



**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

**YEAR ENDED
JUNE 30, 2020**

LAKE HAVASU CITY, ARIZONA



LAKE HAVASU CITY

Prepared by the Administrative Services Department

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Administrative Services Director

Trinna Ware, MBA

Finance Division Manager



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2020



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INTRODUCTORY SECTION





March 23, 2021



To The Honorable Mayor and Members of the City Council and Citizens of Lake Havasu City, Arizona

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of Lake Havasu City, Arizona for the fiscal year ended June 30, 2020. Arizona Revised Statutes, Section 9-481 requires that incorporated cities annually publish a complete set of financial statements. The financial statements must be presented in accordance with accounting principles generally accepted in the United States of America and audited in accordance with generally accepted auditing standards by a certified public accountant, or a public accountant licensed by the Arizona Board of Accountancy. This report complies with these requirements.

The CAFR consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect City assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. The City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2020, are free of material misstatement. The independent auditor concluded, based upon their audit, that the City's financial statements for the fiscal year ended June 30, 2020 are fairly presented in accordance with accounting principles generally accepted in the United States of America. This is the most favorable conclusion and is commonly referred to as an unmodified or "clean" opinion. The independent auditor's report is presented as the first component of the financial section of this report.



The independent audit of the financial statements of the City was part of a broader, federal and state mandated “Single Audit” designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These auditor reports are available on the City’s website.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

Profile of Lake Havasu City

Current Profile - Lake Havasu City is situated in the western part of Arizona in the third largest county in the United States, Mohave County. The shores of the sparkling Colorado River serve as the western border of the city, while the Mohave Mountains lie to the east. Lake Havasu City is two hours south of the world famous Hoover Dam and three and a half hours south-west of the Grand Canyon, Arizona’s own World Wonder. The City, largest in Mohave County, covers 46 square miles and has an estimated population of 58,521 as of July 1, 2020. Lake Havasu City ranks in the upper quartile for Population Density when compared to other cities, towns and Census Designated Places in Arizona. The area attracts about 835,000 visitors annually with its historic London Bridge, pristine lake, friendly community, abundant sunshine and annual events, ideal weather and wide range of restaurants and lodging. Many of Lake Havasu City’s residents are retired. The median age of City residents is 54 years old and has steadily increased over the last sixteen years. Boasting 300 days of sunshine, the City is also temporarily home to approximately 15,000 winter visitors from fall through the early spring months. These seasonal visitors typically come from colder climates across North America. The influx of winter visitors increases the population of the City by approximately 28 percent. The City’s top industries include retail, healthcare and social services, accommodations, and food service.

History - Lake Havasu was created with the construction of the Parker Dam in the 1930s. Prior to this, what is now Lake Havasu was a remote section of the Colorado River. In 1963, Robert P. McCulloch purchased a 26 square mile parcel of barren desert that would become the site for Lake Havasu City.

Lake Havasu City was founded as a master-planned community with an emphasis on recreation and residential retirement. Robert P. McCulloch captured the world’s attention in 1967 when he purchased the London Bridge and relocated it from England to the stunning Colorado River. The bridge structure was dismantled brick by brick in London, transported to Lake Havasu City,



and authentically reconstructed over a three-year period. In addition, a mile-long bridge channel was dredged, giving purpose to the transplanted landmark.

In 1963, Lake Havasu City did not qualify for incorporation under state law and so became a recognized Irrigation and Drainage District (IDD). The IDD's Board of Directors acted as City Councilmembers in order to run the City. In the early 1970s, the Board took steps toward incorporation. Near the end of the decade, incorporation was made possible with a new state law that enabled a new municipality to organize as a city and to assume trusteeship of bonded debts and special districts. The City was incorporated in 1978 by a vote of the residents.

Government and Organization - Lake Havasu City has operated under the council-manager form of government since 1978. The Mayor and Councilmembers are elected at-large for four-year terms. Their terms are staggered on a two-year basis. The City Council sets policies, enacts ordinances, and appoints the City Manager. The City Manager administers the daily operations and programs of the City through the department directors, other staff members, and employees.

The City provides a full range of municipal services, including police and fire protection, street construction and maintenance, water and sanitary sewer services, parks, local airport, recreation and cultural services, and a variety of other traditional support activities.

The City is empowered to levy a property tax on real and certain personal properties located within its boundaries. It is also empowered to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

Budget - The Annual Budget serves as the foundation of the City's financial planning and control. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1st. The budget will include all proposed expenditures and the means to finance them. The legal level of control is at the department level. The City's budget includes contingency funds which can be authorized for unanticipated expenditures and emergency events. The City Council is required to hold public hearings on the Proposed Budget and the tax levy in order to provide taxpayers an opportunity for comment. A Tentative Budget must be adopted by the City Council by the third Monday in July, but the City makes every effort to have the final budget adopted prior to the start of the new fiscal year.



Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from a broader perspective of the specific environment within which the City operates.

Lake Havasu City continues to put an emphasis on recreation and residential retirement.

Business

Lake Havasu City is transforming the local business industry with F106, the City's first cowork space. F106 has been a prototype for three years and has helped scale young start ups and entrepreneurs. The larger cowork facility called Nomadic broke ground in 2020 and is estimated to be open in early 2022. Located in the heart of downtown, Nomadic will provide startups and entrepreneurs opportunities to scale and collaborate with other companies. Nomadic is the first project in the Vision 2020 Plan to break ground.

Tourism and Visitation

Lake Havasu City is Arizona's Playground. The desert resort community is home to the London Bridge, which routinely attracts international visitors and media attention. This sought-after tourist destination in Arizona emerged from the creativity of Robert P. McCulloch as he captured the world's attention in 1967 when he purchased the London Bridge and relocated it from England to the stunning Colorado River. Since the city's incorporation in 1978, the community has continued to thrive on the spirit of possibility, innovation and fun. As the home of the London Bridge, Lake Havasu City attracts more than 800,000 visitors annually with 60 miles of uninterrupted navigable waterways, 400 annual events, 300 days of sunshine, 450 miles of river coastline, 1,100 acres of hiking and mountain biking trails, and 1,800 miles of off-road trails. Lake Havasu City is home to one of the top bass fishing lakes in the nation, the most visited state park in Arizona, the largest infinity pool in Arizona, and one of the top five largest sports complexes for skateboards, BMX and scooters in the U.S. This stretch of the river is also adorned with the most replica lighthouses of any other city in the nation with 28 functional lighthouses that have been built to 1/3 of the exact size of their original structures, and unofficial estimates have declared Lake Havasu City with more classic cars per capita than any other city in America. Outside of the honorable Albuquerque International Balloon Fiesta, Lake Havasu

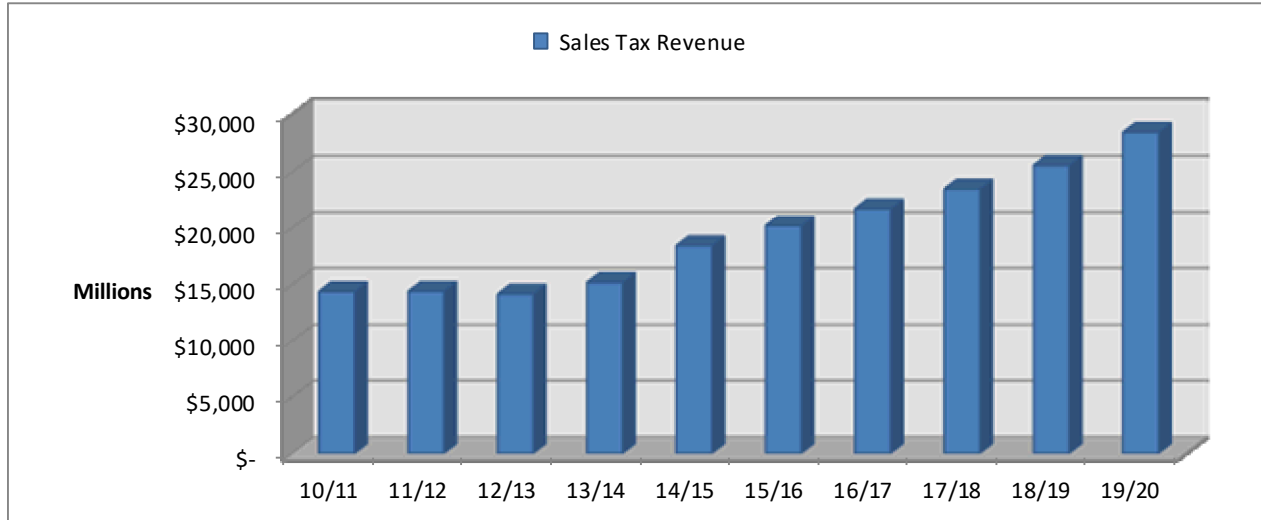
City hosts the largest hot air balloon festival in the nation with 75 pilots, the largest fireworks show in the Western U.S. showcasing 800 pyrotechnicians, one of the top three high-performance boating events in



the nation featuring speeds topping 180 miles per hour, one of the largest classic car shows in the Southwest Explore with more than 800 cars, and now the city is home to world competitions for both personal watercraft (PWC) on the lake and utility terrain vehicles (UTV) in the desert. Lake Havasu City visitors explore the desert by foot, mountain bike or off-road vehicle. They discover secret lake coves in kayaks or in high-performance luxury boats or lounge in the Bridgewater Channel or camp under gazing stars. In Lake Havasu City, white sandy beaches mingle with breathtaking red-rock mountains and breezy palm trees to give you an experience unlike any other. This is Arizona's Playground!

City Sales Tax Revenues

Local sales tax is the City's largest General Fund revenue source, and is second only to Utility Revenues citywide. Overall Transaction Privilege Tax (TPT) collections increased 12.2 percent from fiscal year 2019 to 2020. This is a continuing trend of recovery for the City, which has experienced steady growth in sales tax revenue since fiscal year 2010. The City's three-cent hotel/motel, or bed tax, increased 12.9 percent and the restaurant and bar one-cent tax decreased 3.7 percent from fiscal year 2019. The decrease in restaurant and bar was a direct result of state mandated Covid-19 closures. Restaurant and bar only showed decreases in February thru April. All other months exceeded prior year revenue.



Economic Development

Residential permits saw an overall increase of 5% over the prior year, with single-family housing permits up by 12% and multi-family housing permits increasing 129%. Residential valuations increased 7%, from \$98 million in fiscal year 2019 up to \$106 million in fiscal year 2020. Although we saw a decrease of 52% in new commercial permits, commercial additions and improvements were up 44%, and the overall increase for commercial permits was 17% over the prior year. Due to the decrease in new commercial permits, commercial valuations were also down by 32% over the prior year. Revenue generated from both residential and commercial building permits increased 15% from the prior year, from \$1.7 million in 2019 up to \$1.9 million in 2020

The building industry in Lake Havasu has not shown any signs of slowing down. The Foothills development continues with Phase II of Havasu Villas and Phases II and III of Arroyos. Havasu Riviera’s subdivisions are on track with Marina View and Wren Cove. Lake Havasu Unified School District has many renovation projects in progress, including the High School baseball and softball fields, the High School administration building, Thunderbolt Middle School, and the elementary schools. Tiny homes have been on the rise as well; there are 6 developments in various stages of construction with a total of 72 units.

Rezoning and planned development (PD) amendments have added to promoting economic growth in the community. Commercial buildings such as former K-Mart and Hastings will no longer sit vacant. Previous multi-family rezoning/PD’s were removed paving the way for redevelopment. A PD amendment to the Mall allowed for a new distribution center to open.



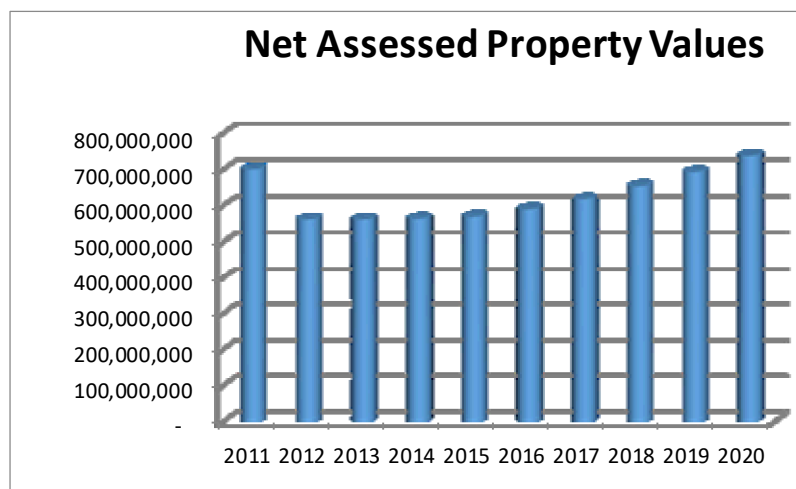
Havasu Riviera – Continuing Development

Property Values

Total net assessed property values in the City have not yet reached the level of values prior to the Recession, but have been increasing since 2012. Total primary property values are \$728 million in 2020, an increase of 6.7 percent and \$786 million in 2021, an increase of 8.0 percent. The City is statutorily allowed to set the primary property tax rate at a two percent annual growth in revenues plus new construction.

The 2021 budget sustains the City’s long tradition of financial strength and flexibility, balanced with reinvestment in the infrastructure and services that support economic development, and a high quality of life for residents.

As reported to council during the fiscal year 2021 budget process, financial projections for fiscal year 2021 show continued signs of positive revenue growth, specifically in transaction privilege tax and property tax revenues. Locally, the unemployment rate at June 30, 2020 was 11.9 percent, which represents a large increase from the June 2019 rate of 5.2 percent.





Long-term Financial Planning

The City seeks to consistently maintain a strong financial position as evidenced by its AA-/Aa3 rating from Standard & Poor's Rating Group and Moody's Investors Services, respectively, on its outstanding general obligation bonds, where debt service is supported by property taxes. Ratings for bonds supported by the City's enterprise revenues or excise taxes are A-/A2, respectively. This objective requires regular long-term planning of operating and capital requirements for its major general government and enterprise programs. In doing so, the City relies on key financial policies and procedures for dealing with future events in financially responsible ways.

A key financial goal of the City is to maintain healthy reserve levels. Other financial practices followed are designed to avoid the meeting of recurring expense needs with one-time revenue resources and to ensure an ongoing mix of pay-as-you-go funding and long-term debt for capital needs.

Major Initiatives and Accomplishments

The following highlights some of the accomplishments achieved by the City in fiscal year 2020:

- Continued implementation of the new Enterprise Resource Planning system, which included the systems for activities, projects, payroll and human resources.
- Accomplished several technology upgrades including the CO monitoring system, virtual servers, Geographic Information System software and a new cloud service backup system.
- Developed an online system for business licensing of special events vendors.
- Participated on the Mohave County Victim Compensation Board, reviewing and making determination on applications submitted.
- Received and processed over 6,000 Lake Havasu City Public Records Requests.
- Implemented a Team Culture Development Program through the Executive Team.
- Launched new City Website.
- Successfully negotiated renewal of health care benefits with Northwest Arizona Employee Benefit Trust (NAEBT).
- Code Enforcement received 677 new cases and closed 100% of those cases, while working on an average of 55 open, active cases.

- Partnered with the Lake Havasu Disk Golf Association to create a second disc golf course in the City.
- The Lake Havasu City Police Department obtained its initial accreditation award from the Arizona Association of Chiefs of Police (AACOP) for successfully complying with established standards of the Arizona Law Enforcement Accreditation Program (ALEAP).
- Annual AZTA/ADOT 2019 Excellence Awards, Havasu Mobility received the award for Outstanding Para-Transit & Special Needs Transportation Program of the Year for the state.

Major Capital Projects 2020 Expenditures:

- Taxiway Alpha Pavement Replacement
- Water Tank and Booster Replacements – Multi-year project to update for the enhancement of service reliability, system redundancy, and lowering of operations and maintenance.
- Infrastructure Improvements: HAWK light at Acoma and Pima intersection, Stabilization of Havasupai Wash 3, Exploratory Well Drilling and Backup Water Supply, and Island Treatment Plant (ITP) Flow Equalization Basin.
- Dick Samp Memorial Park Improvements - Pickleball Courts



Dick Samp Memorial Park, Pickleball Courts



For the Future

Lake Havasu City's adopted fiscal year 2021 budget supports core services and the priorities and policy direction of the City Council. The combined capital and operating budget for the fiscal year beginning July 1, 2020 totals \$152 million, excluding depreciation. The challenges in balancing the budget include unknown revenue impact due to COVID-19, available resources in some of the funds, and balancing on-going budget expense requests with on-going funding. The budget balances moderate projected revenue decreases, supplemented with potential grant funding due to COVID-19 (some expenses were put on hold pending grant funding and evaluation on revenues received through December 2020); with additional expenses in priority areas such as public safety retirement, compensation programs, and employee healthcare, including:

- 5.2 percent or \$311,000 increase in property tax revenue for new construction and holding the tax levy rate.
- 20 percent or \$5.1 million decrease in local sales tax revenue.
- 2.4 percent or \$615,500 to fully staff and continue the citywide merit step increase program.
- 6.7 percent or \$1.7 million to implement the Position Analysis.
- 5.5 percent or \$333,500 in public safety retirement.

The 2021 capital budget includes new and/or continuing projects totaling \$18.7 million, including:

- Continuation of the Water Main Replacement Program and Tank, Booster Station Improvements, and Exploratory Well Drilling for backup water supply \$6.4 million
- Wash Stabilization and Drainage Improvements – \$2.9 million
- Wastewater Island Treatment Plant Flow Equalization Basin – \$4.2 million
- Wastewater Mulberry Treatment Plant Tertiary Capacity Increase - \$1.0 million
- Airport Airfield and Runway Improvements - \$1.5 million
- Parks, Public Safety, and Streets Improvements - \$2.5 million

Fiscal year 2021 capital funding sources include traditional capital revenues, capital reserves, and grants.



Awards and Acknowledgments

The City has participated in and was awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program for fiscal year ended June 30, 2019. GFOA recognizes governmental units that issue their CAFR substantially in conformity with Generally Accepted Accounting Principles (GAAP) and legal requirements. The City has received this award for its CAFR since 1986.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another award.

This report has been prepared by the City's Administrative Services Department, particularly the Finance Division staff. The contributions of all are invaluable and clearly reflect the high standards set for City staff.

It is also appropriate to thank the Mayor, members of the City Council and the City Manager for making possible the excellent financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

Respectfully submitted,

Jill Olsen
Administrative Services Director

Trinna Ware
Finance Division Manager, MBA



Government Finance Officers Association

**Certificate of
Achievement for
Excellence in
Financial
Reporting**

Presented to

**Lake Havasu City
Arizona**

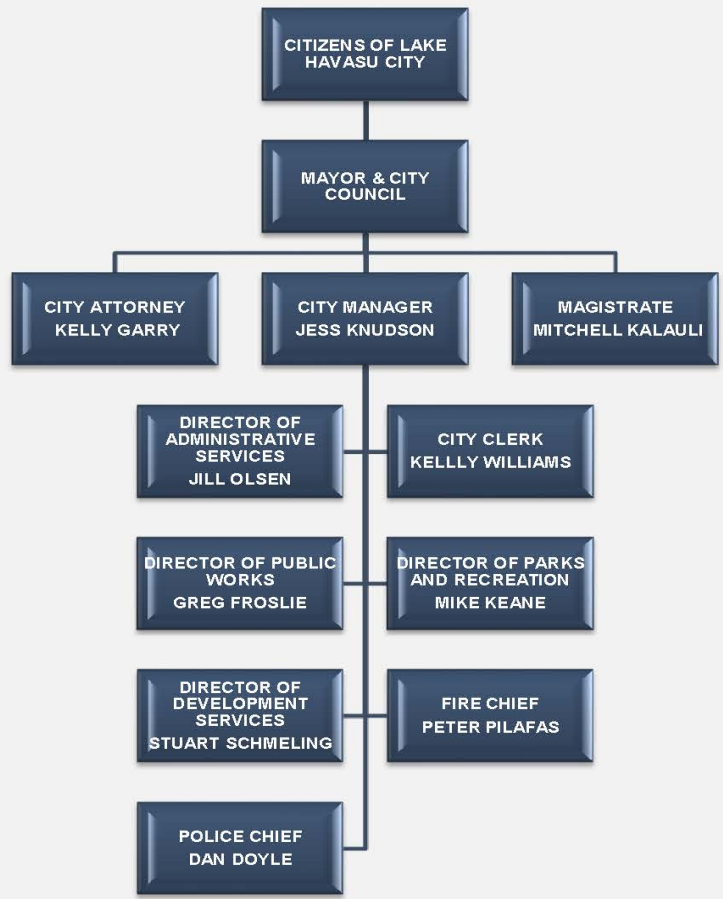
For its Comprehensive Annual Financial
Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

ORGANIZATIONAL CHART



City Council

Pictured from left to right:

- Jim Dolan, Councilmember
- Donna McCoy, Councilmember
- Jeni Coke, Councilmember
- Cal Sheehy, Mayor
- Gordon Groat, Councilmember
- Michele Lin, Councilmember
- David Lane, Vice Mayor



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FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and the City Council
Lake Havasu City, Arizona

Report on the Financial Statements

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 Lake Havasu City, Arizona (City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Highway User Revenue (HURF) Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Changes in the City's Net OPEB Liability and Related Ratios, the Schedule of the City's Proportionate Share of Net Pension Liability, Schedule of City Pension Contributions, and Schedule of Changes in the City's Net Pension Liability and Related Ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable Mayor and the City Council
Lake Havasu City, Arizona

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021, on our consideration of the Lake Havasu City, Arizona’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 solely 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 the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lake Havasu City, Arizona’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
March 23, 2021

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Management's Discussion and Analysis

This section of the Lake Havasu City, Arizona's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal years ended June 30, 2020 and 2019. The discussion and analysis is designed to be read in conjunction with the transmittal letter at the front of this report and the City's financial statements and other portions of the CAFR.

Financial Highlights

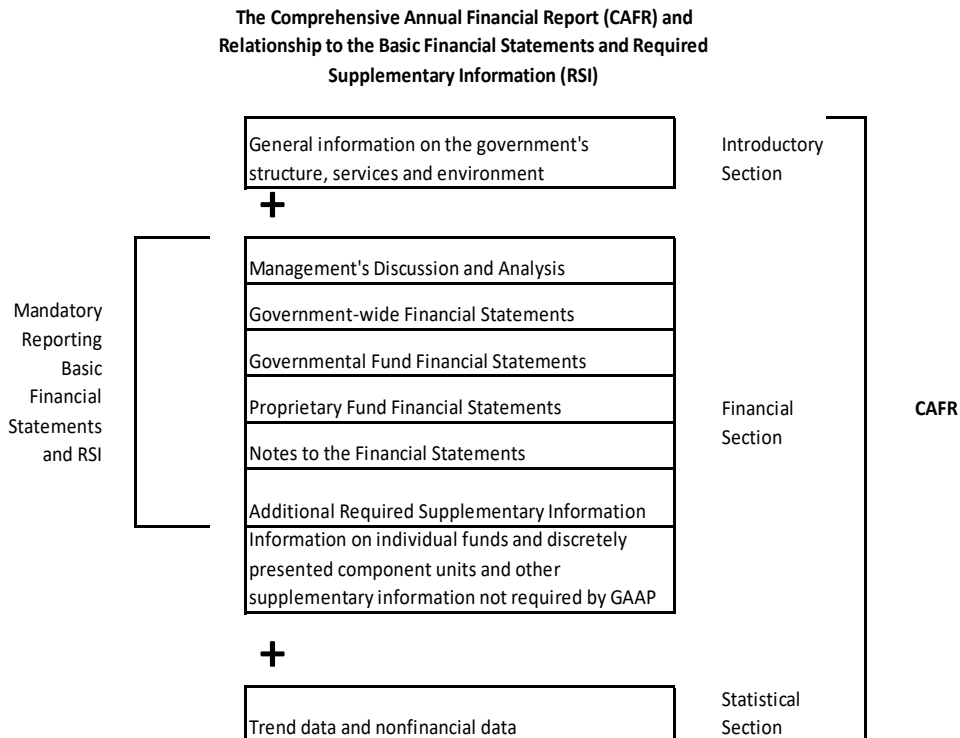
- The City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of the fiscal year 2020 by \$277 million (net position). Of this amount, \$30.2 million represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase in unrestricted net position of \$1.6 million from fiscal year 2019.
- As of June 30, 2020, the City's governmental funds had a combined ending fund balance of \$51.2 million, an increase of \$7.3 million (16.5 percent) in comparison with the prior fiscal year. The increase in fund balance was primarily due to an increase in revenue for sales tax of \$2.9 million and development paybacks of \$1.4 million. As well as a reduction in expenses for street projects of \$3.2 million and capital outlay \$5.5 million.
- At the close of the fiscal year, the General Fund had an ending fund balance of \$40.4 million, which represents a \$1.3 million increase from the prior fiscal year. Of that amount, unassigned fund balance for the General Fund was \$37.2 million or 66.3 percent of the total General Fund expenditures of \$56.2 million.
- The City's total liabilities decreased by \$7.3 million to \$357.5 million during the fiscal year. This decrease is the net of a decrease of \$3.9 million in the Governmental Activities and a decrease of \$3.5 million in the Business-Type Activities. The decrease is due primarily to the repayment of the excise tax revenue bonds decreasing liabilities by \$6.3 million. The decrease in Business-Type Activities liabilities is primarily from the repayment of long-term debt in the amount of \$5.7 million.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

This report also contains 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 the City's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Both of the government-wide financial statements distinguish functions of the City 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 the City include general government, public safety, highways and streets, culture and recreation, tourism and promotion, and transportation services. The business-type activities of the City include water (Irrigation and Drainage District (IDD)), wastewater and trash (Refuse) utilities, and the airport. These activities are primarily supported through user charges and fees.

The government-wide financial statements include not only the City itself but other separate legal entities in its report. The Improvement Districts, the IDD Fund (water) and the Metropolitan Planning Organization (MPO) represent legally separate, "component units". These are important to note because the City is financially accountable for these component units. A description of these units is available in Note 1 A. on page 52. Separate financial statements are not prepared for these component units.

The government-wide financial statements can be found immediately following the Management's Discussion and Analysis in 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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 financing 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds organized according to their purpose (special revenue, debt service, and capital projects) presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and Highway User Revenue Fund (HURF) which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in a separate section in this report.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

The City adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and HURF Fund as part of the basic financial statements to demonstrate compliance with this budget. Budgetary comparisons for all other governmental funds are provided in the combining and individual fund statements and schedules.

The basic governmental fund financial statements immediately follow the government-wide financial statements in this report.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges its customers - either outside customers, internal units or departments of the City. The City maintains one type of proprietary fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water (IDD), wastewater, trash (Refuse), and airport operations. Three of the City's enterprise funds, the IDD, Wastewater and Refuse are considered major funds of the City. Individual fund data on the Airport is provided in the nonmajor business-type activities column of the Proprietary Fund financial statements.

The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements in this report.

Notes to the Financial Statements. The notes to the financial statements 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 basic financial statements immediately follow the proprietary fund financial statements in this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and other postemployment benefits for eligible city employees hired before July 1, 2004. The required and supplementary information immediately follows the notes to the basic financial statements in this report.

Combining Statements. The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental and enterprise funds are presented immediately following the required supplementary information in this report.

Statistical Information. The statistical section, found immediately following the combining and individual fund statements and schedules in this report, presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information indicates about the City's overall financial health.

Government-wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the Statement of Net Position and the Statement of Activities serve to provide information on how the City, as a whole, did financially throughout the year. These statements use the accrual basis of accounting similar to the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$277 million at the close of fiscal year 2020 and \$268 million at the close of fiscal year 2019.

The following table is a condensed summary of the City's net position for governmental and business-type activities:

**Condensed Statement of Net Position
June 30, 2020 and 2019
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2020	2019	2020	2019	2020	2019	
Current and Other Assets	\$ 57,365	\$ 49,497	\$ 98,947	\$ 92,481	\$ 156,312	\$ 141,978	10.1 %
Capital Assets							
Non-depreciable	31,677	33,338	16,262	12,139	47,938	45,477	5.4
Depreciable	74,549	77,156	347,311	358,218	421,860	435,374	(3.1)
Total Assets	163,591	159,991	462,520	462,838	626,111	622,830	
Deferred Outflows of Resources	15,501	17,367	741	982	16,241	18,349	(11.5)
Other Liabilities	5,757	5,199	9,660	7,455	15,417	12,654	21.8
Non-current Liabilities							
Due Within One Year	3,261	9,963	5,765	5,615	9,026	15,578	(42.1)
Due in More Than One Year	99,061	96,772	234,017	239,859	333,079	336,631	(1.1)
Total Liabilities	108,079	111,935	249,442	252,930	357,521	364,865	
Deferred Inflows of Resources	5,533	6,327	2,158	2,392	7,691	8,720	(11.8)
Net Positions:							
Net Investment in Capital Assets	104,000	99,784	134,989	134,619	238,989	234,403	2.0
Restricted	7,962	4,587	10	13	7,972	4,601	73.3
Unrestricted	(46,482)	(45,276)	76,661	73,866	30,179	28,590	5.6
Total Net Positions	\$ 65,480	\$ 59,096	\$ 211,660	\$ 208,498	\$ 277,140	\$ 267,594	

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

The largest portion of the City's net position in fiscal year 2020 and fiscal year 2019, \$239.0 million (86.2 percent) and \$234.4 million (87.6 percent), respectively, reflects its investment in capital assets, (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

An additional portion of the City's net position, in the amount of \$8.0 million (2.9 percent) in fiscal year 2020, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$30.2 million (10.9 percent) may be used to meet the government's ongoing obligations to citizens and creditors. In fiscal year 2019, \$4.6 million (1.7 percent) of the City's net position was subject to external restrictions and \$28.6 million (10.1 percent) was available to be used to meet the government's ongoing obligations to citizens and creditors.

Analysis of Changes in Net Position

Total revenues exceeded total expenses in the current year, resulting in an increase in the City's total net position of \$9.5 million in fiscal year 2020 compared to an increase in net position of \$10.7 million during fiscal year 2019. These changes are explained in the government and business-type activities discussion.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

**Statement of Activities
Fiscal Years Ended June 30, 2020 and 2019
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2020	2019	2020	2019	2020	2019	
REVENUES							
Program Revenues:							
Charges for Services	\$ 5,027	\$ 5,581	\$ 41,256	\$ 41,199	\$ 46,284	\$ 46,780	(1.1)%
Operating Grants and Contributions	7,392	7,539	89	-	7,481	7,539	(0.8)
Capital Grants and Contributions	1,637	-	3,589	3,133	5,226	3,133	66.8
General Revenues:							
Property Taxes	5,034	4,739	5,694	5,694	10,729	10,433	2.8
Business Taxes	28,509	25,600	23	21	28,532	25,621	11.4
Other Taxes and State Shared Revenues	18,359	17,603	-	35	18,359	17,638	4.1
Investment Earnings	1,273	1,214	2,507	2,737	3,781	3,951	(4.3)
Gain (Loss) on Disposal of Capital Assets	-	337	-	-	-	337	(100.0)
Other	631	-	145	236	776	236	100.0
Total Revenues	67,864	62,615	53,303	53,054	121,167	115,669	
EXPENSES							
General Government	16,403	16,232	-	-	16,403	16,232	1.1
Public Safety	32,193	31,100	-	-	32,193	31,100	3.5
Highways and Streets	5,656	5,507	-	-	5,656	5,507	2.7
Culture and Recreation	5,735	3,120	-	-	5,735	3,120	83.8
Tourism and Promotion	2,405	2,438	-	-	2,405	2,438	(1.3)
Transportation	643	645	-	-	643	645	(0.3)
Interest on Long-term Debt	12	156	-	-	12	156	(92.5)
Refuse	-	-	6,722	6,397	6,722	6,397	5.1
Irrigation and Drainage	-	-	13,442	11,471	13,442	11,471	17.2
Wastewater	-	-	26,484	26,017	26,484	26,017	1.8
Airport	-	-	1,927	1,875	1,927	1,875	2.8
Total Expenses	63,046	59,197	48,575	45,760	111,621	104,958	
CHANGE IN NET POSITIONS BEFORE TRANSFERS							
	4,818	3,418	4,728	7,294	9,546	10,712	(10.9)
Transfers	1,566	8,551	(1,566)	(8,551)	-	-	
CHANGE IN NET POSITIONS	6,384	11,969	3,162	(1,257)	9,546	10,712	
NET POSITIONS - BEGINNING	59,096	47,127	208,498	209,755	267,594	256,882	
NET POSITIONS - END OF YEAR	\$ 65,480	\$ 59,096	\$ 211,660	\$ 208,498	\$ 277,140	\$ 267,594	

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Governmental Activities. When compared to beginning balance, Governmental activities increased the City's net position by \$6.4 million (10.8 percent) in fiscal year 2020 and increased the City's net position by \$12.0 million in fiscal year 2019.

Total revenue for Governmental activities increased \$5.2 million (8.4 percent) over the previous fiscal year. Program revenues represent fees and charges on those who directly benefit from these fee-based programs, such as permit and inspection fees, and charges for recreation and aquatic classes and programs. General revenues are used to fund cost of services not covered by program revenues. General revenues consist mostly of tax revenues such as sales taxes (also referred to as transaction privilege taxes), property taxes, and state shared taxes.

The significant changes in revenues are:

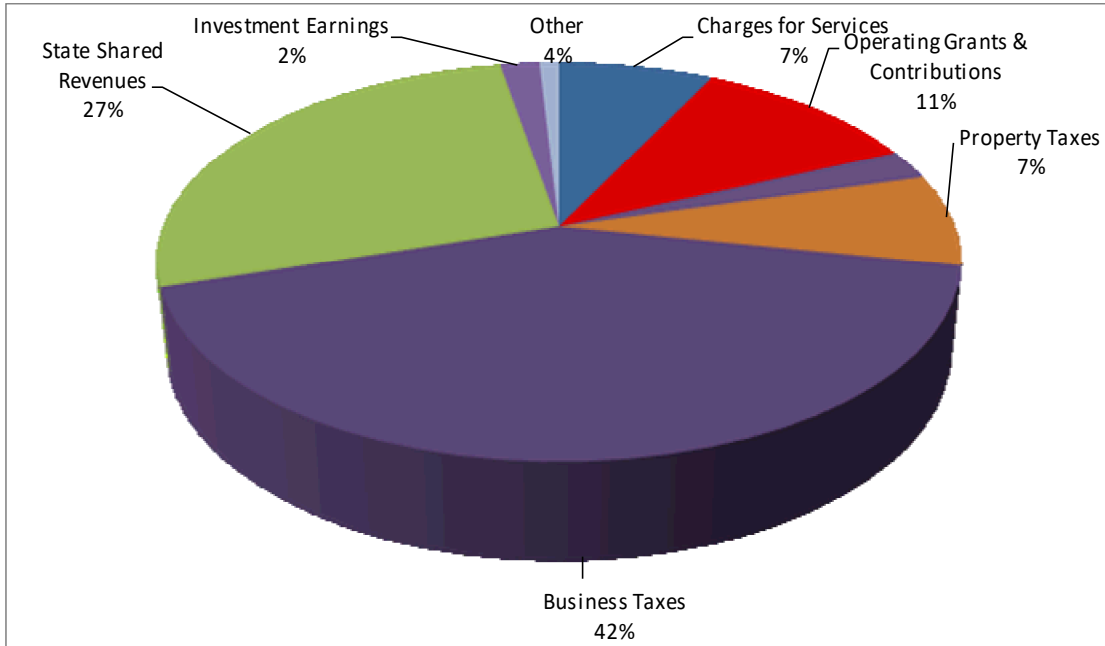
The City experienced improved total revenues from governmental activities over the prior year due primarily:

- Business tax revenue, which is the single largest source of general government revenue, includes sales and use taxes. Business tax revenue increased \$2.9 million (11.4 percent) over the previous fiscal year. Retail sales tax increased by 18.0 percent, hotel and other lodging increased 17.6 percent and construction increased 2.4 percent. Increases in retail and hotel and other lodging is largely due to collection of online market place taxes. Construction is attributed to an improving local economy.
- Other taxes and state shared revenues increased by \$720,476 (4.1 percent) from the previous fiscal year. The state shared revenues in this category were up \$742,183 (4.7 percent). Franchise taxes are included in this category and decreased by \$21,707 (1.1 percent).
- Operating grants and contributions revenues decreased \$146,947 (1.9 percent). HURF revenues in this category increased \$149,804 (2.8 percent). Housing grants increased \$135,899 (40.4 percent) and the City Court deconsolidated with the County court in September 2019 decreasing the intergovernmental agreement by \$446,408 (82.8 percent), respectively.
- Charges for services including fees and fines decreased by \$544,079 (9.9 percent) from the previous fiscal year. The majority of the decrease is in culture and recreation due to Covid pandemic related cancelled events. We had a capital contribution in development fees of \$1,425,000 for payback on street improvements.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

The source of funds for overall governmental activities, without regard to programs, is presented below:

**Governmental Activities Revenues
Fiscal Year 2019-20**



Total cost of programs and services for governmental activities increased by \$3.8 million (6.5 percent) over the previous fiscal year to \$63.0 million. Notable changes in the costs of programs and services are:

- Public Safety, which is comprised of the Police and Fire Departments, is the largest governmental cost (51.1 percent). Public Safety operating costs increased by (3.5 percent) in 2020. General Government is the second largest governmental cost (26.0 percent). General Government includes Maintenance Services, Municipal Court, Public Works, Community Development (Building and Planning Groups), and the City Administrative Departments. General Government increased \$171,000 (1.1 percent) over the previous year.
- Highways and Streets costs increased \$149,118 (2.7 percent) over the previous fiscal year.
- Tourism and Promotion is 3.9 percent of governmental cost. Tourism and Promotion decreased \$32,861 (1.4 percent). This decreased cost is supported and is directly tied to the additional 1% restaurant and bar and 3% accommodation sales tax. The taxes are paid to the Lake Havasu Partnership for Economic Development (PED) and the Lake Havasu Convention and Visitors Bureau (CVB) to support economic growth and tourism. The PED contract was renegotiated at the beginning of fiscal year 2021 to \$600,000 annually.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Business-Type Activities. Business-type activities increased the City's net position in fiscal year 2020 by \$3.2 million (1.5 percent) bringing the total net position to \$211.7 million and decreased the City's net position in fiscal year 2019 by \$1.3 million.

Total revenue for Business-type activities increased by \$249,079 (.5 percent). The increase is from program revenues which increased by \$601,112 this fiscal year.

- Water fees, fines, and charges for services in the Irrigation and Drainage fund increased by \$321,644 (2.5 percent) over the previous fiscal year, which was driven by higher water consumption. There were no changes to rates.
- Wastewater fees, fines, and charges for services decreased by \$35,564 (.2 percent). As a general trend, water conservation measures have limited revenue growth in wastewater charges for service. The City uses a winter quarter averaging to calculate sewer charges. Three of the four lowest winter months' sewer consumption is used to establish customer's bills for the year. During fiscal year, 2019 water consumption was down establishing a lower winter quarter average for fiscal year 2020. Residents and businesses have become more aware of the impact of water use during those months on the sewer bill for the rest of the year.
- Refuse charges for services increased by \$104,067 (1.5 percent). A new contract was established mid-fiscal year 2018. This has decreased revenues from the sanitation service provider, for both collection and landfill revenue.

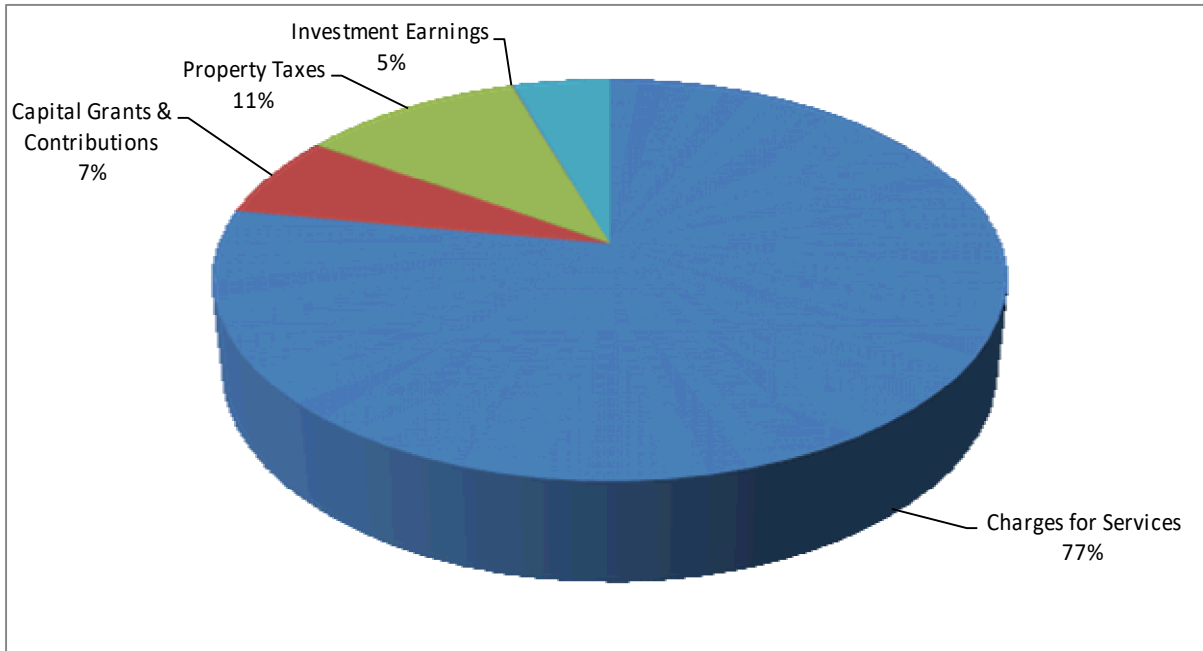
Total costs of programs and services for Business-type activities increased by \$2.8 million (6.2 percent) over the previous fiscal year. Significant changes in costs of programs and services include:

- Expenses in the Irrigation Drainage Fund increased \$1.3 million (11.4 percent) this fiscal year. The increase was driven by capital infrastructure projects, which includes water main replacements and tank and booster improvements.
- Expenses in the Wastewater Fund increased by \$1.1 million (4.4 percent) this fiscal year. This increase is the result of increased expenses in repairs of machinery and equipment, capital outlay, and an increase in transfers to fixed assets.
- Expenses increased in the Refuse Fund by \$325,277 (5.1 percent) over the prior fiscal year. The collection of residential trash is contracted to a third party based on the number of trash accounts billed by the City. The increase in expense is primarily due to a full year on a 2018 contract that increased the amount the City pays to the contractor for the collection of trash.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

As shown in the "Business-type Activities Revenues by Source" chart, charges for services provided the largest share of revenues (77 percent) followed by property taxes (11 percent).

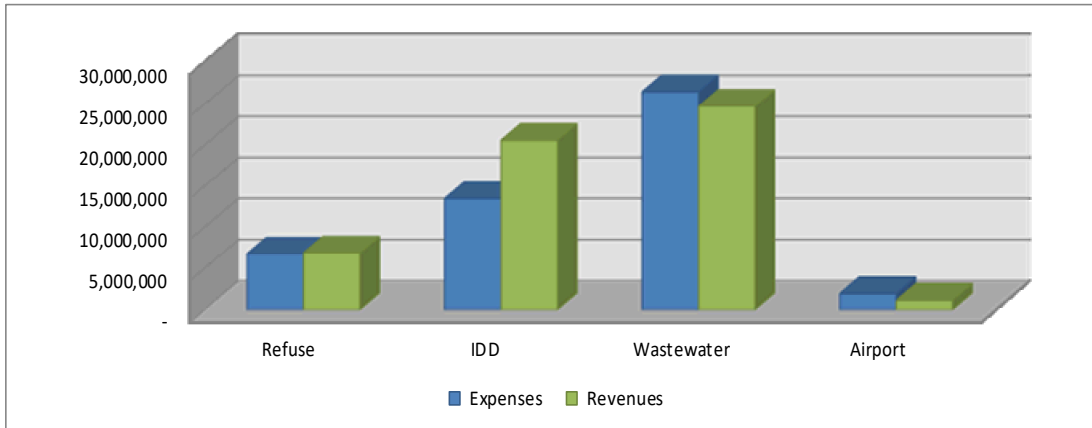
**Business-type Activities Revenues by Source
Fiscal Year 2019-20**



**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

As shown in the “Business-type Activities Program Revenues and Expenses” chart below, the largest of Lake Havasu City’s business-type activities, Wastewater, had program expenses of \$26.5 million in fiscal year 2020, followed by Irrigation and Drainage (IDD) with \$13.4 million.

**Business-type Activities Program Revenues and Expenses
Fiscal Year 2019-20**



The City’s Wastewater Division is responsible for the collection and treatment of all the sewage generated in the City which is connected to the sewer system. More than 50 lift stations are positioned in the City to pump the sewage to the three (3) separate treatment plants.

The City’s Water Division, which resides in the Irrigation and Drainage Fund (IDD), provides potable water to the City’s residents; operates and maintains the water treatment plant and all existing wells pump stations, storage reservoirs, transmissions, and distribution lines; and provides and installs service connection and meter to every residence and business in the City.

Financial Analysis of Lake Havasu City’s Funds

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

Governmental Funds. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements and may serve as a useful measure of a government’s net financial resources available for spending at the end of the fiscal year to finance the City’s programs. The types of governmental funds reported by the City include the General Fund, Special Revenue Funds, and Capital Project Funds.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

As of the end of fiscal year 2020, the City's governmental funds reported combined ending fund balances of \$51.2 million, an increase of \$7.3 million (16.5 percent) in comparison with fiscal year 2019 fund balance of \$44.0 million. The majority of the fund balance of \$37.2 million (72.7 percent) is unassigned fund balance and is available for use at the government's discretion. Approximately \$7.6 million (14.8 percent) is restricted in its use by externally enforceable limitations. Approximately \$5.4 million (10.6 percent) is assigned for use by management for specifically identified uses. There is \$591,337 (1.2 percent) committed by Council action. The remaining of \$389,679 (.8 percent) is nonspendable which is the portion of net resources that cannot be spent because of their form (inventory, prepaid expenses).

The General Fund is the chief operating fund of the City. At the end of fiscal year 2020, the total fund balance of the General Fund reached \$40.4 million, which is a 3.3 percent increase from the prior year. The nonspendable portion of the fund balance is \$389,679 (1.0 percent), reflecting inventory and prepaid expenses. The restricted portion of the fund balance is \$211,712 (0.5 percent). There is \$452,533 (1.2 percent) committed of the fund balance. The portion assigned is \$2.1 million (5.3 percent), and the unassigned fund balance is \$37.2 million (92.1 percent), which is available for use at the City's discretion. At the end of fiscal year 2019, total fund balance reached \$39.1 million. Of that fund balance, \$374,462 (1.0 percent) was nonspendable, \$200,369 (0.5 percent) was restricted, committed was \$0, \$4.0 million (10.3 percent) was assigned, and \$34.5 million (88.2 percent) was unassigned.

The fund balance of the City's General Fund increased \$1.3 million (3.3 percent) during fiscal year 2020. Key factors for this increase are:

- Overall, total revenues in fiscal year 2020 reflected an increase of \$3.3 million (5.9 percent). Revenues increased mainly due to an increase in transaction privilege tax or sales tax revenue. Transaction privilege tax (sales tax) revenue in the General Fund increased by \$2.9 million (11.4 percent) in fiscal year 2020 compared to fiscal year 2019. The increase in sales tax revenue is a result of growth in the economy as well as changes in State law for on-line market place that includes retail merchants and vacation rentals.
- Investment earnings increased \$113,353 (11.4 percent), intergovernmental revenue increased \$329,837 (2.0 percent) and property tax increased \$296,441 (6.4 percent) in fiscal year 2020 compared to fiscal year 2019.
- Charges for services decreased \$321,946 (25.5 percent) mainly due to culture and recreation with programs and events cancelled due to the Covid related pandemic.
- All other major revenues only showed slight changes. Fines and forfeitures, franchise tax, and contributions and donations decreased while license and permits, and rents and royalties increased.
- General Fund expenditures reflected a decrease of \$632,754 (1.1 percent) in fiscal year 2020. General Government decreased 1.4 million (9.4 percent); Public Safety decreased \$168,232 (.6 percent), and Culture and Recreation increased by \$2.4 million (78.4 percent). The reduction in general government and increase in culture and recreation was due to a change in reporting park maintenance from public works to culture and recreation.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

The HURF Fund, which accounts for the City's highway and street activities, had a net increase in fund balance of \$3.2 million (93.6 percent) in fiscal year 2020. Total revenues increased \$1.5 million (27.0 percent) primarily due to a street payback of \$1.4 million received from lot sales in a new subdivision. Total cost of programs and services decreased by \$3.2 million (45.5 percent). The majority of street projects are completed during the Spring and were postponed due to the Covid pandemic.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal years 2020 and 2019, the unrestricted net position for the Irrigation Drainage District Fund was \$44.1 million and \$41.1 million, respectively; the Wastewater Fund was \$31.7 million and \$31.0 million, respectively; the Refuse Fund was \$945,666 and \$820,755 million, respectively; the Total Nonmajor was (\$69,413) and (\$158,673), respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. General Fund revenues for fiscal year 2020 were \$2.3 million more than projected. The most significant differences between final estimated revenues and actual revenues were as follows (in thousands):

Revenue Source	Actual Revenues	Estimated Revenues	Difference
Taxes	\$ 35,369	\$ 33,045	\$ 2,324
Investments	1,107	193	914
Intergovernmental Revenues	16,552	17,239	(687)

The increase in taxes was a result of transaction privilege taxes exceeding projection due to the positive local economy and changes in on-line market place laws. The increased revenue in investments was a result of an increase in interest rates. The decreased intergovernmental revenues was a change in funds for the court due to deconsolidation.

Cost of programs and services were \$4.2 million less than revised fiscal year 2020 budget largely due to the following:

- Recreation programs were cancelled due to the Covid pandemic reducing program costs.
- IT expenses in Administrative Services were less than projected due to delay implementation start of utility billing system; and IT maintenance agreements were less than anticipated.
- Public Safety expenses were less than projected due to adjustments in accounting for pension costs of \$2.3 million.
- Magistrate Court deconsolidation reduced costs paid to the County.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020 and 2019, totaled to \$469.8 million and \$480.9 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, other improvements, water rights, machinery and equipment, park facilities, roads, and highways. The change in the City's capital assets (net of accumulated depreciation) between fiscal years 2020 and 2019 was a decrease of 2.3 percent.

**Capital Assets, Net of Depreciation
June 30, 2020 and 2019
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2020	2019	2020	2019	2020	2019	
Land	\$ 28,771	\$ 28,803	\$ 3,298	\$ 3,298	\$ 32,069	\$ 32,101	(0.1)%
Improvements to Land	13,030	13,396	-	-	13,030	13,396	(2.7)
Buildings, Structures and Improvements	17,934	17,496	16,492	17,236	34,428	34,732	(0.9)
Furniture, Machinery and Equipment	6,941	7,471	4,638	4,580	11,580	12,051	(3.9)
Construction in progress	2,905	4,535	5,379	1,346	8,283	5,881	40.8
Infrastructure	36,644	38,793	324,405	334,568	361,048	373,361	(3.3)
Water Allocation Rights	-	-	9,360	9,330	9,360	9,330	0.3
Total Capital Assets	\$ 106,226	\$ 110,494	\$ 363,572	\$ 370,358	\$ 469,798	\$ 480,852	

Major capital asset events completed during the current fiscal year included the following:

- Taxiway Alpha Pavement
- Tank and Booster Replacements – Multi-year project to update for the enhancement of service reliability, system redundancy, and lowering of operations and maintenance.
- Infrastructure Improvements: HAWK light at Acoma and Pima, Stabilization of Havasupai Wash 3, Exploratory Well Drilling and Backup Water Supply, and Island Treatment Plant (ITP) Flow Equalization Basin.
- Dick Samp Memorial Park Improvements - Pickleball Courts

Additional information on the City's capital assets can be found in Note 3 A.3.

Long-term Debt. At the end of fiscal year 2020, the City had total bonded debt outstanding of \$227.46 million, a decrease of \$12.2 million (5.1 percent). At the end of fiscal year 2019, the bonded debt totaled \$239.6 million. Of the fiscal year 2020 total bonded debt, \$61.3 million is general obligation bonds backed by the full faith and credit of the government, \$98.3 million is revenue bonds pledging wastewater revenues for repayment, and \$55.9 million is in the form of loans from WIFA for loans associated with the water and wastewater systems.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

State statutes impose debt limitations on the City of 6 percent and 20 percent of the outstanding limited property assessed valuation of the City. The City's available debt margin at June 30, 2020, is \$44.3 million in the 6 percent capacity and \$37.7 million in the 20 percent capacity. In fiscal year 2019, the 6 percent capacity limit was \$41.7 million and \$24.3 million in the 20 percent capacity limit. Additional information on the debt limitations and capacities may be found in the statistical section of this report.

In accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the City's proportionate share of its unfunded pension liabilities for pension plans in which it participates is also included in its outstanding long-term liabilities. The City's net pension liabilities at the end of fiscal years 2020 and 2019 were \$92.4 million and \$88.6 million, respectively. Additional information on the City's pensions can be found on pages 76 - 88.

In 2020, in accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, the City must also include other postemployment benefits in which it provides in its outstanding long-term liabilities. The City's other postemployment benefits at the end of fiscal year 2020 and 2019 were \$13.1 million and \$14.6 million, respectively. Additional information on the City's OPEB can be found on pages 89 -92.

Additional information on the City's capital leases and long-term bonds and loans can be found in Note 3.C and D. to the financial statements.

**Outstanding Obligations
June 30, 2020 and 2019
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2020	2019	2020	2019	2020	2019	
General Obligation Bonds	\$ -	\$ -	\$ 61,380	\$ 63,565	\$ 61,380	\$ 63,565	(3.4)
Revenue Bonds	-	6,331	98,300	98,300	98,300	104,631	(6.1)
Bond Premium	-	-	11,848	12,450	11,848	12,450	(4.8)
WIFA Loans Payable	-	-	55,935	58,990	55,935	58,990	(5.2)
Capital Leases	2,099	2,799	-	-	2,099	2,800	(25.0)
Compensated Absences	3,034	2,823	387	345	3,420	3,168	8.0
Landfill Closure and Postclosure Costs	-	-	3,626	3,479	3,626	3,479	4.2
Other Postemployment Benefits	9,821	11,132	3,168	3,356	12,989	14,488	(10.3)
Total Long-term Liabilities	\$ 14,953	\$ 23,085	\$ 234,643	\$ 240,484	\$ 249,597	\$ 263,569	

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Economic Factors and Next Year's Budgets and Rates

As noted in the above discussion and analysis, the financial results for the year ended June 30, 2020 continue to reflect positive trends in the local economy. The 2021 fiscal year projections include a major shift in revenue projection due to the Covid pandemic. Management budgeted very conservatively for both revenue and expenses due to the uncertainty of the effects of the pandemic on the local economy. Ongoing diligent management of City expenses should result in the City again meeting our fund balance goals. Through these budget plans, City management and staff remain committed to providing Lake Havasu City citizens a high quality of service at a reasonable cost.

Highlights of the City's budget for the 2021 fiscal year include the following:

The 2021 combined budgets for operating and capital programs totals \$166.3 million, representing a \$17.7 million or 11.9 percent increase over the 2020 combined budget.

The primary revenue source, local tax, is budgeted at \$34.1 million, a decrease of \$4.8 million, or 12.3 percent over the 2020 budget.

Utility rates remain unchanged; the budget for utilities revenues was decreased by 6.7 percent from \$41.8 million to \$39.1 million for the 2021 budget year.

The 2021 capital budget includes new and/or continuing projects totaling \$22.6 million, including projects for roads, parks, utilities and general public facilities.

Overall budgeted revenues were decreased due to uncertainty from the Covid pandemic.

Requests for Information

This financial report is designed to provide a general overview of the City'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 directed to:

Administrative Services Department
Lake Havasu City
2330 McCulloch Blvd. N.
Lake Havasu City, AZ 86403
Telephone (928) 855-2116
Fax (928) 855-0551
Website: www.lhcaz.gov

BASIC FINANCIAL STATEMENTS



LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 48,434,544	\$ 77,550,609	\$ 125,985,153
Restricted Cash	522,759	15,967,164	16,489,923
Receivables, Net			
Accounts Receivable	480,964	3,918,458	4,399,422
Property Taxes Receivable	82,231	137,461	219,692
Intergovernmental Receivable	5,705,873	394,473	6,100,346
Accrued Interest Receivable	71,029	140,985	212,014
Deposits Held by Others	1,278,322	-	1,278,322
Inventories	134,958	-	134,958
Prepaid Items	254,721	21,850	276,571
Other Assets	-	806,476	806,476
Net Pension OPEB Asset	399,592	9,984	409,576
Capital Assets:			
Non-Depreciable	31,676,639	16,261,620	47,938,259
Depreciable	74,549,116	347,310,697	421,859,813
Total Assets	<u>163,590,748</u>	<u>462,519,777</u>	<u>626,110,525</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension Liability	14,752,110	539,539	15,291,649
Deferred Outflows of Resources - Pension OPEB Liability	208,570	43,877	252,447
Deferred Outflows of Resources - OPEB Liability	539,931	157,096	697,027
Total Deferred Outflows of Resources	<u>15,500,611</u>	<u>740,512</u>	<u>16,241,123</u>
LIABILITIES			
Accounts Payable	1,975,518	3,578,205	5,553,723
Accrued Salaries and Fringes	2,048,935	250,983	2,299,918
Accrued Interest Payable	17,561	4,462,063	4,479,624
Intergovernmental Payable	218,290	243,712	462,002
Developer Agreements	1,130,617	-	1,130,617
Retainage Payable	-	224,957	224,957
Unearned Revenue	63,049	335,443	398,492
Performance Bonds Payable	302,867	-	302,867
Liabilities Payable from Restricted Assets	-	564,529	564,529
Noncurrent Liabilities			
Due Within One Year	3,260,554	5,765,029	9,025,583
Due in More Than One Year	99,061,396	234,017,449	333,078,845
Total Liabilities	<u>108,078,787</u>	<u>249,442,370</u>	<u>357,521,157</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Pension Liability	3,923,016	520,197	4,443,213
Deferred Inflows of Resources - Pension OPEB Liability	300,212	26,580	326,792
Deferred Inflows of Resources - OPEB Liability	1,309,555	182,386	1,491,941
Deferred Inflows of Resources - Bond Refinancing	-	1,428,871	1,428,871
Total Deferred Inflows of Resources	<u>5,532,783</u>	<u>2,158,034</u>	<u>7,690,817</u>
NET POSITIONS			
Net Investment in Capital Assets	103,999,904	134,988,785	238,988,689
Restricted for:			
Public Safety	367,030	-	367,030
Highways and Streets	6,702,876	-	6,702,876
OPEB Benefits	399,592	9,984	409,576
Other Purposes	492,491	-	492,491
Unrestricted	(46,482,104)	76,661,116	30,179,012
Total Net Positions	<u>\$ 65,479,789</u>	<u>\$ 211,659,885</u>	<u>\$ 277,139,674</u>

See accompanying Notes to Financial Statements.

**LAKE HAVASU CITY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 16,402,595	\$ 2,728,789	\$ 700,621	\$ 112,186
Public Safety	32,192,767	1,632,331	665,324	-
Highways and Streets	5,656,106	-	5,578,845	1,425,000
Culture and Recreation	5,734,866	652,479	1,520	100,000
Tourism and Promotion	2,405,167	-	-	-
Transportation Services	642,960	13,734	446,056	-
Interest on Long-term Debt	11,765	-	-	-
Total Governmental Activities	<u>63,046,226</u>	<u>5,027,333</u>	<u>7,392,366</u>	<u>1,637,186</u>
Business-Type Activities:				
Refuse	6,722,388	6,726,489	-	-
Irrigation and Drainage	13,441,560	11,020,390	88,712	2,340,481
Wastewater	26,483,548	22,978,761	-	701,460
Airport	1,927,072	530,108	-	546,830
Total Business-Type Activities	<u>48,574,568</u>	<u>41,255,748</u>	<u>88,712</u>	<u>3,588,771</u>
Total Primary Government	<u>\$ 111,620,794</u>	<u>\$ 46,283,081</u>	<u>\$ 7,481,078</u>	<u>\$ 5,225,957</u>

General Revenues:
Taxes
Sales Taxes
Property Taxes
Franchise Taxes
Unrestricted State Revenue Sharing
Unrestricted State Sales Tax Revenue Sharing
Unrestricted Auto Lieu Tax Revenue Sharing
Investment Earnings
Other
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Positions - Beginning
Net Positions - Ending

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (12,860,999)	\$ -	\$ (12,860,999)
(29,895,112)	-	(29,895,112)
1,347,739	-	1,347,739
(4,980,867)	-	(4,980,867)
(2,405,167)	-	(2,405,167)
(183,170)	-	(183,170)
(11,765)	-	(11,765)
<u>(48,989,341)</u>	<u>-</u>	<u>(48,989,341)</u>
-	4,101	4,101
-	8,023	8,023
-	(2,803,327)	(2,803,327)
-	(850,134)	(850,134)
<u>-</u>	<u>(3,641,337)</u>	<u>(3,641,337)</u>
<u>(48,989,341)</u>	<u>(3,641,337)</u>	<u>(52,630,678)</u>
28,509,382	22,675	28,532,057
5,034,301	5,694,267	10,728,568
1,899,083	-	1,899,083
7,123,935	-	7,123,935
5,696,977	-	5,696,977
3,638,920	-	3,638,920
1,273,380	2,507,455	3,780,835
631,097	145,076	776,173
1,566,452	(1,566,452)	-
<u>55,373,527</u>	<u>6,803,021</u>	<u>62,176,548</u>
6,384,186	3,161,684	9,545,870
59,095,603	208,498,201	267,593,804
<u>\$ 65,479,789</u>	<u>\$ 211,659,885</u>	<u>\$ 277,139,674</u>

**LAKE HAVASU CITY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

Assets	<u>General</u>	<u>HURF</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Cash and Investments	\$ 38,003,854	\$ 6,523,568	\$ 3,907,122	\$ 48,434,544
Restricted Cash	367,971	-	154,788	522,759
Receivables				
Accounts Receivable	480,964	-	-	480,964
Taxes Receivable	78,957	-	3,274	82,231
Intergovernmental Receivable	4,844,071	461,299	400,503	5,705,873
Interest Receivable	60,617	7,675	2,737	71,029
Due from Other Funds	339,902	-	-	339,902
Deposits Held by Others	1,278,322	-	-	1,278,322
Inventories	134,958	-	-	134,958
Prepaid Items	254,721	-	-	254,721
Total Assets	<u>\$ 45,844,337</u>	<u>\$ 6,992,542</u>	<u>\$ 4,468,424</u>	<u>\$ 57,305,303</u>
 Liabilities and Fund Balance				
Liabilities				
Accounts Payable	1,682,083	241,071	\$ 52,321	\$ 1,975,475
Accrued Wages and Benefits	1,991,532	46,306	11,097	2,048,935
Interest Payable	17,561	-	-	17,561
Intergovernmental Payable	216,044	2,289	-	218,333
Developer Agreements	1,130,617	-	-	1,130,617
Due to Other Funds	-	-	339,902	339,902
Unearned Revenue	63,049	-	-	63,049
Performance Bonds Payable	302,867	-	-	302,867
Total Liabilities	<u>5,403,753</u>	<u>289,666</u>	<u>403,320</u>	<u>6,096,739</u>
Fund Balances				
Nonspendable	389,679	-	-	389,679
Restricted	211,712	6,702,876	647,809	7,562,397
Committed	452,553	-	138,784	591,337
Assigned	2,143,468	-	3,278,511	5,421,979
Unassigned	37,243,172	-	-	37,243,172
Total Fund Balance	<u>40,440,584</u>	<u>6,702,876</u>	<u>4,065,104</u>	<u>51,208,564</u>
 Total Liabilities and Fund Balance	<u>\$ 45,844,337</u>	<u>\$ 6,992,542</u>	<u>\$ 4,468,424</u>	<u>\$ 57,305,303</u>

See accompanying Notes to Financial Statements.

LAKE HAVASU CITY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balances for Governmental Funds	\$ 51,208,564
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	224,695,713
Less Accumulated Depreciation	(118,469,958)
Capital Assets Used in Governmental Activities	<u>106,225,755</u>
Net pension OPEB assets are not current financial resources and therefore are not reported in the governmental funds.	
	399,592
Deferred outflows relating to deferred amounts on pensions and OPEB are not financial resources; therefore are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions	14,752,110
Deferred Outflows of Resources Related to Pension OPEB	208,570
Deferred Outflows of Resources Related to OPEB	539,931
Deferred inflows relating to pensions and OPEB represent a future acquisition of net position that is not reported in the funds.	
Deferred Inflows of Resources Related to Pensions	(3,923,016)
Deferred Inflows of Resources Related to Pension OPEB	(300,212)
Deferred Inflows of Resources Related to OPEB	(1,309,555)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Capital Leases	(2,099,433)
Compensated Absences	(3,033,562)
Other Postemployment Benefits	(9,819,883)
Net Pension OPEB Liability	(130,395)
Net Pension Liability	<u>(87,238,677)</u>
Total Net Position of Governmental Activities	<u>\$ 65,479,789</u>

See accompanying Notes to Financial Statements.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General	HURF	Nonmajor Funds	Totals
Revenue				
Taxes				
Sales Taxes	\$ 28,509,382	\$ -	\$ -	\$ 28,509,382
Property Taxes	4,960,238	-	74,063	5,034,301
Franchise Taxes	1,899,083	-	-	1,899,083
Intergovernmental Revenue	16,552,424	5,578,845	1,690,727	23,821,996
Fines and Forfeitures	1,264,447	-	99,745	1,364,192
Licenses and Permits	2,610,734	-	-	2,610,734
Charges for Services	940,297	-	-	940,297
Rents and Royalties	112,110	-	-	112,110
Contributions and Donations	31,202	-	211,186	242,388
Impact Fees	-	1,425,000	-	1,425,000
Investment Earnings	1,106,995	133,097	33,288	1,273,380
Other	195,626	2,651	432,820	631,097
Total Revenue	<u>58,182,538</u>	<u>7,139,593</u>	<u>2,541,829</u>	<u>67,863,960</u>
Expenditures				
Current				
General Government	13,771,227	-	704,124	14,475,351
Public Safety	27,968,785	-	692,612	28,661,397
Highways and Streets	-	3,899,565	-	3,899,565
Culture and Recreation	5,430,346	-	-	5,430,346
Tourism and Promotion	2,405,167	-	-	2,405,167
Transportation Services	255,892	-	400,014	655,906
Debt Service				
Principal Retirement	6,331,000	-	-	6,331,000
Interest on Long-Term Debt	11,765	-	-	11,765
Capital Outlay	-	-	306,767	306,767
Total Expenditures	<u>56,174,182</u>	<u>3,899,565</u>	<u>2,103,517</u>	<u>62,177,264</u>
Excess (Deficiency) of Revenue Over Expenditures	2,008,356	3,240,028	438,312	5,686,696
Other Financing Sources (Uses)				
Transfers In	1,532,078	-	2,310,026	3,842,104
Transfers Out	<u>(2,243,574)</u>	<u>-</u>	<u>(32,078)</u>	<u>(2,275,652)</u>
Total Other Financing Sources (Uses)	<u>(711,496)</u>	<u>-</u>	<u>2,277,948</u>	<u>1,566,452</u>
Net Change in Fund Balance	1,296,860	3,240,028	2,716,260	7,253,148
Fund Balance				
Beginning of Year	39,143,724	3,462,848	1,348,844	43,955,416
End of Year	<u>\$ 40,440,584</u>	<u>\$ 6,702,876</u>	<u>\$ 4,065,104</u>	<u>\$ 51,208,564</u>

See accompanying Notes to Financial Statements.

**LAKE HAVASU CITY, ARIZONA
RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$ 7,253,148
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Expenditures for Capital Assets	536,372
Less Current Year Depreciation	(4,695,429)
Excess Capital Expenditures Over Depreciation	<u>(4,159,057)</u>
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, and donations) to decrease net position.</p>	(109,178)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position.</p>	
Principal Payments on Long-term Debt	7,030,672
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
Net Increase in Compensated Absences	(210,941)
OPEB Expense	318,662
OPEB Pension Expense	(47,514)
Pension Expense	(9,085,745)
<p>Current-year pension contributions are reclassified to deferred outflows of resources on the statement of activities, and are therefore not a reduction of net position.</p>	
Current Year Pension Contributions	5,295,868
Current Year OPEB Pension Contributions	<u>98,271</u>
Changes in Net Position of Governmental Activities	<u>\$ 6,384,186</u>

See accompanying Notes to Financial Statements.

**LAKE HAVASU CITY, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amount Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenue				
Taxes	\$ 33,044,545	\$ 33,044,545	\$ 35,368,703	\$ 2,324,158
Intergovernmental Revenue	17,239,394	17,239,394	16,552,424	(686,970)
Fines and Forfeitures	1,244,000	1,244,000	1,264,447	20,447
Licenses and Permits	2,657,000	2,657,000	2,610,734	(46,266)
Charges for Services	1,260,000	1,260,000	940,297	(319,703)
Rents and Royalties	107,000	107,000	112,110	5,110
Contributions and Donations	10,000	10,000	31,202	21,202
Investment Earnings	193,000	193,000	1,106,995	913,995
Other	168,000	168,000	195,626	27,626
Total Revenue	<u>55,922,939</u>	<u>55,922,939</u>	<u>58,182,538</u>	<u>2,259,599</u>
Expenditures				
Current				
General Government				
City Council	220,301	220,301	215,601	4,700
City Clerk	251,938	251,938	236,495	15,443
Magistrate Court	2,077,622	2,077,622	1,655,760	421,862
City Manager	399,151	399,151	283,079	116,072
Human Resources	614,474	614,474	502,006	112,468
Community Affairs	109,868	109,868	102,361	7,507
Administrative Services	3,391,794	3,393,686	3,169,877	223,809
City Attorney	945,682	945,682	852,240	93,442
Non-Departmental	2,331,095	2,352,295	2,828,289	(475,994)
Public Works	3,149,704	2,207,652	1,960,616	247,036
Vehicle Maintenance	594,027	594,027	570,689	23,338
Development Services	1,679,812	1,678,712	1,394,214	284,498
Total General Government	<u>15,765,468</u>	<u>14,845,408</u>	<u>13,771,227</u>	<u>1,074,181</u>
Public Safety				
Police	16,700,540	16,682,540	15,049,217	1,633,323
Fire	13,593,469	13,593,469	12,919,568	673,901
Total Public Safety	<u>30,294,009</u>	<u>30,276,009</u>	<u>27,968,785</u>	<u>2,307,224</u>
Culture and Recreation				
Recreation Department	5,209,816	6,155,690	5,430,346	725,344
Tourism and Promotion				
Tourism/Economic Development	2,460,719	2,460,719	2,405,167	55,552
Transportation Services				
Havasu Mobility	287,008	287,008	255,892	31,116
Debt Service				
Principal Retirement	6,331,000	6,331,000	6,331,000	-
Interest on Long-Term Debt	11,767	11,767	11,765	2
Total Debt Service	<u>6,342,767</u>	<u>6,342,767</u>	<u>6,342,765</u>	<u>2</u>
Total Expenditures	<u>60,359,787</u>	<u>60,367,601</u>	<u>56,174,182</u>	<u>4,193,419</u>
Excess (Deficiency) of Revenue Over Expenditures	(4,436,848)	(4,444,662)	2,008,356	6,453,018
Other Financing Sources (Uses)				
Transfers In	1,541,305	1,541,305	1,532,078	(9,227)
Transfers Out	(2,500,000)	(2,500,000)	(2,243,574)	256,426
Total Other Financing Sources (Uses)	<u>(958,695)</u>	<u>(958,695)</u>	<u>(711,496)</u>	<u>247,199</u>
Net Change in Fund Balance	(5,395,543)	(5,403,357)	1,296,860	6,700,217
Fund Balance				
Beginning of Year	30,362,000	30,362,000	39,143,724	8,781,724
End of Year	<u>\$ 24,966,457</u>	<u>\$ 24,958,643</u>	<u>\$ 40,440,584</u>	<u>\$ 15,481,941</u>

See accompanying Notes to Financial Statements.

**LAKE HAVASU CITY, ARIZONA
HURF FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amount	Variance
	Original	Final	Budgetary Basis	with Final Budget
Revenues				
Intergovernmental Revenue	\$ 5,460,306	\$ 5,460,306	\$ 5,578,845	\$ 118,539
Impact Fees	-	-	1,425,000	1,425,000
Investment Earnings	88,000	88,000	133,097	45,097
Other	1,000	1,000	2,651	1,651
Total Revenue	<u>5,549,306</u>	<u>5,549,306</u>	<u>7,139,593</u>	<u>1,590,287</u>
Expenditures				
Current				
Highways and Streets	4,970,985	4,967,785	3,899,565	1,068,220
Total Expenditures	<u>4,970,985</u>	<u>4,967,785</u>	<u>3,899,565</u>	<u>1,068,220</u>
Excess (Deficiency) of Revenue Over Expenditures	578,321	581,521	3,240,028	2,658,507
Fund Balance				
Beginning of Year	2,855,000	2,855,000	3,462,848	607,848
End of Year	<u>\$ 3,433,321</u>	<u>\$ 3,436,521</u>	<u>\$ 6,702,876</u>	<u>\$ 3,266,355</u>

LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Business-Type Activities			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 49,227,996	\$ 23,788,077	\$ 4,482,751	\$ 51,785
Restricted Cash	596,323	15,344,885	-	25,956
Receivables, Net				
Accounts Receivable	1,094,403	2,210,695	604,261	9,099
Taxes Receivable	137,461	-	-	-
Intergovernmental Receivable	183,219	-	-	211,254
Interest Receivable	82,168	50,667	7,732	418
Prepaid Items	19,096	2,754	-	-
Other Assets	-	806,476	-	-
Total Current Assets	<u>51,340,666</u>	<u>42,203,554</u>	<u>5,094,744</u>	<u>298,512</u>
Noncurrent Assets				
Net Pension OPEB Asset	5,331	4,191	-	462
Capital Assets				
Non-Depreciable	13,329,120	1,934,492	-	998,008
Depreciable (Net)	<u>70,595,543</u>	<u>263,782,843</u>	<u>-</u>	<u>12,932,311</u>
Total Noncurrent Assets	<u>83,929,994</u>	<u>265,721,526</u>	<u>-</u>	<u>13,930,781</u>
Total Assets	135,270,660	307,925,080	5,094,744	14,229,293
Deferred Outflows of Resources	395,064	312,174	-	33,274
Liabilities				
Current Liabilities				
Accounts Payable	1,916,977	956,283	523,884	181,061
Accrued Wages and Benefits	137,756	99,309	-	13,918
Intergovernmental Payable	241,886	1,826	-	-
Interest Payable	76,876	4,385,187	-	-
Retainage Payable	153,580	71,377	-	-
Unearned Revenue	323,917	125	-	11,401
Liabilities Payable from Restricted Assets	538,573	-	-	25,956
Compensated Absences	123,903	97,766	-	14,187
Other Postemployment Benefits	71,288	37,538	-	-
Bonds and Notes Payable	<u>471,547</u>	<u>4,948,800</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>4,056,303</u>	<u>10,598,211</u>	<u>523,884</u>	<u>246,523</u>
Noncurrent Liabilities				
Compensated Absences	79,204	62,496	-	9,069
Landfill Closure and Postclosure Care Costs	-	-	3,625,194	-
Other Postemployment Benefits	1,725,304	1,334,360	-	-
Net Pension OPEB Liability	12,225	9,667	-	1,186
Net Pension Liability	2,717,747	2,143,699	-	254,591
Bonds and Notes Payable	<u>4,303,094</u>	<u>217,739,613</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>8,837,574</u>	<u>221,289,835</u>	<u>3,625,194</u>	<u>264,846</u>
Total Liabilities	<u>12,893,877</u>	<u>231,888,046</u>	<u>4,149,078</u>	<u>511,369</u>
Deferred Inflows of Resources	406,393	1,724,589	-	27,052
Net Position				
Net Investment in Capital Assets	78,238,143	42,957,545	-	13,793,097
Restricted for OPEB Benefits	5,331	4,191	-	462
Unrestricted	<u>44,121,980</u>	<u>31,662,883</u>	<u>945,666</u>	<u>(69,413)</u>
Total Net Position	<u>\$ 122,365,454</u>	<u>\$ 74,624,619</u>	<u>\$ 945,666</u>	<u>\$ 13,724,146</u>

See accompanying Notes to Financial Statements.

Total
Business-Type
Activities

\$ 77,550,609
15,967,164

3,918,458
137,461
394,473
140,985
21,850
806,476
98,937,476

9,984

16,261,620
347,310,697
363,582,301

462,519,777

740,512

3,578,205
250,983
243,712
4,462,063
224,957
335,443

564,529
235,856
108,826
5,420,347
15,424,921

150,769

3,625,194
3,059,664
23,078
5,116,037
222,042,707
234,017,449

249,442,370

2,158,034

134,988,785
9,984
76,661,116
\$ 211,659,885

LAKE HAVASU CITY, ARIZONA
STATEMENT REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Business-Type Activities			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
Operating Revenue				
Charges for Services	\$ 11,020,390	\$ 22,978,761	\$ 6,726,489	\$ 530,108
Total Operating Revenue	11,020,390	22,978,761	6,726,489	530,108
Operating Expenses				
Cost of Sales and Services	9,783,608	7,992,633	6,722,388	943,415
Depreciation	2,839,312	10,379,223	-	983,657
Total Operating Expenses	12,622,920	18,371,856	6,722,388	1,927,072
Operating Income (Loss)	(1,602,530)	4,606,905	4,101	(1,396,964)
Nonoperating Revenue (Expense)				
Taxes	5,694,267	-	-	22,675
Intergovernmental	88,712	-	-	-
Investment Earnings	1,385,615	994,037	120,810	6,993
Gain (Loss) on Sale of Capital Assets	(664,887)	-	-	-
Interest Expense	(153,753)	(8,072,756)	-	-
Issuance Costs	-	(38,936)	-	-
Other Income	36,041	62,281	-	46,754
Total Nonoperating Revenue (Expenses)	6,385,995	(7,055,374)	120,810	76,422
Income (Loss) Before Capital Contributions and Transfers	4,783,465	(2,448,469)	124,911	(1,320,542)
Capital Contributions	2,340,481	701,460	-	546,830
Transfers In	-	-	-	43,574
Transfers Out	(1,555,013)	(55,013)	-	-
Change in Net Position	5,568,933	(1,802,022)	124,911	(730,138)
Net Position				
Beginning of Year	116,796,521	76,426,641	820,755	14,454,284
End of Year	\$ 122,365,454	\$ 74,624,619	\$ 945,666	\$ 13,724,146

See accompanying Notes to Financial Statements.

Total Business-Type Activities	
\$	<u>41,255,748</u>
	41,255,748
	25,442,044
	<u>14,202,192</u>
	<u>39,644,236</u>
	1,611,512
	5,716,942
	88,712
	2,507,455
	(664,887)
	(8,226,509)
	(38,936)
	<u>145,076</u>
	<u>(472,147)</u>
	1,139,365
	3,588,771
	43,574
	<u>(1,610,026)</u>
	3,161,684
	208,498,201
\$	<u><u>211,659,885</u></u>

**LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020**

	Business-Type Activities – Enterprise Funds			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
Cash Flows from Operating Activities				
Receipts from Customers	\$ 11,096,366	\$ 23,067,597	\$ 6,753,554	\$ 541,364
Payments to Suppliers	(5,803,836)	(4,803,259)	(6,558,466)	(589,319)
Payments to Employees	(2,762,465)	(2,277,900)	-	(304,860)
Other Nonoperating Receipts	124,753	62,281	-	69,429
Customer Deposits (Payments)	(22,172)	-	-	1,227
Net Cash Flows from (Used by) Operating Activities	2,632,646	16,048,719	195,088	(282,159)
Cash Flows from Noncapital Financing Activities				
Transfers In	-	-	-	43,574
Transfers Out	(1,555,013)	(55,013)	-	-
Tax Receipts	5,720,213	-	-	-
Net Cash Flows from (Used by) Noncapital Financing Activities	4,165,200	(55,013)	-	43,574
Cash Flows from Capital and Related Financing Activities				
Capital Grants and Contributions	4,455,917	701,460	-	390,387
Purchases of Capital Assets	(5,577,775)	(2,129,396)	-	(164,453)
Principal Paid on Capital Debt	(456,997)	(4,782,065)	-	-
Interest Paid on Capital Debt	(160,034)	(8,855,616)	-	-
Net Cash Flows from (Used by) Capital and Related Financing Activities	(1,738,889)	(15,065,617)	-	225,934
Cash Flows from Investing Activities				
Interest and Dividends	1,396,430	1,035,905	130,543	6,913
Net Change in Cash and Cash Equivalents	6,455,387	1,963,994	325,631	(5,738)
Cash and Cash Equivalents - Beginning of Year	43,368,932	37,168,968	4,157,120	83,479
Cash and Cash Equivalents - End of Year	<u>\$ 49,824,319</u>	<u>\$ 39,132,962</u>	<u>\$ 4,482,751</u>	<u>\$ 77,741</u>

See accompanying Notes to Financial Statements.

Total
Business-Type
Activities -
Enterprise Funds

\$ 41,458,881
(17,754,880)
(5,345,225)
256,463
(20,945)

18,594,294

43,574
(1,610,026)
5,720,213

4,153,761

5,547,764
(7,871,624)
(5,239,062)
(9,015,650)

(16,578,572)

2,569,791

8,739,274

84,778,499

\$ 93,517,773

\$ 77,550,609
15,967,164
\$ 93,517,773

LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Business-Type Activities – Enterprise Funds			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	\$ (1,602,530)	\$ 4,606,905	\$ 4,101	\$ (1,396,964)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (Used by) Operating Activities				
Depreciation	2,839,312	10,379,223	-	983,657
Other Nonoperating Receipts (Expenses)	124,753	62,281	-	69,429
Change in Assets/Liabilities:				
Receivables, Net	54,494	89,059	27,065	10,230
Prepaid Items	-	2,405	-	-
OPEB Asset	1,685	1,344	-	194
Accounts Payable	1,046,413	888,846	17,480	(20,455)
Intergovernmental Payable	121,279	1,517	-	-
Accrued Wages and Benefits	21,609	6,530	-	1,766
Compensated Absences	18,996	18,711	-	3,992
Unearned Revenue	21,482	(223)	-	1,026
Customer Deposits Payable	(22,172)	-	-	1,227
Pension and OPEB Liability	(68,683)	(35,251)	-	65,142
Deferred Outflows of Resources - Pension and OPEB	132,888	104,557	-	3,634
Deferred Inflows of Resources - Pension and OPEB	(56,880)	(77,185)	-	(5,037)
Landfill Closure and Postclosure Care Costs	-	-	146,442	-
Net Cash from (Used by) Operating Activities	<u>2,632,646</u>	<u>\$ 16,048,719</u>	<u>\$ 195,088</u>	<u>\$ (282,159)</u>

Noncash Investing, Capital and Financing Activities

Other costs of \$38,936, deferred amount on refunding of \$95,258 and premiums of \$602,361 were amortized in the Wastewater Fund during the year.

Total
Business-Type
Activities -
Enterprise Funds

\$ 1,611,512

14,202,192

256,463

180,848

2,405

3,223

1,932,284

122,796

29,905

41,699

22,285

(20,945)

(38,792)

241,079

(139,102)

146,442

\$ 18,594,294



NOTES TO BASIC FINANCIAL STATEMENTS



LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake Havasu City, Arizona (City) was incorporated in 1978. The City operates under a council-manager form of government and provides services as authorized by Title 9, Arizona Revised Statutes including: public safety (police and fire), highway and streets, culture and recreation, planning and zoning, and general administrative services.

The accompanying financial statements of Lake Havasu City, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A summary of the City's more significant accounting policies follows.

A. Reporting Entity

The City is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the city's operations.

The City has blended the following entities into its Comprehensive Annual Financial Report:

1. Irrigation and Drainage District (District)

The City has a legally mandated status as Trustee over the Irrigation and Drainage District as a result of the City's alternative method of incorporation in 1978 under a special Arizona law. The District was established in 1963 to build infrastructure and construct a water system. The members of the City Council are the District's board members and have the ability to significantly influence operations.

2. Improvement Districts No. 2 and 4

The City has two improvement districts that were created to fund maintenance and improvements for specific property owners. Financing is provided through the assessment of property taxes. The members of the City Council are the Improvement Districts' board members and have the ability to significantly influence operations.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

3. Metropolitan Planning Organization

The City has an intergovernmental agreement with the organization to provide support services to account for federal grants providing leadership and guidance for regional transportation planning. Members of the City Council are appointed to the board and hold three of the five board seats and have the ability to significantly influence operations.

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term interest due early in the following year, the expenditures have been recognized in the current year in the Debt Service Fund.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *HURF Fund* accounts for the operations of the street maintenance department. Financing is provided by the City's share of gasoline taxes.

The government reports the following major proprietary funds:

The *Irrigation and Drainage District Fund* accounts for the activities of the Irrigation and Drainage District, a blended component unit of the City. The District operates the City's water system and storm drainage system.

The *Wastewater Fund* accounts for the activities of the City's sewer system.

The *Refuse Fund* accounts for the activities of the City's waste management system.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use for governmental activities, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable bond covenants.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

1. Deposits and Investments

On the City's Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand, demand deposits, investments held by the State Treasurer and government securities held in a third-party safekeeping custody account.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances.

Arizona Revised Statute, Title 35, allows public monies to be invested with maturities of five years for nonoperating funds and a duration of no longer than three years for operating funds. The City's investment policy is empowered by state statute to invest in demand deposits, obligations of U.S. government, its instrumentalities, A-1/P-1 rated commercial paper, bankers' acceptances, repurchase agreements, money market funds, and the State of Arizona's Local Government Investment Pool. The primary objectives in priority order of the City's investment activities shall be safety, liquidity, and yield. Investments in LGIP are stated at fair value which also approximates the value of the investments upon withdrawal.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

2. Receivables

All trade and property taxes receivable are shown net of an allowance for uncollectible.

Mohave County levies real 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. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

3. Short-Term Interfund Receivables/Payables

During the course of operations, individual funds within the City's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

4. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the weighted average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

5. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Customer deposits are also restricted.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

6. Capital Assets

Capital assets, which include land, improvements to land, buildings and building improvements, furniture, machinery, equipment, vehicles, intangibles (e.g., water rights, software) and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

	Years
Buildings and Improvements	40
Water Allocation Rights	40
Improvements Other Than Buildings	10-20
Infrastructure	40-50
Furniture, Machinery and Equipment	3-10
Vehicles	3-10

7. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

All benefit eligible employees accrue Paid Time Off (PTO) to be used for vacation and personal leave. The maximum PTO leave carry forward for all regular and probationary employees is 478 hours or 672 hours for Fire employees working 24-hour shifts. Hours accrued in excess of the maximum will be forfeited if not used by January 1 of each calendar year. The value of the forfeited hours, to a maximum of 48 hours annually for regular employees and 72 hours annually for Fire shift employees, will be automatically contributed to a retiree health savings account annually in January.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

11. Net Position

In the government-wide and proprietary fund financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because capital assets make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the City. Unrestricted net position is the remaining net position not included in the previous two categories.

12. Fund Balance

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable and Restricted fund balance represent restricted classifications and Committed, Assigned, and Unassigned represent unrestricted classifications.

Nonspendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) it is legally or contractually required to be maintained intact. Restricted fund balance includes amounts that have externally (outside the City) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation. Committed fund balance is from self-imposed limitations imposed at the highest level of decision-making authority, namely, Mayor and Council. Mayor and Council approval is required to commit resources or to rescind the commitment through formal action by City Council. Assigned fund balance represents limitations imposed by City Council, City Manager, or designee, through approval for contract execution.

Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent before unassigned amounts.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

12. Fund Balance (Continued)

The City approved a Fiscal Sustainability Policy in August 2007 which requires the City to maintain a General Fund reserve of 10% based on the average actual General Fund revenues for the preceding five fiscal years. The City will maintain a fund balance reserve of 5% of the average actual revenues for the preceding five fiscal years in the IDD Fund, Wastewater Fund, and HURF Fund. These funds will not be appropriated except to cover emergencies and unexpected declines in revenue in the following budget year and must be replenished within three fiscal years following the fiscal year in which the event occurred.

As of June 30, 2020, the governmental fund balance details by classification are listed below:

	General Fund	HURF	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventory	\$ 134,958	\$ -	\$ -	\$ 134,958
Prepaid Expenditures	254,721	-	-	254,721
Total Nonspendable	<u>389,679</u>	<u>-</u>	<u>-</u>	<u>389,679</u>
Restricted:				
Highway User Tax for Transportation	-	6,702,876	-	6,702,876
Public Safety Special Programs	211,712	-	155,318	367,030
Court Enhancement	-	-	462,854	462,854
Improvement Districts	-	-	29,637	29,637
Total Restricted	<u>211,712</u>	<u>6,702,876</u>	<u>647,809</u>	<u>7,562,397</u>
Committed:				
Capital Projects	452,553	-	138,784	591,337
Total Committed	<u>452,553</u>	<u>-</u>	<u>138,784</u>	<u>591,337</u>
Assigned:				
Capital Lease	755,805	-	-	755,805
Operating Lease	105,594	-	-	105,594
Court Services	3,747	-	-	3,747
Public Safety Retirement Payments	1,278,322	-	-	1,278,322
Public Safety Special Programs	-	-	196,596	196,596
Capital Projects	-	-	3,081,915	3,081,915
Total Assigned	<u>2,143,468</u>	<u>-</u>	<u>3,278,511</u>	<u>5,421,979</u>
Unassigned:	37,243,172	-	-	37,243,172
Total Fund Balances	<u>\$ 40,440,584</u>	<u>\$ 6,702,876</u>	<u>\$ 4,065,104</u>	<u>\$ 51,208,564</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. State law requires that, prior to April 1, the Economic Estimates Commission provide the City with a final expenditure limit for the coming fiscal year. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the state each year. This report, issued under a separate cover, reconciles total City expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation described above of all fund types as a whole. The City adopts a budget by department for the General Fund and in total by fund for other funds, which is the legal level of budgetary control for these funds, except for the Metropolitan Planning Organization Fund which was not budgeted. The City Manager may at any time transfer any unencumbered appropriation balance or portion thereof within a department or activity. The adopted budget cannot be amended without City Council approval.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Debt Service, and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The City is subject to the State of Arizona's Spending Limitation Law for Cities and Towns. This law does not permit the City to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

On June 23, 2020, the City Council authorized budgetary amendments involving the General and HURF funds.

B. Excess of Expenditures Over Appropriations

The City exceeded its budget in the Non-departmental department within the General Fund by \$475,994 due to the accrual of development agreements. Cash was available to meet this over expenditure.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2020 consist of the following:

Deposits	
Cash on Hand	\$ 8,600
Cash in Bank	4,915,293
Cash on Deposit with County Treasurer	212,537
Investments	
State Treasurer's Investment Pool (LGIP)	64,846,140
U.S. Government Securities	47,022,864
Certificates of Deposit	14,244,438
Money Market	<u>11,225,204</u>
Total Deposits and Investments	142,475,076
Restricted Assets	<u>(16,489,923)</u>
Total Cash and Investments	<u><u>\$ 125,985,153</u></u>

Investments

The City's Investment Policy, adopted on July 10, 2002 and updated October 11, 2011, authorizes the City to invest in obligations of the United States Treasury and United States Agencies, certificates of deposit in eligible depositories, Banker's Acceptances, repurchase agreements, money market funds, or any obligations guaranteed by the United States of America or any of its agencies as well as commercial paper rated in the highest tier by a nationally recognized rating agency. The City is also empowered to invest, by resolution, in the State of Arizona Local Government Investment Pool (LGIP).

The State Investment Board provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of participant's position in the pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk. All other investments of the City are uninsured and unregistered with the securities held by the counterparty's trust department of agent in the City's name.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

Level I – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level II – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level III – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset or inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

Debt securities classified in Level 2 are valued using quoted prices for similar securities in active markets.

Investments valued using the net asset value (NAV) per share (or its equivalent) are City investments in the Arizona State Treasurer's Investment Pool (LGIP) and unlike more traditional investments, generally do not have readily obtainable market values. Investments valued at NAV utilized Net Asset Values as provided by the State of Arizona Treasurer's Office at June 30, 2020.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

At year-end, the City's investments consisted of the following:

	6/30/2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury Bonds	\$ 6,043,480	\$ 6,043,480	\$ -	\$ -
Federal Agency Bonds	40,979,384	-	40,979,384	-
Total Debt Securities	47,022,864	6,043,480	40,979,384	-
Venture Capital Investments				
Certificates of Deposits	14,244,438	-	14,244,438	-
Total Investments by Fair Value Level	61,267,302	\$ 6,043,480	\$ 55,223,822	\$ -
Investments Measured at Fair Value				
State Treasurer's Investment Pool	64,846,140			
Total Investments Measured at Fair Value	126,113,442			
Investments by Amortized Cost				
Money Market Funds	11,225,204			
Total Investments	\$ 137,338,646			

Interest Rate Risk

Interest rate risk is defined as the possibility of a reduction in the value of a security, especially a bond, resulting from a rise in interest rates. This risk can be reduced by diversifying the durations of the fixed-income investments that are held at a given time. As a means of limiting its exposure of fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of five years.

The City's investments at June 30, 2020 consist of the following:

Investment	Amount	Investment Maturities (in Years)		
		Less than 1	1-3	4-5
State Treasurer's Investment Pools	\$ 64,846,140	\$ 64,846,140	\$ -	\$ -
Certificates of Deposit	14,244,438	3,270,965	10,701,908	271,565
Money Market	11,225,204	11,225,204	-	-
U.S. Treasury Notes	6,043,480	5,034,070	1,009,410	-
U.S. Government Securities	40,979,384	22,036,249	18,943,135	-
Total Investments	\$ 137,338,646	\$ 106,412,628	\$ 30,654,453	\$ 271,565

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Credit Risk

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to invest in securities with the highest rating issued by NRSROs. Presented below is the rating as of June 30, 2020 for each investment type.

S&P Ratings Investment Type	Total	AAA	AA+	AA-	Not Rated	Investment Percent
State Treasurer's Investment Pools	\$ 64,846,140	\$ 41,072,336	\$ -	\$ 23,773,804	\$ -	47 %
Certificates of Deposit	14,244,438	-	-	-	14,244,438	10
Money Market	11,225,204	-	-	-	11,225,204	8
U.S. Treasury Notes	6,043,480	-	6,043,480	-	-	4
U.S. Government Securities	40,979,384	-	40,979,384	-	-	30
Total Investments	<u>\$ 137,338,646</u>	<u>\$ 41,072,336</u>	<u>\$ 47,022,864</u>	<u>\$ 23,773,804</u>	<u>\$ 25,469,642</u>	<u>100 %</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2020, the City's deposits were covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name. No deposits were exposed to custodial credit risk.

The custodial credit risk for investments is the risk that, in the event of default by the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City be conducted on a delivery-versus-payment basis. Securities are held by a third-party custodian.

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

The City's investment in U.S. Government securities was rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Concentration of Credit Risk

The City's Investment Policy states that the City shall diversify its investments by security type and institution. With the exception of U. S. Treasury securities, authorized pools, and overnight repurchase agreements, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

2. Restricted Assets

Restricted assets at June 30, 2020 consisted of the following:

Customer Deposits	\$ 564,529
Performance Bonds Deposits	302,867
Court Bonds	48,480
Police Property Evidence	16,624
Forfeitures	154,788
Future Debt Service	15,402,635
Total	<u>\$ 16,489,923</u>

3. Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 28,803,308	\$ -	\$ (31,880)	\$ -	\$ 28,771,428
Construction in Progress	4,535,111	381,575	(2,011,475)	-	2,905,211
Total Capital Assets, Not Being Depreciated	33,338,419	381,575	(2,043,355)	-	31,676,639
Capital Assets, Being Depreciated:					
Buildings and Improvements	37,514,045	1,613,401	-	-	39,127,446
Improvements to Land	20,800,317	-	-	232,397	21,032,714
Infrastructure	104,271,941	74,807	-	(232,397)	104,114,351
Furniture, Machinery and Equipment	28,478,913	478,064	(231,330)	18,916	28,744,563
Total Capital Assets, Being Depreciated	191,065,216	2,166,272	(231,330)	18,916	193,019,074
Accumulated Depreciation for:					
Buildings and Improvements	(20,018,300)	(1,174,892)	-	-	(21,193,192)
Improvements to Land	(7,403,908)	(599,016)	-	-	(8,002,924)
Infrastructure	(65,479,063)	(1,991,671)	-	-	(67,470,734)
Furniture, Machinery and Equipment	(21,008,374)	(929,850)	154,032	(18,916)	(21,803,108)
Total Accumulated Depreciation	(113,909,645)	(4,695,429)	154,032	(18,916)	(118,469,958)
Total Capital Assets, Being Depreciated, Net	<u>77,155,571</u>	<u>(2,529,157)</u>	<u>(77,298)</u>	<u>-</u>	<u>74,549,116</u>
Governmental Activities Capital Assets, Net	<u>\$ 110,493,990</u>	<u>\$ (2,147,582)</u>	<u>\$ (2,120,653)</u>	<u>\$ -</u>	<u>\$ 106,225,755</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 3,298,415	\$ -	\$ -	\$ -	\$ 3,298,415
Water Allocation Rights	7,495,004	89,197	-	-	7,584,201
Construction in Progress	1,346,047	7,087,919	(3,054,962)	-	5,379,004
Total Capital Assets, Not Being Depreciated	12,139,466	7,177,116	(3,054,962)	-	16,261,620
Capital Assets, Being Depreciated:					
Buildings and Improvements	28,080,109	-	(8,985)	-	28,071,124
Infrastructure	507,649,660	2,615,697	(329,395)	-	509,935,962
Machinery, Equipment and Vehicles	11,467,922	904,645	(150,111)	(18,916)	12,203,540
Water Allocation Rights	2,374,554	-	-	-	2,374,554
Total Capital Assets, Being Depreciated	549,572,245	3,520,342	(488,491)	(18,916)	552,585,180
Accumulated Depreciation for:					
Buildings and Improvements	(10,844,605)	(743,083)	8,985	-	(11,578,703)
Infrastructure	(173,081,942)	(12,553,120)	103,773	-	(185,531,289)
Machinery, Equipment and Vehicles	(6,888,307)	(846,625)	150,111	18,916	(7,565,905)
Water Allocation Rights	(539,222)	(59,364)	-	-	(598,586)
Total Accumulated Depreciation	(191,354,076)	(14,202,192)	262,869	18,916	(205,274,483)
Total Capital Assets, Being Depreciated, Net	358,218,169	(10,681,850)	(225,622)	-	347,310,697
Business-Type Activities Capital Assets, Net	<u>\$ 370,357,635</u>	<u>\$ (3,504,734)</u>	<u>\$ (3,280,584)</u>	<u>\$ -</u>	<u>\$ 363,572,317</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 1,523,386
Public Safety	938,915
Highways and Streets	1,864,532
Culture and Recreation	330,862
Transportation Services	37,734
Total Depreciation Expense	<u>\$ 4,695,429</u>

Business-Type Activities:

Irrigation and Drainage	2,839,312
Wastewater	10,379,223
Airport	983,657
Total Depreciation Expense	<u>\$ 14,202,192</u>

During the implementation of the new ERP system, assets were reclassified into major categories that were deemed more appropriate. Enterprise funds had reclassifications from Other Improvements to Infrastructure. Several projects were discovered to be impaired due to stoppage of construction and were removed.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Construction Commitments

The City had active construction projects at June 30, 2020. The projects include various infrastructure projects, water system upgrades, wastewater system upgrades and park improvements. At fiscal year end the City's commitments with contractors were as follows:

Governmental Activities		
Project	Spent-to-date	Remaining Commitment
General Government	\$ 131,020	\$ 156,438
Public Safety - Police/Fire	-	13,663
Highways and Streets	-	14,010
Total Governmental Activities	\$ 131,020	\$ 184,111
Business-Type Activities		
Project	Spent-to-date	Remaining Commitment
Water System	\$ 2,349,701	\$ 972,585
Wastewater System	488,608	519,174
Airport Improvements	213,182	182,596
Total Business-Type Activities	\$ 3,051,491	\$ 1,674,355

B. Interfund Receivables, Payables and Transfers

As of June 30, 2020 interfund receivables and payables were as follows:

Due To	Due From Nonmajor Governmental Funds
General Fund	\$ 339,902

The above interfund receivables and payables reflect short-term loans from the General Fund to the Grants Fund and Metropolitan Planning Organization Fund for negative ending cash balances.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2020 consisted of the following:

Transfers to	Transfers From				Total
	General Fund	Nonmajor Governmental Funds	Irrigation & Drainage	Wastewater	
General Fund	\$ -	\$ 32,078	\$ 1,500,000	\$ -	\$ 1,532,078
Nonmajor Governmental Funds	2,200,000	-	55,013	55,013	2,310,026
Nonmajor Business-Type Activities	43,574	-	-	-	43,574
Total	<u>\$ 2,243,574</u>	<u>\$ 32,078</u>	<u>\$ 1,555,013</u>	<u>\$ 55,013</u>	<u>\$ 3,885,678</u>

Transfers were made for general operating purposes and to fund capital projects within the various funds.

C. Obligations Under Leases

The City has entered into lease agreements as a lessee for financing the acquisition of equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes and; therefore, have been recorded at the present value of their future minimum lease payments as of the inception date providing they meet the capitalization threshold.

The assets acquired through capital leases are as follows:

Asset:	Governmental
	Activities
Vehicles, Equipment, and Facility Improvements	\$ 5,743,344
Less Accumulated Depreciation	(954,145)
Total	<u>\$ 4,789,199</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2021	\$ 755,805
2022	755,805
2023	523,431
2024	145,529
Total Minimum Lease Payments	2,180,570
Less: Amount Representing Interest	(81,137)
Present Value of Minimum Lease Payments	<u>\$ 2,099,433</u>

D. Long-Term Obligations

The City has long-term bonds and loans payable issued to provide funds for the acquisition and construction of major capital facilities. The City has also issued debt to refund earlier obligations with higher interest rates. The debt is being repaid by the Debt Service, Irrigation and Drainage and Wastewater Funds. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund. Capital leases are paid by the applicable fund where the vehicles and equipment purchased will be used, primarily the General Fund, IDD Fund, Wastewater Fund, and Airport Fund. The City's pension liability and other postemployment benefits (OPEB) are paid by the applicable fund for each employee, primarily the General Fund.

The City has pledged revenue derived from an annual assessment and levy of taxes upon the real property of the Irrigation and Drainage District to repay \$4,120,000 at 6.625% in refunding bonds issued February 1993. Proceeds of the bonds were used to advance refund all of the District's outstanding bonds and payment of the costs of issuance of the Series 1993 bonds. The bonds are payable solely from tax assessments on the property owners and are payable through fiscal year 2023. The total principal and interest remaining to be paid on the bonds is \$32,981. Principal and interest paid for the current year and total assessed taxes were \$10,000 and \$1,988, respectively.

The City has pledged future revenues of the wastewater system, net of operation expenses, to repay \$71,775,000 plus interest at 3.0% - 5.0% in refunding bonds issued September 2015. If net revenues are insufficient to provide for debt service payments, the City has pledged and granted a lien on and will levy on all of the taxable property in the City a direct, ad valorem tax sufficient with the net revenues through 2037. The City has pledged future revenues of the wastewater system, net of operation expenses, to repay \$98,300,000 plus interest at 4.0 - 5.0% through 2045 for refunding bonds issued September 2015. Proceeds of the \$98,300,000 series 2015B revenue bonds, along with the \$71,775,000 Series 2015A proceeds and the proceeds of the \$60,269,432 2015 WIFA loan were used for a current refunding of all remaining Wastewater debt, totaling \$245,164,587.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

The City has pledged future revenues of the wastewater system, net of operation expenses to repay \$60,269,432 plus interest at 2.368 percent in refunding bonds issued September 2015 plus new money of \$1,300,000 to construct an expansion of the basin and suction line of the Mulberry Wastewater Treatment Plant reuse pump station. If net revenues are insufficient to provide for debt service payments, the City has pledged and granted a lien on and will levy on all of the taxable property in the City a direct, ad valorem tax sufficient with the net revenues through 2037. Proceeds of the loan, along with the \$71,775,000 Series 2015A proceeds and the proceeds of the \$98,300,000 Series 2015B were used for a current refunding of all remaining Wastewater debt, totaling \$210,840,840.

Loan covenants on the Wastewater debt (Series 2015A, 2015B and the WIFA loan) require the City to maintain 120% coverage of net revenues to current year debt service payments. Loan covenants also required the City to establish a Rate Stabilization Fund with a trustee in the amount of \$4,500,000 to ensure loan covenant requirements are met. Total principal and interest remaining to be paid on the Series 2015A is \$91,288,888, Series 2015B \$199,248,225, and WIFA \$61,489,890. Principal and interest (excluding amortized premium) paid for the current year and total customer net revenues were \$13,552,439 and \$20,522,385, respectively. Debt coverage on the Senior Lien debt is 1.51.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$8,922,300 in authorized water system loans from the WIFA issued June 2007 (\$5,700,000) at 3.504% and July 2010 (\$11,400,000) at 2.775%. Proceeds from the loans provided financing for construction of water service line replacement and water main line replacement within the Wastewater System Expansion Program. The loans are payable solely from water customer net revenues and are payable through 2031 with the exception of \$8,177,700, which was principal paid directly to WIFA with Federal funds. Total principal and interest remaining to be paid on the WIFA loans is \$5,401,968. Principal and interest paid for the current year and total customer net revenues were \$606,037 and \$2,840,018, respectively. Loan covenants require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. Debt coverage to current year debt service payments is 4.74.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

For the year ended June 30, 2018, the City pledged future excise tax revenues, which includes local sales tax, to repay \$12,614,000 in excise tax revenue refunding bonds. Proceeds from the issuance of the Excise Tax Revenue Bonds were used to finance the prepayment of the City's Arizona Public Safety Personnel Retirement System pension expenditures for the fiscal year 2018 and 2019. As scheduled, the City paid the remaining outstanding principal and interest of \$6,663,000 and \$70,591, respectively

Long-Term Obligations are comprised of the following:

Classified in the Business-Type Activities on the Government-wide Financial Statements:

	Long-Term Obligations Outstanding (in Thousands)
<u>General Obligation Bonds</u>	
1993 IDD Refunding Bonds (issued February 1, 1993) due in annual installments of \$10,000 to \$150,000 through July 1, 2022; interest at 6% to 6.625%. Original issue amount \$4,120,000.	\$ 30
2015 Senior Lien Wastewater Revenue Refunding Bonds, Series 2015 A (issued September 15, 2015) due in annual installments of \$755,000 to \$8,575,000 through July 1, 2037; interest at 4% to 5%. Original issue amount \$71,775,000.	61,350
<u>Revenue Bonds</u>	
Senior Lien Wastewater Revenue Bonds, Series 2015 B (issued September 15, 2015) due in annual installments of \$8,245,000 to \$13,160,000; interest at 4% to 5%. Original issue amount \$98,300,000.	98,300
<u>Water Infrastructure Financing Authority (WIFA) Loans</u>	
2007 SR Drinking Water (issued June 25, 2007) due in annual installments of \$201,475 to \$387,621 through July 1, 2027; interest at 3.504%. Original issue amount \$5,700,000.	2,757
2010 SR Drinking Water (issued July 11, 2010) due in annual installments of \$122,690 to \$206,382 through July 1, 2030; interest at 2.775%. Original issue amount \$3,222,300.	1,987
2015 Senior Lien (GO) Wastewater Rev. Ref & Improvement loan (issued September 15, 2015) due in annual installments of \$1,436,925 to \$3,791,223 through July 1, 2035; interest at 2.368%. Original issue amount \$60,269,432.	51,191
Total Business-Type Long Term Liabilities	\$ 215,615

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2020 are as follows:

Governmental Activities	July 1, 2019	Increases	Decreases	June 30, 2020	Due Within One Year
Bonds and Loans Payable:					
Revenue Bonds	\$ 6,331,000	\$ -	\$ (6,331,000)	\$ -	\$ -
Total Bonds and Loans Payable	<u>6,331,000</u>	<u>-</u>	<u>(6,331,000)</u>	<u>-</u>	<u>-</u>
Other Liabilities:					
Capital Leases	2,799,105	-	(699,672)	2,099,433	714,313
Compensated Absences	2,822,621	2,106,276	(1,895,335)	3,033,562	1,850,589
Other Postemployment Benefits	11,132,304	-	(1,312,421)	9,819,883	695,652
Net Pension OPEB Liability	127,468	2,927	-	130,395	-
Net Pension Liability	83,523,230	3,715,447	-	87,238,677	-
Total Other Liabilities	<u>100,404,728</u>	<u>5,824,650</u>	<u>(3,907,428)</u>	<u>102,321,950</u>	<u>3,260,554</u>
Governmental Activities Long-Term Liabilities	<u>\$ 106,735,728</u>	<u>\$ 5,824,650</u>	<u>\$ (10,238,428)</u>	<u>\$ 102,321,950</u>	<u>\$ 3,260,554</u>
Business-Type Activities					
Bonds, Notes and Loans Payable:					
General Obligation Bonds	\$ 63,565,000	\$ -	\$ (2,185,000)	\$ 61,380,000	\$ 2,290,000
Revenue Bonds	98,300,000	-	-	98,300,000	-
WIFA Loans Payable	58,989,542	-	(3,054,062)	55,935,480	3,130,347
Plus Deferred Amount on Premium	12,449,935	-	(602,361)	11,847,574	-
Total Bonds and Notes Payable	<u>233,304,477</u>	<u>-</u>	<u>(5,841,423)</u>	<u>227,463,054</u>	<u>5,420,347</u>
Other Liabilities:					
Compensated Absences	344,926	301,043	(259,344)	386,625	235,856
Other Postemployment Benefits	3,355,599	-	(187,109)	3,168,490	108,826
Net Pension OPEB Liability	18,932	4,146	-	23,078	-
Net Pension Liability	4,971,866	144,171	-	5,116,037	-
Landfill Closure and Postclosure	3,478,752	146,442	-	3,625,194	-
Total Other Liabilities	<u>12,170,075</u>	<u>595,802</u>	<u>(446,453)</u>	<u>12,319,424</u>	<u>344,682</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 245,474,552</u>	<u>\$ 595,802</u>	<u>\$ (6,287,876)</u>	<u>\$ 239,782,478</u>	<u>\$ 5,765,029</u>

Debt service requirements on long-term debt at June 30, 2020 are as follows:

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2021	\$ 5,420,347	\$ 8,731,239
2022	5,613,573	8,530,609
2023	5,813,789	8,321,937
2024	6,011,050	8,105,580
2025	6,230,406	7,935,822
2026 - 2030	33,243,210	36,515,671
2031 - 2035	37,361,882	30,052,322
2036 - 2040	45,226,223	21,096,400
2041 - 2045	57,535,000	8,159,800
2046	13,160,000	-
Total	<u>\$ 215,615,480</u>	<u>\$ 137,449,379</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that Lake Havasu City, Arizona place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post closure care costs has a balance of \$3,625,194 as of June 30, 2020, which is based on 55% usage of the landfill. It is estimated that an additional \$3,016,728 will be recognized as closure and post closure care expense between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2040). The estimated total current cost of the landfill closure and post closure care (\$6,641,922) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2020. The actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. No assets have been restricted for the payment of closure and post closure costs as of June 30, 2020.

NOTE 4 OTHER INFORMATION

A. Risk Management

Lake Havasu City, Arizona is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City is insured by Travelers Indemnity Company for potential worker related accidents. Settlements have not exceeded the City's coverage for the past three fiscal years.

The City joined the Northwest Arizona Employee Benefit Trust (NAEBT) as the employee benefits pool to provide employee benefits to eligible employees of the City and their dependents effective July 1, 2012.

B. Contingent Liabilities

Lawsuits – The City is a defendant in various lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of the City's attorney, such matters will not have a material adverse effect on the City's financial position at June 30, 2020.

C. Budgetary Basis of Accounting

The adopted budget of the City was prepared on a basis consistent with accounting principles generally accepted in the United States of America.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Development Agreements

The development agreement between Lake Havasu City and Woford Development, Inc. dated June 14, 2005 was reviewed and a determination was made that the interest paid in prior years to Regions Bank was not payable to the bank resulting in an overpayment for taxes due. Subsequent sales taxes payable will be held in a liability account until such a time the excess payment is exhausted, or the agreement expires.

E. Subsequent Events

The City's allocation of the AZCares funds (Coronavirus Aid, Relief, and Economic Security Act - CARES) is \$6.4 million for Public Safety in fiscal year 2021. In addition, there were funds allocated to the airport (\$69,000) and the City's transit system (\$2.3 million).

On August 11, 2020, the City Council held a public hearing authorizing the purchase of real property at 92 Acoma Boulevard for \$3 million dollars for a future Courthouse. The Council authorized \$2 million to be paid with the savings in the General Fund that resulted from applying CARES funding to public safety employee costs and authorized debt to be incurred for the remaining \$1 million. On August 28, 2020, the City closed on a loan for \$1 million with Jack Bailey and Dale Anne Bailey, Trustees of The Jack Bailey and Dale Anne Bailey Trust Agreement, dated June 9, 2005.

The City continues to implement a new financial system Oracle Enterprise Resource Planning (ERP) system. The City will also implement a new Utility billing system in fiscal year 2021 and 2022.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans

The City contributes to the pension plans described below. The plans are component units of the State of Arizona.

At June 30, 2020, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

<u>Statement of Net Position and Statement of Activities</u>	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Net Pension Liability	\$ 87,238,677	\$ 5,116,037	\$ 92,354,714
Deferred Outflows of Resources	14,752,110	539,539	15,291,649
Deferred Inflows of Resources	3,923,016	520,197	4,443,213
Pension Expense	9,085,745	520,334	9,606,079

The City reported \$5.3 million of pension expenditures in the governmental funds and \$410,269 in enterprise funds related to all pension plans to which it contributes.

Disclosures related to the OPEB plans for both ASRS and PSPRS are not included as the assets, liabilities, deferred inflows of resources, deferred outflows of resources, and OPEB expense are not significant to the City's financial statements.

**1. Arizona State Retirement System
Plan Description**

City employees not covered by the other pension plans described after this section participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan.

The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Benefits Provided

The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percentage per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a members' death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Contributions (Continued)

For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.11% (11.94% for retirement and 0.17% for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 12.11% (11.45% for retirement, 0.49% for health insurance premium benefit, and 0.17% for long-term disability) of the members' annual covered payroll.

In addition, the City was required by statute to contribute at the actuarially determined rate of 10.41% (10.29% for retirement, 0.05% for health insurance premium benefits and 0.07% for long-term disability) of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS. The City's contributions to the pension plan for the year ended June 30, 2020 were \$1.9 million.

During fiscal year 2020, the City paid for ASRS pension and OPEB contributions as follows: 79% from the General Fund and 21% from all other funds.

Pension Liability

At June 30, 2020, the City reported a liability of \$23.3 million for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. The total pension liability as of June 30, 2019, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The City's proportion of the net pension liability was based on the City's actual contributions for the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The City's proportion measured as of June 30, 2019, was 0.16012%, which was a decrease of 0.00463% from its proportion measured as of June 30, 2018.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2020, the City recognized pension expense for ASRS of \$2,006,824 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 420,908	\$ 4,380
Changes of Assumptions or Other Inputs	98,487	927,825
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	523,688
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	69,316	913,179
City Contributions Subsequent to the Measurement Date	<u>1,913,179</u>	<u>-</u>
Total	<u>\$ 2,501,890</u>	<u>\$ 2,369,072</u>

The \$1.9 million reported as deferred outflows of resources related to ASRS pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ (985,189)
2022	(834,860)
2023	(100,570)
2024	140,258

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Actuarial Assumptions

The significant actuarial assumptions used to measure the total ASRS pension liability are as follows:

Actuarial Valuation Date	June 30, 2018
Actuarial Roll Forward Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5%
Projected Salary Increases	2.7-7.2%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class of ASRS are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50 %	6.09 %
Credit	20	5.36
Interest Rate Sensitive Bonds	10	1.62
Real Estate	20	5.85
Total	100 %	

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Discount Rate

At June 30, 2019, the discount rate used to measure the ASRS total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's Proportionate Share of the Net Pension Liability	\$ 33,160,333	\$ 23,299,323	\$ 15,058,056

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

2. Public Safety Personnel Retirement System

Plan Descriptions

City public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers an agent and cost-sharing multiple-employer defined benefit pensions. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City's financial statements.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Plan Descriptions (Continued)

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

Benefits Provided

The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Certain retirement and disability benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS financial report for additional benefits information.

Retirement and Disability	Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012 and before July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percentage		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% for each year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor Benefit</u>		
Retired Members	80-100% of retired member's pension benefit	
Active Members	80-100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50% of the member's compensation for up to 12 months.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the agent pension plan's benefit terms:

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Inactive employees or beneficiaries currently receiving benefits	60	50
Inactive employees entitled to but not yet receiving benefits	19	11
Active employees	<u>68</u>	<u>77</u>
Total	<u><u>147</u></u>	<u><u>138</u></u>

Contributions

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Active Members - Pension City	7.65-9.94%	7.65-9.94%
PSPRS Tier 1/2	50.45%	48.81%
PSPRS Tier 3	48.49%	44.74%

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Contributions (Continued)

For the agent plans, the contributions to the pension plan for the year ended were:

	PSPRS Police	PSPRS Fire
Pension Contributions Made	\$ 1,673,832	\$ 2,119,126

During fiscal year 2020, the City paid PSPRS pension contributions 100% from the General Fund.

Pension Liability

At June 30, 2020, the City reported the following net pension liabilities:

	Net Pension Liability
PSPRS Police	\$ 35,113,126
PSPRS Fire	33,942,264

The net pension liabilities were measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2019
Actuarial Cost Method	Individual Entry Age Normal
Investment Rate of Return	7.30%
Wage Inflation	3.5%
Price Inflation	2.5%
Cost-of-living Adjustment	1.75%
Mortality Rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.40% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
U.S. Equity	16 %	4.75 %
Non-U.S. Equity	14	5.00
Private Credit	16	5.36
Fixed Income	5	3.00
Private Equity	12	8.40
GTS	12	4.01
Real Assets	9	6.75
Real Estate	10	4.50
Risk Parity	4	4.01
Short-Term Investments	2	0.25
Total	<u>100 %</u>	

Pension Discount Rates

At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018.

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the PSPRS pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Changes in the Agent Plans Net Pension Liability

The following tables present changes in the City's net pension liability for PSPRS Police and PSPRS Fire plans as follows:

PSPRS Police

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at Beginning of Year	\$ 56,838,114	\$ 23,493,011	\$ 33,345,103
Changes for the Year:			
Service Cost	1,062,438	-	1,062,438
Interest on the Total Pension Liability	4,161,187	-	4,161,187
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	527,967	-	527,967
Changes of Assumptions or Other Inputs	1,561,991	-	1,561,991
Contributions - Employer	-	3,729,249	(3,729,249)
Contributions - Employee	-	437,628	(437,628)
Net Investment Income	-	1,418,829	(1,418,829)
Benefit Payments, Including Refunds of Employee Contributions	(3,336,596)	(3,336,596)	-
Administrative Expenses	-	(25,679)	25,679
Other Changes	-	(14,467)	14,467
Net Changes	<u>3,976,987</u>	<u>2,208,964</u>	<u>1,768,023</u>
Balances at End of Year	<u>\$ 60,815,101</u>	<u>\$ 25,701,975</u>	<u>\$ 35,113,126</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Changes in the Agent Plans Net Pension Liability (Continued)

PSPRS Fire

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at Beginning of Year	\$ 56,879,349	\$ 24,706,183	\$ 32,173,166
Changes for the Year:			
Service Cost	1,278,297	-	1,278,297
Interest on the Total Pension Liability	4,198,538	-	4,198,538
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	1,001,251	-	1,001,251
Changes of Assumptions or Other Inputs	985,058	-	985,058
Contributions - Employer	-	3,766,423	(3,766,423)
Contributions - Employee	-	484,989	(484,989)
Net Investment Income	-	1,471,155	(1,471,155)
Benefit Payments, Including Refunds of Employee Contributions	(2,841,282)	(2,841,282)	-
Administrative Expenses	-	(26,587)	26,587
Other Changes	-	(1,934)	1,934
Net Changes	<u>4,621,862</u>	<u>2,852,764</u>	<u>1,769,098</u>
Balances at End of Year	<u>\$ 61,501,211</u>	<u>\$ 27,558,947</u>	<u>\$ 33,942,264</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's net pension liability calculated using the discount rates noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.30%	7.30%	8.30%
Net Pension Liability	\$ 44,618,249	\$ 35,113,126	\$ 27,416,329
PSPRS Fire			
Rate	6.30%	7.30%	8.30%
Net Pension Liability	\$ 43,473,252	\$ 33,942,264	\$ 26,166,091

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report. The report is available on the PSPRS website at www.psprs.com.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Pension Expense

For the year ended June 30, 2020, the City recognized the following as pension expense:

	Pension Expense
PSPRS Police	\$ 3,566,194
PSPRS Fire	4,033,061

Pension Deferred Outflows/Inflows of Resources

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Police		
Differences between expected and actual experience	\$ 956,171	\$ 404,998
Changes of assumptions or other inputs	2,095,247	-
Net difference between projected and actual earnings on pension plan investments	456,734	-
City contributions subsequent to the measurement date	1,673,832	-
Total	\$ 5,181,984	\$ 404,998
PSPRS - Fire		
Differences between expected and actual experience	\$ 1,381,661	\$ 1,669,144
Changes of assumptions or other inputs	3,629,081	-
Net difference between projected and actual earnings on pension plan investments	477,908	-
City contributions subsequent to the measurement date	2,119,126	-
Total	\$ 7,607,776	\$ 1,669,144

The amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	PSPRS Police	PSPRS Fire
2021	\$ 1,395,446	\$ 1,556,599
2022	945,341	775,035
2023	635,299	728,862
2024	127,068	450,620
2025	-	308,390
Thereafter	-	-

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

G. Other Postemployment Benefits – Single Employer Plan

Plan Description and Benefits Provided

Lake Havasu City provides single employer postemployment benefit plans for retirees. Active employees, who started before July 1, 2004, are eligible for medical coverage for themselves and their eligible dependent(s) under the City’s health benefits program for a period not longer than ten (10) years after the date of retirement, until age 65 or Medicare eligible, or a covered dependent ceases to be an eligible dependent as defined under the Northwest Arizona Employee Benefit Trust Plan (NAEBT).

Pursuant to the provisions of the plan, employees hired before July 1, 2004 may be retained on the City’s health insurance plan, provided they make required premium contributions and comply with all other provisions of the NAEBT, in accordance with the following provisions, with the condition that the employees have no vested rights:

- a) The employee must retire from Lake Havasu City, Arizona by meeting one of the alternative eligibility requirements based on their respective Retirement system.
- b) Eligible employees have worked a minimum of ten (10) years of full-time, benefit-eligible service with Lake Havasu City, Arizona or have earned sixty (60) points, which is a combination of age and years of service with Lake Havasu City, Arizona.
- c) Eligible employees retire under the applicable Arizona State Retirement System and elect to receive the State health insurance subsidy.
- d) Retiree must elect to be retained on the Plan with no break in coverage following their retirement and must waive all rights to COBRA continuation coverage.

Other eligible active employees, who started on or after July 1, 2004, will be covered under a defined contribution Health Retirement Savings Plan adopted by Council on November 24, 2009. This plan will not generate any GASB 75 liability.

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries	
Currently Receiving Benefits	66
Active Plan Members	102
Total	<u>168</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 OTHER INFORMATION (CONTINUED)

G. Other Postemployment Benefits – Single Employer Plan (Continued)

Total OPEB Liability

The City's total OPEB liability of \$12,988,373 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Discount Rate	3.13%
	5.4% in 2020, fluctuating downward until 4% in 2076
Health Care Trend Rates	

Mortality rates were based on RP 2014 base rates (published RP 2014 rates with MP 2014 projection from 2006 to 2014 backed out) then projected from 2006 forward generationally using MacLeod Watts Scale 2018.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 OTHER INFORMATION (CONTINUED)

G. Other Postemployment Benefits – Single Employer Plan (Continued)

Changes in Total OPEB Liability

A change in the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The following table shows the changes in OPEB liability as of June 30, 2020.

	Total OPEB Liability
Balances at June 30, 2019	\$ 14,487,903
Changes for the Year:	
Service Cost	434,899
Interest	527,738
Change in Assumptions	(1,773,379)
Contributions	(688,788)
Net Changes	(1,499,530)
Balances at June 30, 2020	\$ 12,988,373

Sensitivity Results

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Net OPEB Liability	\$ 13,731,651	\$ 12,988,373	\$ 12,284,651

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (4.4% fluctuating downward until 3% in 2076)	Current Trend Rates (5.4% fluctuating downward until 4% in 2076)	1% Increase (6.4% fluctuating downward until 5% in 2076)
Net OPEB Liability	\$ 12,039,623	\$ 12,988,373	\$ 14,030,222

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

G. Other Postemployment Benefits – Single Employer Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$332,933. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ -	\$ 309,795
Net Difference Between Projected and Actual Investment Earnings	-	1,182,146
Contributions Between Measurement Date and Reporting Date	697,027	-
Total	<u>\$ 697,027</u>	<u>\$ 1,491,941</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	Future Recognition
2021	\$ (629,704)
2022	(542,464)
2023	(319,773)
2023	-

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REQUIRED SUPPLEMENTARY INFORMATION

**LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS**

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 434,899	\$ 424,722	\$ 459,852
Interest	527,738	511,977	431,911
Changes of Assumptions	(1,773,379)	(50,613)	(573,685)
Contributions	(688,788)	(709,650)	(676,460)
Net Change in Total OPEB Liability	(1,499,530)	176,436	(358,382)
Total OPEB Liability - beginning	14,487,903	14,311,467	14,669,849
Total OPEB Liability - ending (a)	<u>\$ 12,988,373</u>	<u>\$ 14,487,903</u>	<u>\$ 14,311,467</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 688,788	\$ 709,650	\$ 676,460
Benefit Payments	(688,788)	(709,650)	(676,460)
Plan Fiduciary Net Position - beginning	-	-	-
Plan Fiduciary Net Position - ending (b)	<u>-</u>	<u>-</u>	<u>-</u>
City's Net OPEB Liability - ending (a) - (b)	\$ 12,988,373	\$ 14,487,903	\$ 14,311,467
Covered-employee Payroll	\$ 9,432,741	\$ 10,831,018	\$ 11,030,000
City's Net OPEB Liability as a Percentage of Covered-employee Payroll	137.69%	133.76%	129.75%

Note: The City implemented GASB Statement No. 75 for fiscal year ended June 30, 2018. Information prior to fiscal year 2018 is not available.

**LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2020**

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
City's Proportion of the Net Pension Liability	0.16012%	0.16475%	0.17353%	0.16669%	0.16651%	0.16774%
City's Proportionate Share of the Net Pension Liability	\$ 23,299,323	\$ 22,976,827	\$ 27,032,591	\$ 26,905,441	\$ 25,935,590	\$ 24,263,884
City's Covered Payroll	16,182,096	16,322,972	16,926,187	15,607,806	15,336,079	14,781,897
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	142.74%	140.76%	159.71%	172.38%	169.11%	164.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

Note: The City implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information prior to fiscal year 2015 is not available.

**LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
ALL PENSION PLANS
YEAR ENDED JUNE 30, 2020**

Arizona State Retirement System

	Reporting Fiscal Year					
	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 1,913,179	\$ 1,883,596	\$ 1,779,204	\$ 1,824,643	\$ 1,693,447	\$ 1,670,099
City's Contribution in Relation to the Statutorily Required Contribution	1,913,179	1,883,596	1,779,204	1,824,643	1,693,447	1,670,099
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	16,708,987	16,182,096	16,322,972	16,926,187	15,607,806	15,336,079
City's Contributions as a Percentage of Covered Payroll	11.45%	11.64%	10.90%	10.78%	10.85%	10.89%

PSPRS Police

	Reporting Fiscal Year					
	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 1,673,832	\$ 2,987,849	\$ 2,991,037	\$ 2,210,217	\$ 2,228,546	\$ 1,567,440
City's Contribution in Relation to the Actuarially Determined Contribution	1,673,832	2,987,849	2,354,928	2,210,217	2,228,546	1,567,440
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ (636,109)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 5,689,821	\$ 5,360,332	\$ 5,482,280	\$ 5,429,036	\$ 4,819,831	\$ 4,876,023
City's Contributions as a Percentage of Covered Payroll	29.42%	55.74%	42.96%	40.71%	46.24%	32.15%

PSPRS Fire

	Reporting Fiscal Year					
	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 2,119,126	\$ 3,209,845	\$ 2,827,637	\$ 2,338,318	\$ 2,253,104	\$ 1,546,439
City's Contribution in Relation to the Actuarially Determined Contribution	2,119,126	3,209,845	2,089,843	2,338,318	2,253,104	1,546,439
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ (737,794)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 6,182,281	\$ 5,905,879	\$ 5,721,646	\$ 5,876,745	\$ 5,533,617	\$ 5,162,923
City's Contributions as a Percentage of Covered Payroll	34.28%	54.35%	36.53%	39.79%	40.72%	29.95%

Note: The City implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information prior to fiscal year 2015 is not available.

**LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIO
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM – POLICE AND FIRE
YEAR ENDED JUNE 30, 2020**

PSPRS Police

	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability						
Service Cost	\$ 1,062,438	\$ 1,016,857	\$ 1,234,563	\$ 922,034	\$ 861,608	\$ 848,865
Interest on the Total Pension Liability	4,161,187	4,000,651	3,651,211	3,464,339	3,399,923	2,915,368
Changes of Benefit Terms	-	-	582,417	2,528,560	-	703,355
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	527,967	(193,125)	1,482,173	(1,471,071)	(106,367)	893,651
Changes of Assumptions or Other Inputs	1,561,991	-	1,480,171	1,778,435	-	3,938,245
Benefit Payments, Including Refunds of Employee Contributions	(3,336,596)	(3,081,375)	(2,801,935)	(2,852,973)	(3,876,595)	(2,389,772)
Net Change in Total Pension Liability	3,976,987	1,743,008	5,628,600	4,369,324	278,569	6,909,712
Total Pension Liability - Beginning	56,838,114	55,095,106	49,466,506	45,097,182	44,818,613	37,908,901
Total Pension Liability - Ending (a)	60,815,101	56,838,114	55,095,106	49,466,506	45,097,182	44,818,613
Plan Fiduciary Net Position						
Contributions - Employer	3,729,249	3,104,531	2,210,217	2,228,546	1,567,440	1,354,412
Contributions - Employee	437,628	732,863	625,344	595,760	554,019	549,533
Net Investment Income	1,418,829	1,767,466	2,293,048	113,130	732,631	2,503,686
Benefit Payments, Including Refunds of Employee Contributions Hall/Parker Settlement	(3,336,596)	(3,081,375)	(2,801,935)	(2,852,973)	(3,876,595)	(2,389,772)
Administrative Expenses	(25,679)	(27,600)	(20,690)	(16,679)	(18,256)	-
Other Changes	(14,467)	(10,160)	(13,631)	(61,181)	(2,391)	(1,015,209)
Net Change in Plan Fiduciary Net Position	2,208,964	1,736,122	2,292,353	6,603	(1,043,152)	1,002,650
Plan Fiduciary Net Position - Beginning	23,493,011	21,756,889	19,464,536	19,457,933	20,501,085	19,498,435
Plan Fiduciary Net Position - Ending (b)	25,701,975	23,493,011	21,756,889	19,464,536	19,457,933	20,501,085
City's Net Pension Liability (Asset) - Ending (a) - (b)	\$ 35,113,126	\$ 33,345,103	\$ 33,338,217	\$ 30,001,970	\$ 25,639,249	\$ 24,317,528

	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.26%	41.33%	39.49%	39.35%	43.15%	45.74%
Covered Payroll	\$ 5,360,332	\$ 5,482,280	\$ 5,429,036	\$ 4,819,831	\$ 4,876,023	\$ 4,534,608
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	655.06%	608.23%	614.07%	622.47%	525.82%	536.27%

Note: The City implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information prior to fiscal year 2015 is not available.

LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIO
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM – POLICE AND FIRE (CONTINUED)
YEAR ENDED JUNE 30, 2020

PSPRS Fire

	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability						
Service Cost	\$ 1,278,297	\$ 1,227,618	\$ 1,344,599	\$ 1,057,474	\$ 959,699	\$ 924,982
Interest on the Total Pension Liability	4,198,538	4,135,420	3,734,268	3,496,748	3,383,165	2,837,439
Changes of Benefit Terms	-	-	595,772	1,468,498	-	952,334
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	1,001,251	(2,255,339)	977,472	(327,782)	(84,341)	14,363
Changes of Assumptions or Other Inputs	985,058	-	2,126,762	1,911,648	-	4,840,056
Benefit Payments, Including Refunds of Employee Contributions	(2,841,282)	(2,997,196)	(2,255,936)	(2,753,000)	(2,967,977)	(2,301,260)
Net Change in Total Pension Liability	4,621,862	110,503	6,522,937	4,853,586	1,290,546	7,267,914
Total Pension Liability - Beginning	56,879,349	56,768,846	50,245,909	45,392,323	44,101,777	36,833,863
Total Pension Liability - Ending (a)	61,501,211	56,879,349	56,768,846	50,245,909	45,392,323	44,101,777
Plan Fiduciary Net Position						
Contributions - Employer	3,766,423	2,966,928	2,338,318	2,253,104	1,546,439	1,452,150
Contributions - Employee	484,989	470,921	657,879	628,285	575,092	510,116
Net Investment Income	1,471,155	1,866,236	2,415,000	116,400	721,120	2,435,938
Benefit Payments, Including Refunds of Employee Contributions	(2,841,282)	(2,997,196)	(2,255,936)	(2,753,000)	(2,967,977)	(2,301,260)
Hall/Parker Settlement	-	(877,085)	-	-	-	-
Administrative Expenses	(26,587)	(29,104)	(21,769)	(17,149)	(17,967)	-
Other Changes	(1,934)	274	(31,332)	162,933	3,818	(1,110,206)
Net Change in Plan Fiduciary Net Position	2,852,764	1,400,974	3,102,160	390,573	(139,475)	986,738
Plan Fiduciary Net Position - Beginning	24,706,183	23,305,209	20,203,049	19,812,476	19,951,951	18,965,213
Plan Fiduciary Net Position - Ending (b)	27,558,947	24,706,183	23,305,209	20,203,049	19,812,476	19,951,951
City's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 33,942,264</u>	<u>\$ 32,173,166</u>	<u>\$ 33,463,637</u>	<u>\$ 30,042,860</u>	<u>\$ 25,579,847</u>	<u>\$ 24,149,826</u>

	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.81%	43.44%	41.05%	40.21%	43.65%	45.24%
Covered Payroll	\$ 5,905,879	\$ 5,721,646	\$ 5,876,745	\$ 5,533,617	\$ 5,162,923	\$ 5,018,226
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	574.72%	562.31%	569.42%	542.92%	495.45%	481.24%

Note: The City implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information prior to fiscal year 2015 is not available.

**LAKE HAVASU CITY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent-of-pay, closed
Remaining Amortization Period as of the 2016 Actuarial Valuation	20 years
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%.
Projected Salary Increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage Growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	In the 2017 actuarial valuation, change to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 INFORMATION PRIOR TO MEASUREMENT DATE

Information prior to the measurement date (June 30, 2014) was not available. GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an Amendment of *GASB Statement No. 27*, requires the City to present ten years of pension information as required supplementary information. However, until a full ten years of trend data is compiled, the City will present information for only those years for which information is available.

LAKE HAVASU CITY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

NOTE 3 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Arizona Courts have ruled that provisions of a 2011 law that changed the funding mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates.

These changes are reflected in the plan's pension liability for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS-required contributions beginning in fiscal year 2018 for members who retired or will retire after the law's effective date.

Also, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**



**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE AND CAPITAL PROJECT FUNDS**

Metropolitan Planning Organization Fund (MPO) - This fund was established to account for funding derived from the area's status as a designated Metropolitan Planning Organization (MPO).

Grants Fund – To account for the activity of the miscellaneous federal and state grants.

Improvement Districts Fund – To account for the maintenance and improvements to Improvement District No. 2, the London Bridge shopping area and Improvement District No. 4 for the gas lights, utility service, and median center for the lower McCulloch Boulevard Business District. Financing is provided to all districts through the assessment of property taxes.

Special Programs Fund – To account for the activity of various City programs funded with program-generated revenues and outside agency contributions.

Capital Projects Fund - This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

**LAKE HAVASU CITY, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Special Revenue		
	Metropolitan Planning Organization	Grants	Improvement Districts
Assets			
Cash and Investments	\$ -	\$ -	\$ 25,515
Restricted Cash	-	-	-
Receivables			
Taxes Receivable	-	-	3,274
Intergovernmental Receivable	86,530	312,465	1,508
Interest Receivable	-	-	40
Total Assets	<u>\$ 86,530</u>	<u>\$ 312,465</u>	<u>\$ 30,337</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	16,148	31,848	700
Accrued Wages and Benefits	6,752	4,345	-
Due to Other Funds	63,630	276,272	-
Unearned Revenue	-	-	-
Total Liabilities	<u>86,530</u>	<u>312,465</u>	<u>700</u>
Fund Balances			
Restricted	-	-	29,637
Committed	-	-	-
Assigned	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>29,637</u>
Total Liabilities and Fund Balance	<u>\$ 86,530</u>	<u>\$ 312,465</u>	<u>\$ 30,337</u>

<u>Special Revenue</u>	<u>Capital Projects</u>	
Special Programs	Capital Projects	Total Nonmajor Governmental Funds
\$ 662,412	\$ 3,219,195	\$ 3,907,122
154,788	-	154,788
-	-	3,274
-	-	400,503
1,193	1,504	2,737
<u>\$ 818,393</u>	<u>\$ 3,220,699</u>	<u>\$ 4,468,424</u>
3,625	-	\$ 52,321
-	-	11,097
-	-	339,902
-	-	-
<u>3,625</u>	<u>-</u>	<u>403,320</u>
618,172	-	647,809
-	138,784	138,784
196,596	3,081,915	3,278,511
<u>814,768</u>	<u>3,220,699</u>	<u>4,065,104</u>
<u>\$ 818,393</u>	<u>\$ 3,220,699</u>	<u>\$ 4,468,424</u>

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	Special Revenue		
	Metropolitan Planning Organization	Grants	Improvement Districts
Revenue			
Taxes			
Property Taxes	\$ -	\$ -	\$ 74,063
Intergovernmental Revenue	400,014	1,030,632	-
Fines and Forfeitures	-	-	-
Contributions and Donations	-	-	-
Investment Earnings	-	-	834
Other	-	413	-
Total Revenue	<u>400,014</u>	<u>1,031,045</u>	<u>74,897</u>
Expenditures			
Current			
General Government	-	630,653	73,471
Public Safety	-	400,392	-
Transportation Services	400,014	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>400,014</u>	<u>1,031,045</u>	<u>73,471</u>
Excess (Deficiency) of Revenue Over Expenditures	-	-	1,426
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	1,426
Fund Balance			
Beginning of Year	<u>-</u>	<u>-</u>	<u>28,211</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,637</u>

<u>Special Revenue</u>	<u>Capital Projects</u>	
Special Programs	Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 74,063
260,081	-	1,690,727
99,745	-	99,745
-	211,186	211,186
20,334	12,120	33,288
2,335	430,072	432,820
<u>382,495</u>	<u>653,378</u>	<u>2,541,829</u>
-	-	704,124
292,220	-	692,612
-	-	400,014
-	306,767	306,767
<u>292,220</u>	<u>306,767</u>	<u>2,103,517</u>
90,275	346,611	438,312
-	2,310,026	2,310,026
(32,078)	-	(32,078)
<u>(32,078)</u>	<u>2,310,026</u>	<u>2,277,948</u>
58,197	2,656,637	2,716,260
<u>756,571</u>	<u>564,062</u>	<u>1,348,844</u>
<u>\$ 814,768</u>	<u>\$ 3,220,699</u>	<u>\$ 4,065,104</u>

**LAKE HAVASU CITY, ARIZONA
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		Variance with Final Budget
	<u>Original and Final Budget</u>	<u>Actual</u>	
Revenue			
Intergovernmental Revenue	\$ 4,325,142	\$ 1,030,632	\$ (3,294,510)
Other	-	413	413
Total Revenue	<u>4,325,142</u>	<u>1,031,045</u>	<u>(3,294,097)</u>
Expenditures			
Current			
General Government	2,030,823	630,653	1,400,170
Public Safety	1,381,236	400,392	980,844
Highways and Streets	875,000	-	875,000
Transportation Services	38,083	-	38,083
Total Expenditures	<u>4,325,142</u>	<u>1,031,045</u>	<u>3,294,097</u>
Excess (Deficiency) of Revenue Over Expenditures	-	-	-
Fund Balance			
Beginning of Year	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Variance with</u>
	<u>Original and</u>		<u>Final Budget</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>
Revenue			
Taxes			
Property Taxes	\$ 75,376	\$ 74,063	\$ (1,313)
Investment Earnings	-	834	834
Total Revenue	<u>75,376</u>	<u>74,897</u>	<u>(479)</u>
Expenditures			
Current			
General Government	76,075	73,471	(73,471)
Total Expenditures	<u>76,075</u>	<u>73,471</u>	<u>(73,471)</u>
Excess (Deficiency) of Revenue Over Expenditures	(699)	1,426	(73,950)
Fund Balance			
Beginning of Year	24,000	28,211	4,211
End of Year	<u>\$ 23,301</u>	<u>\$ 29,637</u>	<u>\$ (69,739)</u>

**LAKE HAVASU CITY, ARIZONA
SPECIAL PROGRAMS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		Variance with Final Budget
	<u>Original and Final Budget</u>	<u>Actual</u>	
Revenue			
Intergovernmental Revenue	\$ 364,200	\$ 260,081	\$ (104,119)
Fines and Forfeitures	175,000	99,745	(75,255)
Investment Earnings	7,000	20,334	13,334
Other	3,640	2,335	(1,305)
Total Revenue	<u>549,840</u>	<u>382,495</u>	<u>(167,345)</u>
Expenditures			
Current			
General Government	23,042	-	23,042
Public Safety	432,784	292,220	140,564
Total Expenditures	<u>455,826</u>	<u>292,220</u>	<u>163,606</u>
Excess (Deficiency) of Revenue Over Expenditures	94,014	90,275	(3,739)
Other Financing Sources (Uses)			
Transfers Out	<u>(41,305)</u>	<u>(32,078)</u>	<u>9,227</u>
Net Change in Fund Balance	52,709	58,197	5,488
Fund Balance			
Beginning of Year	755,000	756,571	1,571
End of Year	<u>\$ 807,709</u>	<u>\$ 814,768</u>	<u>\$ 7,059</u>

**LAKE HAVASU CITY, ARIZONA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		Variance with Final Budget
	<u>Original and Final Budget</u>	<u>Actual</u>	
Revenue			
Contributions and Donations	\$ 376,270	\$ 211,186	\$ (165,084)
Investment Earnings	6,000	12,120	6,120
Other	1,000	430,072	429,072
Total Revenue	<u>383,270</u>	<u>653,378</u>	<u>270,108</u>
Expenditures			
Capital Outlay	<u>1,243,825</u>	<u>306,767</u>	<u>937,058</u>
Total Expenditures	<u>1,243,825</u>	<u>306,767</u>	<u>937,058</u>
Excess (Deficiency) of Revenue Over Expenditures	(860,555)	346,611	1,207,166
Other Financing Sources (Uses)			
Transfers In	<u>2,403,805</u>	<u>2,310,026</u>	<u>(93,779)</u>
Net Change in Fund Balance	1,543,250	2,656,637	1,113,387
Fund Balance			
Beginning of Year	457,000	564,062	107,062
End of Year	<u>\$ 2,000,250</u>	<u>\$ 3,220,699</u>	<u>\$ 1,220,449</u>



STATISTICAL SECTION

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LAKE HAVASU CITY, ARIZONA STATISTICAL SECTION

This part of the Lake Havasu City, Arizona's, Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends – These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity – These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.

Debt Capacity – These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

**LAKE HAVASU CITY, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2011 (As Restated)	2012 (As Restated)	2013 (1) (As Restated)	2014
Governmental Activities				
Net Investment in Capital Assets	\$ 87,690,122	\$ 87,049,507	\$ 87,401,644	\$ 87,718,006
Net Position-Restricted	10,279,119	8,223,996	8,485,744	8,971,642
Net Position-Unrestricted	21,634,832	24,258,422	24,692,309	25,319,806
Total Governmental Activities Net Position	<u>\$ 119,604,073</u>	<u>\$ 119,531,925</u>	<u>\$ 120,579,697</u>	<u>\$ 122,009,454</u>
Business-type Activities				
Net Investment in Capital Assets	\$ 113,244,315	\$ 111,325,222	\$ 112,402,345	\$ 112,968,345
Net Position-Restricted	-	-	-	-
Net Position-Unrestricted	91,498,031	96,661,045	92,463,831	92,849,079
Total Business-Type Activities Net Position	<u>\$ 204,742,346</u>	<u>\$ 207,986,267</u>	<u>\$ 204,866,176</u>	<u>\$ 205,817,424</u>
Primary Government				
Net Investment in Capital Assets	\$ 200,934,437	\$ 198,374,729	\$ 199,803,989	\$ 200,686,351
Net Position-Restricted	10,279,119	8,223,996	8,485,744	8,971,642
Net Position-Unrestricted	113,132,863	120,919,467	117,156,140	118,168,885
Total Primary Government Net Position	<u>\$ 324,346,419</u>	<u>\$ 327,518,192</u>	<u>\$ 325,445,873</u>	<u>\$ 327,826,878</u>

- (1) Government Accounting Standards Board (GASB) Statement 63 was implemented by the City in fiscal year ended June 30, 2013. Net position was reported as net assets prior to GASB 63 implementation.
- (2) Government Accounting Standards Board (GASB) Statement 68 was implemented by the City in fiscal year ended June 30, 2015. As a result Beginning Net Position was restated and reduced Net Position by \$55,501,937.
- (3) Government Accounting Standards Board (GASB) Statement 75 was implemented by the City in fiscal year ended June 30, 2018. As a result Beginning Net Position was restated and reduced Net Position by \$8,453,182.

Source: Lake Havasu City, Arizona's Administrative Services Department.

Fiscal Year					
2015 (2)	2016	2017 (3) (As Restated)	2018	2019	2020
\$ 86,704,197	\$ 88,095,353	\$ 88,995,496	\$ 85,407,317	\$ 99,783,955	\$ 103,999,904
9,629,813	3,703,586	4,798,406	5,990,275	4,587,301	7,961,989
(30,958,540)	(31,635,385)	(47,404,855)	(46,342,804)	(45,275,653)	(46,482,104)
<u>\$ 65,375,470</u>	<u>\$ 60,163,554</u>	<u>\$ 46,389,047</u>	<u>\$ 45,054,788</u>	<u>\$ 59,095,603</u>	<u>\$ 169,630,180</u>
\$ 114,768,401	\$ 137,877,796	\$ 139,060,241	\$ 140,976,250	\$ 134,618,689	\$ 134,988,785
-	-	-	20,929	13,207	9,984
83,956,728	66,001,694	66,595,391	68,758,191	73,866,305	76,661,116
<u>\$ 198,725,129</u>	<u>\$ 203,879,490</u>	<u>\$ 205,655,632</u>	<u>\$ 209,755,370</u>	<u>\$ 208,498,201</u>	<u>\$ 211,659,885</u>
\$ 201,472,598	\$ 225,973,149	\$ 228,055,737	\$ 226,383,567	\$ 234,402,644	\$ 238,988,689
9,629,813	3,703,586	4,798,406	6,011,204	4,600,508	7,971,973
52,998,188	34,366,309	19,190,536	22,415,387	28,590,652	30,179,012
<u>\$ 264,100,599</u>	<u>\$ 264,043,044</u>	<u>\$ 252,044,679</u>	<u>\$ 254,810,158</u>	<u>\$ 267,593,804</u>	<u>\$ 277,139,674</u>

**LAKE HAVASU CITY, ARIZONA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2011 (As Restated)	2012 (As Restated)	2013 (As Restated)	2014
Expenses				
Governmental Activities:				
General Government	\$ 9,621,283	\$ 8,476,893	\$ 10,853,502	\$ 12,152,114
Public Safety	22,372,576	21,686,997	24,589,053	25,670,858
Highways and Streets	5,918,563	6,233,637	6,489,355	6,844,661
Transportation Services	1,461,976	1,879,024	2,084,097	1,602,639
Tourism and Promotion	1,390,134	1,496,816	1,485,300	1,651,955
Culture and Recreation	4,722,202	4,073,659	1,818,542	1,860,313
Interest on Long-Term Debt	108,188	99,411	92,090	85,885
Total Governmental Activities	<u>45,594,922</u>	<u>43,946,437</u>	<u>47,411,939</u>	<u>49,868,425</u>
Business-Type Activities:				
Refuse	1,085,990	5,410,612	5,368,384	5,267,207
Recreation / Aquatic Center	1,079,984	1,246,005	1,329,378	1,518,700
Irrigation and Drainage	10,523,588	10,044,185	9,845,794	10,173,601
Wastewater	24,963,122	25,793,737	27,266,517	26,965,114
Airport	1,356,632	1,364,933	1,332,327	1,358,396
Total Business-Type Activities	<u>39,009,316</u>	<u>43,859,472</u>	<u>45,142,400</u>	<u>45,283,018</u>
Total Primary Government Expenses	<u>\$ 84,604,238</u>	<u>\$ 87,805,909</u>	<u>\$ 92,554,339</u>	<u>\$ 95,151,443</u>
Program Revenues				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 2,697,578	\$ 2,496,454	\$ 3,069,608	\$ 3,274,126
Public Safety	131,855	107,777	534,871	422,645
Highways and Streets	22,861	21,023	189,775	26,621
Culture and Recreation	570,009	565,388	597,730	613,049
Transportation Services	106,000	119,262	106,528	100,508
Interest	5,765	2,086	-	-
Operating Grants and Contributions	7,755,856	6,522,104	6,837,670	6,419,567
Capital Grants and Contributions	3,264,826	1,525,462	2,930,409	2,263,972
Total Governmental Activities	<u>14,554,750</u>	<u>11,359,556</u>	<u>14,266,591</u>	<u>13,120,488</u>
Business-type Activities:				
Charges for Services:				
Refuse	1,198,732	5,589,465	5,725,669	5,645,063
Recreation / Aquatic Center	332,304	388,600	372,160	373,728
Irrigation and Drainage	10,970,391	10,792,533	10,490,751	10,586,519
Wastewater	21,241,682	21,865,171	22,047,663	22,408,732
Airport	521,022	510,311	492,185	490,596
Operating Grants and Contributions	86,000	88,717	51,853	112,131
Capital Grants and Contributions	13,547,954	3,161,306	2,159,379	3,103,082
Total Business-Type Activities	<u>47,898,085</u>	<u>42,396,103</u>	<u>41,339,660</u>	<u>42,719,851</u>
Total Primary Government Program Revenues	<u>\$ 62,452,835</u>	<u>\$ 53,755,659</u>	<u>\$ 55,606,251</u>	<u>\$ 55,840,339</u>

		Fiscal Year									
		2015	2016	2017	2018	2019	2020				
\$	13,730,439	\$	16,565,010	\$	16,508,917	\$	15,966,111	\$	16,231,859	\$	16,402,595
	29,639,702		27,851,569		35,730,398		32,534,876		31,099,502		32,192,767
	7,581,803		5,954,241		6,527,976		5,986,275		5,506,988		5,656,106
	590,799		3,524,708		3,211,372		3,394,900		3,119,629		5,734,866
	1,614,399		1,866,653		2,011,849		2,263,539		2,438,028		2,405,167
	2,069,458		796,465		649,522		723,931		644,651		642,960
	79,518		71,419		336,191		377,281		156,484		11,765
	<u>55,306,118</u>		<u>56,630,065</u>		<u>64,976,225</u>		<u>61,246,913</u>		<u>59,197,141</u>		<u>63,046,226</u>
	5,376,827		5,462,233		5,579,670		5,824,942		6,397,111		6,722,388
	1,675,056		-		-		-		-		-
	9,961,106		10,695,127		10,873,128		12,388,033		11,471,349		13,441,560
	26,687,095		28,630,254		26,012,366		25,175,765		26,016,553		26,483,548
	1,361,177		1,401,684		1,425,314		1,558,591		1,875,148		1,927,072
	<u>45,061,261</u>		<u>46,189,298</u>		<u>43,890,478</u>		<u>44,947,331</u>		<u>45,760,161</u>		<u>48,574,568</u>
\$	<u>100,367,379</u>	\$	<u>102,819,363</u>	\$	<u>108,866,703</u>	\$	<u>106,194,244</u>	\$	<u>104,957,302</u>	\$	<u>111,620,794</u>
\$	3,820,613	\$	3,632,889	\$	3,824,870	\$	4,109,375	\$	4,192,315	\$	2,728,789
	264,639		413,385		306,598		394,571		355,788		1,632,331
	9,897		56,878		4,586		14,847		10,789		-
	717,178		959,528		994,556		954,783		1,003,937		652,479
	10,507		11,193		11,440		17,094		18,583		13,734
	-		-		-		-		-		-
	6,486,534		7,398,931		7,634,226		7,163,483		7,539,313		7,392,366
	1,501,131		1,500		13,750		223,288		-		1,637,186
	<u>12,810,499</u>		<u>12,474,304</u>		<u>12,790,026</u>		<u>12,877,441</u>		<u>13,120,725</u>		<u>14,056,885</u>
	5,762,381		5,900,766		6,032,980		6,451,980		6,830,556		6,726,489
	424,825		-		-		-		-		-
	10,320,272		10,690,585		10,694,299		11,941,916		10,849,791		11,020,390
	22,529,002		22,592,658		22,619,965		22,334,847		23,014,325		22,978,761
	487,182		496,145		502,238		515,049		504,332		530,108
	96,035		111,029		46,241		-		-		88,712
	629,838		2,394,886		3,981,141		3,703,711		3,133,115		3,588,771
	<u>40,249,535</u>		<u>42,186,069</u>		<u>43,876,864</u>		<u>44,947,503</u>		<u>44,332,119</u>		<u>44,933,231</u>
\$	<u>53,060,034</u>	\$	<u>54,660,373</u>	\$	<u>56,666,890</u>	\$	<u>57,824,944</u>	\$	<u>57,452,844</u>	\$	<u>58,990,116</u>

**LAKE HAVASU CITY, ARIZONA
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2011 (As Restated)	2012 (As Restated)	2013 (As Restated)	2014
Net (Expense)/Revenue				
Governmental Activities	\$ (31,040,172)	\$ (32,586,881)	\$ (33,145,348)	\$ (36,747,937)
Business-Type Activities	8,888,769	(1,463,369)	(3,802,740)	(2,563,167)
Total Primary Government Net Expense	<u>\$ (22,151,403)</u>	<u>\$ (34,050,250)</u>	<u>\$ (36,948,088)</u>	<u>\$ (39,311,104)</u>
General Revenues and Other				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 14,379,370	\$ 14,400,439	\$ 14,157,677	\$ 15,185,171
Property Taxes	4,135,595	4,150,569	4,194,202	4,231,510
Franchise Taxes	1,722,878	1,684,173	1,705,943	1,795,899
Impact Fees	295,355	-	-	-
State Revenue Sharing	5,200,976	4,433,318	5,365,520	5,854,801
State Sales Tax Revenue Sharing	4,081,876	4,104,475	4,299,431	4,572,096
Auto Lieu Tax Revenue Sharing	2,621,452	2,451,516	2,423,003	2,506,953
Investment Earnings (Loss)	187,740	(81,420)	400,393	439,967
Other	78,417	119,074	47,499	114,948
Transfers	(153,685)	1,252,589	1,599,452	3,476,349
Total Governmental Activities	<u>32,549,974</u>	<u>32,514,733</u>	<u>34,193,120</u>	<u>38,177,694</u>
Business-Type activities:				
Sales Taxes	-	-	-	-
Property Taxes	4,460,402	5,703,105	5,675,383	5,953,459
Investment Earnings (Loss)	266,125	256,774	669,737	1,037,304
Other	-	-	-	-
Transfers	153,685	(1,252,589)	(1,599,452)	(3,476,349)
Total Business-Type Activities	<u>4,880,212</u>	<u>4,707,290</u>	<u>4,745,668</u>	<u>3,514,414</u>
Total Primary Government	<u>\$ 37,430,186</u>	<u>\$ 37,222,023</u>	<u>\$ 38,938,788</u>	<u>\$ 41,692,108</u>
Change in Net Position				
Governmental Activities	\$ 1,509,802	\$ (72,148)	\$ 1,047,772	\$ 1,429,757
Business-type Activities	13,768,981	3,243,921	942,928	951,248
Total Primary Government	<u>\$ 15,278,783</u>	<u>\$ 3,171,773</u>	<u>\$ 1,990,700</u>	<u>\$ 2,381,005</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ (42,495,619)	\$ (44,155,761)	\$ (52,186,199)	\$ (48,369,472)	\$ (46,076,416)	\$ (48,989,341)
(4,811,726)	(4,003,229)	(13,614)	172	(1,428,042)	(3,641,337)
<u>\$ (47,307,345)</u>	<u>\$ (48,158,990)</u>	<u>\$ (52,199,813)</u>	<u>\$ (48,369,300)</u>	<u>\$ (47,504,458)</u>	<u>\$ (52,630,678)</u>
\$ 18,442,101	\$ 20,205,820	\$ 21,750,919	\$ 23,510,466	\$ 25,600,426	\$ 28,509,382
4,237,577	4,378,580	4,404,669	4,509,789	4,738,836	5,034,301
2,300,347	1,971,867	2,017,919	1,915,660	1,920,789	1,899,083
-	-	-	-	-	-
6,358,718	6,324,244	6,551,824	6,656,582	6,589,165	7,123,935
4,800,376	4,961,508	4,903,171	5,167,905	5,478,702	5,696,977
2,666,247	2,871,694	3,114,874	3,403,444	3,614,782	3,638,920
355,158	567,614	115,537	158,966	1,213,816	1,273,380
58,081	21,866	-	-	337,401	631,097
1,448,372	(5,800,353)	2,043,948	1,712,401	8,550,633	1,566,452
<u>40,666,977</u>	<u>35,502,840</u>	<u>44,902,861</u>	<u>47,035,213</u>	<u>58,044,550</u>	<u>55,373,527</u>
-	-	-	7,918	20,545	22,675
5,392,116	5,726,275	5,701,272	5,702,082	5,693,531	5,694,267
772,282	1,071,967	94,445	101,967	2,736,835	2,507,455
-	-	-	-	270,595	145,076
(1,448,372)	5,800,353	(2,043,948)	(1,712,401)	(8,550,633)	(1,566,452)
<u>4,716,026</u>	<u>12,598,595</u>	<u>3,751,769</u>	<u>4,099,566</u>	<u>170,873</u>	<u>6,803,021</u>
<u>\$ 45,383,003</u>	<u>\$ 48,101,435</u>	<u>\$ 48,654,630</u>	<u>\$ 51,134,779</u>	<u>\$ 58,215,423</u>	<u>\$ 62,176,548</u>
\$ (1,828,642)	\$ (8,652,921)	\$ (7,283,338)	\$ (1,334,259)	\$ 11,968,134	\$ 6,384,186
(95,700)	8,595,366	3,738,155	4,099,738	(1,257,169)	3,161,684
<u>\$ (1,924,342)</u>	<u>\$ (57,555)</u>	<u>\$ (3,545,183)</u>	<u>\$ 2,765,479</u>	<u>\$ 10,710,965</u>	<u>\$ 9,545,870</u>

**LAKE HAVASU CITY, ARIZONA
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

Function/Program	Fiscal Year			
	2011	2012	2013	2014
Governmental Activities:				
General Government	\$ 3,726,647	\$ 3,535,789	\$ 3,995,491	\$ 3,932,496
Public Safety	1,155,283	941,184	1,538,204	1,045,352
Highways and Streets	6,984,204	5,084,235	7,081,241	6,490,956
Culture and Recreation	693,518	707,343	708,112	668,427
Transportation Services	1,989,333	1,088,919	943,543	983,257
Interest on Long-Term Debt	5,765	2,086	-	-
Subtotal Governmental Activities	<u>14,554,750</u>	<u>11,359,556</u>	<u>14,266,591</u>	<u>13,120,488</u>
Business-Type Activities:				
Refuse	1,198,732	5,589,465	5,725,669	5,645,063
Recreation/Aquatic Center	332,304	388,600	372,160	373,728
Irrigation and Drainage	13,875,204	12,496,186	11,824,048	13,161,156
Wastewater	31,611,051	23,241,431	22,693,769	23,009,681
Airport	880,794	680,421	724,014	530,223
Subtotal Business-Type Activities	<u>47,898,085</u>	<u>42,396,103</u>	<u>41,339,660</u>	<u>42,719,851</u>
Total Primary Government	<u>\$ 62,452,835</u>	<u>\$ 53,755,659</u>	<u>\$ 55,606,251</u>	<u>\$ 55,840,339</u>

Fiscal Year						
2015	2016	2017	2018	2019	2020	
\$ 4,574,380	\$ 5,046,899	\$ 4,919,685	\$ 5,344,231	\$ 5,339,004	\$ 3,541,596	
902,861	1,066,458	1,376,751	1,040,186	982,952	2,297,655	
6,223,620	4,772,852	4,985,665	5,110,258	5,439,830	7,003,845	
827,472	1,085,432	1,075,382	984,594	1,020,467	753,999	
282,166	502,663	432,543	398,172	338,472	459,790	
-	-	-	-	-	-	
<u>12,810,499</u>	<u>12,474,304</u>	<u>12,790,026</u>	<u>12,877,441</u>	<u>13,120,725</u>	<u>14,056,885</u>	
5,762,381	5,900,766	6,032,980	6,451,980	6,830,556	6,726,489	
424,825	-	-	-	-	-	
10,429,386	12,529,606	12,783,382	13,967,644	13,039,227	13,449,583	
23,136,248	23,259,010	23,267,652	23,128,673	23,649,210	23,680,221	
496,695	496,687	1,792,850	1,399,206	813,126	1,076,938	
<u>40,249,535</u>	<u>42,186,069</u>	<u>43,876,864</u>	<u>44,947,503</u>	<u>44,332,119</u>	<u>44,933,231</u>	
<u>\$ 53,060,034</u>	<u>\$ 54,660,373</u>	<u>\$ 56,666,890</u>	<u>\$ 57,824,944</u>	<u>\$ 57,452,844</u>	<u>\$ 58,990,116</u>	

**LAKE HAVASU CITY, ARIZONA
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Nonspendable	\$ 461,612	\$ 349,232	\$ 280,021	\$ 285,386
Restricted	8,663	16,815	43,053	68,775
Committed	1,199,646	533,133	73,885	398,755
Assigned	2,708,530	-	1,705,874	2,122,957
Unassigned	8,616,221	14,476,034	17,920,187	23,222,099
Total General Fund	<u>\$ 12,994,672</u>	<u>\$ 15,375,214</u>	<u>\$ 20,023,020</u>	<u>\$ 26,097,972</u>
All Other Governmental Funds				
Nonspendable	\$ 116,394	\$ 123,655	\$ 126,163	\$ 130,823
Restricted	10,166,279	8,100,341	8,359,581	8,840,988
Committed	2,654,787	153,466	1,228,334	277,375
Assigned	496,230	3,028,968	2,010,336	2,531,132
Total All Other Governmental Funds	<u>\$ 13,433,690</u>	<u>\$ 11,406,430</u>	<u>\$ 11,724,414</u>	<u>\$ 11,780,318</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 244,483	\$ 244,483	\$ 227,087	\$ 9,224,831	\$ 374,462	\$ 389,679
79,848	79,848	108,473	140,783	200,369	211,712
95,764	95,764	58,712	28,614	-	452,553
1,413,446	1,413,446	7,468,453	2,680,187	4,049,451	2,143,468
25,280,515	25,280,515	31,008,000	27,377,087	34,519,442	37,243,172
<u>\$ 27,114,056</u>	<u>\$ 27,114,056</u>	<u>\$ 38,870,725</u>	<u>\$ 39,451,502</u>	<u>\$ 39,143,724</u>	<u>\$ 40,440,584</u>
\$ 128,761	\$ 74,285	\$ 74,255	\$ 69,753	\$ -	\$ -
9,549,965	3,602,063	4,689,933	5,455,777	4,044,645	7,350,685
219,487	-	-	-	-	138,784
2,659,010	3,212,360	1,202,633	1,269,128	767,047	-
<u>\$ 12,557,223</u>	<u>\$ 6,888,708</u>	<u>\$ 5,966,821</u>	<u>\$ 6,794,658</u>	<u>\$ 4,811,692</u>	<u>\$ 7,489,469</u>

LAKE HAVASU CITY, ARIZONA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
Taxes	\$ 20,303,864	\$ 20,226,164	\$ 20,058,886	\$ 21,169,738
Intergovernmental	22,707,886	18,727,568	21,694,328	21,368,041
Fines and Forfeitures	1,368,057	1,309,072	1,344,452	1,405,615
Licenses and Permits	1,033,320	1,072,635	1,434,927	1,645,593
Charges for Services	817,168	803,069	1,233,163	1,122,442
Rents and Royalties	46,494	64,824	88,445	89,409
Contributions and Donations	142,715	112,576	117,678	206,306
Impact Fees	295,355	137,207	-	-
Special Assessments	66,283	65,357	-	-
Investment Earnings (Loss)	169,181	(53,402)	346,455	347,167
Other	337,648	119,827	426,502	237,210
Total Revenues	<u>47,287,971</u>	<u>42,584,897</u>	<u>46,744,836</u>	<u>47,591,521</u>
Expenditures				
General Government	9,511,503	9,806,857	10,971,201	11,552,268
Public Safety	21,230,032	20,867,623	23,587,259	27,492,419
Highways and Streets	4,418,689	4,522,249	4,721,183	5,130,647
Culture and Recreation	3,835,394	3,707,822	1,703,534	1,835,350
Transportation Services	1,847,708	1,649,359	1,570,998	1,427,796
Tourism and Promotion	1,389,473	1,496,155	1,484,639	1,651,955
Capital Outlay	3,345,613	2,288,782	3,278,455	3,638,147
Debt Service				
Principal Retirement	200,000	200,000	145,000	150,000
Interest on Long-Term Debt	108,188	99,411	92,090	85,885
Total Expenditures	<u>45,886,600</u>	<u>44,638,258</u>	<u>47,554,359</u>	<u>52,964,467</u>
Excess of Revenues Over (Under)				
Expenditures	1,401,371	(2,053,361)	(809,523)	(5,372,946)
Other Financing Sources (Uses)				
Transfers In	2,210,751	4,160,552	6,837,490	10,589,871
Transfers Out	(2,364,436)	(2,907,963)	(2,738,038)	(2,961,494)
Sale of Capital Assets	-	-	-	-
Issuance of Debt	56,986	1,154,054	1,675,861	3,875,428
Total Other Financing Sources (Uses)	<u>(96,699)</u>	<u>2,406,643</u>	<u>5,775,313</u>	<u>11,503,805</u>
Net Change in Fund Balance	<u>\$ 1,304,672</u>	<u>\$ 353,282</u>	<u>\$ 4,965,790</u>	<u>\$ 6,130,859</u>
Debt Service as a Percentage of Noncapital Expenditures	0.7%	0.7%	0.5%	0.5%





Total			
Net Assessed Value	Estimated Actual Value	Direct Tax Rate	Ratio of Total Assessed Value to Total Estimated Actual Value
\$ 702,130,236	\$ 5,736,417,179	0.5834	12.24
712,368,524	5,806,000,509	-	plus \$ 212.75 per acre
563,939,263	4,690,642,557	0.7264	12.02
567,742,118	4,718,181,204	-	plus \$ 268.85 per acre
563,853,463	4,721,191,013	0.7332	11.94
573,894,513	4,800,069,886	-	plus \$ 268.85 per acre
566,080,488	4,763,359,939	0.7381	11.88
574,818,414	4,831,298,940	-	plus \$ 268.85 per acre
571,372,200	4,875,416,108	0.7408	11.72
578,144,696	4,928,057,614	-	plus \$ 268.85 per acre
592,129,988	5,022,349,114	0.7235	11.79
643,175,660	5,479,513,525	-	plus \$ 268.85 per acre
619,971,297	5,452,419,271	0.7	11.37
748,756,759	6,586,925,524	-	plus \$ 268.85 per acre
655,608,137	5,781,143,116	0.6718	11.34
808,550,939	7,119,026,784	-	plus \$ 268.85 per acre
694,628,182	6,129,752,043	0.6718	11.33
871,991,083	7,682,832,319	-	plus \$ 268.85 per acre
738,991,584	6,542,307,258	0.6718	11.30
936,585,357	8,234,735,777	-	plus \$ 268.85 per acre

**LAKE HAVASU CITY, ARIZONA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year		City Direct Rate			Special Districts			
		Operating Rate	Debt Service Rate	Total City Rate	Irrigation Drainage District	Sanitary District	Improvement District #1	Improvement District #2
2011	P	0.5834	-	0.5834	-	-	-	-
	S	-	-	-	\$ 212.75/acre	-	0.0000	0.2719
2012	P	0.7264	-	0.7264	-	-	-	-
	S	-	-	-	\$ 268.85/acre	-	-	0.1905
2013	P	0.7332	-	0.7332	-	-	-	-
	S	-	-	-	\$ 268.85/acre	-	-	0.1942
2014	P	0.7381	-	0.7381	-	-	-	-
	S	-	-	-	\$ 268.85/acre	-	-	0.4059
2015	P	0.7408	-	0.7408	-	-	-	-
	S	-	-	-	\$268.85/acre	-	-	0.6014
2016	P	0.7235	-	0.7235	-	-	-	-
	S	-	-	-	\$268.85/acre	-	-	0.8502
2017	P	0.7000	-	0.7000	-	-	-	-
	S	-	-	-	\$268.85/acre	-	-	0.8585
2018	P	0.6718	-	0.6718	-	-	-	-
	S	-	-	-	\$268.85/acre	-	-	0.8349
2019	P	0.6718	-	0.6718	-	-	-	-
	S	-	-	-	\$268.85/acre	-	-	0.7740
2020	P	0.6718	-	0.6718	-	-	-	-
	S	-	-	-	\$268.85/acre	-	-	0.7370

Special Districts			Overlapping Rates			
Improvement District #3	Improvement District #4	Improvement District #5	Total County Rate	Total School Rate	Total State Rate	Rate Total
-	-	-	1.4637	2.7462	0.3564	5.1497
-	0.4925	-	1.0103	0.8978	-	2.6725 plus \$156.78/acre
-	-	-	1.8196	3.3785	0.4259	6.3504
-	0.6095	-	1.0103	0.9888	-	2.7991 plus \$212.75/acre
-	-	-	1.8196	3.2644	0.4717	6.2889
-	0.5872	-	1.0103	0.7828	-	2.5745 plus \$268.85/acre
-	-	-	1.8196	3.1962	0.5123	6.2662
-	0.6458	-	1.0103	0.7828	-	2.8448 plus \$268.85/acre
-	-	-	1.8196	4.1683	0.5089	7.2376
-	0.6762	-	0.9936	0.7297	-	3.0009 plus \$268.85/acre
-	-	-	1.9696	4.0121	0.5054	7.2106
-	0.6941	-	0.7436	0.0000	-	2.2879 plus \$268.85/acre
-	-	-	1.9696	3.9873	0.5010	7.1579
-	0.7158	-	0.7436	0.0000	-	2.3179 plus \$268.85/acre
-	-	-	1.9696	3.6727	0.0000	6.3141
-	0.5456	-	0.7916	0.8660	0.49	3.5256 plus \$268.85/acre
-	-	-	1.9696	3.1334		5.7748
-	0.5040	-	0.8916	0.8361	0.4740	3.4797 plus \$268.85/acre
-	-	-	1.9496	3.3652		5.9866
-	0.5040	-	0.8116	0.7403	0.4566	3.2495 plus \$268.85/acre

**LAKE HAVASU CITY, ARIZONA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Unisource Energy Corporation	\$ 12,931,925	1	1.75%	\$ 9,012,491	1	1.27%
PHC Lake Havasu Inc	4,975,026	2	0.67%	5,506,860	2	0.77%
Island Development Group LLC	2,336,214	3	0.32%	1,400,000	9	0.20%
Wal mart Stores Inc	2,252,926	4	0.30%	1,862,200	5	0.26%
Citizen's Rural Division	2,119,980	5	0.29%	3,594,539	4	0.50%
Lowes HIW Inc	1,621,937	6	0.22%	1,392,130	10	0.20%
Havasu Regional Medical Center	1,272,787	7	0.17%	1,572,440	7	0.22%
Mickel Havasu LLC	1,198,144	8	0.16%			
Zac Havasu 1 LLC	1,090,929	9	0.15%			
Home Depot USA Inc	1,077,977	10	0.15%			
Shops at Lake Havasu City LLC				5,247,769	3	0.74%
Sterilite Corporation				1,848,821	6	0.26%
London Bridge Resort				1,511,474	8	0.21%
Totals	\$ 30,877,845		4.18%	\$ 32,948,724		4.63%
Net Assessed Value	\$ 738,991,584			\$ 702,130,236		

Source: Mohave County Assessor.

Note: Above taxable assessed valuations are as of 1/1/2019 and 2010, respectively, and the associated tax levies were due in fiscal years ended June 30, 2020 and 2011, respectively.

**LAKE HAVASU CITY, ARIZONA
PROPERTY TAX LEVIES AND COLLECTIONS⁽¹⁾
LAST TEN FISCAL YEARS**

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2011	\$ 4,076,711	\$ 3,952,993	96.97 %	\$ 123,330	\$ 4,076,323	99.99 %
2012	4,076,846	3,965,111	97.26	111,255	4,076,366	99.99
2013	4,124,313	4,011,502	97.26	112,480	4,123,982	99.99
2014	4,151,317	4,032,532	97.14	118,452	4,150,984	99.99
2015	4,227,640	4,135,746	97.83	91,769	4,227,515	100.00
2016	4,281,108	4,194,139	97.97	86,854	4,280,993	100.00
2017	4,337,881	4,255,053	98.09	82,444	4,337,497	99.99
2018	4,403,495	4,320,370	98.11	82,886	4,403,256	99.99
2019	4,665,788	4,576,135	98.08	89,254	4,665,389	99.99
2020	4,943,055	4,850,293	98.12	-	4,850,293	98.12

(1) Mohave County is responsible for assessing and collecting property taxes.

**LAKE HAVASU CITY, ARIZONA
IRRIGATION AND DRAINAGE DISTRICT⁽¹⁾
PROPERTY TAX LEVIES AND COLLECTIONS⁽²⁾
LAST TEN FISCAL YEARS**

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2011	\$ 4,488,568	\$ 4,330,276	96.47 %	\$ 157,228	\$ 4,487,504	99.98 %
2012	5,671,440	5,408,979	95.37	260,982	5,669,961	99.97
2013	5,666,126	5,409,765	95.48	254,882	5,664,647	99.97
2014	5,665,838	5,442,107	96.05	222,252	5,664,359	99.97
2015	5,665,834	5,517,668	97.38	146,687	5,664,355	99.97
2016	5,665,562	5,521,460	97.46	142,623	5,664,083	99.97
2017	5,701,188	5,572,372	97.74	127,069	5,699,441	99.97
2018	5,701,995	5,573,862	97.75	126,520	5,700,382	99.97
2019	5,695,066	5,568,222	97.77	124,154	5,692,376	99.95
2020	5,694,936	5,572,375	97.85	-	5,572,375	97.85

(1) Lake Havasu Irrigation and Drainage District was organized on September 30, 1963. The District was to be dissolved in fiscal year 2004 upon the retirement of all outstanding obligations of the District. However, on February 1, 1993, \$4,120,000 in general obligation refunding bonds were issued. The District will be dissolved in fiscal year 2023 upon the retirement of this general obligation debt.

(2) Mohave County is responsible for assessing and collecting property taxes.

**LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 2 – SPECIAL ASSESSMENT⁽¹⁾
PROPERTY TAX LEVIES AND COLLECTIONS⁽²⁾
LAST TEN FISCAL YEARS**

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy			Total Collections to Date		
		Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	
2011	\$ 8,066	\$ 7,275	90.19 %	\$ 791	\$ 8,066	100.00	
2012	3,826	3,647	95.32	179	3,826	99.99	
2013	3,966	3,589	90.49	377	3,966	100.00	
2014	8,001	7,419	92.73	582	8,001	100.00	
2015	10,771	10,035	93.17	736	10,771	100.00	
2016	15,115	14,721	97.39	394	15,115	100.00	
2017	15,470	15,269	98.70	201	15,470	100.00	
2018	16,002	15,851	99.06	151	16,002	100.00	
2019	16,016	15,932	99.48	84	16,016	100.00	
2020	13,799	12,900	93.49	-	12,900	93.49	

(1) On July 1, 1998, the operation and maintenance of the Improvement Districts became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 2 maintains and operates the parking lot, utilities, landscaping and related capital improvements in the London Bridge Shopping Center.

(2) Mohave County is responsible for assessing and collecting property taxes.

**LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 4 – SPECIAL ASSESSMENT⁽¹⁾
PROPERTY TAX LEVIES AND COLLECTIONS⁽²⁾
LAST TEN FISCAL YEARS**

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy			Total Collections to Date	
		Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2011	\$ 68,435	\$ 67,831	99.12 %	\$ 604	\$ 68,435	100.00
2012	68,649	68,007	99.06	642	68,649	100.00
2013	67,980	65,770	96.75	2,210	67,980	100.00
2014	74,937	73,649	98.28	1,288	74,937	100.00
2015	71,253	69,229	97.16	2,023	71,252	100.00
2016	69,020	67,571	97.90	1,450	69,021	100.00
2017	71,664	69,292	96.69	2,372	71,664	100.00
2018	57,032	54,400	95.39	2,632	57,032	100.00
2019	57,324	55,768	97.29	1,556	57,324	100.00
2020	59,502	57,362	96.40	-	57,362	96.40

(1) On July 1, 1998, the operation and maintenance of the Improvement Districts became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 4 maintains the gas lights on Civic Center Boulevard and median landscaping on McCulloch Boulevard from Smoketree to Lake Havasu Avenue.

(2) Mohave County is responsible for assessing and collecting property taxes.



Total Primary Government	Percentage of Personal Income	Per Capita
\$ 315,746,336	22.65	\$ 6,011
316,514,709	23.94	6,040
308,036,083	21.15	5,843
302,050,047	21.26	5,709
290,242,179	N/A	5,456
245,913,082	19.01	4,589
261,047,657	18.91	4,599
256,466,614	17.12	4,442
242,394,583	14.68	4,136
229,532,487	13.62	3,837



**LAKE HAVASU CITY, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2020**

<u>Governmental Unit</u>	<u>Outstanding Debt</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping debt			
Lake Havasu Unified School District No. 1	\$ 12,265,000	91%	11,113,317
City Direct Debt			
Lake Havasu City Capital Leases	2,099,434	100%	<u>2,099,434</u>
Lake Havasu City, Arizona Direct Debt			<u>2,099,434</u>
Total Direct and Overlapping Debt			<u><u>\$ 13,212,751</u></u>

(1) Overlapping governments are those that coincide, at least in part with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Lake Havasu City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<u>2015</u>	<u>2016 (3)</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 115,628,939	\$ 118,382,799	\$ 123,962,603	\$ 131,121,627	\$ 138,925,636	\$ 147,798,317
<u>120,719,896</u>	<u>98,935,166</u>	<u>123,962,603</u>	<u>124,822,644</u>	<u>114,582,649</u>	<u>110,061,118</u>
<u>\$ (5,090,957)</u>	<u>\$ 19,447,633</u>	<u>\$ -</u>	<u>\$ 6,298,983</u>	<u>\$ 24,342,987</u>	<u>\$ 37,737,199</u>
104.40%	83.57%	100.00%	95.20%	82.48%	74.47%
\$ 34,688,682	\$ 35,514,840	\$ 37,188,781	\$ 39,336,488	\$ 41,677,691	\$ 44,339,495
<u>-</u>	<u>13,661,633</u>	<u>874,481</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 34,688,682</u>	<u>\$ 21,853,207</u>	<u>\$ 36,314,300</u>	<u>\$ 39,336,488</u>	<u>\$ 41,677,691</u>	<u>\$ 44,339,495</u>
-	-	-	-	-	-



**LAKE HAVASU CITY, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2020**

Net Secondary Assessed Valuation (1)		<u>\$ 738,991,584</u>
Water, Sewer, Light, Parks, Open Space Preserves, Playgrounds, Recreational Facilities, Public Safety, Law Enforcement, Fire and Emergency Facilities, and Streets and Transportation Facilities		
<hr/>		
Debt Limit - 20% of Secondary Net Assessed Valuation		147,798,317
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ 112,570,839	
Plus: Excess Premium (2)	6,824,254	
Less Amount Set Aside for Repayment of Debt	<u>(9,333,975)</u>	
Net Debt Applicable to Limit		<u>110,061,118</u>
20% Legal Debt Margin		<u>37,737,199</u>
<hr/>		
All Other General Obligation Bonds		
<hr/>		
Debt Limit - 6% of Secondary Net Assessed Valuation		44,339,495
Debt Applicable to Limit		
General Obligation Bonds Outstanding	<u>-</u>	
Less Amount Set Aside for Repayment of Debt	<u>-</u>	
Net Debt Applicable to Limit		<u>-</u>
All Other General Obligation Bonds Debt Margin		<u>44,339,495</u>
Total Legal Debt Margin		<u>\$ 82,076,694</u>

(1) Source: Mohave County Assessor's Office.

(2) A change in state law ARS 15-10244 requires the Excess Premium to be added to the debt subject to the legal margin.

Excise Tax Revenue Bonds (3) (4)

Excise Tax (3)	Debt Service Principal	Debt Service Interest	Coverage
\$ -	\$ -	\$ -	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
21,750,889	2,596,000	179,418	7.84
23,297,543	9,760,000	209,554	2.34
25,375,655	6,283,000	152,955	3.94
-	-	-	-

Authorized Position as of Fiscal Year Ended

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
74.0	75.0	75.0	73.0
-	-	0.0	9.0
26.0	27.0	26.0	26.0
121.0	122.0	122.0	118.0
85.0	85.0	86.0	86.0
2.0	3.0	3.0	2.0
2.0	2.0	4.0	4.0
53.0	53.0	51.0	38.0
N/A	N/A	N/A	N/A
N/A	N/A	NA/	N/A
N/A	N/A	N/A	N/A
9.0	9.0	9.0	9.0
30.0	30.0	30.0	33.0
35.0	36.0	34.0	34.0
12.0	11.0	11.0	27.0
<u>449.0</u>	<u>453.0</u>	<u>451.0</u>	<u>459.0</u>

