedule of Cash Receipts and Disbursements of Mohave County Water Authority as of and for the year ended June 30 2010. Mohave County Water Authority's management is responsible for the Schedule of Cash Receipts and Disbursements.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression an opinion on the Schedule of Cash Receipts and Disbursements. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Schedule of Cash Receipts and Disbursements of Mohave County Water Authority for the year ended June 30, 2010, is not presented, in all material respects, in conformity with the cash basis of accounting as described in Note 1.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

September 12, 2012

**MOHAVE COUNTY WATER AUTHORITY
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Grants Fund	Water Acquisition Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Receipts:				
Lease receipts	\$ 67,657	\$ 131,677	\$	\$ 199,334
Water development fees	61,177	550,590		611,767
Member dues	48,400			48,400
Holding charges	2,007	18,066		20,073
Investment income	793		267	1,060
Firming agreements	965,479			965,479
Total receipts	<u>1,145,513</u>	<u>700,333</u>	<u>267</u>	<u>1,846,113</u>
Disbursements:				
Legal fees	85,370			85,370
Firming agreements	921,120			921,120
Payments to members		200,000		200,000
Other	13,023			13,023
Total disbursements	<u>1,019,513</u>	<u>200,000</u>	<u> </u>	<u>1,219,513</u>
Excess (deficiency) of receipts over disbursements	126,000	500,333	267	626,600
Cash transfers in (out)	(624,370)		624,370	
Cash balance, beginning of year	1,414,088	666,046		2,080,134
Cash balance, end of year	<u>\$ 915,718</u>	<u>\$ 1,166,379</u>	<u>\$ 624,637</u>	<u>\$ 2,706,734</u>

MOHAVE COUNTY WATER AUTHORITY
NOTES TO THE SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Mohave County Water Authority (Authority) was created in accordance with Arizona Revised Statutes (A.R.S.) Title 45, Chapter 13. The Authority was formed to provide a means to transfer the 18,500 acre feet of 4th priority Colorado River water rights previously held by the City of Kingman, Arizona to other communities and water districts within Mohave County, Arizona who also held original water rights contracts with the United States Bureau of Reclamation.

The Authority is a local government that is governed by a separately appointed Board of Directors. Each member appoints one director, and each director is given one vote.

The more significant of the Authority's accounting policies are described below.

B. Basis of Accounting

The schedule of cash receipts and disbursements of the Authority has been prepared on the cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned and certain expenditures and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

The Authority reports the following governmental funds:

General Fund - The General Fund is the Authority's primary operating fund. It accounts for all resources used to finance Authority operations except those required to be accounted for in other funds.

Grants Fund – The Grants Fund includes monies collected from municipal and other subcontractors for the purchase or lease of land and/or water rights prior to being passed on to the City of Kingman, Arizona or other municipal contractors per contractual agreement.

Water Acquisition Fund – The Water Acquisition Fund accounts for revenues and expenditures used to acquire water pursuant to A.R.S. 45-2245. Ten percent of eligible future revenues of the Authority will be deposited in the fund effective July 1, 2010.

C. Investment of revenues

A.R.S. 45-2283 authorizes the Authority to invest revenues in securities and deposits with a maximum maturity of three years. Eligible investments include: certificates of deposit in eligible depositories as provided in A.R.S. Title 35, Chapter 2, Article 2.1; interest-bearing savings accounts in banks and savings and loan institutions doing business in the State of Arizona whose accounts are insured by federal deposit insurance; repurchase agreements with a maximum maturity of one hundred eighty days; bonds or other evidences of

**MOHAVE COUNTY WATER AUTHORITY
NOTES TO THE SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

C. Investment of revenues (Concl'd)

indebtedness of the United States or any of its agencies or instrumentalities if the obligations are guaranteed as to principal and interest by the United States or by agency or instrumentality of the United States; bonds or other evidences of indebtedness of the State of Arizona or any of its counties, incorporated cities or towns or school districts.

The State Board of Deposit provides oversight for the State Treasurer's pool, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

A specific investment policy was adopted by the Authority's Board on March 9, 2010.

D. Investment Income

Investment income is composed of interest on applicable investments.

E. Water Rights

Water rights represent an intangible asset, however, are not presented in the schedule of cash receipts and disbursements reported on a cash basis. The value at the time of acquisition in December 2009 was \$1,000 per acre foot for a total value of \$500,000.

NOTE 2 - CASH

As of year-end, the Authority's cash balance comprised of the following.

	General Fund	Grants Fund	Water Acquisition Fund	Total
Cash in bank	\$ 915,718	\$ 1,166,379		\$ 2,082,097
Cash and investments held by the State Treasurer			624,637	624,637
Total	<u>\$ 915,718</u>	<u>\$ 1,166,379</u>	<u>\$ 624,637</u>	<u>\$ 2,706,734</u>

MOHAVE COUNTY WATER AUTHORITY
NOTES TO THE SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
JUNE 30, 2010

NOTE 3 – CASH TRANSFER

On March 9, 2010, the Board of Directors of the Authority approved the establishment of the Water Acquisition Fund. The balance of funds with the State Treasurer at January 31, 2010 of \$624,370 was transferred from the General Fund per Resolution 10-005.

NOTE 4 – LEASES

The Authority formed agreements to lease back land acquired from the Cibola Valley Irrigation and Drainage District purchase to farmers conducting operations on the land. The Authority retains 10% of the revenue generated and the remaining funds are accumulated and distributed to Lake Havasu City and Bullhead City. Additionally, the Authority entered into agreements with various subcontractors for water rights. The Authority retains 50% of the revenue generated and the remaining funds are distributed to the City of Kingman, Arizona. Rental receipts for the year were \$199,334.

NOTE 5 – FIRING AGREEMENTS

The Authority negotiated an agreement with the Arizona Water Banking Authority for the banking of water on behalf of 4th priority mainstream users to firm their supplies against future shortages. Additionally, an agreement was executed with the Central Arizona Water Conservation District to recover the banked water in exchange for agreeing not to take water from the Colorado River in times of shortage. Firing agreement receipts for the year were \$965,479.

During the current year, an amended firing agreement was approved by the Board which provides for the Authority to enter into subcontracts for firing with various Colorado River users possessing contracts for municipal and industrial water uses with priorities equal to the Central Arizona Project (CAP). Additionally, the Authority executed an agreement to firm their 500 acre feet of Colorado River Water. Lastly, subcontracts were entered into with Lake Havasu and Bullhead cities to firm additional water acquired since the original subcontract was executed.