



LAKE HAVASU CITY, ARIZONA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014



Lake Havasu City, Arizona

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

CITY COUNCIL

Mark S. Nexsen
Mayor

Don Callahan
Vice Mayor

Crystal Alger
Councilmember

Dean Barlow
Councilmember



Donna Brister
Councilmember

Jeni Coke
Councilmember

David McAtlin
Councilmember

CITY STAFF

Charlie Cassens
City Manager

Larry Didion
Deputy City Manager

Administrative Services Department staff responsible for CAFR presentation

Valerie Fenske, CPA
Administrative Services Director

Tim Henry
Finance Division Manager

LAKE HAVASU CITY

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LAKE HAVASU CITY

LAKE HAVASU CITY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014
TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	1
GFOA Certificate of Achievement	7
Organizational Chart.	8
Mayor and Council	9

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	13
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	15
(Required Supplementary Information)	

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position.	34
Statement of Activities.	35

Fund Financial Statements:

Balance Sheet - Governmental Funds	36
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	37
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	39
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	40
HURF Fund Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	41
Statement of Net Position - Proprietary Funds	42
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds .	43
Statement of Cash Flows - Proprietary Funds	44
Notes to the Financial Statements.	47

REQUIRED SUPPLEMENTARY INFORMATION

Public Safety Personnel Retirement Systems Schedule of Funding Progress	81
Other Postemployment Benefit Plan Schedule of Funding Progress	82

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds:

Combining Balance Sheet - Nonmajor Governmental Funds	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	87

**LAKE HAVASU CITY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014
TABLE OF CONTENTS**

FINANCIAL SECTION (Continued)

Debt Service Fund:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual88
---	-----

Capital Projects Fund:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual89
---	-----

Nonmajor Special Revenue Funds:

Tourism/Economic Development Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.90
Havasu Area Transit Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual91
Metropolitan Planning Organization - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual92
Grants Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual93
CDBG / HOME Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual94
Improvement Districts Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.95
Special Programs Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual96

Nonmajor Enterprise Funds:

Combining Statement of Net Position.98
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position99
Combining Statement of Cash Flows	100

Internal Service Funds:

Combining Statement of Net Position.	104
Combining Statement of Revenues, Expenses, and Changes in Net Position	105
Combining Statement of Cash Flows	106

STATISTICAL SECTION

Financial Trends

Net Position by Component	109
Changes in Net Position	110
Program Revenues by Function/Program	112
Fund Balances of Governmental Funds.	113
Changes in Fund Balances of Governmental Funds	114

**LAKE HAVASU CITY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014
TABLE OF CONTENTS**

STATISTICAL SECTION (Continued)

Revenue Capacity

General Government Tax Revenues by Source	116
Taxable Sales by Category	117
Direct and Overlapping Sales Tax Rates	118
Assessed Value and Estimated Actual Value of Taxable Property	119
Property Tax Rates - Direct and Overlapping Governments.	120
Principal Property Taxpayers.	121
Property Tax Levies and Collections.	122

Debt Capacity

Ratio of Outstanding Debt by Type	128
Direct and Overlapping Governmental Activities Debt	129
Legal Debt Margin Information	130
Calculation of Legal Debt Margin	131
Pledged-Revenue Coverage - Governmental Funds	132
Pledged-Revenue Coverage - Proprietary Funds	133

Demographic and Economic Information

Demographic and Economic Statistics	134
Principal Employers	135

Operating Information

Full-Time Equivalent Employees by Function.	136
Operating Indicators by Function	137
Capital Asset Statistics by Function	138
Miscellaneous Statistics	139



LAKE HAVASU CITY

INTRODUCTORY SECTION



LAKE HAVASU CITY



LAKE HAVASU CITY

ADMINISTRATIVE SERVICES DEPARTMENT

December 10, 2014

Honorable Mayor, Members of the City Council, City Manager, and Citizens of Lake Havasu City, Arizona:

The 2014 Comprehensive Annual Financial Report (CAFR) of Lake Havasu City, Arizona (City) for the fiscal year ended June 30, 2014, is submitted in accordance with Arizona Revised Statutes, Section 9-481. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based on a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Heinfeld, Meech & Co., P.C., CPAs and Business Consultants, has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report. The City's independent auditors also perform the Single Audit of the City's federal grant programs. The Single Audit Reporting Package is issued separately from this financial report and is available on request.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Lake Havasu City Profile

History – Lake Havasu was created with the construction of Parker Dam in the 1930's. Until the dam systems were built, what is now Lake Havasu was a remote section of the Colorado River. In 1963, on the courthouse steps of Kingman, Arizona, Robert P. McCulloch purchased a 26 square mile parcel of barren desert that would become the site for Lake Havasu City. At the time it was the largest single tract of state land ever sold in Arizona, and the cost per acre was under \$75.

Lake Havasu City was founded as a master-planned community with an emphasis on recreation and residential retirement. It was the purchase of the London Bridge, in 1968, which gave worldwide exposure to Lake Havasu City. 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 nineteen seventies they took steps toward incorporation by instigating a feasibility study. 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 is located in the western part of Arizona in Mohave County on the Colorado River and was incorporated in 1978 by a vote of the residents.

Current Profile - Lake Havasu City currently encompasses approximately 46 square miles and serves a population of approximately 52,908. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

Government and Organization - Lake Havasu City has operated under the council-manager form of government since 1978. Policy-making and legislative authority are vested in a governing council (Council) consisting of a Mayor and six Council Members. The Mayor and Council Members are elected at-large for four-year terms. Their terms are staggered on a two-year basis.

The Council is vested with policy and legislative authority and is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of City Manager, City Attorney, and City Magistrate. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

The City provides a full range of municipal services, including police and fire protection, airport, water and sewer services, construction and maintenance of streets, recreational and cultural events, planning and zoning services, housing rehabilitation, and general administrative services. Lake Havasu City offers a full range of community facilities including a community center/aquatic complex, and fifteen City-owned parks.

The City contracts for some of its jail services, animal shelter services, tourism development, social service functions, economic development, and sanitation services, including waste collection, recycling pickup and landfill operations.

Budgetary Controls – By State Statute the Council is required to adopt a tentative budget on or before the third Monday in July of each fiscal year. Once the tentative budget has been adopted, the expenditures may be decreased but not increased upon final adoption. The formal adoption of Lake Havasu City's final budget usually occurs at the last Council meeting in June.

The City maintains budgetary controls which are designed to ensure compliance with budgetary and legal provisions embodied in the annually appropriated operating budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the City Council. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon issuance of a purchase order.

Local Economy

Lake Havasu City's economy is based primarily in tourism and hospitality, a regional municipality, marine industry and long term winter visitors, although efforts continue to further diversify the local economy. The City has benefited in the past from steady growth in all of these areas but had experienced declines beginning in fiscal year 2006-07 which appear to have recently stabilized.

The City's Strategic Plan for Economic Development outlines strategies for economic diversification to create a more stable economic base. The plan calls for a balanced development of retail, commercial, manufacturing, restaurant, lodging, and entertainment. The City continues to be a desirable location for work, destination, and living due to the affordable housing market, continuing low mortgage interest rates and the potential for growth. Recruitment efforts continue for commercial enterprises to complement the existing industry, with focus on growing the tenant base of the regional mall, expanding the marine industry, light manufacturing and resort opportunities.

The City recognizes the critical need of major projects and developments for the economic well-being of the community. In response to these needs the City continues to seek protection and acquisition of public shoreline access and preservation of sensitive lands. The development of the Bridgewater Channel, renovation of the London Bridge, a second bridge to the island and Master Plan for the Island remain instrumental for the goal of a resort and spa destination to include a convention center. The future also holds plans for a North-South traffic flow and bypass, a mainland marina and golf course development and a motorsports facility to promote year-round tourism. The completion of enhancements to City parks in the channel area including white sand beaches, expansion of Rotary Community Park, and the addition of a world class skatepark and expansion of parking to accommodate large events, was a major focus early in this fiscal year. This project was completed in October 2013.

Tourism

Lake Havasu City continues to enjoy seasonal influxes of residents from throughout the United States and Canada, especially during the winter months. The London Bridge, which is one of the largest tourist attractions in Arizona, continues to draw visitors from around the world. Focus on future development of the Bridgewater Channel, which is adjacent to the bridge, and support of resort development on the Island is a priority for the City for continuous, steady tourism revenue.

Construction

Housing (single-family, two-family, and multi-family) construction has increased during the fiscal year. Issuance of new single-family housing permits increased 28 percent from the previous year's total of 190 to a total of 243 in fiscal year 2013-14. The estimated building valuation of the permits issued this fiscal year reflect an increase from \$35,193,568 in 2012-13 to \$46,065,595 in 2013-14, representing a 31 percent increase in building valuations.

New commercial building permits remained the same from the previous year with 5 commercial building permits in fiscal year 2012-2013 and 5 permits in fiscal year 2013-14. In fiscal year 2013-14 the average commercial permit was valued at \$564,398 a 1 percent increase over the previous year's average valuation of \$556,823.

Commercial addition permits decreased 29 percent in fiscal year 2013-14, with 73 permits compared to the previous fiscal year's permits of 103. Commercial addition valuations in fiscal year 2013-14 averaged \$101,845, an increase of 80 percent when compared to the fiscal year 2012-13 average valuation of \$56,583.

The significant developments currently underway or scheduled to begin in fiscal year 2014-15 are:

Commercial:

- **Agave Business Park** – This is a phased 84-acre industrial park located south of the airport. The property was subdivided to allow for light industrial uses. The first phase of the industrial park is complete. The City rezoned Phase II which is now completed and ready for development.
- **The Shops at Lake Havasu** – Hibbett Sports, a national sporting goods retailer will open in August 2014. Maurice's, a specialty retailer is scheduled to open in October 2014. Mattress Firm, a specialty sleep retailer with hundreds of locations from coast to coast has begun construction on its Lake Havasu City location and is expected to open in 2015.
- **O'Riley's Auto Parts Store** – Plans have been approved for O'Rileys with the anticipation to pull a building permit in early 2014 and open a new store in 2015.
- **Tractor Supply Co.** – A large retail chain store that offers a number of products for home improvement, agriculture, lawn and garden maintenance, and livestock, equine and pet care, opened mid-June 2014.

Residential:

- **Sailing Hawks** -The Sailing Hawks Planned Development covers 56 acres of development. There are five phases to this mixed residential development, which will include recreation areas, a clubhouse, pool, spa and fitness center, shade structures, and a gated private drive. Phase I residential lots are completely developed. Phase II, "The Ridge", has infrastructure in place, a community building and pool area completed with 60 percent residential completed. Phase III, "Mesquite Bay", 10% of lots developed. Phase IV, "The Cove", has been replatted and submitted for grading permit. Phase V, "The Spa", is currently under new ownership and being rezoned for 22 attached single family units.
- **Grand Island Estates** –This Island development is a planned subdivision of nine use areas as follows: 5.4 acres – commercial, 6.5 acres – casitas, 11.2 acres – resort. Residential areas: Parcel D&E 91 single-family lots (12 developed); Parcel F; 122 townhome lots (16 developed); Parcel H 76 patio home lots (6 developed); Parcel I 64 dual home lots (6 developed). The City owned Park is completed, all infrastructure is in place and the residential element is approximately 18 percent completed.

Employment and Job Growth

Lake Havasu City's employment relies heavily on the construction and tourism sector. The City's labor force is reflecting an increase although the average unemployment rate is 9.4 percent, as reported by Arizona Department of Administration. This rate decreased as compared to last year's average rate of 10.7 percent in June 2013. The City's unemployment rate is currently higher than the state and the national average due to the heavy reliance on construction in the past and the remote location of the City. The state's employment and job growth have improved as experienced nationally. In June 2014 the state's average unemployment rate was 7.5 percent, down from 8.1 percent from the prior year. The national unemployment average in June 2014 was 6.3 percent.

Lake Havasu City had a new retail employer recruited to the area during fiscal year 2013-14. In addition, the regional mall continues to provide new positions for the area. The City is looking forward to attracting new employers in the service, retail, and manufacturing industries.

Long-term Financial Planning

The City responds to changing economic challenges with careful long-range planning for fiscally healthy conditions. With conservatism in mind, the budget is prepared with maximization of operating efficiencies. This is evident with the change to a biennial budget for fiscal years 2013-14 and 2014-15.

This budget strategy continued into fiscal year 2013-14, which helped to maintain an acceptable level of reserves at year end. In addition, the City used zero-based budgeting to develop the fiscal year 2013-14 and 2014-15 biennial budget and continually analyzes and revises the City's fee schedules. These changes have allowed the City to weather the previous difficult economic climate with minimal sacrifice to critical services provided to citizens of Lake Havasu City (streets, water, sewer, sanitation, police, fire, parks and recreation and public transit). The City was able to reinstate the 5 percent reduction of salaries at the beginning of fiscal year 2013-14.

In order to provide flexibility to respond to unanticipated revenue decreases or unexpected expenditures, the City maintains a "Contingency Fund" in the General Fund, Irrigation & Drainage District Fund (operating and maintenance only), Wastewater Fund (operating and maintenance only), the Highway Users Revenue Fund, Transit Fund, Aquatic Fund and the Airport Fund.

The City is shifting from a "pay as you go" philosophy for capital infrastructure to increase reserves by researching the best financing options for required infrastructure and capital outlay. The City collected impact fees for a second bridge to the Island beginning in fiscal year 2006-07 and future infrastructure and equipment needs of police, fire, parks, transportation, and general administration beginning in fiscal year 2008-09. City Council rescinded future impact fees on October 11, 2012. Fees collected to date are being used to fund a portion of the designated projects for infrastructure and equipment costs only, not operating costs.

Major Initiatives

The City continues with major water infrastructure projects that are funded with financing secured through WIFA. The original loan from WIFA was for \$11.4 million with \$8.2 million forgivable as a pass through ARRA grant from the federal government.

The City will be in the research and development, and implementation, stages of other major projects during 2013-14. These projects are the development of a Motor Sports Facility, Veteran's Court, Site Six Redevelopment Planning, Wash Remediation Program, Havasu 280-a planned development to include performing arts and cultural center, Citywide Drainage Improvements, the Water Treatment Plant Capacity increase, and Citywide Asset Management Program.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lake Havasu City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the 27th year that the government has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Lake Havasu City also received the Distinguished Budget Presentation Award for its fiscal year 2013-14 and 2014-15 biennial budget from the GFOA for our conformity in budget presentation.

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Administrative Services Department, particularly the Finance Division, the assistance of administrative personnel in the various departments, and the competent service of our independent auditors. Credit also must be given to the City Council and the City Manager for their interest and support in planning and conducting the financial affairs of Lake Havasu City in a responsible and professional manner. For those involved, we express our sincerest appreciation.

Respectfully submitted,



Valerie H. Fenske, CPA
Administrative Services Director



Tim Henry
Finance Division Manager



Government Finance Officers Association

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

Presented to

**Lake Havasu City
Arizona**

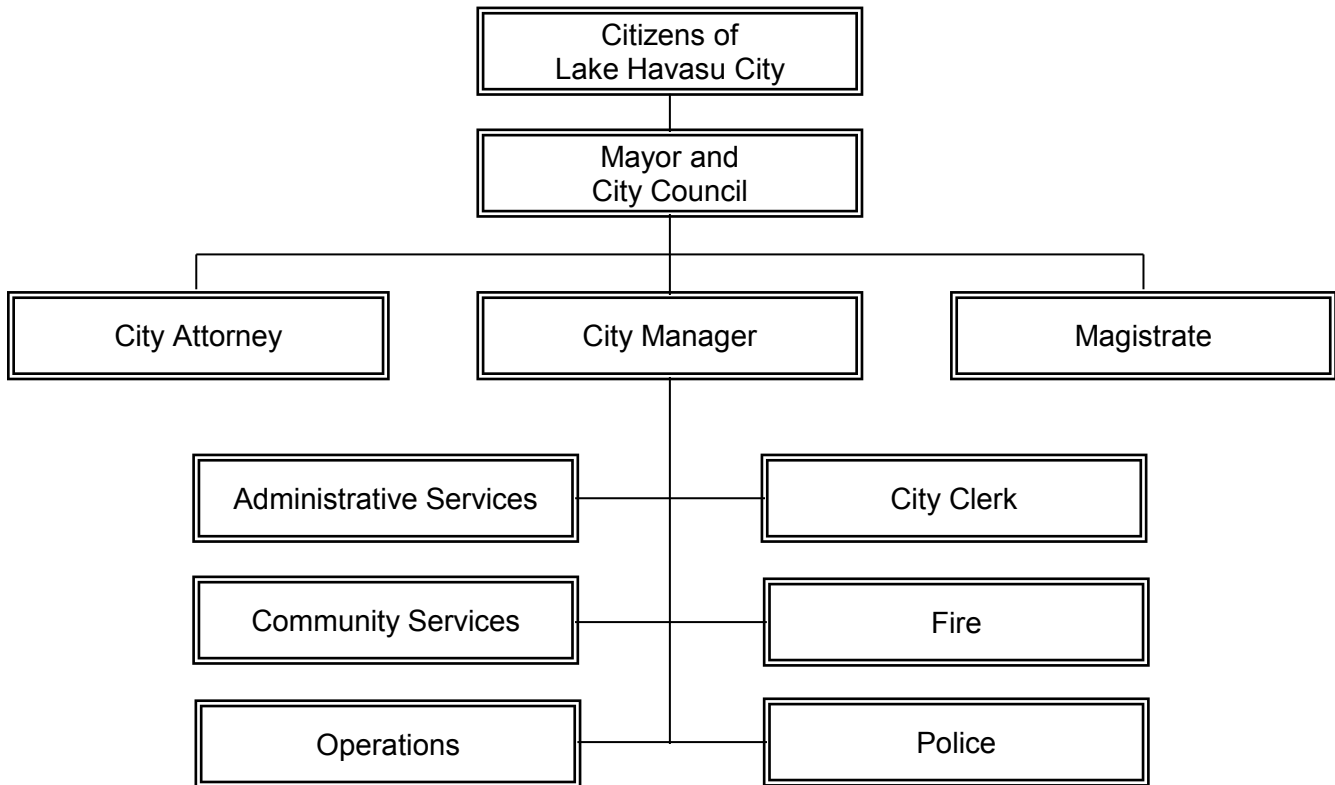
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Egan", is positioned above the title of the signatory.

Executive Director/CEO

ORGANIZATIONAL CHART



MANAGEMENT STAFF

Charlie Cassens, City Manager
Larry Didion, Deputy City Manager

DEPARTMENT DIRECTORS

Dan Doyle, Police Chief
Valerie Fenske, Administrative Services Director
Greg Froslic, Community Services Director
Kelly Garry, City Attorney
Mitchell Kalauli, Magistrate
Dennis Mueller, Fire Chief
Gary Parsons, Operations Director
Kelly Williams, City Clerk

MAYOR & CITY COUNCIL



Mark S. Nexsen
Mayor

Term Expires 11/2018



Don Callahan
Vice Mayor

Term Expires 11/2016



Donna Brister
Councilmember

Term Expires 11/2016



Crystal Alger
Councilmember

Term Expires 11/2014



Jeni Coke
Councilmember

Term Expires 11/2014



Dean Barlow
Councilmember

Term Expires 11/2016



David McAtlin
Councilmember

Term Expires 11/2014



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of 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, 2014, 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.

Auditor's 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 auditor's 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 Lake Havasu City, Arizona, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and HURF Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 32 and schedules of funding progress on pages 81 through 82 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.

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 introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate 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 information is 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of 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 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 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 Lake Havasu City, Arizona's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

December 10, 2014

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The Management's Discussion and Analysis (MD&A) section of the City's Comprehensive Annual Financial Report (CAFR) presents discussion and comparative analysis of the financial activities of the City for the fiscal year ended June 30, 2014. This discussion and analysis is designed to be used in conjunction with the letter of transmittal at the beginning of the CAFR along with the financial statements which immediately follow this section.

During the year ended June 30, 2014 the City implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Financial Highlights

- The total assets of the City exceeded total liabilities at the close of the fiscal year 2013-14 by \$327.8 million (net position). Of this amount, \$118.1 million may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2.4 million (0.7 percent) during fiscal year 2013-14.
- As of June 30, 2014, the City's governmental funds had a combined ending fund balance of \$37.9 million, an increase of \$6.1 million (19.3 percent) in comparison with the prior fiscal year.
- At the close of the fiscal year, the unassigned fund balance for the General Fund was \$23.2 million or 58.4% of the total General Fund expenditures of \$39.8 million.
- The General Fund balance increased \$6.1 million. Primary factors leading to this increase include proceeds from a capital lease of \$3.9 million, an increase of approximately \$1.0 million in sales tax collections and other revenue increases of approximately \$1.0 million.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of 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 and liabilities, with the difference between the two 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 declining.

LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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).

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, the airport, and recreation/aquatic center. 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 47. Separate financial statements are not prepared for these component units.

The government-wide financial statements can be found on pages 34-35 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 three categories: governmental funds, proprietary funds and fiduciary funds. The City does not currently report any fiduciary funds.

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

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, Highway User Revenue Fund (HURF), the Debt Service Fund and Capital Projects Fund, 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 non-major governmental funds is provided in the form of combining statements in a separate section in this report.

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 can be found on pages 36-41 of 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 two different types of proprietary funds. 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), airport, and recreation/aquatic center 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 and Recreation/Aquatic Center funds is provided in the form of combining statements elsewhere in this report.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the Employee Benefit Trust (EBT) activities, which was the City's limited risk self-insurance program for employees, dependents and eligible retirees. The City also uses an internal service fund to account for the vehicle and equipment replacement program. Because these services predominantly benefit governmental rather than business-type functions, they have been included with *governmental activities* in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the Proprietary Fund financial statements.

The basic proprietary fund financial statements can be found on pages 42-45 of 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 financial statements can be found on pages 47-78 of this report.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its public safety employees and the progress in funding other postemployment benefits for eligible city employees hired before July 1, 2004. Required supplementary information can be found on pages 81-82 of this report.

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 on pensions. Combining and individual fund statements and schedules can be found on pages 86-106 of this report.

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.

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$327.8 million at the close of fiscal year 2013-14 and \$325.4 million at the close of fiscal year 2012-13.

**Condensed Statement of Net Position
June 30, 2014, and 2013
(In millions of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2014	2013	2014	2013 (As Restated)	2014	2013	
Current and Other Assets	\$ 44.1	\$ 42.4	\$ 104.1	\$ 105.0	\$ 148.2	\$ 147.4	0.5%
Capital Assets							
Non-depreciable	27.9	29.2	13.7	12.3	41.6	41.5	0.2%
Depreciable (net)	66.8	62.0	393.5	403.1	460.3	465.1	(1.0%)
Total Assets	138.8	133.6	511.3	520.4	650.1	654.0	
Other Liabilities	3.2	3.3	7.0	8.6	10.2	11.9	(14.3%)
Non-current Liabilities							
Due Within One Year	3.2	1.8	10.8	11.0	14.0	12.8	9.4%
Due in More Than One Year	10.3	7.9	287.6	295.9	297.9	303.8	(1.9%)
Total Liabilities	16.7	13.0	305.4	315.5	322.1	328.5	
Net Position:							
Net Investment in							
Capital Assets	87.7	87.4	113.0	112.4	200.7	199.8	0.5%
Restricted	9.0	8.5	-	-	9.0	8.5	5.9%
Unrestricted	25.3	24.7	92.8	92.4	118.1	117.1	0.9%
Total Net Position	<u>\$ 122.0</u>	<u>\$ 120.6</u>	<u>\$ 205.8</u>	<u>\$ 204.8</u>	<u>\$ 327.8</u>	<u>\$ 325.4</u>	0.7%

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The largest portion of the City's net position in fiscal year 2013-14 and fiscal year 2012-13, \$200.7 million (61.2 percent) and \$199.8 million (61.4 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 \$9.0 million (2.7 percent) in fiscal year 2013-14, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$118.1 million (36.0 percent) may be used to meet the government's ongoing obligations to citizens and creditors. In fiscal year 2012-13, \$8.5 million (2.6 percent) of the City's net position was subject to external restrictions and \$117.1 million (36.0 percent) was available to be used to meet the government's ongoing obligations to citizens and creditors.

Business type net position has increased overall by \$1 million primarily due to additions of capital assets. Net investment in capital assets increased \$600 thousand in fiscal year 2013-14.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Analysis of Changes in Net Position

For the fiscal year ending June 30, 2014, GASB Statement No. 65 was implemented. The implementation resulted in the restatement of net position for Fiscal Year 2012-13 as debt issuance costs are now expensed in the year incurred and no longer amortized over the life of the debt. Statement No. 65 limits the use of the term "deferred" to those items properly classified as deferred outflows of resources or deferred inflows of resources.

The City's total net position increased by \$2.4 million in fiscal year 2013-14 and decreased by \$2.1 million during fiscal year 2012-13. These changes are explained in the government and business-type activities discussion and are primarily a result of tax revenue increases and an increase in expenditures for capital infrastructure and personnel costs for increased positions in public safety.

Governmental activities increased the City's net position by \$1.4 million in fiscal year 2013-14 and increased the City's net position by \$1.0 million in fiscal year 2012-13. Governmental activities accounted for 60 percent of the total growth in the net position of the City for fiscal year 2013-14.

Business-type activities increased the City's net position in fiscal year 2013-14 by \$951,248 and decreased the City's net position in fiscal year 2012-13 by \$3.1 million. The previous year's loss was due to a restatement of bond issuance costs. Business type activities accounted for 40 percent of the total growth in the net position of the City for fiscal year 2013-14.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

**Lake Havasu City, Arizona
Statement of Activities
Fiscal Years Ended June 30, 2014, and 2013
(in thousands of dollars)**

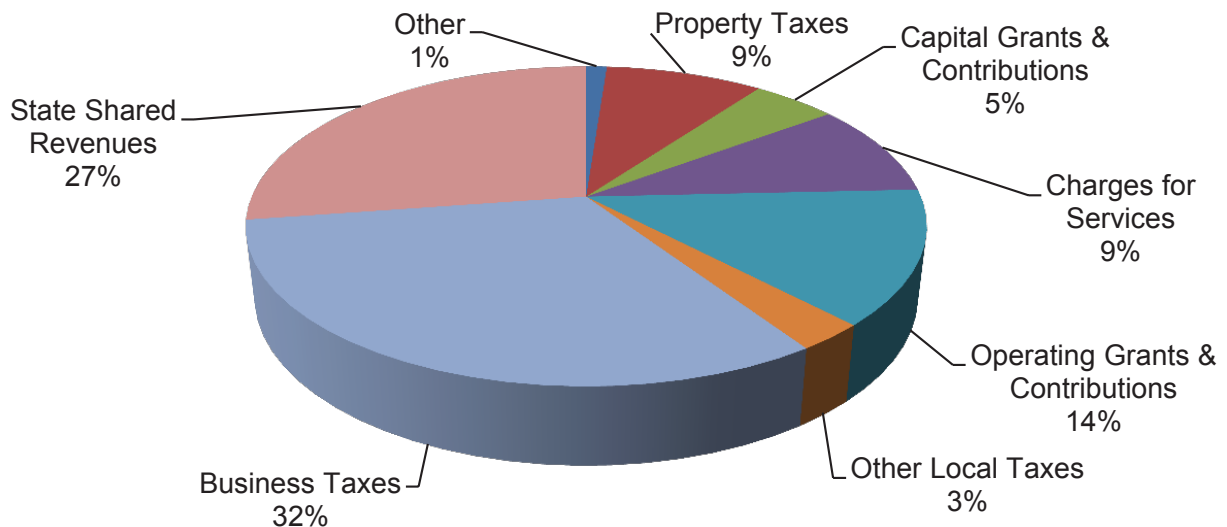
	Governmental Activities		Business-Type Activities		Total		Percent Change
	2014	2013	2014	2013 Restated	2014	2013 Restated	
REVENUES							
Program Revenues:							
Charges for Services	\$ 4,437	\$ 4,498	\$ 39,505	\$ 39,129	\$ 43,942	\$ 43,627	0.7%
Operating Grants and Contributions	6,419	6,838	112	52	6,531	6,890	(5.2%)
Capital Grants and Contributions	2,264	2,930	3,103	2,159	5,367	5,089	5.5%
General Revenues:							
Property Taxes	4,232	4,194	5,953	5,675	10,185	9,869	3.2%
Business Taxes	15,185	14,158	-	-	15,185	14,158	7.3%
Other Local Taxes	1,796	1,706	-	-	1,796	1,706	5.3%
State Shared Revenues	12,934	12,088	-	-	12,934	12,088	7.0%
Investment Earnings	440	400	1,037	670	1,477	1,070	38.0%
Other	115	48	-	-	115	48	139.6%
Total Revenues	<u>47,822</u>	<u>46,860</u>	<u>49,710</u>	<u>47,685</u>	<u>97,532</u>	<u>94,545</u>	
EXPENSES							
General Government	12,152	10,854	-	-	12,152	10,854	12.0%
Public Safety	25,671	24,589	-	-	25,671	24,589	4.4%
Highways and Streets	6,845	6,489	-	-	6,845	6,489	5.5%
Culture and Recreation	1,860	2,084	-	-	1,860	2,084	(10.7%)
Tourism and Promotion	1,652	1,485	-	-	1,652	1,485	11.2%
Transportation	1,603	1,819	-	-	1,603	1,819	(11.9%)
Interest on Long Term Debt	85	92	-	-	85	92	(7.6%)
Refuse	-	-	5,267	5,369	5,267	5,369	(1.9%)
Recreation/Aquatic Center	-	-	1,519	1,329	1,519	1,329	14.3%
Irrigation and Drainage	-	-	10,174	9,846	10,174	9,846	3.3%
Wastewater	-	-	26,965	27,267	26,965	27,267	(1.1%)
Airport	-	-	1,358	1,332	1,358	1,332	2.0%
Total Expenses	<u>49,868</u>	<u>47,412</u>	<u>45,283</u>	<u>45,143</u>	<u>95,151</u>	<u>92,555</u>	
CHANGE IN NET POSITION BEFORE TRANSFERS	(2,046)	(552)	4,427	2,542	2,381	1,990	19.6%
Transfers	3,476	1,600	(3,476)	(1,600)	-	-	
CHANGE IN NET POSITION	1,430	1,048	951	942	2,381	1,990	
Net Position - Beginning of Year (Restated)	120,580	119,532	204,866	203,924	325,446	323,456	
Net Position - End of Year	<u>\$ 122,010</u>	<u>\$ 120,580</u>	<u>\$ 205,817</u>	<u>\$ 204,866</u>	<u>\$ 327,827</u>	<u>\$ 325,446</u>	0.7%

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Governmental Activities. Total revenue for Governmental activities increased about \$1.0 million (2.1 percent) over the previous fiscal year. The significant changes in revenues are:

- Business Tax revenue increased \$1,027,494 over the previous fiscal year. Retail sales tax increased by 12.9% and construction sales tax increased 14.7%. This increase is attributed to an improving economy along with more construction activity
- State Shared Revenue increased \$845,896 over the previous fiscal year. State- shared income tax revenue increased \$489,281 or 9.12%. State-shared sales tax increased \$272,665 or 6.34%. The revenue sharing increase is related to population changes and the overall improving economy.
- Capital grants and contributions decreased \$666,437 from the previous fiscal year. Highway and Streets grants decreased \$576,437 and Public Safety decreased \$90,000. The decrease is attributed to receiving fewer grant funds for flood control, and the completion of the grant for a Public Safety modular building.
- Operating grants and contributions decreased \$418,103 from the previous year. Public Safety decreased by \$290,626 and General Government decreased by \$267,513. The decrease is due to the completion of two Fire Department grants and reduced funds being received from CDBG grants.

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



**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Total expenditures for Governmental activities increased \$2.5 million (5.2 percent) over the previous fiscal year. The significant changes in expenditures are:

- Public Safety increased \$1,082,000 over the previous year. Capital and technology purchases made up over 64.3% of the increase. The remaining increases were related to public safety retirement, medical benefit expenses and other miscellaneous expenses.
- Culture and Recreation decreased \$224,000 from the previous fiscal year. Recreation program expenses decreased due to the cancellation of under-utilized programs. Expenses associated with a facility share agreement with the School District resulted in a reduction of water and sewer expenses. The decrease in expenditures from the prior year created an overall decrease of 10.7%.
- General Government increased by \$1,298,000 over the previous year. Although operational expenses did not increase, depreciation and the recording of additional capital assets account for the increase over prior year.
- Highways and Streets increased \$356,000 over the previous fiscal year. Operational expenses decreased in the current fiscal year. A change in capital assets caused the overall increase of 5.2%.

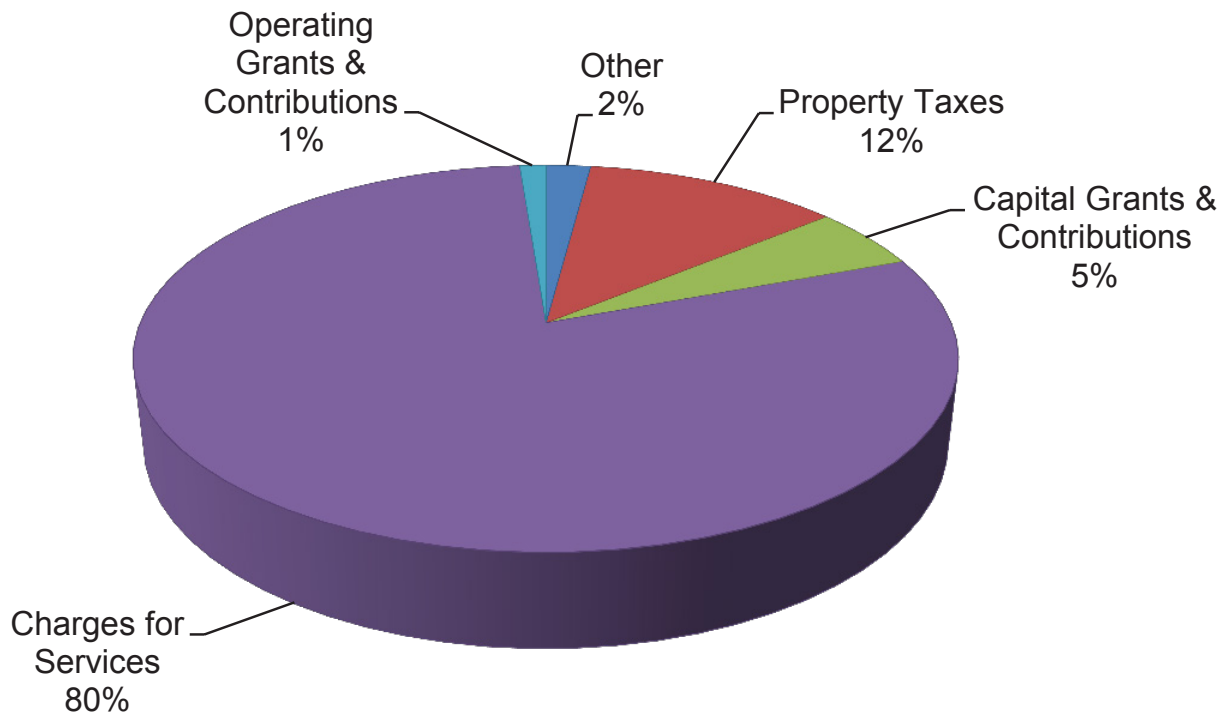
Business-Type Activities. Total revenue for Business-type activities increased about \$2.0 million (4.2 percent) over the previous fiscal year. The significant changes in revenues are:

- Capital grant revenue increased \$943,703 over the previous fiscal year. Federal capital improvement grants increased by 92.1%. This increase is attributed to water capital improvement projects completed using WIFA grant funding.
- Investment earnings increased \$367,567 over the previous fiscal year. Realized gains in the LGIP investment pool increased by 54.9%.

Total expenditures for Business-type activities were about \$140,000 (0.3 percent) over the previous fiscal year.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The source of funds for Business-type activities are presented below:



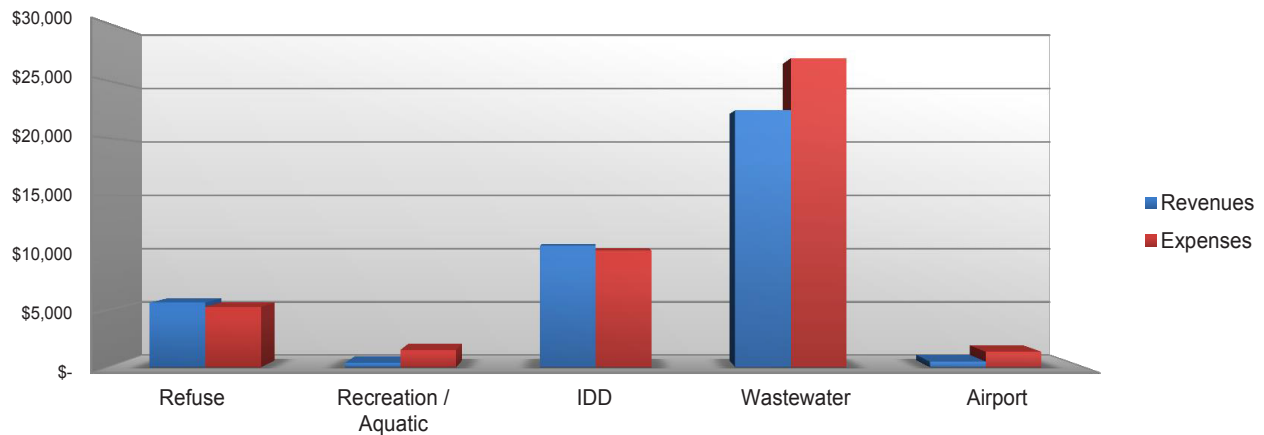
As shown on the "Revenues by Source for Business-Type Activities" chart, charges for services provided the largest share of revenues (80 percent) followed by property taxes (12 percent). As shown in the "Program Revenues and Expenses for Business-Type Activities" chart on page 24, the largest of Lake Havasu City's business-type activities, Wastewater, had operating expenses of \$26.9 million in fiscal year 2013-14, followed by IDD with \$10.2 million.

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 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.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

**Program Revenues and Expenses - Business-Type Activities
Fiscal Year 2013-14
(in thousands)**



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, Debt Service Funds and Capital Project Funds.

As of the end of fiscal year 2013-14, the City's governmental funds reported combined ending fund balances of \$37.9 million, an increase of \$6.1 million (19.3 percent) in comparison with fiscal year 2012-13 fund balance of \$31.7 million. The majority of the fund balance in the amount of \$23.2 million (61.3 percent) is unassigned fund balance and is available for use at the government's discretion. Approximately \$8.9 million (23.5 percent) is restricted in its use by externally enforceable limitations. Approximately \$4.7 million (12.3 percent) is assigned for use by management for specific intentions. The committed fund balance of \$676,130 (1.8 percent) is limited for use on certain expenditures through formal action of the Council. The remaining \$416,209 (1.1 percent) is nonspendable, 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 2013-14 the total fund balance of the General Fund reached \$26.1 million which is a 30.3 percent increase from the prior year. The nonspendable portion of the fund balance is \$285,386 (1.1 percent), reflecting inventory and prepaid expenses. The restricted portion of the fund balance is \$68,775 (0.3 percent). The portion that is committed totals \$398,755 (1.5 percent), the assigned portion is \$2.1 million (8.1 percent), and the unassigned fund balance is \$23.2 million (89.0 percent),

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

which is available for use at the City's discretion. At the end of fiscal year 2012-13, total fund balance reached \$20.0 million. Of that fund balance, \$280,021 (1.4 percent) was nonspendable, \$43,053 (0.2 percent) was restricted, \$73,885 million (.4 percent) was committed, \$1.7 million (8.5 percent) was assigned, and \$17.9 million (89.5 percent) was unassigned.

The fund balance of the City's General Fund increased \$6.1 million (30.3 percent) during fiscal year 2013-14. Key factors for this increase are:

- Overall total revenues in fiscal year 2013-14 reflected an increase of \$2.0 million (5.6 percent). Expenditures increased by \$5.1 million (14.6 percent) overall. Revenues went up mainly due to an increase in sales tax revenue and state shared revenue. The largest increase to expenditures was in Public Safety. This was mainly due to new capital outlay items, including lease purchase of 5 new fire trucks and the purchase of Public Safety emergency dispatch software.
- The largest increase in the General Fund in fiscal year 2013-14 was sales tax revenue. Sales tax revenue in the general fund increased by approximately \$1.1 million (8.5 percent) in fiscal year 2013-14 compared to fiscal year 2012-13. The second largest increase was intergovernmental revenues which reflected an \$812,499 (6.4 percent) increase compared to the prior fiscal year. The increase was mainly due to both state shared sales tax and urban revenue sharing revenue increases. State shared revenues related to income tax have a delay of two years in reflecting the true economic condition and resulting distribution from the state. Licenses and permits increased for the second year in a row. Revenue went up \$210,666 (14.7 percent) in fiscal year 2013-14 compared to fiscal year 2012-13.
- All other major revenues only showed slight change. Property tax, charges for service, contributions, investment earnings, and other revenues had a slight decrease while franchise tax and fines and forfeitures had a slight increase. The slight decrease in investment earnings in fiscal year 2013-14 compared to fiscal year 2012-13 is due to receiving a recovery of the Lehman Brothers bankruptcy in the amount of \$245,334 in fiscal year 2012-13.
- General fund expenditures reflected an increase of \$5.1 million (14.6 percent) in fiscal year 2013-14. General government increased by \$530,797, Public Safety reflected an increase of \$4.4 million (19.6 percent), and Culture and Recreation increased \$131,816. The increases in fiscal year 2013-14 were mainly due to additional capital outlay for fire trucks and technology upgrades and an increase in the cost of wages and benefits. In fiscal year 2013-14, a 5% salary increase was reinstated following the salary reduction that took place in fiscal year 2008-09.
- The biggest impact on the positive change in fund balance was due to the transfers into the General Fund. Transfers in reflect an increase of \$1.6 million (33.1 percent) over fiscal year 2012-13 mainly due to a \$4.2 million one-time transfer from the EBT Fund. The EBT Board voted to officially dissolve this fund as of May 28, 2014. A transfer of \$2.5 million from the EBT Fund was also done in fiscal year 2012-13 with its intended future use to fund a budget stabilization reserve.
- Transfers out of the General Fund decreased by \$359,453 (15.4 percent) in fiscal year 2013-14 when compared to fiscal year 2012-13. The decrease occurred in the transfers made to Transit program.
- Capital lease proceeds increased by \$2.6 million due to the lease purchase of 5 new fire trucks.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The HURF Fund, which accounts for the City's highway and street activities, had a net decrease in fund balance of \$201,332 (7.1 percent) in fiscal year 2013-14. Total revenues remained steady, while total expenditures increased by \$360,264 (7.6 percent). The increase in expenditures is mainly due to street repair contractual service for the fog and chip seal programs.

The City's Debt Service Fund has a total fund balance of \$168,225, an increase of \$10,178 (6.4 percent). The Debt Service Fund is restricted for the payment of debt service and only receives annual transfers from other funds relating to capital projects for which bonds were issued to cover costs. Transfer amounts are made according to the current fiscal year payment requirements. The only debt remaining is the Greater Arizona Development Authority (GADA) loan for the land purchase for the second bridge to the island.

The Capital Projects Fund had an increase to fund balance of \$576,561 (7.2 percent) as compared to fiscal year 2012-2013. Revenues decreased by \$528,067 (18.4 percent) while expenditures increased by \$557,329 over fiscal year 2012-2013. The transfers in increased by \$2.2 million due to a transfer from the Refuse Fund which resulted in the increase in fund balance compared to the prior fiscal year.

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

Total change to the proprietary fund net position reflected an increase of \$1.0 million (0.5 percent). The IDD Fund realized an increase of \$6.6 million (7.9 percent) while the Wastewater Fund and Refuse Fund decreased by \$3.3 million (3.4 percent) and \$1.6 million (43.4 percent), respectively. Recreation/Aquatic and Airport realized a decrease totaling \$766,309 (3.6 percent) for the combined non-major business-type activities. Of this amount, a decrease of \$86,520 (2.0 percent) is attributed to the Recreation/Aquatic Fund and the Airport Fund realized a decrease of \$679,789 (4.0 percent).

The \$6.6 million (7.9 percent) increase in net position in the IDD Fund in fiscal year 2013-14 is primarily due to revenues exceeding expenses by \$6.7 million. Operating revenue increased by \$64,482 (0.6 percent) compared to the previous year while operating expenses increased \$337,234 (3.5 percent). Capital contributions in the IDD Fund realized a significant increase of \$1.2 million (92.2 percent) due to completion of water improvement projects that were funded with a forgivable principal federal grant through WIFA.

Operating revenues in the Wastewater Fund exceeded operating expenses by \$5.3 million in fiscal year 2013-14; interest expense of \$9.9 million was the cause for the overall decrease in net position. When compared to fiscal year 2012-13, operating revenues increased \$342,862 (1.6 percent) and operating expenses saw a similar increase of \$395,544 (2.4 percent). Capital contributions realized a decrease of \$45,157 (7.0 percent) from the previous year due primarily to a decline in grant funding for wastewater related activities in fiscal year 2013-14.

The Refuse Fund realized a \$1.6 million decrease in net position in fiscal year 2013-14 which is mostly related to an increase in transfers out of \$1.5 million (311.8 percent) to fund governmental capital improvement projects. Operating revenues decreased by \$80,606 (1.4 percent) with a corresponding decrease in operating expenses of \$101,177 (1.9 percent) compared to the previous year.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Operating revenues in the Recreation/Aquatic Fund remained stable with a \$1,561 (0.4 percent) increase, while operating expenses increased \$105,947 (8.0 percent). This is primarily attributed to an increase in depreciation expense for capital items. Transfers in to this fund increased \$180,700 (20.7 percent) compared to fiscal year 2012-13. The Airport Fund saw a slight decrease of \$1,698 (0.4 percent) in operating revenue and an increase in operating expenses of \$24,651 (1.9 percent). Capital contributions in the Airport Fund decreased \$192,202 (82.9 percent) in fiscal year 2013-14 due to a decline in capital project activity that is funded through grants. Transfers in to the Airport Fund decreased \$53,383 (26.5 percent) from the prior year.

Net investments in capital assets increased by \$1.1 million (1.6 percent) in the IDD Fund and \$348,825 (1.3 percent) in the Wastewater Fund. These increases are due to capital asset activity exceeding debt activity. In the IDD Fund, capital projects totaled \$3.0 million but accumulated depreciation offset this increase in capital asset value. The main reason for the increase in the value of net investment in capital assets in the Wastewater Fund is the retirement of related debt.

Unrestricted net position in fiscal year 2013-14 for the IDD fund was \$24.5 million (27.2 percent of the total IDD Fund net position). This reflects an increase of \$5.5 million (28.9 percent) over fiscal year 2012-13. Unrestricted net position in the Wastewater Fund was \$66.0 million (71.1 percent of total Wastewater net position), which reflects a decrease of \$7.8 million (10.6 percent) from the previous year. The Refuse Fund unrestricted net position was \$2.1 million (98.9 percent of total Refuse net position). This is a decrease of \$1.6 million (43.7 percent) from fiscal year 2012-13.

The Internal Service Funds net position, which are comprised of the Vehicle Replacement Fund and the EBT Fund, decreased in the aggregate by \$4.4 million (52.2 percent) in fiscal year 2013-14 as compared to the prior year. Of this amount, the Vehicle Replacement Fund decreased \$225,291 (5.3 percent) and the Employee Benefit Trust Fund decreased \$4.1 million (100.0 percent) from fiscal year 2012-13. The Vehicle Replacement Fund ceased receiving rental revenue when it was decided to further extend the life of the City's vehicles as a budget reduction strategy a few years earlier. With no new operating revenues realized in this fund, the only major expense is depreciation on capital assets previously purchased which continues to cause the decline in net position.

The EBT Fund was used to account for the City's limited risk self-insurance program for employee and dependent medical care. The EBT net position decreased \$4.1 million (100 percent) in fiscal year 2013-14. Effective June 30, 2012 the EBT was no longer used by the City to provide employee benefits, but remained active to close out any outstanding claims. Effective July 1, 2012, the City joined the Northwest Arizona Employee Benefit Trust as the employee benefits pool to provide employee benefits to eligible employees of the City and their dependents. The EBT board voted to officially dissolve this fund as of May 28, 2014.

General Fund Budgetary Highlights

During fiscal year 2013-14 there were two changes in appropriations between the original and final budget of the General Fund. The expenditure appropriation was increased \$20,000 (0.05 percent) and transfers in was increased \$4.2 million (171.0 percent). Additional information on the changes in budget appropriations is located in the Notes to the Financial Statements in Note 2 A. on page 55.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Total actual revenues reflect a slight positive variance to budget in the amount of \$9,412 (0.02 percent) for fiscal year 2013-14. Total revenues reflected a negative variance to budget in the amount of \$506,270 (1.4 percent) in fiscal year 2012-13, attributed primarily to a net reduction in tax revenues due to tax rebates exceeding the original budget.

Total actual expenditures reflect a favorable variance to final budget in the amount of \$4.6 million, which is 10.4 percent less than final total appropriations. This was due to a conscious effort on the part of staff and management to adhere to budget restrictions and seek cost saving measures and efficiencies. The largest savings were realized in non-departmental expenditures primarily due to unspent contingency appropriation and in public safety due to position vacancy savings. Responsible fiscal management is also the reason for the favorable variance to the final budget in fiscal year 2012-13 in the amount of \$4.9 million, or 12.4 percent less than total appropriations.

The actual change in fund balance reflects an additional \$4.5 million from the favorable variances in revenues and expenditures, and the decrease in transfers in. In fiscal year 2012-13 the actual change to fund balance reflected an additional \$5.6 million over projected.

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, 2014 and 2013, totaled to \$501.8 million and \$506.7 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 2014 and 2013 was a decrease of 1.0 percent.

**Capital Assets, Net of Depreciation
June 30, 2014, and 2013
(In thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2014	2013	2014	2013	2014	2013	
Land	\$ 26,755	\$ 26,755	\$ 3,288	\$ 3,288	\$ 30,043	\$ 30,043	0.0%
Improvements to Land	11,969	9,619	-	-	11,969	9,619	24.4%
Buildings, Structures & Improvements	15,136	15,317	26,227	27,176	41,363	42,493	(2.7%)
Other Improvements	-	-	364,303	373,221	364,303	373,221	(2.4%)
Equipment, Furniture & Fixtures	6,231	3,973	833	516	7,064	4,489	57.4%
Construction in Progress	1,136	2,490	4,233	2,877	5,369	5,367	0.0%
Infrastructure	33,427	33,119	-	-	33,427	33,119	0.9%
Water Allocation	-	-	8,298	8,357	8,298	8,357	(0.7%)
Total	<u>\$ 94,654</u>	<u>\$ 91,273</u>	<u>\$ 407,182</u>	<u>\$ 415,435</u>	<u>\$ 501,836</u>	<u>\$ 506,708</u>	(1.0%)

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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

- The addition of Tinnell Memorial Skate in Rotary Community Park and recognizing Lake Havasu City's first fallen soldier in Iraq. Expenditures totaled \$1.1 million against a budget of \$1.1 million. The project was completed in October 2013.
- The Rotary Community Park Expansion consisted of improvements to accommodate park growth and the new Tinnell Memorial Skate Park. Improvements include additional parking and lighting to the southern portion of Rotary Park, a secondary roadway entrance/exit, sanding of the beach, construction of a new entrance, sign, and wall/fence replacement. Expenditures totaled \$1.3 million against a budget of \$1.4 million. The project was completed in October 2013.
- The Fire Department purchased four new pumper trucks and one quint ladder truck in 2013-14. Expenditures totaled \$2.5 million against a budget of \$2.5 million.
- The Booster Station 4 Replacement & Additional Storage project consists of a tank replacement, temporary relocation of the upgraded Foot Hills Estates Booster Station, new piping, controls and site improvements to allow for Phase 2-Future Booster Station Replacement. Expenditures totaled \$1.5 million against a budget of \$2.3 million. The project is anticipated to be completed in fiscal year 2014-15.
- The Booster Station 5A Replacement & Additional Storage project consists of construction to increase storage with a new tank, new piping and site improvements to allow for Phase 2-Future Booster Station and transmission main construction. Expenditures totaled \$589,000 respectively against a budget of \$2.3 million. The project is anticipated to be completed in fiscal year 2014-15.
- The McCulloch & El Dorado Transmission Mains project consisted of a 20 inch water main constructed from the intersection of McCulloch Blvd & Swordfish Drive up to Booster Station 4 for the purpose of providing a dedicated transmission main to the booster station. A 12 inch transmission main was constructed along McCulloch, Jamaica, Hiawatha and Opossum. Expenditures totaled \$405,341 against a budget of \$405,341. The project was completed in October of 2013.

Additional information on the City's capital assets can be found in Note 3 B. 3 on pages 60-62 of this report.

Long-term debt. At the end of fiscal year 2013-14, the City had total bonded debt outstanding of \$294.5 million (net of related premium), a decrease of \$8.9 million (2.9 percent). At the end of fiscal year 2012-13 the bonded debt totaled \$303.3 million. Of the fiscal year 2013-14 total bonded debt, \$95,000 are general obligation bonds backed by the full faith and credit of the IDD Fund (water utilities), \$1.9 million are excise tax revenue bonds for the Freedom Bridge, \$232.4 million are loans from WIFA for the wastewater system expansion and water system improvements and \$60.1 million (net of related premium) is a loan from GADA also for the wastewater expansion.

During fiscal year 2013-14, the City retired \$10,000 in general obligation bonds of the IDD, \$150,000 on the GADA excise tax bonds for the Freedom Bridge and \$10.7 million (net of related premium) in WIFA and GADA loans in the Wastewater Fund.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

State statutes impose certain debt limitations on the City of 6 percent and 20 percent of the outstanding secondary assessed valuation of the City. The City's available debt margin at June 30, 2014, is \$34.5 million in the 6 percent capacity and \$11.7 million in the 20 percent capacity. In fiscal year 2012-13, the 6 percent capacity limit was \$34.4 million and the 20 percent capacity limit was \$21.3 million. Additional information on the debt limitations and capacities may be found on page 130-131 in the statistical section of this report. See Note 3 D and E on pages 64-69 to the financial statements for further information regarding capital leases and long-term bonds and loans.

**Outstanding Obligations
June 30, 2014, and 2013
(In thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2014	2013	2014	2013	2014	2013	
General Obligation Bonds	\$ -	\$ -	\$ 95	\$ 105	\$ 95	\$ 105	(9.5%)
GADA Loan	1,940	2,090	-	-	1,940	2,090	(7.2%)
GADA Loan (net of related premium), G/O Loan	-	-	60,070	60,166	60,070	60,166	(0.2%)
LHC WIFA 2002 Jr. Lien Revenue, G/O Loan	-	-	4,847	5,307	4,847	5,307	(8.7%)
LHC WIFA 2002 Sr. Lien Revenue	-	-	4,847	5,307	4,847	5,307	(8.7%)
LHC WIFA 2004 Sr. Lien Revenue	-	-	3,852	4,142	3,852	4,142	(7.0%)
LHC WIFA 2004A Jr. Construction, G/O Loan	-	-	25,140	26,215	25,140	26,215	(4.1%)
LHC WIFA 2004A Sr. Construction	-	-	11,579	12,443	11,579	12,443	(6.9%)
LHC WIFA 2006 Jr. Construction, G/O Loan	-	-	39,575	42,095	39,575	42,095	(6.0%)
LHC WIFA 2006 Sr. Construction	-	-	9,155	9,735	9,155	9,735	(6.0%)
LHC WIFA 2007 Drinking Water	-	-	4,380	4,620	4,380	4,620	(5.2%)
LHC WIFA 2007 Sr. Construction	-	-	46,658	47,941	46,658	47,941	(2.7%)
LHC WIFA 2008 Jr. Construction, G/O Loan	-	-	26,717	27,356	26,717	27,356	(2.3%)
LHC WIFA 2009 Sr. Construction	-	-	2,650	2,714	2,650	2,714	(2.4%)
LHC WIFA 2009A Sr. Construction	-	-	53,179	53,341	53,179	53,341	(0.3%)
LHC WIFA 2010 Sr. Drinking Water (1)	-	-	(213)	(249)	(213)	(249)	14.5%
Total Bonds Payable	1,940	2,090	292,531	301,238	294,471	303,328	(2.9%)
Capital Leases	5,931	2,787	1,683	1,795	7,614	4,582	66.2%
Compensated Absences	2,501	2,271	374	313	2,875	2,584	11.3%
Other Postemployment Benefits	3,131	2,566	1,006	860	4,137	3,426	20.8%
Landfill Closure and Post-Closure Costs	-	-	2,839	2,721	2,839	2,721	4.3%
Total Long-Term Liabilities	\$ 13,503	\$ 9,714	\$ 298,433	\$ 306,927	\$ 311,936	\$ 316,641	(1.5%)

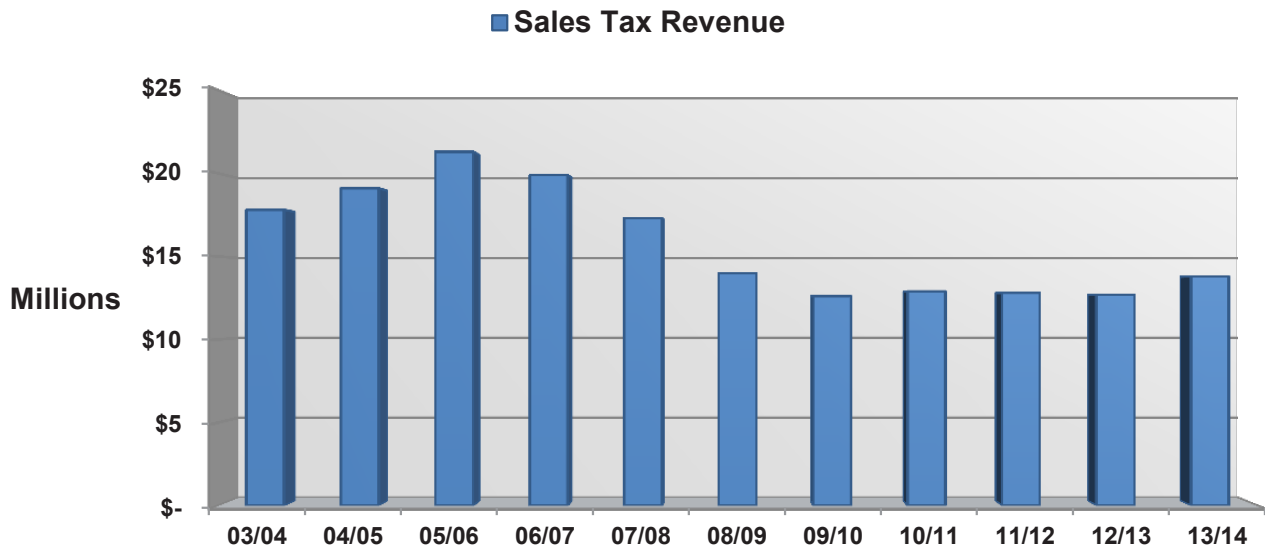
(1) The WIFA 2010 Sr. Drinking Water loan is for \$11.4 million with forgivable principal of \$8.2 million from a pass through ARRA federal grant. The net obligation to the City is \$3.2 million. Principal payments are now due in accordance with the WIFA loan documents on the debt obligation of \$3.2 million. The City has not received the full \$8.2 million from the ARRA grant causing a negative balance owed on this WIFA loan as of June 30, 2014.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Economic Factors and Next Year's Budgets and Rates

Sales Tax

The City's most reliable indicator of economic condition is sales tax. The City's collection of sales tax revenue comprised 36.6 percent (\$13.8 million) of the total General Fund revenues in fiscal year 2013-14. This represents an increase of \$1,077,927 (8.5 percent) from fiscal year 2012-13, which reflected a decrease of \$153,222 (1.2 percent) from the prior fiscal year. The City's sales tax rate is currently 2 percent. An additional 1 percent for restaurant/bar activity and 3 percent for transient occupancy is collected for the Tourism/Economic Development Fund. The City anticipates the sales tax revenue to remain conservative until true economic recovery is realized.



The unemployment rate for the City is currently 9.4 percent, which has decreased 1.3 percent from last year's rate of 10.7 percent. This does not compare favorably to the state's average unemployment rate of 7.5 percent and the national average rate of 6.3 percent at June 30, 2014. This can be attributed to the remote location of the City and its past reliance on the construction industry and tourism.

During fiscal year 2014-15, the General Fund will receive a transfer from the IDD Fund of \$2 million for payback of prior year transfers to the IDD Fund of \$12.2 million for IDD capital projects. The City intends to maintain appropriate reserves of the General Fund through a combination of budget restraints and efficiency measures in fiscal year 2013-14.

Recognizing that the City's General Fund balance should be maintained at a healthy level, the City Council continues to evaluate other financing alternatives when paying for capital improvements. This change in policy (from pay-as-you-go) should help the City to maintain cash balances over the next several years, both for financial stability and in anticipation of capital and ongoing operational needs. In addition, the City is researching alternative service delivery options for implementation to mitigate the cost of operations and maintenance.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The City assessed a property tax levy rate of \$0.7381 per \$100 assessed value in fiscal year 2013-14. This was an increase over the prior fiscal year in which the assessment was \$0.7332 per \$100 assessed value. In fiscal year 2014-15 the property tax levy rates will be increased to \$0.7408, due to the decline in the assessed value of property, in an attempt to maintain a steady level of collections to fund current operating needs.

During fiscal year 2013-14 sewer rates remained the same. At the end of fiscal year 2006-07, the City adopted a Rate Stabilization Fund. This required that \$5.0 million be reserved to maintain a fund balance in the Wastewater Fund that will factor into calculations of future rate increases with the intent to stabilize rates, meet required debt covenants, and prevent wide rate fluctuations to utility customers. An additional \$1.5 million was added in fiscal year 2010-11 to bring the total rate stabilization fund to \$6.5 million. Sewer revenues are expected to increase due to an expanded customer base.

The City conducted an in-house water rate study in fiscal year 2011-12 to review the rates needed to cover the costs of the water system operations and maintenance and debt service requirements. Water rates were not increased in fiscal year 2013-14 as a result of this study. Council adopted rate increases in 2009 that became effective August 2009 for fiscal year 2009-10. Water rates are not expected to increase in fiscal year 2014-15.

All of these factors were considered in preparing the City's budget for the 2014-15 fiscal year.

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, 2014

	Governmental Activities	Business-type Activities	Totals
Assets			
Cash and Investments	\$ 40,951,634	\$ 64,175,578	\$ 105,127,212
Receivables, Net			
Accounts Receivable	46,187	7,314,100	7,360,287
Taxes Receivable	134,857	451,331	586,188
Intergovernmental Receivable	2,477,953	1,045,880	3,523,833
Interest Receivable	36,632	90,504	127,136
Inventories	204,038	3,823	207,861
Prepaid Items	212,171	189,596	401,767
Restricted Assets	-	30,810,719	30,810,719
Capital Assets			
Non-Depreciable	27,891,702	13,686,700	41,578,402
Depreciable (net)	66,762,687	393,495,917	460,258,604
Total Assets	138,717,861	511,264,148	649,982,009
Liabilities			
Accounts Payable	1,868,601	928,117	2,796,718
Accrued Wages and Benefits	736,017	124,807	860,824
Interest Payable	88,498	4,873,576	4,962,074
Intergovernmental Payable	276,449	149,633	426,082
Retainage Payable	-	216,665	216,665
Unearned Revenue	99,669	251,686	351,355
Performance Bonds Payable	50,326	-	50,326
Developer Agreements	85,696	-	85,696
Liabilities Payable from Restricted Assets	-	469,374	469,374
Noncurrent Liabilities			
Due Within One Year	3,189,511	10,790,858	13,980,369
Due in More Than One Year	10,313,640	287,642,008	297,955,648
Total Liabilities	16,708,407	305,446,724	322,155,131
Net Position			
Net Investment in Capital Assets	87,718,006	112,968,345	200,686,351
Restricted for:			
Highways and Streets	2,627,057	-	2,627,057
Debt Service	168,225	-	168,225
Capital Outlay	5,791,345	-	5,791,345
Improvement Districts	19,063	-	19,063
Transit	3,546	-	3,546
Special Programs	362,406	-	362,406
Unrestricted	25,319,806	92,849,079	118,168,885
Total Net Position	<u>\$ 122,009,454</u>	<u>\$ 205,817,424</u>	<u>\$ 327,826,878</u>

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

**LAKE HAVASU CITY, ARIZONA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 12,152,114	\$ 3,274,126	\$ 658,370	\$ -	\$ (8,219,618)	\$ -	\$ (8,219,618)
Public Safety	25,670,858	422,645	622,707	-	(24,625,506)	-	(24,625,506)
Highways and Streets	6,844,661	26,621	4,200,363	2,263,972	(353,705)	-	(353,705)
Culture and Recreation	1,860,313	613,049	55,378	-	(1,191,886)	-	(1,191,886)
Tourism and Promotion	1,651,955	-	-	-	(1,651,955)	-	(1,651,955)
Transportation Services	1,602,639	100,508	882,749	-	(619,382)	-	(619,382)
Interest on Long-term Debt	85,885	-	-	-	(85,885)	-	(85,885)
Total Governmental Activities	49,868,425	4,436,949	6,419,567	2,263,972	(36,747,937)	-	(36,747,937)
Business-Type Activities:							
Refuse	5,267,207	5,645,063	-	-	-	377,856	377,856
Recreation/Aquatic Center	1,518,700	373,728	-	-	-	(1,144,972)	(1,144,972)
Irrigation and Drainage	10,173,601	10,586,519	112,131	2,462,506	-	2,987,555	2,987,555
Wastewater	26,965,114	22,408,732	-	600,949	-	(3,955,433)	(3,955,433)
Airport	1,358,396	490,596	-	39,627	-	(828,172)	(828,172)
Total Business-Type Activities	45,283,018	39,504,638	112,131	3,103,082	-	(2,563,166)	(2,563,166)
Total Primary Government	\$ 95,151,443	\$ 43,941,587	\$ 6,531,698	\$ 5,367,054	(36,747,937)	(2,563,166)	(39,311,104)
General Revenues:							
Taxes							
Sales Taxes					15,185,171	-	15,185,171
Property Taxes					4,231,510	5,953,459	10,184,969
Franchise Taxes					1,795,899	-	1,795,899
Unrestricted State Revenue Sharing					5,854,801	-	5,854,801
Unrestricted State Sales Tax Revenue Sharing					4,572,096	-	4,572,096
Unrestricted Auto Lieu Tax Revenue Sharing					2,506,953	-	2,506,953
Investment Earnings					439,967	1,037,304	1,477,271
Other					114,948	-	114,948
Transfers					3,476,349	(3,476,349)	-
Total General Revenues and Transfers					38,177,694	3,514,414	41,692,108
Change in Net Position					1,429,757	951,248	2,381,005
Net Position, Beginning (Restated)					120,579,697	204,866,176	325,445,873
Net Position, Ending					\$ 122,009,454	\$ 205,817,424	\$ 327,826,878

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

**LAKE HAVASU CITY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	HURF	Debt Service	Capital Projects	Nonmajor Funds	Totals
Assets						
Cash and Investments	\$ 26,421,990	\$ 2,262,437	\$ 203,518	\$ 8,754,781	\$ 388,923	\$ 38,031,649
Receivables						
Accounts Receivable	38,540	6,809	-	-	838	46,187
Taxes Receivable	133,045	-	-	-	1,812	134,857
Intergovernmental Receivable	1,771,608	400,634	-	-	305,711	2,477,953
Interest Receivable	23,157	2,859	108	6,581	342	33,047
Due from Other Funds	235,746	-	-	-	161,742	397,488
Inventories	154,538	49,500	-	-	-	204,038
Prepaid Items	130,848	77,608	-	-	3,715	212,171
Total Assets	<u>\$ 28,909,472</u>	<u>\$ 2,799,847</u>	<u>\$ 203,626</u>	<u>\$ 8,761,362</u>	<u>\$ 863,083</u>	<u>\$ 41,537,390</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts Payable	\$ 1,375,499	\$ 162,720	\$ -	\$ 113,649	\$ 177,963	\$ 1,829,831
Accrued Wages and Benefits	723,452	2,778	-	-	9,787	736,017
Interest Payable	52,678	419	35,401	-	-	88,498
Intergovernmental Payable	259,756	-	-	-	16,693	276,449
Due to Other Funds	161,742	-	-	-	235,746	397,488
Unearned Revenue	93,869	-	-	-	5,800	99,669
Performance Bonds Payable	50,326	-	-	-	-	50,326
Developer Agreements	-	-	-	85,696	-	85,696
Total Liabilities	<u>2,717,322</u>	<u>165,917</u>	<u>35,401</u>	<u>199,345</u>	<u>445,989</u>	<u>3,563,974</u>
Deferred Inflows of Resources:						
Unavailable Revenues:						
Property Taxes	<u>94,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>948</u>	<u>95,126</u>
Fund Balances						
Nonspendable	285,386	127,108	-	-	3,715	416,209
Restricted	68,775	2,499,949	168,225	5,791,345	381,469	8,909,763
Committed	398,755	-	-	277,375	-	676,130
Assigned	2,122,957	6,873	-	2,493,297	30,962	4,654,089
Unassigned	23,222,099	-	-	-	-	23,222,099
Total Fund Balance	<u>26,097,972</u>	<u>2,633,930</u>	<u>168,225</u>	<u>8,562,017</u>	<u>416,146</u>	<u>37,878,290</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 28,909,472</u>	<u>\$ 2,799,847</u>	<u>\$ 203,626</u>	<u>\$ 8,761,362</u>	<u>\$ 863,083</u>	<u>\$ 41,537,390</u>

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

**LAKE HAVASU CITY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balances for Governmental Funds	\$ 37,878,290
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Amounts reported for governmental activities in the statement of net position are different because:

Property taxes not collected within 60 days subsequent to fiscal year-end are unavailable in the governmental funds.	95,126
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	186,233,719	
Less Accumulated Depreciation	<u>(92,686,283)</u>	
Capital Assets Used in Governmental Activities		93,547,436

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

GADA Loan	(1,940,000)	
Capital Leases	(5,931,270)	
Compensated Absences	(2,500,884)	
Other Postemployment Benefits	(3,130,996)	

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

	<u>3,991,752</u>
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Total Net Position of Governmental Activities	<u><u>\$ 122,009,454</u></u>
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The notes to the financial statements are an integral part of this statement

LAKE HAVASU CITY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	General	HURF	Debt Service	Capital Projects	Nonmajor Funds	Totals
Revenues						
Taxes						
Sales Taxes	\$ 13,796,859	\$ -	\$ -	\$ -	\$ 1,388,312	\$ 15,185,171
Property Taxes	4,104,383	-	-	-	84,285	4,188,668
Franchise Taxes	1,795,899	-	-	-	-	1,795,899
Intergovernmental Revenue	13,426,352	4,199,770	-	2,139,251	1,602,668	21,368,041
Fines and Forfeitures	1,332,763	-	-	-	72,852	1,405,615
Licenses and Permits	1,645,593	-	-	-	-	1,645,593
Charges for Services	1,018,704	-	-	-	103,738	1,122,442
Rents and Royalties	89,409	-	-	-	-	89,409
Contributions and Donations	57,042	-	-	145,000	4,264	206,306
Investment Earnings	251,777	29,303	1,063	60,612	4,412	347,167
Other	189,788	27,214	-	32	20,176	237,210
Total Revenue	37,708,569	4,256,287	1,063	2,344,895	3,280,707	47,591,521
Expenditures						
Current						
General Government	10,967,367	-	-	291,622	293,279	11,552,268
Public Safety	26,974,611	-	-	-	517,808	27,492,419
Highways and Streets	-	5,072,727	-	-	57,920	5,130,647
Culture and Recreation	1,835,350	-	-	-	-	1,835,350
Tourism and Promotion	-	-	-	-	1,651,955	1,651,955
Transportation Services	-	-	-	-	1,427,796	1,427,796
Debt Service						
Principal Retirement	-	-	150,000	-	-	150,000
Interest on Long-Term Debt	-	-	85,885	-	-	85,885
Capital Outlay	-	-	-	3,638,147	-	3,638,147
Total Expenditures	39,777,328	5,072,727	235,885	3,929,769	3,948,758	52,964,467
Excess (Deficiency) of Revenue Over Expenditures	(2,068,759)	(816,440)	(234,822)	(1,584,874)	(668,051)	(5,372,946)
Other Financing Sources (Uses)						
Transfers In	6,244,307	1,050,000	245,000	2,712,015	338,549	10,589,871
Transfers Out	(1,976,024)	(434,891)	-	(550,580)	-	(2,961,494)
Proceeds from Capital Lease	3,875,428	-	-	-	-	3,875,428
Total Other Financing Sources (Uses)	8,143,711	615,109	245,000	2,161,435	338,549	11,503,805
Net Change in Fund Balance	6,074,952	(201,331)	10,178	576,561	(329,502)	6,130,858
Fund balances,						
Beginning of Year	20,023,020	2,835,261	158,047	7,985,456	745,648	31,747,432
End of Year	<u>\$ 26,097,972</u>	<u>\$ 2,633,930</u>	<u>\$ 168,225</u>	<u>\$ 8,562,017</u>	<u>\$ 416,146</u>	<u>\$ 37,878,290</u>

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

LAKE HAVASU CITY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 6,130,858

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for Capital Assets	7,456,111	
Less Current Year Depreciation	<u>(3,831,140)</u>	
Excess Capital Expenditures Over Depreciation		3,624,971

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, and donations) to decrease net position. (222,331)

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Property Taxes	42,841
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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.

Principal Payments on Long-term Debt	881,032
Issuance of Debt	(3,875,428)

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 the governmental funds.

Net Increase in Compensated Absences	(230,163)
Net Increase in Other Postemployment Benefits	(565,004)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

The net changes in net position of the internal service fund is reported with governmental activities	<u>(4,357,019)</u>
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Changes in Net Position of Governmental Activities	<u><u>\$ 1,429,757</u></u>
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The notes to the financial statements are an integral part of this statement

**LAKE HAVASU CITY, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amount	Variance with Final
	Original	Final	Budgetary Basis	Budget
Revenues				
Taxes	\$ 19,910,791	\$ 19,910,791	\$ 19,697,141	\$ (213,650)
Intergovernmental Revenue	13,363,419	13,363,419	13,426,352	62,933
Fines and Forfeitures	1,169,370	1,169,370	1,332,763	163,393
Licenses and Permits	1,479,499	1,479,499	1,645,593	166,094
Charges for Services	1,178,491	1,178,491	1,018,704	(159,787)
Rents and Royalties	87,000	87,000	89,409	2,409
Contributions and Donations	158,979	158,979	57,042	(101,937)
Investment Earnings	140,000	140,000	251,777	111,777
Other	211,608	211,608	189,788	(21,820)
Total Revenue	37,699,157	37,699,157	37,708,569	9,412
Expenditures				
Current				
General Government				
City Council	234,966	234,966	219,195	15,771
City Clerk	316,777	316,777	283,174	33,603
Magistrate Court	1,426,482	1,426,482	1,323,583	102,899
City Manager	447,691	447,691	436,768	10,923
Human Resources	402,041	422,041	421,962	79
Community Affairs	656,662	656,662	204,102	452,560
Administrative Services	2,751,820	2,751,820	2,564,278	187,542
City Attorney	859,379	859,379	765,730	93,649
Non-Departmental	553,158	553,158	(1,565,986)	2,119,144
Government-Outside Contracts	185,000	185,000	184,758	242
Operations	674,991	674,991	491,332	183,659
Maintenance Services	3,810,036	3,810,036	3,817,588	(7,552)
Vehicle Maintenance	718,465	718,465	621,134	97,331
Development Services	1,189,604	1,189,604	1,171,035	18,569
Total General Government	14,227,072	14,247,072	10,938,653	3,308,419
Public Safety				
Police	14,269,682	14,269,682	13,745,540	524,142
Fire	13,730,579	13,730,579	13,229,071	501,508
Total Public Safety	28,000,261	28,000,261	26,974,611	1,025,650
Culture and Recreation				
Recreation Department	2,135,990	2,135,990	1,835,350	300,640
Total Culture and Recreation	2,135,990	2,135,990	1,835,350	300,640
Total Expenditures	44,363,323	44,383,323	39,748,614	4,634,709
Excess (Deficiency) of Revenue Over Expenditures	(6,664,166)	(6,684,166)	(2,040,045)	4,644,121
Other Financing Sources (Uses)				
Transfers In	2,441,019	6,616,019	6,244,307	(371,712)
Transfers Out	(2,235,000)	(2,235,000)	(1,976,024)	258,976
Total Other Financing Sources	206,019	4,381,019	4,268,283	(112,736)
Net Change in Fund Balance	(6,458,147)	(2,303,147)	2,228,238	4,531,385
Fund Balance				
Beginning of Year	15,010,885	15,010,885	20,023,020	5,012,135
End of Year	\$ 8,552,738	\$ 12,707,738	\$ 22,251,258	\$ 9,543,520

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

LAKE HAVASU CITY, ARIZONA
HURF FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual Amount Budgetary Basis	Variance with Final Budget
Revenues			
Intergovernmental Revenue	\$ 4,168,425	\$ 4,199,770	\$ 31,345
Investment Earnings	25,000	29,303	4,303
Other	16,000	27,214	11,214
Total Revenue	4,209,425	4,256,287	46,862
Expenditures			
Current			
Highways and Streets	5,651,828	5,072,727	579,101
Excess (Deficiency) of Revenue over Expenditures	(1,442,403)	(816,440)	625,963
Other Financing Sources (Uses)			
Transfers In	1,050,000	1,050,000	-
Transfers Out	(555,187)	(434,891)	120,296
Total Other Financing Sources (Uses)	494,813	615,109	120,296
Net Change in Fund Balances	(947,590)	(201,331)	746,259
Fund Balance			
Beginning of Year	2,226,454	2,835,261	608,807
End of Year	\$ 1,278,864	\$ 2,633,930	\$ 1,355,066

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

LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Irrigation and Drainage	Wastewater	Refuse	Total Nonmajor Business-Type Activities	Total	
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 22,355,350	\$ 36,654,859	\$ 4,828,308	\$ 337,061	\$ 64,175,578	\$ 2,919,985
Receivables, Net						
Accounts Receivable	1,165,447	5,624,308	505,627	18,718	7,314,100	-
Taxes Receivable	451,331	-	-	-	451,331	-
Intergovernmental Receivable	1,045,880	-	-	-	1,045,880	3,585
Interest Receivable	18,115	65,570	6,399	420	90,504	-
Inventory	-	-	-	3,823	3,823	-
Prepaid Items	133,489	43,469	-	12,638	189,596	-
Restricted Assets	1,527,259	29,259,929	-	23,531	30,810,719	-
Total Current Assets	<u>26,696,871</u>	<u>71,648,135</u>	<u>5,340,334</u>	<u>396,191</u>	<u>104,081,531</u>	<u>2,923,570</u>
Noncurrent Assets						
Capital Assets						
Non-Depreciable	11,201,878	1,666,488	-	818,334	13,686,700	-
Depreciable (net)	58,990,695	313,654,888	24,678	20,825,656	393,495,917	1,106,952
Total Noncurrent Assets	<u>70,192,573</u>	<u>315,321,376</u>	<u>24,678</u>	<u>21,643,990</u>	<u>407,182,617</u>	<u>1,106,952</u>
Total Assets	<u>96,889,444</u>	<u>386,969,511</u>	<u>5,365,012</u>	<u>22,040,181</u>	<u>511,264,148</u>	<u>4,030,522</u>
Liabilities						
Current Liabilities						
Accounts Payable	231,558	293,428	378,636	24,495	928,117	38,770
Accrued Wages and Benefits	60,370	44,273	-	20,164	124,807	-
Intergovernmental Payable	136,522	12,334	-	777	149,633	-
Interest Payable	80,924	4,783,391	-	9,261	4,873,576	-
Retainage Payable	202,579	14,086	-	-	216,665	-
Unearned Revenue	203,083	1,793	-	46,810	251,686	-
Liabilities Payable From Restricted Assets	445,843	-	-	23,531	469,374	-
Compensated Absences	163,280	133,605	-	26,769	323,654	-
Capital Leases Payable	10,261	12,707	-	79,024	101,992	-
Bonds and Notes Payable	395,912	9,969,300	-	-	10,365,212	-
Total Current Liabilities	<u>1,930,332</u>	<u>15,264,917</u>	<u>378,636</u>	<u>230,831</u>	<u>17,804,716</u>	<u>38,770</u>
Noncurrent Liabilities						
Compensated Absences	25,527	20,887	-	4,185	50,599	-
Landfill Closure and Postclosure Care Costs	-	-	2,838,673	-	2,838,673	-
Capital Leases Payable	159,101	197,034	-	1,225,321	1,581,456	-
Other Postemployment Benefits	621,297	338,419	-	45,952	1,005,668	-
Bonds and Notes Payable	3,865,970	278,299,642	-	-	282,165,612	-
Total Noncurrent Liabilities	<u>4,671,895</u>	<u>278,855,982</u>	<u>2,838,673</u>	<u>1,275,458</u>	<u>287,642,008</u>	<u>-</u>
Total Liabilities	<u>6,602,227</u>	<u>294,120,899</u>	<u>3,217,309</u>	<u>1,506,289</u>	<u>305,446,724</u>	<u>38,770</u>
Net Position						
Net Investment in Capital Assets	65,761,329	26,842,693	24,678	20,339,645	112,968,345	1,106,952
Unrestricted	24,525,888	66,005,919	2,123,025	194,247	92,849,079	2,884,800
Total Net Position	<u>\$ 90,287,217</u>	<u>\$ 92,848,612</u>	<u>\$ 2,147,703</u>	<u>\$ 20,533,892</u>	<u>\$ 205,817,424</u>	<u>\$ 3,991,752</u>

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

LAKE HAVASU CITY, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	Irrigation and Drainage	Wastewater	Refuse	Total Nonmajor Business-Type Activities	Totals	Governmental Activities - Internal Service Funds
Operating Revenue						
Charges for Services	\$ 10,467,999	\$ 22,327,573	\$ 5,645,063	\$ 821,446	\$ 39,262,081	\$ -
Premiums Charged	-	-	-	-	-	1,915
Total Operating Revenue	<u>10,467,999</u>	<u>22,327,573</u>	<u>5,645,063</u>	<u>821,446</u>	<u>39,262,081</u>	<u>1,915</u>
Operating Expenses						
Cost of Sales and Services	7,833,935	7,134,366	5,266,032	1,770,420	22,004,753	-
Administration	-	-	-	-	-	26,612
Depreciation	<u>2,168,679</u>	<u>9,892,191</u>	<u>1,175</u>	<u>1,020,144</u>	<u>13,082,189</u>	<u>367,765</u>
Total Operating Expenses	<u>10,002,614</u>	<u>17,026,557</u>	<u>5,267,207</u>	<u>2,790,564</u>	<u>35,086,942</u>	<u>394,377</u>
Operating Income (Loss)	<u>465,385</u>	<u>5,301,016</u>	<u>377,856</u>	<u>(1,969,118)</u>	<u>4,175,139</u>	<u>(392,462)</u>
Nonoperating Revenues (Expenses)						
Taxes	5,953,459	-	-	-	5,953,459	-
Intergovernmental	112,131	-	-	-	112,131	-
Interest Earnings	263,333	706,944	63,692	3,335	1,037,304	72,524
Interest Expense	(170,987)	(9,938,557)	-	(86,532)	(10,196,076)	-
Other Income	<u>118,520</u>	<u>81,159</u>	<u>-</u>	<u>42,879</u>	<u>242,558</u>	<u>114,948</u>
Total Nonoperating Revenues (Expenses)	<u>6,276,456</u>	<u>(9,150,454)</u>	<u>63,692</u>	<u>(40,318)</u>	<u>(2,850,624)</u>	<u>187,472</u>
Income (Loss) Before Capital Contributions and Transfers	6,741,841	(3,849,438)	441,548	(2,009,436)	1,324,515	(204,990)
Capital Contributions	2,462,506	600,949	-	39,627	3,103,082	-
Transfers In	-	-	-	1,203,500	1,203,500	-
Transfers Out	<u>(2,573,169)</u>	<u>(18,531)</u>	<u>(2,088,149)</u>	<u>-</u>	<u>(4,679,849)</u>	<u>(4,152,029)</u>
Change in Net Position	6,631,178	(3,267,020)	(1,646,601)	(766,309)	951,248	(4,357,019)
Net Position						
Beginning of Year (Restated)	<u>83,656,039</u>	<u>96,115,632</u>	<u>3,794,304</u>	<u>21,300,201</u>	<u>204,866,176</u>	<u>8,348,771</u>
End of Year	<u>\$ 90,287,217</u>	<u>\$ 92,848,612</u>	<u>\$ 2,147,703</u>	<u>\$ 20,533,892</u>	<u>\$ 205,817,424</u>	<u>\$ 3,991,752</u>

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

**LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014**

	Irrigation and Drainage	Wastewater	Refuse	Total Nonmajor Business-Type Activities	Totals	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities						
Receipts from Customers	\$ 10,566,522	\$ 22,112,989	\$ 5,687,639	\$ 824,441	\$ 39,191,591	\$ 1,915
Payments to Suppliers	(4,863,717)	(6,259,554)	(5,142,133)	(997,316)	(17,262,720)	(57,795)
Payments to Employees	(2,887,963)	(2,205,011)	-	(758,196)	(5,851,170)	-
Other Nonoperating Receipts	93,065	108,588	-	46,460	248,113	40,460
Customer Deposits (Payments)	2,074	-	-	(102)	1,972	-
Net Cash Flows from (used by) Operating Activities	<u>2,909,981</u>	<u>13,757,012</u>	<u>545,506</u>	<u>(884,713)</u>	<u>16,327,786</u>	<u>(15,420)</u>
Cash Flows from Noncapital Financing Activities						
Transfers In	-	-	-	1,203,500	1,203,500	-
Transfers Out	(2,573,169)	(18,531)	(2,088,149)	-	(4,679,849)	(4,152,029)
Due To Other Funds	-	-	-	(125,279)	(125,279)	-
Tax Receipts	5,685,851	-	-	-	5,685,851	-
Net Cash Flows from (used by) Financing Activities	<u>3,112,682</u>	<u>(18,531)</u>	<u>(2,088,149)</u>	<u>1,078,221</u>	<u>2,084,223</u>	<u>(4,152,029)</u>
Cash Flows from Capital and Related Financing Activities						
Proceeds from Capital Debt	-	1,873,012	-	-	1,873,012	108,921
Capital Grants and Contributions	2,917,552	2,029,266	-	210,586	5,157,404	-
Purchases of Capital Assets	(2,981,257)	(1,723,903)	-	(82,972)	(4,788,132)	(346,065)
Principal Paid on Capital Debt	(410,532)	(10,294,865)	-	(90,926)	(10,796,323)	-
Interest Paid on Capital Debt	(174,379)	(10,160,752)	-	(77,333)	(10,412,464)	-
Proceeds from Sale of Capital Assets	25,793	-	-	-	25,793	-
Net Cash Flows used by Capital and Financing Activities	<u>(622,823)</u>	<u>(18,277,242)</u>	<u>-</u>	<u>(40,645)</u>	<u>(18,940,710)</u>	<u>(237,144)</u>
Cash Flows from Investing Activities						
Interest and Dividends	<u>261,232</u>	<u>705,566</u>	<u>63,987</u>	<u>3,195</u>	<u>1,033,980</u>	<u>77,402</u>
Net Change in Cash and Cash Equivalents	<u>5,661,072</u>	<u>(3,833,195)</u>	<u>(1,478,656)</u>	<u>156,058</u>	<u>505,279</u>	<u>(4,327,191)</u>
Cash and Cash Equivalents, Beginning of Year	<u>18,221,537</u>	<u>69,747,983</u>	<u>6,306,964</u>	<u>204,534</u>	<u>94,481,018</u>	<u>7,247,176</u>
Cash and Cash Equivalents, End of Year	<u>\$ 23,882,609</u>	<u>\$ 65,914,788</u>	<u>\$ 4,828,308</u>	<u>\$ 360,592</u>	<u>\$ 94,986,297</u>	<u>\$ 2,919,985</u>

Note: Cash and Cash Equivalents, End of Year on Statement of Cash Flows for Irrigation and Drainage reflects the total of Cash and Cash Equivalents (\$22,355,350) and Restricted Assets (\$1,527,259) on the Statement of Net Position. Wastewater reflects the total of Cash and Cash Equivalents (\$36,654,859) and Restricted Assets (\$29,259,929) on the Statement of Net Position. Total Nonmajor Business-Type Activities reflects the total of Cash and Cash Equivalents (\$337,061) and Restricted Assets (\$23,531) on the Statement of Net Position.

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

LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	<u>Irrigation and Drainage</u>	<u>Wastewater</u>	<u>Refuse</u>	<u>Total Nonmajor Business-Type Activities</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
(Continued)						
Reconciliation of Operating Income (Loss) to Net Cash from (used by) Operating Activities						
Operating Income (Loss)	\$ 465,385	\$ 5,301,016	\$ 377,856	\$ (1,969,118)	\$ 4,175,139	\$ (392,462)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (used by) Operating Activities						
Depreciation	2,168,679	9,892,191	1,175	1,020,144	13,082,189	367,765
Other Nonoperating Receipts (Expenses)	92,727	107,872	-	42,879	243,478	6,027
Change in Assets/Liabilities:						
Receivables, Net	70,751	(214,677)	42,576	(5,290)	(106,640)	-
Inventories	-	-	-	(589)	(589)	-
Prepaid Items	238	(2,342)	-	(446)	(2,550)	34,433
Accounts Payable	(54,498)	(98,714)	6,485	769	(145,958)	(31,183)
Retainage Payable	4,241	(1,325,188)	-	-	(1,320,947)	-
Intergovernmental Payable	12,343	2,783	-	(571)	14,555	-
Accrued Wages and Benefits	11,000	9,633	-	5,703	26,336	-
Compensated Absences	30,597	25,185	-	5,644	61,426	-
Unearned Revenue	27,772	93	-	8,285	36,150	-
Customer Deposits Payable	2,074	-	-	(102)	1,972	-
Other Postemployment Benefits	78,672	59,160	-	7,979	145,811	-
Landfill Closure and Postclosure Care Costs	-	-	117,414	-	117,414	-
Net Cash from (used by) Operating Activities	<u>\$ 2,909,981</u>	<u>\$ 13,757,012</u>	<u>\$ 545,506</u>	<u>\$ (884,713)</u>	<u>\$ 16,327,786</u>	<u>\$ (15,421)</u>

Noncash Investing, Capital and Financing Activities

Capital assets of \$3,978, \$4,933 and \$435,196 were acquired through capital leases by Irrigation and Drainage, Wastewater and Non-major Funds, respectively.

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



LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

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).

During the year ended June 30, 2014 the City implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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.
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.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. *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.

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.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 *Debt Service Fund* accounts for the accumulation of resources and the payment of long-term debt principal, interest and related costs.

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

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.

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.

Additionally, the government reports the following fund types:

The *Internal Service Funds* account for the City's limited risk self-insurance program for employee and dependant medical care and the City's vehicle replacement program.

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 and internal service 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.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, Liabilities, 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 non-operating 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.

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. Receivables and payables between governmental and business-type funds are classified as Internal Balances on the Statement of Net Position.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (Continued)

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.

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.

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 \$5,000 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 fair market 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:

Buildings and Improvements	40	years
Water Rights	40	years
Improvements other than buildings	10-20	years
Infrastructure	40-50	years
Furniture, Machinery, and Equipment	3-10	years
Vehicles	3-10	years

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

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 420 hours or 588 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.

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. The City did not have any items that qualified for reporting in this category.

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. 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 THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

10. 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.

11. 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 adoption of City Ordinance. 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.

The City approved a Fiscal Sustainability Policy in August 2007 which requires the City to maintain a General Fund reserve of 10 percent based on the average actual General Fund revenues for the preceding five fiscal years. The City will maintain a fund balance reserve of 5 percent 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.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

11. Fund Balance (Continued)

As of June 30, 2014, the governmental fund balance details by classification are listed below:

	<u>General Fund</u>	<u>HURF</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Nonspendable:						
Inventory	\$ 154,538	\$ 49,500	\$ -	\$ -	\$ -	\$ 204,038
Prepaid Expenditures	130,848	77,608	-	-	3,715	212,171
Total Nonspendable	285,386	127,108	-	-	3,715	416,209
Restricted:						
Debt Service for Land Acquisition	-	-	168,225	-	-	168,225
Highway User Tax for Transportation	-	2,499,949	-	-	-	2,499,949
Capital Projects	-	-	-	5,791,345	-	5,791,345
Public Safety Special Programs	68,775	-	-	-	81,993	150,768
Court Enhancement	-	-	-	-	280,413	280,413
Improvement Districts	-	-	-	-	19,063	19,063
Total Restricted	68,775	2,499,949	168,225	5,791,345	381,469	8,909,763
Committed:						
Capital Projects	-	-	-	277,375	-	277,375
General Government Activities	398,755	-	-	-	-	398,755
Total Committed	398,755	-	-	277,375	-	676,130
Assigned:						
Capital Lease	1,977,063	6,873	-	-	-	1,983,936
Operating Lease	90,897	-	-	-	-	90,897
Court Services	54,997	-	-	-	-	54,997
Memorial Tree Special Program	-	-	-	-	22,820	22,820
Public Safety Special Programs	-	-	-	-	8,142	8,142
Capital Projects	-	-	-	2,493,297	-	2,493,297
Total Assigned	2,122,957	6,873	-	2,493,297	30,962	4,654,089
Unassigned:	<u>23,222,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,222,099</u>
Total Fund Balances	\$ 26,097,972	\$ 2,633,930	\$ 168,225	\$ 8,562,017	\$ 416,146	\$ 37,878,290

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

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. The Administrative Services Director 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 (see Note 4 C. for exception).

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 10, 2014, the City Council authorized supplemental budgetary appropriations included in the following budget amendment. The Capital Improvement Fund was decreased by \$120,000 to allow for an increase of \$20,000 to the General Fund to hire a part-time clerical aide in the Human Resources/Risk Management Division and to cover an unanticipated increase in recruitment costs, and an increase of \$100,000 to an Tourism/Economic Development Fund for increased payments to the agency due to revenues exceeding the budget. Also included with the budget amendment was an operating transfer from the Lake Havasu City Employee Benefit Trust (EBT) Fund to the General Fund in the amount of \$4,175,000 due to approval of the closure of this fund by the EBT Board in Fiscal Year 2013-14.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is employed by the City during the year. Encumbrances (e.g., project purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Prior Period Adjustment

The July 1, 2013, government-wide net position and the net position of the Irrigation and Drainage District and Wastewater Utility Funds do not agree to the prior year financial statements due to the reclassification of issuance costs as specified in GASB Statement 65.

	Statement of Activities	Business Type Funds	
		Irrigation & Drainage District Fund	Wastewater Utility Fund
Net position June 30, 2013, as previously reported	\$ 209,150,533	\$ 83,736,435	\$ 100,319,593
Reclassification of Issuance cost	<u>(4,284,358)</u>	<u>(80,396)</u>	<u>(4,203,962)</u>
Net position July 1, 2013, as restated	<u><u>\$ 204,866,176</u></u>	<u><u>\$ 83,656,039</u></u>	<u><u>\$ 96,115,632</u></u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2014 consist of the following:

Deposits	
Cash on Hand	\$ 10,149
Cash in Bank	16,566,726
Cash on Deposit with County Treasurer	150,049
Investments	
State Treasurer's Investment Pool (LGIP)	40,409,006
U.S. Government Securities	60,301,500
Collateralized Savings	6,029,061
Certificates of Deposit	2,500,000
Corporate Bonds	8,984,320
Money Market	<u>987,120</u>
Total Deposits and Investments	135,937,931
Restricted Assets	<u>(30,810,719)</u>
Total Cash and Investments	<u><u>\$ 105,127,212</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).

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets (Continued)

1. Deposits and Investments (Continued)

The City's investments at June 30, 2014 consist of the following:

Investment	Amount	Investment Maturities (in Years)		
		Less than 1	1-3	4-5
State Treasurer's Investment Pools	\$ 40,409,006	\$ 40,409,006	\$ -	\$ -
Collateralized Savings	6,029,061	6,029,061	-	-
Certificates of Deposit	2,500,000	1,500,000	750,000	250,000
Money Market	987,120	987,120	-	-
U.S. Government Securities	60,301,500	-	-	60,301,500
Corporate Agency Bonds	8,984,320	-	-	8,984,320
Total Investments	\$ 119,211,007	\$ 48,925,187	\$ 750,000	\$ 69,535,820

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.

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, 2014 for each investment type.

Investment Type	Total	AAAm	AA+	AA	AA-	A-	Not Rated
State Treasurer's Investment Pools	\$ 40,409,006	\$ -	\$ 8,115,829	\$ 4,030,302	\$ 28,262,875	\$ -	\$ -
Collateralized Savings	6,029,061	6,029,061	-	-	-	-	-
Certificates of Deposit*	2,500,000	-	-	-	-	-	2,500,000
Money Market	987,120	-	-	-	-	-	987,120
U.S. Government Securities	60,301,500	-	60,301,500	-	-	-	-
Corporate Agency Bonds	8,984,320	-	-	3,984,320	-	5,000,000	-
Total Investments	\$ 119,211,007	\$ 6,029,061	\$ 68,417,329	\$ 8,014,622	\$ 28,262,875	\$ 5,000,000	\$ 3,487,120

*FDIC Insured

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets (Continued)

1. Deposits and Investments (Continued)

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, 2014, 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.

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 percent 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 in the proprietary funds at June 30, 2014 consisted of the following:

Customer Deposits	\$ 469,374
Future Debt Service	<u>30,341,345</u>
	<u>\$ 30,810,719</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets (Continued)

3. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 26,755,060	\$ -	\$ -	\$ -	\$ 26,755,060
Construction in Progress	2,490,164	6,228,510	(8,027,861)	445,829	1,136,642
Total Capital Assets, Not Being Depreciated	29,245,224	6,228,510	(8,027,861)	445,829	27,891,702
Capital Assets, Being Depreciated:					
Buildings and Improvements	25,294,721	589,678	-	-	25,884,399
Improvements to Land	14,041,175	2,784,970	-	-	16,826,145
Infrastructure	89,457,203	2,009,395	-	(159,192)	91,307,406
Furniture, Machinery and Equipment	24,769,824	4,283,452	(1,328,987)	(318,317)	27,405,972
Total Capital Assets, Being Depreciated	153,562,923	9,667,495	(1,328,987)	(477,509)	161,423,922
Accumulated Depreciation for:					
Buildings and Improvements	(9,978,057)	(770,062)	-	-	(10,748,119)
Improvements to Land	(4,421,956)	(435,284)	-	-	(4,857,240)
Infrastructure	(56,337,626)	(1,543,329)	-	-	(57,880,955)
Furniture, Machinery and Equipment	(20,797,060)	(1,450,231)	1,040,690	31,680	(21,174,921)
Total Accumulated Depreciation:	(91,534,699)	(4,198,906)	1,040,690	31,680	(94,661,235)
Total Capital Assets, Being Depreciated, Net	62,028,224	5,468,589	(288,297)	(445,829)	66,762,687
Governmental Activities Capital Assets, Net	\$ 91,273,448	\$ 11,697,099	\$ (8,316,158)	\$ -	\$ 94,654,389

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets (Continued)

3. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 3,288,029	\$ -	\$ -	\$ -	\$ 3,288,029
Water Allocation Rights	6,165,681	-	-	-	6,165,681
Construction in Progress	2,876,561	3,516,027	(2,159,598)	-	4,232,990
Total Capital Assets, Not Being Depreciated	12,330,271	3,516,027	(2,159,598)	-	13,686,700
Capital Assets, Being Depreciated:					
Buildings and Improvements	36,824,979	90,237	-	-	36,915,216
Other Improvements	474,494,391	2,722,196	-	-	477,216,587
Machinery, Equipment and Vehicles	5,568,687	660,483	(24,569)	31,680	6,236,281
Water Allocation Rights	2,374,554	-	-	-	2,374,554
Total Capital Assets, Being Depreciated:	519,262,611	3,472,916	(24,569)	31,680	522,742,638
Accumulated Depreciation for:					
Buildings and Improvements	(9,648,984)	(1,038,746)	-	-	(10,687,730)
Other Improvements	(101,272,646)	(11,640,534)	-	-	(112,913,180)
Machinery, Equipment and Vehicles	(5,052,752)	(343,545)	24,569	(31,680)	(5,403,408)
Water Allocation Rights	(183,039)	(59,364)	-	-	(242,403)
Total Accumulated Depreciation:	(116,157,421)	(13,082,189)	24,569	(31,680)	(129,246,721)
Total Capital Assets, Being Depreciated, Net	403,105,190	(9,609,273)	-	-	393,495,917
Business-Type Activities Capital Assets, Net	\$ 415,435,461	\$ (6,093,246)	\$ (2,159,598)	\$ -	\$ 407,182,617

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets (Continued)

3. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General Government	\$	1,166,614
Public Safety		884,342
Highways and Streets		1,635,849
Culture and Recreation		12,402
Tourism and Promotion		-
Transportation Services		131,934
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets		367,765
Total Depreciation Expense	\$	4,198,906

Business-type activities:

Refuse	\$	1,175
Recreation/Aquatic Center		288,839
Irrigation and Drainage		2,168,679
Wastewater		9,892,191
Airport		731,305
Total Depreciation Expense	\$	13,082,189

4. Construction Commitments

The City had active construction projects at June 30, 2014. The projects include various street projects, water system upgrades, and wastewater system upgrades. At fiscal year end the City's commitments with contractors were as follows:

Governmental Activities		
Project	Spent-to-date	Remaining Commitment
General Government	\$ 103,383	\$ 24,993
Highways and Streets	511,561	43,236
Total Governmental Activities	\$ 614,944	\$ 68,229

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets (Continued)

4. Construction Commitments (Continued)

Business-type Activities		
Project	Spent-to-date	Remaining Commitment
Water system	\$ 3,057,101	\$ 1,355,750
Wastewater system	228,605	129,899
Total business-type activities	<u>\$ 3,285,706</u>	<u>\$ 1,485,649</u>

C. Interfund Receivables, Payables and Transfers

As of June 30, 2014 interfund receivables and payables were as follows:

Due To	Due From	Due From
	General Fund	Nonmajor Governmental Funds
General Fund		<u>\$235,746</u>
Nonmajor Governmental Funds	<u>\$161,742</u>	

The above interfund receivables and payables reflect short-term loans from the General Fund to the Transit Fund, Grants Fund, CDBG/Home Fund, and Metropolitan Planning Organization Fund for negative ending cash balances. The receivable due to the Tourism/Economic Development Fund is related to the timing of revenue received in the governmental fund and the calculation of the contribution due to the outside agency from the Tourism/Economic Development Fund. All interfund balances are expected to be paid within one year.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Transfers to	Transfers From							Total
	General Fund	Capital Projects	Refuse	Irrigation & Drainage	Wastewater	HURF	Internal Service Funds	
HURF	\$ -	\$ 500,000	\$ -	\$ 550,000	\$ -	\$ -	\$ -	\$ 1,050,000
Debt Service	245,000	-	-	-	-	-	-	245,000
General fund	-	50,580	-	2,023,169	18,531	-	4,152,029	6,244,309
Capital Projects	188,975	-	2,088,149	-	-	434,891	-	2,712,015
Nonmajor Business-Type Funds	1,203,500	-	-	-	-	-	-	1,203,500
Nonmajor Governmental Funds	338,549	-	-	-	-	-	-	338,549
	<u>\$ 1,976,024</u>	<u>\$ 550,580</u>	<u>\$ 2,088,149</u>	<u>\$ 2,573,169</u>	<u>\$ 18,531</u>	<u>\$ 434,891</u>	<u>\$ 4,152,029</u>	<u>\$ 11,793,373</u>

Transfers were made for general operating purposes and to fund capital projects.

The principal purposes for the significant transfers, which are not routine, are:

- From the Refuse Fund to the Capital Projects Fund: \$2,088,149 to fund park improvement projects.
- From the Irrigation & Drainage District Fund to the General Fund: \$2,000,000 for repayment of previous loan for construction of the Water Treatment Plant; \$23,169 for purchase of Selectron automated system.
- From the Internal Service Funds to the General Fund: \$4,152,029 balance of the Lake Havasu Employee Benefit Trust Fund that was dissolved in FY 13-14.

D. 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.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Obligations Under Leases (Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Vehicles, Equipment, and Facility Improvements	\$ 5,690,208	\$ 807,508
Less: Accumulated Depreciation	(2,004,992)	(752,779)
Total	<u>\$ 3,685,217</u>	<u>\$ 54,729</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

<u>Year Ending June 30,</u>	Governmental Activities	Business-Type Activities
2015	\$ 1,049,049	\$ 196,196
2016	1,049,399	196,679
2017	1,036,539	196,816
2018	845,886	197,138
2019	576,910	197,081
2020-2026	2,294,189	1,356,665
Total Minimum Lease Payments	6,851,972	2,340,575
Less: Amount Representing Interest	(920,702)	(657,127)
Present Value of Minimum Lease Payments	<u>\$ 5,931,270</u>	<u>\$ 1,683,448</u>

E. 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, Recreation/Aquatic Fund and Airport Fund. The City's other postemployment benefits (OPEB) are paid by the applicable fund for each employee, primarily the General Fund.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

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 2023. The total principal and interest remaining to be paid on the bonds is \$129,813. Principal and interest paid for the current year and total assessed taxes were \$15,963 and \$15,963, respectively.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay authorized wastewater system loans from the Water Infrastructure Financing Authority (WIFA). Proceeds from the loans provided financing for the construction of the Wastewater System Expansion Program. The loans are payable solely from wastewater customer net revenues and are payable through 2040 with the exception of \$2,000,000, which was principal paid with ARRA funds directly to WIFA. The total principal and interest paid for the current year was \$18,137,523. The total principal and interest remaining to be paid on the WIFA loans is \$303,095,521.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay a \$58,070,000 wastewater system loan at 5.0% issued by Greater Arizona Development Authority (GADA) in August 2005. Proceeds from the loan provided financing for the Wastewater System Expansion Program. The loan is payable solely from wastewater customer net revenues and is payable through 2036. The total interest paid for the current year was \$2,903,500. The total principal and interest remaining to be paid on the loan is \$106,178,208.

Loan covenants on the wastewater debt (WIFA and GADA) require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. Principal and interest paid for the current year and total customer net revenues were \$20,945,765 (WIFA loans - \$18,137,523, GADA Loan - \$2,808,242) and \$23,635,467 respectively. In May 2007 City Council approved Resolution No. 07-2160 pledging a rate stabilization fund in the amount of \$5 million for debt coverage to ensure loan covenant requirements are met. In December 2010 Council approved Resolution No. 10-2505 increasing the rate stabilization fund by \$1.5 million for a total rate stabilization fund of \$6.5 million for additional pledged coverage. Debt coverage on the Senior Lien loans is 2.21 and debt coverage on the Junior Lien loans is 1.20.

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 Water Infrastructure Financing Authority (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 \$8,990,292. Principal and interest paid for the current year and total customer net revenues were \$522,410 and \$5,350,856, 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 10.24.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

The City has pledged future excise tax revenues, which include the City's sales and transaction privilege, franchise taxes, all license and permit fees and fines and forfeitures to repay \$2,615,000 at 4.50% in governmental excise tax revenue obligations in the form of a loan from GADA issued in April 2008. Proceeds of the loan were used to purchase a parcel of land from the Arizona State Land Department for the Freedom Bridge (the second bridge to the Island). The loan is payable solely from excise taxes and is payable through 2024. Loan covenants require the City to maintain 1.25 times coverage of excise tax revenues to current year debt service payments. Total principal and interest to be paid on the loan is \$2,362,443. Principal and interest paid for the current year and total excise taxes were \$235,463 and \$27,854,065, respectively. Debt coverage of net revenues to current year debt service payments is 118.30.

Long-Term Obligations are comprised of the following:

Classified in Governmental Activities on the Government-wide Financial Statements:

Greater Arizona Development Authority (GADA) Bonds

2008A GADA Infrastructure Revenue Bonds (issued April, 22 2008) due in annual installments of \$105,000 to \$235,000 through August 1, 2023; interest at 3 percent to 5 percent. Original issue amount \$2,615,000.

**Long Term Obligations
Outstanding
(in thousands)**

\$ 1,940

Total General Governmental Activities Long Term Obligations

\$ 1,940

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

General Obligation Bonds

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 percent to 6.625 percent. Original issue amount \$4,120,000.

**Long Term Obligations
Outstanding
(in thousands)**

\$ 90

Bearer Bonds

1964 Lake Havasu City Improvement District Part 2; Bearer Bonds; 5 outstanding at \$1,000 each.

5

Greater Arizona Development Authority (GADA) Bonds

2005B Wastewater Revenue Bonds (issued August 31, 2005) due in installments of \$4,090,000 to \$6,660,000 through August 1, 2035; interest at 5 percent. Original issue amount \$58,070,000.

58,070

Water Infrastructure Financing Authority (WIFA) Loans

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 percent. Original issue amount \$5,700,000.

4,380

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 percent. Original issue amount \$3,222,300.

(213)

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

	Long Term Obligations Outstanding (in thousands)
2002 JR Wastewater (issued October 7, 2002) due in annual installments of \$357,774 to \$608,259 through July 1, 2022; interest at 3.171 percent. Original issue amount \$8,507,500.	4,847
2002 SR Wastewater (issued October 7, 2002) due in annual installments of \$357,774 to \$608,259 through July 1, 2022; interest at 3.171 percent. Original issue amount \$8,507,500.	4,847
2004 SR Wastewater (issued March 12, 2004) due in annual installments of \$233,784 to \$406,431 through July 1, 2024; interest at 3.120 percent. Original issue amount \$5,940,000.	3,852
2004A JR Wastewater (issued December 17, 2004) due in annual installments of \$500,000 to \$3,300,000 through July 1, 2024; interest at 3.255 percent. Original issue amount \$32,290,000.	25,140
2004A SR Wastewater (issued December 17, 2004) due in annual installments of \$690,546 to \$1,229,115 through July 1, 2024; interest at 3.255 percent. Original issue amount \$17,775,000.	11,579
2006 JR Wastewater (Issue date October 24, 2006) due in annual installments of \$865,000 to \$3,550,000 through July 1, 2026; interest at 1.172 percent. Original issue amount \$48,405,000.	39,575
2006 SR Wastewater (issue date October 24, 2006) due in annual installments of \$510,000 to \$820,000 through July 1, 2026; interest at 1.172 percent. Original issue amount \$12,430,000.	9,155
2007 SR Wastewater (issue date August 17, 2007) due in annual installments of \$1,136,851 to \$2,716,780 through July 1, 2037; interest at 3.185 percent. Original issue amount \$52,703,467.	46,658
2008 JR Wastewater (issue date October 7, 2008) due in annual installments of \$599,073 to \$1,592,693 through July 1, 2038; interest at 2.250 percent. Original issue amount \$29,468,259.	26,717
2009 SR Wastewater (issue date July 9, 2009) due in annual installments of \$110,771 to 147,312 through July 1, 2039; interest at 1.741 percent. Original issue amount \$4,900,833.	2,650
2009A SR Wastewater (issue date October 28, 2009) due in annual installments of \$1,390,851 to \$2,855,635 through July 1, 2039; interest at 1.598 percent. Original issue amount \$59,090,051.	53,178
Total Business-type Long Term Liabilities	\$ 290,530

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2014 are as follows:

Governmental Activities:	June 30, 2013	Increases	Decreases	June 30, 2014	Due Within One Year
Bonds and Loans Payable:					
GADA Loan Payable	\$ 2,090,000	\$ -	\$ (150,000)	\$ 1,940,000	\$ 160,000
Total Bonds and Loans Payable	2,090,000	-	(150,000)	1,940,000	160,000
Other Liabilities:					
Capital Leases	2,786,872	3,875,428	(731,030)	5,931,270	866,746
Compensated Absences	2,270,722	2,190,409	(1,960,246)	2,500,885	2,162,765
Other Postemployment Benefits	2,565,993	1,077,074	(512,071)	3,130,996	-
Governmental Activities Long-term Liabilities	\$ 9,713,587	\$ 7,142,911	\$ (3,353,347)	\$ 13,503,151	\$ 3,189,511

Business-type Activities:	June 30, 2013	Increases	Decreases	June 30, 2014	Due Within One Year
Bonds, Notes, and Loans Payable:					
General Obligation Bonds	\$ 105,000	\$ -	\$ (10,000)	\$ 95,000	\$ 15,000
GADA Loan Payable	58,070,000	-	-	58,070,000	-
WIFA Loan Payable	240,967,371	2,033,166	(10,635,132)	232,365,405	10,350,212
Plus: Deferred Amount on Premium	2,095,677	-	(95,258)	2,000,419	-
Total Bonds, Notes and Loans Payable	301,238,048	2,033,166	(10,740,390)	292,530,824	10,365,212
Other Liabilities:					
Capital Leases	1,795,066	39,569	(151,187)	1,683,448	101,992
Compensated Absences	312,827	410,921	(349,495)	374,253	323,654
Other Postemployment Benefits	859,857	255,307	(109,496)	1,005,668	-
Landfill Closure and Postclosure	2,721,258	117,415	-	2,838,673	-
Business-type Activities Long-term Liabilities	\$ 306,927,056	\$ 2,856,378	\$ (11,350,568)	\$ 298,432,866	\$ 10,790,858

Debt Service requirements on long-term debt at June 30, 2014 are as follows:

	Governmental Activities		Business-type Activities	
Year ending June 30,	Principal	Interest	Principal	Interest
2015	\$ 160,000	\$ 79,096	\$ 10,365,212	\$ 9,970,075
2016	165,000	71,000	10,758,358	9,639,636
2017	175,000	63,896	11,191,819	9,295,589
2018	180,000	56,713	11,886,733	8,929,454
2019-2023	1,025,000	150,857	67,443,410	38,566,040
2024-2028	235,000	880	66,408,176	27,460,330
2029-2033	-	-	55,341,863	16,282,381
2034-2038	-	-	52,621,293	4,558,511
2039-2040	-	-	7,570,752	93,240
	<u>\$ 1,940,000</u>	<u>\$ 422,442</u>	<u>\$ 293,587,616</u>	<u>\$ 124,795,256</u>

The \$293,587,616 principal amount above includes \$3,057,213 of authorized WIFA loan proceeds not drawn down by the City as of June 3, 2014.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. 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 postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,838,673 as of June 30, 2014, which is based on 48% usage of the landfill. It is estimated that an additional \$3,052,780 will be recognized as closure and postclosure 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 postclosure care (\$5,891,453) 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, 2014. The actual cost of closure and postclosure 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 postclosure costs as of June 30, 2014.

G. Accounting Pronouncement

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* will be effective for the City's June 30, 2015 fiscal year end. This Statement replaces the requirements of prior GASB standards for pensions accounting and reporting. This Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. Each employer participating in a multiple-employer defined benefit pension plan will be required to record a liability representing their "proportionate share" of the plan's total net pension liability. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

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.

During fiscal year 1995, the City established the Lake Havasu City Employee Benefit Trust (LHCEBT) (an internal service fund) to account for and finance its uninsured risks of loss for certain health and welfare benefits to eligible employees and their dependents. On February 28, 2012, through resolution, the LHCEBT would no longer be used by the City to provide employee benefits to eligible employees of the City and their dependents effective June 30, 2012.

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. On May 28, 2014 the LHCEBT was dissolved and the Trustees released.

Changes in the claims liability amount for the years ended June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Claims Payable, Beginning of Year	\$ -	\$ 452,000
Current Year Claims and Changes in Estimates	-	65,012
Claims Payments	-	(517,012)
Claims Payable, End of Year	<u>\$ -</u>	<u>\$ -</u>

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, 2014.

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, with one exception. The present value of net minimum capital lease payments was not budgeted as General Fund expenditures and other financing sources. Consequently, the following adjustments are necessary to present actual expenditures and other financing sources on a budgetary basis in order to provide a meaningful comparison.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Budgetary Basis of Accounting (Continued)

	General Fund	
	Total Expenditures	Total Other Financing Sources (Uses)
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 39,777,328	\$ 8,143,711
Present value of net minimum Capital lease payments	(28,714)	(3,875,428)
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	\$ 39,748,614	\$ 4,268,283

D. Related Party Transactions

The City expended \$65,132 for services from an electrical contractor which is partially owned by one of the City Council members. At June 30, 2014, there was no amount owed to this vendor.

E. Subsequent Events

In Fiscal Year 2014-2015 the Transit Fund was eliminated and fixed route services discontinued. Havasu Mobility became a General Fund program.

Also, in Fiscal year 2014-15 the City created a Facilities Maintenance Fund. This fund will account for expenses associated with the on-going maintenance of City assets.

F. Retirement Plans

Arizona State Retirement System (ASRS)

Plan Descriptions - Lake Havasu City, Arizona contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System (ASRS). The ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910, by calling (602) 240-2000 or (800) 621-3778 or email at www.azasrs.gov.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and Lake Havasu City, Arizona's contribution rates. For the year ended June 30, 2014, active plan members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll. The City's contributions to ASRS were equal to the required contributions for each fiscal year.

Arizona State Retirement System Contributions
Last Three Fiscal Years

<u>Years ended June 30,</u>	<u>Retirement Fund</u>	<u>Long-Term Disability Fund</u>	<u>Percent of Required Contribution</u>
2012	\$ 1,504,297	\$ 34,322	100.00%
2013	1,619,338	35,625	100.00%
2014	1,674,390	35,067	100.00%

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement, death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016, by calling (602) 255-5575 or at www.psprs.com.

Funding Policy - Covered employees are required to contribute 10.35 percent of their annual salary to the PSPRS. The City is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 31.29 percent of annual covered payroll for police and 30.90 percent of annual covered payroll for fire.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Annual Pension Cost - During the year ended June 30, 2014, Lake Havasu City, Arizona's annual pension cost of \$1,446,501 for police and \$1,517,721 for fire was equal to the City's required and actual contributions.

The required contribution was determined as part of the June 30, 2013, actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 7.85 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually, and (c) additional projected salary increases of 0.0 percent to 4.0 percent per year attributable to seniority/merit.

Funding Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date, the plan was 57.5 percent funded for police and 57.6 percent funded for fire. For police, the actuarial accrued liability for benefits was \$37.9 million, and the actuarial value of assets was \$21.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$16.1 million. For fire, the actuarial accrued liability for benefits was \$36.8 million, and the actuarial value of assets was \$21.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$15.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.4 million for police and \$4.8 million for fire, and the ratio of the UAAL to the covered payroll was 363.9 percent for police and 328.6 percent for fire.

The actuarial value of the City's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 23 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Lake Havasu City Police

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution*</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 1,184,756	100.0%	-
2013	1,188,266	100.0%	-
2014	1,446,501	100.0%	-

* Includes insurance premium tax, where applicable.

Lake Havasu City Fire Fighters

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution*</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 1,041,255	100.0%	-
2013	1,291,870	100.0%	-
2014	1,517,721	100.0%	-

* Includes insurance premium tax, where applicable.

Additional historical trend information for the City's PSPRS is disclosed on page 81. Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

G. Other Postemployment Benefits

During the fiscal year ended June 30, 2014, the City complied with Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pensions as of June 30, 2014. The plan does not issue a separate financial report.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

G. Other Postemployment Benefits (Continued)

Plan Description – 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.
- b) Eligible employees have earned sixty (60) points, which is a combination of age and years of service with Lake Havasu City, Arizona.
- c) Eligible employees have worked a minimum of ten (10) years of full-time, benefit-eligible service with Lake Havasu City, Arizona.
- d) Eligible employees retire under the applicable Arizona State Retirement System and elect to receive the State health insurance subsidy.
- e) 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.

As of July 1, 2014 there were approximately 167 active participants and 72 retired participants receiving benefits from the City's health plans.

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 45 liability.

Funding Policy – The City funds its other postemployment benefits (OPEB) obligation on a pay as you go basis. For fiscal year 2014, the City contributed \$621,567 to the plan, funded primarily by the General Fund.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 OTHER INFORMATION (CONTINUED)

G. Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation – The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City’s net OPEB obligation.

Annual Required Contribution	\$ 1,414,642
Interest on Net OPEB Obligation	137,034
Adjustment to Annual Required Contribution	<u>(219,295)</u>
Annual OPEB Cost (Expense)	1,332,381
Contributions Made	<u>(621,567)</u>
Increase in Net OPEB Obligation	710,814
Net OPEB Obligation-Beginning of Year	<u>3,425,850</u>
Net OPEB Obligation-End of Year	<u><u>\$ 4,136,664</u></u>

The City’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2013 and 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 1,138,289	44.0%	\$ 2,718,684
2013	1,299,610	45.6%	3,425,850
2014	1,332,381	46.7%	4,136,664

LAKE HAVASU CITY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 OTHER INFORMATION (CONTINUED)

G. Other Postemployment Benefits (Continued)

Funding Status and Funding Progress - As of June 30, 2014, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$13.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.1 million and the ratio of the UAAL to the covered payroll was 108.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

In the June 30, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 8.5 percent, reduced by decrements to an ultimate rate of 5 percent after seven years. Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2014, was 24 years.

Required Supplementary Information



**LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

Lake Havasu City Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2011	\$ 20,033,909	\$ 32,580,941	61.5%	\$ (12,547,032)	\$ 4,900,907	(256.0%)
2012	21,369,064	35,395,518	60.4%	(14,026,454)	4,343,430	(322.9%)
2013	21,811,342	37,908,901	57.5%	(16,097,559)	4,423,351	(363.9%)

Lake Havasu City Fire Fighters

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2011	\$ 20,573,636	\$ 33,172,043	62.0%	\$ (12,598,407)	\$ 4,550,439	(276.9%)
2012	21,400,897	35,245,673	60.7%	(13,844,776)	4,358,509	(317.6%)
2013	21,218,473	36,833,863	57.6%	(15,615,390)	4,751,588	(328.6%)

**LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS**

Lake Havasu City Other Postemployment Benefits

Valuation Date July 1,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2010	-	\$ 12,465,566	-	\$ (12,465,566)	\$ 17,025,507	(73.2%)
2012	-	12,595,322	-	(12,595,322)	14,077,743	(89.5%)
2014	-	13,174,513	-	(13,174,513)	12,133,203	(108.6%)

Schedule of Employer Contribution

Fiscal Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2012	\$ 501,289	\$ 1,177,967	42.6%
2013	592,444	1,360,964	43.5%
2014	621,567	1,414,642	43.9%

Combining and Individual Fund Statements and Schedules



NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Tourism/Economic Development Fund – To account for expenditures made to promote, develop and enhance the tourism industry and economic development in the City. Financing is from a 3% citywide “Bed Tax” imposed on local hotel/motel establishments and a 1% restaurant and bar tax.

Havasut Area Transit Fund – To account for federal grants and City contributions to provide a low-cost, door-to-door demand response transportation and scheduled bus route services for the general public.

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.

Community Development Block Grant (CDBG)/State Home Fund (Home) – To account for Community Development Block Grants and State Home Fund monies, which are federal and state funds to be used for the development of viable urban communities, decent housing and a suitable living environment, and expanded economic opportunities.

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.

**LAKE HAVASU CITY, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue							Total Nonmajor Governmental Funds
	Tourism/ Economic Development	Havasu Area Transit	Metropolitan Planning Org.	Grants	CDBG/Home	Improvement Districts	Special Programs	
Assets								
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,666	\$ 371,257	\$ 388,923
Receivables								
Accounts Receivable	-	775	-	-	-	-	63	838
Taxes Receivable	-	-	-	-	-	1,812	-	1,812
Intergovernmental Receivable	-	83,210	16,975	110,660	48,207	1,434	45,225	305,711
Interest Receivable	-	-	-	-	-	30	312	342
Due From Other Funds	161,742	-	-	-	-	-	-	161,742
Prepaid Items	-	3,546	169	-	-	-	-	3,715
Total Assets	<u>\$ 161,742</u>	<u>\$ 87,531</u>	<u>\$ 17,144</u>	<u>\$ 110,660</u>	<u>\$ 48,207</u>	<u>\$ 20,942</u>	<u>\$ 416,857</u>	<u>\$ 863,083</u>
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts Payable	\$ 161,742	\$ 1,970	\$ 373	\$ 2,452	\$ 9,499	\$ 931	\$ 996	\$ 177,963
Accrued Wages and Benefits	-	3,703	3,155	2,929	-	-	-	9,787
Intergovernmental Payable	-	-	-	-	-	-	16,693	16,693
Due to Other Funds	-	78,312	13,447	105,279	38,708	-	-	235,746
Unearned Revenue	-	-	-	-	-	-	5,800	5,800
Total Liabilities	<u>161,742</u>	<u>83,985</u>	<u>16,975</u>	<u>110,660</u>	<u>48,207</u>	<u>931</u>	<u>23,489</u>	<u>445,989</u>
Deferred Inflows of Resources:								
Unavailable Revenues - Property Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>948</u>	<u>-</u>	<u>948</u>
Fund Balance								
Nonspendable	-	3,546	169	-	-	-	-	3,715
Restricted	-	-	-	-	-	19,063	362,406	381,469
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	30,962	30,962
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balance	<u>-</u>	<u>3,546</u>	<u>169</u>	<u>-</u>	<u>-</u>	<u>19,063</u>	<u>393,368</u>	<u>416,146</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 161,742</u>	<u>\$ 87,531</u>	<u>\$ 17,144</u>	<u>\$ 110,660</u>	<u>\$ 48,207</u>	<u>\$ 20,942</u>	<u>\$ 416,857</u>	<u>\$ 863,083</u>

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	Special Revenue							Total Nonmajor Governmental Funds
	Tourism/ Economic Development	Havasu Area Transit	Metropolitan Planning Org.	Grants	CDBG/Home	Improvement Districts	Special Programs	
Revenues								
Taxes								
Sales Taxes	\$ 1,388,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,388,312
Property Taxes	-	-	-	-	-	84,285	-	84,285
Intergovernmental Revenue	-	693,959	130,869	320,995	186,344	-	270,501	1,602,668
Fines and Forfeitures	-	-	-	-	-	-	72,852	72,852
Charges for Services	-	88,438	-	-	-	-	15,300	103,738
Contributions and Donations	-	-	-	-	-	-	4,264	4,264
Investment Earnings	-	630	-	-	-	198	3,584	4,412
Other	-	12,057	14	-	-	-	8,105	20,176
Total Revenue	<u>1,388,312</u>	<u>795,084</u>	<u>130,883</u>	<u>320,995</u>	<u>186,344</u>	<u>84,483</u>	<u>374,606</u>	<u>3,280,707</u>
Expenditures								
Current								
General Government	-	-	-	15,364	186,344	84,191	7,380	293,279
Public Safety	-	-	-	247,711	-	-	270,097	517,808
Highways and Streets	-	-	-	57,920	-	-	-	57,920
Tourism and Promotion	1,651,955	-	-	-	-	-	-	1,651,955
Transportation Services	-	1,297,082	130,714	-	-	-	-	1,427,796
Total Expenditures	<u>1,651,955</u>	<u>1,297,082</u>	<u>130,714</u>	<u>320,995</u>	<u>186,344</u>	<u>84,191</u>	<u>277,477</u>	<u>3,948,758</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(263,643)</u>	<u>(501,998)</u>	<u>169</u>	<u>-</u>	<u>-</u>	<u>292</u>	<u>97,129</u>	<u>(668,051)</u>
Other Financing Sources (Uses)								
Transfers In	-	338,549	-	-	-	-	-	338,549
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>338,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>338,549</u>
Net Change in Fund Balance	(263,643)	(163,449)	169	-	-	292	97,129	(329,502)
Fund Balance								
Beginning of Year	<u>263,643</u>	<u>166,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,771</u>	<u>296,239</u>	<u>745,648</u>
End of Year	<u>\$ -</u>	<u>\$ 3,546</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,063</u>	<u>\$ 393,368</u>	<u>\$ 416,146</u>

LAKE HAVASU CITY, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014

	<u>Original and Final Budget</u>	<u>Actual Amount Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues			
Investment Earnings	\$ 750	\$ 1,063	\$ 313
Total Revenue	<u>750</u>	<u>1,063</u>	<u>313</u>
Expenditures			
Debt Service			
Principal Retirement	150,000	150,000	-
Interest on Long-Term Debt	<u>86,213</u>	<u>85,885</u>	<u>328</u>
Total Expenditures	<u>236,213</u>	<u>235,885</u>	<u>328</u>
Excess (Deficiency) of Revenue Over Expenditures	(235,463)	(234,822)	641
Other Financing Sources (Uses)			
Transfers In	<u>245,000</u>	<u>245,000</u>	<u>-</u>
Net Change in Fund Balance	9,537	10,178	641
Fund Balance			
Beginning of Year	<u>158,033</u>	<u>158,047</u>	<u>14</u>
End of Year	<u><u>\$ 167,570</u></u>	<u><u>\$ 168,225</u></u>	<u><u>\$ 655</u></u>

**LAKE HAVASU CITY, ARIZONA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES-BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amount	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Intergovernmental Revenue	\$ 2,768,196	\$ 2,768,196	\$ 2,139,251	\$ (628,945)
Contributions and Donations	144,874	144,874	145,000	126
Investment Earnings	26,500	26,500	60,612	34,112
Other	-	-	32	32
Total Revenue	2,939,570	2,939,570	2,344,895	(594,675)
Expenditures				
General Government	238,650	238,650	266,622	(27,972)
Capital Outlay	9,259,649	9,139,649	3,663,147	5,476,502
Total Expenditures	9,498,299	9,378,299	3,929,769	5,448,530
Excess (Deficiency) of Revenue Over Expenditures	(6,558,729)	(6,438,729)	(1,584,874)	4,853,855
Other Financing Sources (Uses)				
Transfers In	4,194,112	4,194,112	2,712,015	(1,482,097)
Transfers Out	(647,013)	(647,013)	(550,580)	96,433
Proceeds from Capital Lease	150,000	150,000	-	(150,000)
Total Other Financing Sources (Uses)	3,697,099	3,697,099	2,161,435	(1,535,664)
Net Change in Fund Balance	(2,861,630)	(2,741,630)	576,561	3,318,191
Fund Balance				
Beginning of Year	8,246,368	8,246,368	7,985,456	(260,912)
End of Year	\$ 5,384,738	\$ 5,504,738	\$ 8,562,017	\$ 3,057,279

LAKE HAVASU CITY, ARIZONA
TOURISM/ECONOMIC DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Taxes				
Sales Taxes	\$ 1,600,000	\$ 1,700,000	\$ 1,388,312	\$ (311,688)
Total Revenue	1,600,000	1,700,000	1,388,312	(311,688)
Expenditures				
Current				
Tourism and Promotion	1,600,000	1,700,000	1,651,955	48,045
Excess (Deficiency) of Revenue Over Expenditures	-	-	(263,643)	(263,643)
Fund Balance				
Beginning of Year	309,537	309,537	263,643	(45,894)
End of Year	\$ 309,537	\$ 309,537	\$ -	\$ (309,537)

**LAKE HAVASU CITY, ARIZONA
HAVASU AREA TRANSIT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental Revenue	\$ 1,023,697	\$ 693,959	\$ (329,738)
Charges for Services	104,000	88,438	(15,562)
Investment Earnings	-	630	630
Other	1,750	12,057	10,307
Total Revenue	1,129,447	795,084	(334,363)
Expenditures			
Current			
Transportation Services	1,825,362	1,297,082	528,280
Excess (deficiency) of revenues over expenditures	(695,915)	(501,998)	193,917
Other Financing Sources (Uses)			
Transfers In	575,000	338,549	(236,451)
Transfers Out	(1,760)	-	1,760
Capital Leases	3,944	-	(3,944)
Total Other Financing Sources (Uses)	577,184	338,549	(238,635)
Net Change in Fund Balance	(118,731)	(163,449)	(44,718)
Fund Balance			
Beginning of Year	163,641	166,995	3,354
End of Year	\$ 44,910	\$ 3,546	\$ (41,364)

**LAKE HAVASU CITY, ARIZONA
METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental Revenue	\$ 355,000	\$ 130,869	\$ (224,131)
Other	<u>-</u>	<u>14</u>	<u>14</u>
Total Revenue	355,000	130,883	(224,117)
Expenditures			
Current			
Transportation Services	<u>355,000</u>	<u>130,714</u>	<u>224,286</u>
Excess (deficiency) of revenues over expenditures	-	169	169
Net Change in Fund Balance	-	169	169
Fund Balance			
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u><u>\$ -</u></u>	<u><u>\$ 169</u></u>	<u><u>\$ 169</u></u>

LAKE HAVASU CITY, ARIZONA
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 2,105,593	\$ 320,995	\$ (1,784,598)
Total Revenue	<u>2,105,593</u>	<u>320,995</u>	<u>(1,784,598)</u>
Expenditures			
Current			
General Government	566,124	15,364	550,760
Public Safety	1,290,299	247,711	1,042,588
Highways and Streets	<u>249,170</u>	<u>57,920</u>	<u>191,250</u>
Total Expenditures	<u>2,105,593</u>	<u>320,995</u>	<u>1,784,598</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	-
Fund Balance			
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LAKE HAVASU CITY, ARIZONA
CDBG/HOME FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 931,346	\$ 186,344	\$ (745,002)
Expenditures			
Current			
General Government	931,346	186,344	745,002
Excess (Deficiency) of Revenue Over Expenditures	-	-	-
Fund Balance			
Beginning of Year	-	-	-
End of Year	\$ -	\$ -	\$ -

**LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Property Taxes	\$ 83,650	\$ 84,285	\$ 635
Investment Earnings	173	198	25
Total Revenue	83,823	84,483	660
Expenditures			
Current			
General Government	85,748	84,191	1,557
Excess (Deficiency) of Revenue Over Expenditures	(1,925)	292	2,217
Fund Balance			
Beginning of Year	31,167	18,771	(12,396)
End of Year	\$ 29,242	\$ 19,063	\$ (10,179)

**LAKE HAVASU CITY, ARIZONA
SPECIAL PROGRAMS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Intergovernmental Revenue	\$ 314,040	\$ 314,040	\$ 270,501	\$ (43,539)
Fines and Forfeitures	70,800	70,800	72,852	2,052
Charges for Services	11,000	11,000	15,300	4,300
Contributions and Donations	5,000	5,000	4,264	(736)
Investment Earnings	3,155	3,155	3,584	429
Other	3,456	3,456	8,105	4,649
Total Revenue	<u>407,451</u>	<u>407,451</u>	<u>374,606</u>	<u>(32,845)</u>
Expenditures				
Current				
General Government	22,000	14,648	7,380	7,268
Public Safety	<u>364,312</u>	<u>371,664</u>	<u>270,097</u>	<u>101,567</u>
Total Expenditures	<u>386,312</u>	<u>386,312</u>	<u>277,477</u>	<u>108,836</u>
Excess of Revenues Over Expenditures	<u>21,139</u>	<u>21,139</u>	<u>97,129</u>	<u>75,991</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(77,500)</u>	<u>(77,500)</u>	<u>-</u>	<u>(77,500)</u>
Total Other Financing Uses	<u>(77,500)</u>	<u>(77,500)</u>	<u>-</u>	<u>(77,500)</u>
Net Change in Fund Balance	(56,361)	(56,361)	97,129	153,491
Fund Balance				
Beginning of Year	<u>313,165</u>	<u>313,165</u>	<u>296,239</u>	<u>(16,926)</u>
End of Year	<u>\$ 256,804</u>	<u>\$ 256,804</u>	<u>\$ 393,368</u>	<u>\$ 136,565</u>

**NONMAJOR BUSINESS-TYPE ACTIVITIES FUNDS
ENTERPRISE FUNDS**

Recreation/Aquatic Center Fund – To account for the operation of the City’s aquatic center.

Airport Fund – To account for the activities of the City’s airport.

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2014

	Recreation/ Aquatic Center	Airport	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 300,412	\$ 36,649	\$ 337,061
Receivables, Net			
Accounts Receivable	1,782	16,936	18,718
Interest Receivable	391	29	420
Inventory	3,823	-	3,823
Prepaid Items	7,224	5,414	12,638
Restricted Assets	-	23,531	23,531
Total Current Assets	<u>313,632</u>	<u>82,559</u>	<u>396,191</u>
Noncurrent Assets			
Capital Assets			
Non-Depreciable	-	818,334	818,334
Depreciable (Net)	5,266,415	15,559,241	20,825,656
Total Noncurrent Assets	<u>5,266,415</u>	<u>16,377,575</u>	<u>21,643,990</u>
Total Assets	<u>5,580,047</u>	<u>16,460,134</u>	<u>22,040,181</u>
Liabilities			
Current Liabilities			
Accounts Payable	18,392	6,103	24,495
Accrued Wages and Benefits	16,406	3,758	20,164
Intergovernmental Payable	87	690	777
Interest Payable	8,956	305	9,261
Unearned Revenue	35,265	11,545	46,810
Liabilities Payable from Restricted Assets	-	23,531	23,531
Compensated Absences	15,038	11,731	26,769
Capital Leases Payable	76,419	2,605	79,024
Total Current Liabilities	<u>170,563</u>	<u>60,268</u>	<u>230,831</u>
Noncurrent Liabilities			
Compensated Absences	2,351	1,834	4,185
Capital Leases Payable	1,184,932	40,389	1,225,321
Other Postemployment Benefits	45,952	-	45,952
Total Noncurrent Liabilities	<u>1,233,235</u>	<u>42,223</u>	<u>1,275,458</u>
Total Liabilities	<u>1,403,798</u>	<u>102,491</u>	<u>1,506,289</u>
Net Position			
Net Investment in Capital Assets	4,005,064	16,334,581	20,339,645
Unrestricted	<u>171,185</u>	<u>23,062</u>	<u>194,247</u>
Total Net Position	<u>\$ 4,176,249</u>	<u>\$ 16,357,643</u>	<u>\$ 20,533,892</u>

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	<u>Recreation/ Aquatic Center</u>	<u>Airport</u>	<u>Total Nonmajor Business-Type Activities</u>
Operating Revenue			
Charges for Services	\$ 356,534	\$ 464,912	\$ 821,446
Total operating revenues	<u>356,534</u>	<u>464,912</u>	<u>821,446</u>
Operating Expenses			
Costs of Sales and Services	1,146,486	623,934	1,770,420
Depreciation	<u>288,839</u>	<u>731,305</u>	<u>1,020,144</u>
Total Operating Expenses	<u>1,435,325</u>	<u>1,355,239</u>	<u>2,790,564</u>
Operating Loss	<u>(1,078,791)</u>	<u>(890,327)</u>	<u>(1,969,118)</u>
Nonoperating Revenues (Expenses)			
Interest Earnings	2,752	583	3,335
Interest Expense	(83,375)	(3,157)	(86,532)
Other Income	<u>17,194</u>	<u>25,685</u>	<u>42,879</u>
Total Nonoperating Revenue (Expenses)	<u>(63,429)</u>	<u>23,111</u>	<u>(40,318)</u>
Loss Before Contributions and Transfers	(1,142,220)	(867,216)	(2,009,436)
Capital Contributions	-	39,627	39,627
Transfers In	<u>1,055,700</u>	<u>147,800</u>	<u>1,203,500</u>
Change in Net Position	<u>(86,520)</u>	<u>(679,789)</u>	<u>(766,309)</u>
Net Position			
Beginning of Year	<u>4,262,769</u>	<u>17,037,432</u>	<u>21,300,201</u>
End of Year	<u>\$ 4,176,249</u>	<u>\$ 16,357,643</u>	<u>\$ 20,533,892</u>

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	<u>Recreation/ Aquatic Center</u>	<u>Airport</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Receipts from Customers	\$ 362,278	\$ 462,163	\$ 824,441
Payments to Suppliers	(546,500)	(450,816)	(997,316)
Payments to Employees	(582,016)	(176,180)	(758,196)
Other Nonoperating Receipts	20,770	25,690	46,460
Customer Deposits (Payments)	<u>-</u>	<u>(102)</u>	<u>(102)</u>
Net Cash Flows used by Operating Activities	<u>(745,468)</u>	<u>(139,245)</u>	<u>(884,713)</u>
Cash Flows from Noncapital Financing Activities			
Transfers In	1,055,700	147,800	1,203,500
Due to Other Funds	<u>-</u>	<u>(125,279)</u>	<u>(125,279)</u>
Net Cash Flows from (used by) Noncapital Financing Activities	<u>1,055,700</u>	<u>22,521</u>	<u>1,078,221</u>
Cash Flows from Capital and Financing Activities			
Capital Grants and Contributions	-	210,586	210,586
Purchases of Capital Assets	(50,666)	(32,306)	(82,972)
Principal Paid on Capital Debt	(68,272)	(22,654)	(90,926)
Interest Paid on Capital Debt	<u>(74,419)</u>	<u>(2,914)</u>	<u>(77,333)</u>
Net Cash Flows from (used by) Capital and Financing Activities	<u>(193,357)</u>	<u>152,712</u>	<u>(40,645)</u>
Cash Flows from Investing Activities			
Interest and Dividends	<u>2,636</u>	<u>559</u>	<u>3,195</u>
Net Change in Cash and Cash Equivalents	119,511	36,547	156,058
Cash and Cash Equivalents, Beginning of Year	<u>180,901</u>	<u>23,633</u>	<u>204,534</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 300,412</u></u>	<u><u>\$ 60,180</u></u>	<u><u>\$ 360,592</u></u>

Note: Cash and Cash Equivalents, End of Year on Statement of Cash Flows in Airport reflects the total of Cash and Cash Equivalents (\$36,649) and Restricted Assets (\$23,531) on the Statement of Net Position.

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	<u>Recreation/ Aquatic Center</u>	<u>Airport</u>	<u>Totals</u>
(Continued)			
Reconciliation of Operating Income (Loss) to Net Cash from (used by) Operating Activities			
Operating Loss	\$ (1,078,791)	\$ (890,327)	\$ (1,969,118)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (used by) Operating Activities			
Depreciation	288,839	731,305	1,020,144
Other Nonoperating Receipts	17,194	25,685	42,879
Change in Assets/Liabilities:			
Receivables, Net	273	(5,563)	(5,290)
Inventories	(589)	-	(589)
Prepaid Items	(244)	(202)	(446)
Accounts Payable	7,908	(7,139)	769
Intergovernmental Payable	(571)	-	(571)
Accrued Wages and Benefits	4,921	782	5,703
Compensated Absences	2,142	3,502	5,644
Unearned Revenue	5,471	2,814	8,285
Customer Deposits Payable	-	(102)	(102)
Other Postemployment Benefits	<u>7,979</u>	<u>-</u>	<u>7,979</u>
Net Cash used by Operating Activities	<u>(745,468)</u>	<u>\$ (139,245)</u>	<u>\$ (884,713)</u>

Noncash Investing, Capital and Financing Activities

Capital assets of \$29,652 and \$1,008 were acquired through capital leases by the Recreation/Aquatic Center and Airport, respectively, during the year.



INTERNAL SERVICE FUNDS

Vehicle Replacement Fund – To account for the City's vehicle and equipment replacement program.

Employee Benefit Trust Fund – To account for the City's uninsured risks of loss for certain health and welfare benefits to eligible employees and their dependents.

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Vehicle Replacement	Employee Benefit Trust	Totals
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 2,919,985	\$ -	\$ 2,919,985
Receivables, Net			
Interest Receivable	3,585	-	3,585
Total Current Assets	<u>2,923,570</u>	<u>-</u>	<u>2,923,570</u>
Noncurrent Assets			
Capital Assets			
Depreciable (net)	1,106,952	-	1,106,952
Total Assets	<u>4,030,522</u>	<u>-</u>	<u>4,030,522</u>
Liabilities			
Current Liabilities			
Accounts Payable	38,770	-	38,770
Total Current Liabilities	<u>38,770</u>	<u>-</u>	<u>38,770</u>
Total Liabilities	<u>38,770</u>	<u>-</u>	<u>38,770</u>
Net Position			
Net Investment in Capital Assets	1,106,952	-	1,106,952
Unrestricted	<u>2,884,800</u>	<u>-</u>	<u>2,884,800</u>
Total Net Position	<u><u>\$ 3,991,752</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,991,752</u></u>

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	<u>Vehicle Replacement</u>	<u>Employee Benefit Trust</u>	<u>Totals</u>
Operating Revenue			
Premiums	\$ -	\$ 1,915	\$ 1,915
Total Operating Revenues	<u>-</u>	<u>1,915</u>	<u>1,915</u>
Operating Expenses			
Administration	4,590	22,022	26,612
Depreciation	<u>367,765</u>	<u>-</u>	<u>367,765</u>
Total Operating Expenses	<u>372,355</u>	<u>22,022</u>	<u>394,377</u>
Operating Loss	<u>(372,355)</u>	<u>(20,107)</u>	<u>(392,462)</u>
Nonoperating Revenues (Expenses)			
Investment Earnings	38,143	34,381	72,524
Other Income	<u>108,921</u>	<u>6,027</u>	<u>114,948</u>
Total Nonoperating Revenues	<u>147,064</u>	<u>40,408</u>	<u>187,472</u>
Income (Loss) Before Transfers	(225,291)	20,301	(204,990)
Transfers Out	<u>-</u>	<u>(4,152,029)</u>	<u>(4,152,029)</u>
Change in Net Position	(225,291)	(4,131,728)	(4,357,019)
Net Position			
Beginning of Year	<u>4,217,043</u>	<u>4,131,728</u>	<u>8,348,771</u>
End of Year	<u>\$ 3,991,752</u>	<u>\$ -</u>	<u>\$ 3,991,752</u>

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	Vehicle Replacement	Employee Benefit Trust	Totals
Cash Flows from Operating Activities			
Receipts from Customers	\$ -	\$ 1,915	\$ 1,915
Payments to Suppliers	(35,773)	(22,022)	(57,795)
Other Operating Receipts	-	40,460	40,460
Net Cash Flows from (used by)			
Operating Activities	<u>(35,773)</u>	<u>20,353</u>	<u>(15,420)</u>
Cash Flows from Noncapital			
Financing Activities			
Transfers Out	-	(4,152,029)	(4,152,029)
Cash Flows from Capital and Related			
Financing Activities			
Sale of Capital Assets	108,921		108,921
Purchases of Capital Assets	<u>(346,065)</u>	-	<u>(346,065)</u>
Net Cash Flows used by			
Financing Activities	(237,144)	-	(237,144)
Cash Flows from Investing Activities			
Interest and Dividends	<u>37,956</u>	<u>39,446</u>	<u>77,402</u>
Net Change in Cash and Cash Equivalents	(234,961)	(4,092,230)	(4,327,191)
Cash and Cash Equivalents, Beginning of Year	<u>3,154,946</u>	<u>4,092,230</u>	<u>7,247,176</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,919,985</u>	<u>\$ -</u>	<u>\$ 2,919,985</u>
Reconciliation of Operating Income (Loss)			
to Net Cash from (used by) Operating			
Activities			
Operating Loss	\$ (372,355)	\$ (20,107)	\$ (392,462)
Adjustments to Reconcile Operating Loss			
to Net Cash from (used by)			
Operating Activities:			
Depreciation	367,765	-	367,765
Other Operating Receipts (Expenses)	-	6,027	6,027
Change in Assets/Liabilities:			
Prepaid Items	-	34,433	34,433
Accounts Payable	<u>(31,183)</u>	<u>-</u>	<u>(31,183)</u>
Net Cash from (used by) Operating			
Activities	<u>\$ (35,773)</u>	<u>\$ 20,353</u>	<u>\$ (15,420)</u>

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 (1)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011 (As Restated)	2012 (As Restated)	2013 (As Restated)	2014
Governmental Activities										
Net Investment in Capital Assets	\$ 46,769,169	\$ 49,705,688	\$ 69,549,691	\$ 84,717,176	\$ 89,771,829	\$ 86,672,300	\$ 87,690,122	\$ 87,049,507	\$ 87,401,644	\$ 87,718,006
Net Position-Restricted	6,895,895	10,075,093	9,473,106	7,502,504	7,913,264	12,583,976	10,279,119	8,223,996	8,485,744	8,971,642
Net Position-Unrestricted	18,947,577	24,154,802	30,241,127	25,019,618	19,192,814	18,837,995	21,634,832	24,258,422	24,692,309	25,319,806
Total Governmental Activities Net Position	<u>\$ 72,612,641</u>	<u>\$ 83,935,583</u>	<u>\$ 109,263,924</u>	<u>\$ 117,239,298</u>	<u>\$ 116,877,907</u>	<u>\$ 118,094,271</u>	<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	\$ 106,779,037	\$ 143,521,523	\$ 135,934,350	\$ 147,265,013	\$ 120,519,205	\$ 128,661,852	\$ 113,244,315	\$ 111,325,222	\$ 112,402,345	\$ 112,968,345
Net Position-Restricted	-	-	-	-	-	-	-	-	-	-
Net Position-Unrestricted	29,642,653	8,508,879	32,101,132	33,854,356	71,808,903	81,173,618	91,498,031	96,661,045	92,463,831	92,849,079
Total Business-type Activities Net Position	<u>\$ 136,421,690</u>	<u>\$ 152,030,402</u>	<u>\$ 168,035,482</u>	<u>\$ 181,119,369</u>	<u>\$ 192,328,108</u>	<u>\$ 209,835,470</u>	<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	\$ 153,548,206	\$ 193,227,211	\$ 205,484,041	\$ 231,982,189	\$ 210,291,034	\$ 215,334,152	\$ 200,934,437	\$ 198,374,729	\$ 199,803,989	\$ 200,686,351
Net Position-Restricted	6,895,895	10,075,093	9,473,106	7,502,504	7,913,264	12,583,976	10,279,119	8,223,996	8,485,744	8,971,642
Net Position-Unrestricted	48,590,230	32,663,681	62,342,259	58,873,974	91,001,717	100,011,613	113,132,863	120,919,467	117,156,140	118,168,885
Total Primary Government Net Position	<u>\$ 209,034,331</u>	<u>\$ 235,965,985</u>	<u>\$ 277,299,406</u>	<u>\$ 298,358,667</u>	<u>\$ 309,206,015</u>	<u>\$ 327,929,741</u>	<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.

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011 (As Restated)	2012 (As Restated)	2013 (As Restated)	2014
Expenses										
Governmental Activities:										
General Government	\$ 8,368,982	\$ 8,659,589	\$ 8,939,846	\$ 11,443,459	\$ 11,587,628	\$ 11,523,143	\$ 9,621,283	\$ 8,476,893	\$ 10,853,502	\$ 12,152,114
Public Safety	16,646,139	18,067,192	21,061,456	24,929,038	24,101,607	22,048,520	22,372,576	21,686,997	24,589,053	25,670,858
Highways and Streets	7,214,688	6,167,089	8,150,105	7,785,062	7,212,143	5,425,314	5,918,563	6,233,637	6,489,355	6,844,661
Transportation Services	1,796,054	1,888,322	1,841,324	2,236,456	2,081,649	1,820,974	1,461,976	1,879,024	2,084,097	1,602,639
Tourism and Promotion	1,398,228	1,529,094	1,577,687	1,582,985	1,357,250	1,357,407	1,390,134	1,496,816	1,485,300	1,651,955
Culture and Recreation	4,533,104	4,566,607	5,005,653	5,708,732	5,560,189	4,590,764	4,722,202	4,073,659	1,818,542	1,860,313
Interest on Long-Term Debt	<u>581,320</u>	<u>450,892</u>	<u>314,557</u>	<u>192,875</u>	<u>126,647</u>	<u>115,351</u>	<u>108,188</u>	<u>99,411</u>	<u>92,090</u>	<u>85,885</u>
Total Governmental Activities	40,538,515	41,328,785	46,890,628	53,878,607	52,027,113	46,881,473	45,594,922	43,946,437	47,411,939	49,868,425
Business-type Activities:										
Refuse	433,897	437,916	432,118	796,755	788,325	1,081,376	1,085,990	5,410,612	5,368,384	5,267,207
Recreation / Aquatic Center	1,220,529	1,182,535	1,293,160	1,421,768	1,238,856	1,079,224	1,079,984	1,246,005	1,329,378	1,518,700
Irrigation and Drainage	9,452,177	9,852,891	10,545,850	12,082,578	11,865,294	10,220,643	10,523,588	10,044,185	9,845,794	10,173,601
Wastewater	7,308,945	9,426,955	9,824,124	12,244,284	14,776,656	15,205,648	24,963,122	25,793,737	27,266,517	26,965,114
Airport	<u>1,499,059</u>	<u>1,518,477</u>	<u>1,578,872</u>	<u>1,569,121</u>	<u>1,638,496</u>	<u>1,391,318</u>	<u>1,356,632</u>	<u>1,364,933</u>	<u>1,332,327</u>	<u>1,358,396</u>
Total Business-type Activities	19,914,607	22,418,774	23,674,124	28,114,506	30,307,627	28,978,209	39,009,316	43,859,472	45,142,400	45,283,018
Total Primary Government Expenses	<u>\$ 60,453,122</u>	<u>\$ 63,747,559</u>	<u>\$ 70,564,752</u>	<u>\$ 81,993,113</u>	<u>\$ 82,334,740</u>	<u>\$ 75,859,682</u>	<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	\$ 4,312,475	\$ 5,419,483	\$ 4,591,229	\$ 3,803,583	\$ 2,714,374	\$ 2,883,613	\$ 2,697,578	\$ 2,496,454	\$ 3,069,608	\$ 3,274,126
Public Safety	145,296	150,248	131,148	161,717	110,643	138,856	131,855	107,777	534,871	422,645
Highways and Streets	39,402	23,773	105,697	7,880	105,763	26,885	22,861	21,023	189,775	26,621
Culture and Recreation	551,165	635,464	654,523	670,950	535,640	639,748	570,009	565,388	597,730	613,049
Transportation Services	367,310	354,059	171,779	91,617	102,469	103,165	106,000	119,262	106,528	100,508
Interest	80,978	-	16,040	29,091	3,201	7,308	5,765	2,086	-	-
Operating Grants and Contributions	6,874,258	6,938,568	8,737,113	9,255,906	7,093,164	7,656,464	7,755,856	6,522,104	6,837,670	6,419,567
Capital Grants and Contributions	<u>367,726</u>	<u>643,939</u>	<u>17,022,840</u>	<u>6,215,355</u>	<u>7,088,714</u>	<u>3,672,012</u>	<u>3,264,826</u>	<u>1,525,462</u>	<u>2,930,409</u>	<u>2,263,972</u>
Total Governmental Activities Program Revenue	<u>12,738,610</u>	<u>14,165,534</u>	<u>31,430,369</u>	<u>20,236,099</u>	<u>17,753,968</u>	<u>15,128,051</u>	<u>14,554,750</u>	<u>11,359,556</u>	<u>14,266,591</u>	<u>13,120,488</u>

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type Activities:										
Charges for Services:										
Refuse	\$ 917,215	\$ 967,991	\$ 1,042,200	\$ 1,269,783	\$ 1,180,596	\$ 1,193,935	\$ 1,198,732	\$ 5,589,465	\$ 5,725,669	\$ 5,645,063
Recreation / Aquatic Center	422,279	429,222	497,842	433,782	376,044	349,804	332,304	388,600	372,160	373,728
Irrigation and Drainage	11,945,099	12,322,158	12,690,337	11,590,238	11,000,962	11,299,977	10,970,391	10,792,533	10,490,751	10,586,519
Wastewater	5,110,191	7,333,204	11,071,344	13,331,015	14,514,990	16,836,789	21,241,682	21,865,171	22,047,663	22,408,732
Airport	545,364	551,921	557,926	581,215	534,797	1,125,623	521,022	510,311	492,185	490,596
Operating Grants and Contributions	1,360,656	1,908,002	85,129	1,000	46,076	25,000	86,000	88,717	51,853	112,131
Capital Grants and Contributions	<u>6,552,540</u>	<u>7,320,449</u>	<u>6,569,117</u>	<u>9,196,982</u>	<u>7,112,526</u>	<u>10,373,301</u>	<u>13,547,954</u>	<u>3,161,306</u>	<u>2,159,379</u>	<u>3,103,082</u>
Total Business-type Activities Program Revenue	<u>26,853,344</u>	<u>30,832,947</u>	<u>32,513,895</u>	<u>36,404,015</u>	<u>34,765,991</u>	<u>41,204,429</u>	<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>\$ 39,591,954</u>	<u>\$ 44,998,481</u>	<u>\$ 63,944,264</u>	<u>\$ 56,640,114</u>	<u>\$ 52,519,959</u>	<u>\$ 56,332,480</u>	<u>\$ 62,452,835</u>	<u>\$ 53,755,659</u>	<u>\$ 55,606,251</u>	<u>\$ 55,840,339</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (27,799,905)	\$ (27,163,251)	\$ (15,460,259)	\$ (33,642,508)	\$ (34,273,145)	\$ (31,753,421)	\$ (31,040,172)	\$ (32,586,881)	\$ (33,145,348)	\$ (36,747,937)
Business-type Activities	<u>6,938,737</u>	<u>8,414,173</u>	<u>8,839,771</u>	<u>8,289,509</u>	<u>4,458,364</u>	<u>12,226,220</u>	<u>8,888,769</u>	<u>(1,463,369)</u>	<u>(3,802,740)</u>	<u>(2,563,167)</u>
Total Primary Government Net Expense	<u>\$ (20,861,168)</u>	<u>\$ (18,749,078)</u>	<u>\$ (6,620,488)</u>	<u>\$ (25,352,999)</u>	<u>\$ (29,814,781)</u>	<u>\$ (19,527,201)</u>	<u>\$ (22,151,403)</u>	<u>\$ (34,050,250)</u>	<u>\$ (36,948,088)</u>	<u>\$ (39,311,104)</u>
General Revenues and Other										
Changes in Net Position										
Governmental Activities:										
Taxes:										
Sales Taxes	\$ 20,558,443	\$ 22,880,568	\$ 21,552,577	\$ 18,825,309	\$ 15,366,885	\$ 13,979,108	\$ 14,379,370	\$ 14,400,439	\$ 14,157,677	\$ 15,185,171
Property Taxes	3,497,095	4,042,201	4,442,505	4,659,276	4,875,880	5,106,364	4,135,595	4,150,569	4,194,202	4,231,510
Franchise Taxes	254,675	227,038	746,815	1,733,704	1,921,624	1,687,909	1,722,878	1,684,173	1,705,943	1,795,899
Impact Fees	-	-	185,562	10,674	97,045	318,232	295,355	-	-	-
State Revenue Sharing	3,855,258	4,390,884	6,066,778	7,519,909	7,979,307	6,899,020	5,200,976	4,433,318	5,365,520	5,854,801
State Sales Tax Revenue Sharing	3,885,149	4,520,559	5,078,851	4,910,888	4,251,458	3,921,350	4,081,876	4,104,475	4,299,431	4,572,096
Auto Lieu Tax Revenue Sharing	2,620,537	3,008,101	3,244,184	3,102,207	2,840,324	2,665,669	2,621,452	2,451,516	2,423,003	2,506,953
Investment Earnings (Loss)	621,096	1,066,812	1,198,654	1,193,238	467,629	253,403	187,740	(81,420)	400,393	439,967
Other	17,325	71,692	18,705	14,912	12,590	16,124	78,417	119,074	47,499	114,948
Transfers	<u>(4,564,265)</u>	<u>(1,721,662)</u>	<u>(1,746,031)</u>	<u>561,289</u>	<u>(3,900,988)</u>	<u>(1,877,395)</u>	<u>(153,685)</u>	<u>1,252,589</u>	<u>1,599,452</u>	<u>3,476,349</u>
Total Governmental Activities	<u>30,745,313</u>	<u>38,486,193</u>	<u>40,788,600</u>	<u>42,531,406</u>	<u>33,911,754</u>	<u>32,969,784</u>	<u>32,549,974</u>	<u>32,514,733</u>	<u>34,193,120</u>	<u>38,177,694</u>
Business-type activities:										
Property Taxes	1,992,909	2,034,044	2,111,867	2,156,284	2,134,068	3,237,149	4,460,402	5,703,105	5,675,383	5,953,459
Investment Earnings (Loss)	696,468	3,438,833	3,757,572	2,285,859	715,319	200,593	266,125	256,774	669,737	1,037,304
Transfers	<u>4,564,265</u>	<u>1,721,662</u>	<u>1,746,031</u>	<u>(561,289)</u>	<u>3,900,988</u>	<u>1,877,395</u>	<u>153,685</u>	<u>(1,252,589)</u>	<u>(1,599,452)</u>	<u>(3,476,349)</u>
Total Business-type Activities	<u>7,253,642</u>	<u>7,194,539</u>	<u>7,615,470</u>	<u>3,880,854</u>	<u>6,750,375</u>	<u>5,315,137</u>	<u>4,880,212</u>	<u>4,707,290</u>	<u>4,745,668</u>	<u>3,514,414</u>
Total Primary Government	<u>\$ 37,998,955</u>	<u>\$ 45,680,732</u>	<u>\$ 48,404,070</u>	<u>\$ 46,412,260</u>	<u>\$ 40,662,129</u>	<u>\$ 38,284,921</u>	<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	\$ 2,945,408	\$ 11,322,942	\$ 25,328,341	\$ 8,888,898	\$ (361,391)	\$ 1,216,364	\$ 1,509,802	\$ (72,148)	\$ 1,047,772	\$ 1,429,757
Business-type Activities	<u>14,192,379</u>	<u>15,608,712</u>	<u>16,455,241</u>	<u>12,170,363</u>	<u>11,208,739</u>	<u>17,541,357</u>	<u>13,768,981</u>	<u>3,243,921</u>	<u>942,928</u>	<u>951,248</u>
Total Primary Government	<u>\$ 17,137,787</u>	<u>\$ 26,931,654</u>	<u>\$ 41,783,582</u>	<u>\$ 21,059,261</u>	<u>\$ 10,847,348</u>	<u>\$ 18,757,721</u>	<u>\$ 15,278,783</u>	<u>\$ 3,171,773</u>	<u>\$ 1,990,700</u>	<u>\$ 2,381,005</u>

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
General Government	\$ 5,112,021	\$ 6,051,764	\$ 5,442,971	\$ 6,070,080	\$ 4,553,454	\$ 4,369,104	\$ 3,726,647	\$ 3,535,789	\$ 3,995,491	\$ 3,932,496
Public Safety	475,607	416,702	1,467,555	667,438	545,061	1,033,934	1,155,283	941,184	1,538,204	1,045,352
Highways and Streets	5,408,483	6,038,682	22,362,852	10,788,458	10,370,964	7,734,943	6,984,204	5,084,235	7,081,241	6,490,956
Culture and Recreation	656,829	647,903	1,057,891	697,866	1,188,244	654,545	693,518	707,343	708,112	668,427
Transportation Services	1,004,692	1,010,483	1,083,060	1,983,166	1,093,044	1,328,218	1,989,333	1,088,919	943,543	983,257
Interest on Long-term Debt	80,978	-	16,040	29,091	3,201	7,308	5,765	2,086	-	-
Subtotal Governmental Activities	12,738,610	14,165,534	31,430,369	20,236,099	17,753,968	15,128,052	14,554,750	11,359,556	14,266,591	13,120,488
Business-type Activities:										
Refuse	917,215	967,991	1,064,929	1,269,783	1,180,596	1,193,935	1,198,732	5,589,465	5,725,669	5,645,063
Recreation/Aquatic Center	422,279	429,222	497,842	433,782	501,550	349,804	332,304	388,600	372,160	373,728
Irrigation and Drainage	13,253,505	14,230,160	12,752,737	11,591,238	12,469,059	11,750,407	13,875,204	12,496,186	11,824,048	13,161,156
Wastewater	10,519,987	12,107,493	17,636,027	22,055,956	19,416,038	26,728,765	31,611,051	23,241,431	22,693,769	23,009,681
Airport	1,740,358	3,098,081	562,360	1,053,256	1,198,748	1,181,518	880,794	680,421	724,014	530,223
Subtotal Business-type Activities	26,853,344	30,832,947	32,513,895	36,404,015	34,765,991	41,204,429	47,898,085	42,396,103	41,339,660	42,719,851
Total Primary Government	<u>\$39,591,954</u>	<u>\$44,998,481</u>	<u>\$63,944,264</u>	<u>\$56,640,114</u>	<u>\$52,519,959</u>	<u>\$ 56,332,481</u>	<u>\$ 62,452,835</u>	<u>\$ 53,755,659</u>	<u>\$ 55,606,251</u>	<u>\$ 55,840,339</u>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 236,978	\$ 221,242	\$ 239,771	\$ 289,716	\$ 245,625	\$ 510,785	\$ -	\$ -	\$ -	\$ -
Unreserved	16,177,818	1,938,201	22,381,025	15,770,483	10,941,973	12,028,929	-	-	-	-
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>\$ 16,414,796</u>	<u>\$ 2,159,443</u>	<u>\$ 22,620,796</u>	<u>\$ 16,060,199</u>	<u>\$ 11,187,598</u>	<u>\$ 12,539,714</u>	<u>\$ 12,994,672</u>	<u>\$ 15,375,214</u>	<u>\$ 20,023,020</u>	<u>\$ 26,097,972</u>
All Other Governmental Funds										
Reserved	\$ 1,031,329	\$ 866,633	\$ 777,537	\$ 260,745	\$ 161,487	\$ 161,447	-	-	-	-
Unreserved, Reported in:										
Special Revenue Funds	1,410,111	2,016,653	2,023,123	1,337,693	1,307,293	2,951,892	-	-	-	-
Debt Service Funds	-	-	-	-	-	-	-	-	-	-
Capital Projects Funds	<u>4,576,046</u>	<u>7,312,618</u>	<u>6,883,115</u>	<u>5,904,066</u>	<u>6,444,484</u>	<u>9,470,637</u>	-	-	-	-
Total Unreserved	5,986,157	9,329,271	8,906,238	7,241,759	7,751,777	12,422,529	-	-	-	-
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
Unassigned	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 7,017,486</u>	<u>\$ 10,195,904</u>	<u>\$ 9,683,775</u>	<u>\$ 7,502,504</u>	<u>\$ 7,913,264</u>	<u>\$ 12,583,976</u>	<u>\$ 13,433,690</u>	<u>\$ 11,406,430</u>	<u>\$ 11,724,414</u>	<u>\$ 11,780,318</u>

Notes: Beginning in FY 2011, GASB Statement No. 54 was implemented. See Note 1.D.10. of the Notes to Basic Financial Statements.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 24,284,788	\$ 27,243,475	\$ 26,745,506	\$ 25,069,101	\$ 22,251,293	\$ 20,752,317	\$ 20,303,864	\$ 20,226,164	\$ 20,058,886	\$ 21,169,738
Intergovernmental	17,581,248	19,487,017	25,771,964	28,683,671	26,413,424	24,711,004	22,707,886	18,727,568	21,694,328	21,368,041
Fines and Forfeitures	1,159,289	1,373,678	1,501,738	1,491,271	1,369,529	1,486,805	1,368,057	1,309,072	1,344,452	1,405,615
Licenses and Permits	3,063,436	3,925,346	2,913,384	1,961,920	992,742	1,193,690	1,033,320	1,072,635	1,434,927	1,645,593
Charges for Services	1,055,558	1,131,132	970,168	836,573	711,345	931,886	817,168	803,069	1,233,163	1,122,442
Rents and Royalties	28,875	28,006	22,958	27,732	58,785	51,889	46,494	64,824	88,445	89,409
Contributions and Donations	21,680	15,034	11,921	6,910	11,018	6,939	142,715	112,576	117,678	206,306
Impact Fees	-	-	185,562	10,674	97,045	318,232	295,355	137,207	-	-
Special Assessments	181,027	155,733	106,040	124,318	131,602	68,996	66,283	65,357	-	-
Investment Earnings (Loss)	500,624	910,746	960,145	801,582	325,534	212,547	169,181	(53,402)	346,455	347,167
Other	108,490	124,865	246,128	418,251	436,488	224,576	337,648	119,827	426,502	237,210
Total Revenues	<u>47,985,015</u>	<u>54,395,032</u>	<u>59,435,514</u>	<u>59,432,003</u>	<u>52,798,805</u>	<u>49,958,881</u>	<u>47,287,971</u>	<u>42,584,897</u>	<u>46,744,836</u>	<u>47,591,521</u>
Expenditures										
General Government	8,270,651	9,096,156	10,184,269	12,752,567	10,778,205	9,320,011	9,511,503	9,806,857	10,971,201	11,552,268
Public Safety	16,727,791	18,909,689	22,896,305	24,966,721	24,280,422	20,448,619	21,230,032	20,867,623	23,587,259	27,492,419
Highways and Streets	6,501,669	5,628,498	6,936,589	6,668,408	5,203,661	3,821,793	4,418,689	4,522,249	4,721,183	5,130,647
Culture and Recreation	4,530,472	4,637,482	5,490,982	6,075,524	5,307,096	4,038,440	3,835,394	3,707,822	1,703,534	1,835,350
Transportation Services	1,666,808	1,775,815	1,865,392	2,951,865	1,919,213	1,605,268	1,847,708	1,649,359	1,570,998	1,427,796
Tourism and Promotion	1,397,567	1,528,433	1,577,026	1,582,324	1,356,589	1,356,746	1,389,473	1,496,155	1,484,639	1,651,955
Capital Outlay	6,737,122	2,838,789	5,935,886	11,727,752	4,147,830	1,187,425	3,345,613	2,288,782	3,278,455	3,638,147
Debt Service										
Principal Retirement	3,235,000	3,375,000	3,480,000	3,605,000	240,000	165,000	200,000	200,000	145,000	150,000
Interest on Long-term Debt	581,320	450,892	314,557	192,875	126,647	115,351	108,188	99,411	92,090	85,885
Total Expenditures	<u>49,648,400</u>	<u>48,240,754</u>	<u>58,681,006</u>	<u>70,523,036</u>	<u>53,359,663</u>	<u>42,058,653</u>	<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	(1,663,385)	6,154,278	754,508	(11,091,033)	(560,858)	7,900,228	1,401,371	(2,053,361)	(809,523)	(5,372,946)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other financing sources (uses)										
Transfers In	\$ 12,402,838	\$ 10,214,298	\$ 8,227,998	\$ 9,977,784	\$ 2,107,983	\$ 2,395,347	\$ 2,210,751	\$ 4,160,552	\$ 6,837,490	\$ 10,589,871
Transfers Out	(12,815,973)	(11,935,960)	(10,060,429)	(9,416,495)	(6,008,971)	(4,272,742)	(2,364,436)	(2,907,963)	(2,738,038)	(2,961,494)
Issuance of Debt	2,902,599	1,934,849	3,582,747	2,615,000	-	-	56,986	1,154,054	1,675,861	3,875,428
Total Other Financing Sources (uses)	2,489,464	213,187	1,750,316	3,176,289	(3,900,988)	(1,877,395)	(96,699)	2,406,643	5,775,313	11,503,805
Net Change in Fund Balance	<u>\$ 826,079</u>	<u>\$ 6,367,465</u>	<u>\$ 2,504,824</u>	<u>\$ (7,914,744)</u>	<u>\$ (4,461,846)</u>	<u>\$ 6,022,833</u>	<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	8.9%	8.4%	7.2%	6.5%	0.8%	0.7%	0.7%	0.7%	0.5%	0.5%

Note: Proceeds from sale of capital assets are classified as miscellaneous revenues and are included in the Other revenue total.

**LAKE HAVASU CITY, ARIZONA
GENERAL GOVERNMENT TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

<u>Fiscal Year</u>	<u>Sales Taxes</u>	<u>Property Taxes</u>	<u>Franchise Taxes</u>	<u>Transient Occupancy Tax</u>	<u>Bar and Restaurant Tax</u>	<u>Total</u>
2005	\$ 19,112,838	\$ 3,471,670	\$ 254,675	\$ 656,110	\$ 789,495	\$ 24,284,788
2006	21,337,895	4,135,869	227,038	699,405	843,268	27,243,475
2007	19,945,157	4,446,114	746,815	751,122	856,298	26,745,506
2008	17,305,120	4,510,088	1,733,704	645,782	874,407	25,069,101
2009	14,030,536	4,962,784	1,921,624	574,442	761,907	22,251,293
2010	12,627,628	5,085,300	1,687,909	557,900	793,580	20,752,317
2011	12,992,151	4,201,614	1,722,878	550,922	836,299	20,303,864
2012	12,872,154	4,141,509	1,684,173	637,377	890,951	20,226,164
2013	12,718,932	4,195,266	1,705,943	626,398	812,347	20,058,886
2014	13,796,859	4,188,668	1,795,899	701,073	950,882	21,433,381
Change, 2005-2014	(27.8%)	20.7%	605.2%	6.9%	20.4%	(11.7%)

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

LAKE HAVASU CITY, ARIZONA TAXABLE SALES BY CATEGORY LAST TEN FISCAL YEARS

Sales Category	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013 (Restated) (2)	2014
Mining	\$ 621,000	\$ 2,649,142	\$ 1,637,109	\$ 2,238,146	\$ 1,502,091	\$ 957,338	\$ 679,224	\$ 947,593	\$ 1,114,700	\$ 1,112,000
Communications & Utilities	89,352,250	107,586,616	85,848,353	43,192,822	45,438,961	43,187,392	44,157,693	43,354,901	32,645,950	42,705,200
Transportation & Warehousing	828,450	1,297,067	1,719,521	1,370,195	825,406	610,037	476,664	287,021	425,100	660,650
Construction	187,626,750	210,074,556	203,114,606	174,759,818	104,429,178	59,267,145	69,777,264	60,465,951	69,294,750	81,212,300
Manufacturing	38,247,150	40,484,661	38,529,152	32,292,739	27,051,299	25,263,121	22,203,330	25,536,642	26,772,800	21,970,500
Wholesale Trade	11,458,300	16,112,220	16,468,758	18,348,808	12,097,298	10,438,461	10,563,544	14,791,777	16,101,650	16,867,550
Retail Trade	425,905,350	472,769,867	461,287,506	416,971,743	368,990,071	368,767,470	367,590,435	384,360,559	407,590,250	452,488,100
Finance & Insurance	2,022,000	857,392	1,967,267	2,213,297	1,563,165	1,295,523	868,042	958,820	1,267,800	1,654,700
Real Estate, Rental & Leasing	20,303,900	22,929,529	19,808,226	21,511,506	18,474,750	13,903,727	15,116,990	13,944,336	16,928,100	18,065,200
Restaurant & Bars	99,646,950	107,735,614	109,166,457	66,018,944	53,496,452	55,204,958	57,201,379	59,414,264	62,593,716	68,661,174
Hotels & Other Lodging (1)	22,242,450	23,807,000	24,080,294	26,786,943	27,752,236	28,709,923	26,843,295	28,080,440	26,672,157	24,140,964
Public Administration	70,450	308,237	146,659	310,450	493,218	318,627	(185,615)	83,740	(32,000)	30,250
Services	33,456,850	34,582,787	35,897,971	32,340,521	27,984,637	23,674,619	22,870,852	26,771,435	29,469,450	33,204,800
Arts & Entertainment	14,211,950	15,291,189	15,650,494	12,128,912	7,334,109	7,783,062	7,176,416	6,590,677	7,156,600	6,481,000
All Others	28,840,450	30,838,124	27,361,014	18,575,934	12,616,449	11,544,005	16,950,308	16,782,553	13,789,750	15,735,850
Transportation, Communications & Utilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire, Insurance & Real Estate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$ 974,834,250</u>	<u>\$ 1,087,324,001</u>	<u>\$ 1,042,683,387</u>	<u>\$ 869,060,778</u>	<u>\$ 710,049,320</u>	<u>\$ 650,925,408</u>	<u>\$ 662,289,821</u>	<u>\$ 682,370,709</u>	<u>\$ 711,790,773</u>	<u>\$ 784,990,238</u>
City Sales Tax Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

(1) In fiscal year 2011-12 the Arizona Department of Revenue took over collections of Transient Occupancy Tax. This was previously collected in-house by Lake Havasu City and is not reflected in fiscal years 2003-2011.

(2) The activity for FY 2012/2013 was restated due to the 3% collections for Transient Occupancy Tax initiated and processed by the Arizona Department of Revenue were corrected.

Note: Beginning with reporting for fiscal year 2005, Arizona Department of Revenue implemented a new reporting format for industry classification codes. As such, comparisons of industry classifications for fiscal year 2005 and forward may not be comparable to fiscal year 2004 and prior.

Source: Arizona Department of Revenue

**LAKE HAVASU CITY, ARIZONA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
RATES AS OF JUNE 30, 2014**

<u>Fiscal Year</u>	<u>City Sales Tax</u>	<u>City Restaurant and Bar Tax</u>	<u>(2) City Transient Occupancy Tax</u>	<u>(1) Mohave County</u>	<u>(1) State of Arizona</u>
2005	2.00%	1.00%	3.00%	0.25%	5.60%
2006	2.00	1.00	3.00	0.25	5.60
2007	2.00	1.00	3.00	0.25	5.60
2008	2.00	1.00	3.00	0.25	5.60
2009	2.00	1.00	3.00	0.25	5.60
2010	2.00	1.00	3.00	0.25	6.60
2011	2.00	1.00	3.00	0.25	6.60
2012	2.00	1.00	3.00	0.25	6.60
2013	2.00	1.00	3.00	0.25	5.60
2014	2.00	1.00	3.00	0.25	5.60

(1) For most Business Classifications. Shown here is the retail rate.

Due to an absence of change in law, the temporary sales tax increase of 1% ended effective May 31, 2013.

(2) The State of Arizona began collecting the Transient Occupancy Tax on February 1, 2012.

Source: Arizona Department of Revenue (www.azdor.gov) and Arizona Secretary of State (www.azsos.gov)

LAKE HAVASU CITY, ARIZONA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

119

Fiscal Year	Real Property		Personal Property		Total		Direct Tax Rate	Ratio of Total Assessed Value to Total Estimated Actual Value
	Net Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value		
2005	P \$ 404,042,223	\$3,766,661,010	\$ 11,251,148	\$ 58,514,070	\$ 415,293,371	\$ 3,825,175,080	0.7958	10.86
	S 439,586,745	4,592,640,988	11,251,148	58,514,070	450,837,893	4,651,155,058	-	plus \$ 100.74 per acre
2006	P 469,199,441	4,501,675,755	12,485,845	63,701,806	481,685,286	4,565,377,561	0.7958	10.55
	S 572,701,653	6,001,328,492	12,485,845	63,701,806	585,187,498	6,065,030,298	-	plus \$ 100.74 per acre
2007	P 554,952,080	4,489,089,206	15,071,124	72,940,245	570,023,204	4,562,029,451	0.7310	12.49
	S 735,930,709	5,989,310,731	15,071,124	72,940,245	751,001,833	6,062,250,976	-	plus \$ 100.74 per acre
2008	P 658,147,759	5,340,068,133	11,375,884	57,452,096	669,523,643	5,397,520,229	0.6704	12.40
	S 918,338,959	7,419,032,491	11,375,884	57,452,096	929,714,843	7,476,484,587	-	plus \$ 100.74 per acre
2009	P 760,861,319	6,233,527,611	16,515,213	86,520,314	777,376,532	6,320,047,925	0.6038	12.30
	S 1,021,911,138	8,397,863,760	16,515,213	86,520,314	1,038,426,351	8,484,384,074	-	plus \$ 100.74 per acre
2010	P 825,515,085	6,795,625,244	16,137,850	85,087,121	841,652,935	6,880,712,365	0.5834	12.23
	S 911,190,948	7,429,703,446	16,137,850	85,087,121	927,328,798	7,514,790,567	-	plus \$ 156.78 per acre
2011	P 687,352,145	5,655,648,551	14,778,091	80,768,628	702,130,236	5,736,417,179	0.5834	12.24
	S 697,590,433	5,725,231,881	14,778,091	80,768,628	712,368,524	5,806,000,509	-	plus \$ 212.75 per acre
2012	P 553,723,386	4,632,576,319	10,215,877	58,066,238	563,939,263	4,690,642,557	0.7264	12.02
	S 557,526,241	4,660,114,966	10,215,877	58,066,238	567,742,118	4,718,181,204	-	plus \$ 268.85 per acre
2013	P 549,921,360	4,642,019,040	13,932,103	79,171,973	563,853,463	4,721,191,013	0.7332	11.94
	S 559,962,410	4,720,897,913	13,932,103	79,171,973	573,894,513	4,800,069,886	-	plus \$ 268.85 per acre
2014	P 552,871,353	4,686,326,717	13,209,135	77,033,222	566,080,488	4,763,359,939	0.7381	11.88
	S 561,609,279	4,754,265,718	13,209,135	77,033,222	574,818,414	4,831,298,940	-	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						Overlapping Rates				
		Operating Rate	Debt Service Rate	Total City Rate	Irrigation Drainage District	Sanitary District	Improvement District #1	Improvement District #2	Improvement District #3	Improvement District #4	Improvement District #5	Total County Rate	Total School Rate	Total State Rate	Rate Total
2005	P	0.7958	-	0.7958	-	-	-	-	-	-	-	2.6983	4.3420	0.4560	8.2921
	S	-	-	-	\$ 100.74/acre	-	0.5491	1.2822	3.0983	0.4051	-	1.0103	0.9646	-	7.3096 plus \$ 100.74/acre
2006	P	0.7958	-	0.7958	-	-	-	-	-	-	-	2.6904	3.4288	0.4358	7.3508
	S	-	-	-	\$ 100.74/acre	-	0.4595	1.0855	1.9907	0.3536	-	1.0103	1.2740	-	6.1736 plus \$ 100.74/acre
2007	P	0.7310	-	0.7310	-	-	-	-	-	-	-	2.5759	3.3079	-	6.6148
	S	-	-	-	\$ 100.74/acre	-	0.5360	1.1091	1.9907	0.3538	-	1.0103	0.8625	-	5.8624 plus \$ 100.74/acre
2008	P	0.6704	-	0.6704	-	-	-	-	-	-	-	2.3519	3.0141	-	6.0364
	S	-	-	-	\$ 100.74/acre	-	0.3216	0.4672	-	0.2788	-	1.0103	0.8567	-	2.9346 plus \$ 100.74/acre
2009	P	0.6038	-	0.6038	-	-	-	-	-	-	-	1.3309	2.8005	-	4.7352
	S	-	-	-	\$ 100.74/acre	-	0.3113	0.5425	-	0.2840	-	1.0103	0.7547	-	2.9028 plus \$ 100.74/acre
2010	P	0.5834	-	0.5834	-	-	-	-	-	-	-	1.2637	2.7367	0.3306	4.9144
	S	-	-	-	\$ 156.78/acre	-	0.4769	0.4661	-	0.3153	-	1.0103	0.8410	-	3.1096 plus \$ 156.78/acre
2011	P	0.5834	-	0.5834	-	-	-	-	-	-	-	1.4637	2.7462	0.3564	5.1497
	S	-	-	-	\$ 212.75/acre	-	-	0.2719	-	0.4925	-	1.0103	0.8978	-	2.6725 plus \$ 212.75/acre
2012	P	0.7264	-	0.7264	-	-	-	-	-	-	-	1.8196	3.3785	0.4259	6.3504
	S	-	-	-	\$ 268.85/acre	-	-	0.1905	-	0.6095	-	1.0103	0.9888	-	2.7991 plus \$ 268.85/acre
2013	P	0.7332	-	0.7332	-	-	-	-	-	-	-	1.8196	3.2644	0.4717	6.2889
	S	-	-	-	\$ 268.85/acre	-	-	0.1942	-	0.5872	-	1.0103	0.7828	-	2.5745 plus \$ 268.85/acre
2014	P	0.7381	-	0.7381	-	-	-	-	-	-	-	1.8196	3.1962	0.5123	6.2662
	S	-	-	-	\$ 268.85/acre	-	-	0.4059	-	0.6458	-	1.0103	0.7828	-	2.8448 plus \$ 268.85/acre

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

Taxpayer	2014			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Unisource Energy Corporation	\$ 9,822,254	1	1.70%	\$ 8,212,498	2	1.70%
PHC Lake Havasu Inc	5,409,260	2	0.94%	9,194,016	1	1.91%
Citizen's Rural Division	3,485,497	3	0.60%			
SFT Havasu LLC Etal	2,872,527	4	0.50%			
Walmart Stores Inc	1,821,266	5	0.32%	1,503,854	8	0.31%
Anderson Family LLC	1,749,680	6	0.30%			
Sterilite Corporation	1,631,190	7	0.28%	2,303,118	4	0.48%
London Bridge Resort	1,543,568	8	0.27%	2,009,951	5	0.42%
Steinle Janice A Chapter 11 Trustee	1,514,855	9	0.26%			
Lowes HIW Inc	1,424,596	10	0.25%			
Citizens Utilities Inc				4,300,792	3	0.89%
Grace Investment Co				1,874,177	6	0.39%
Lake Havasu City Hotel Partners LLC				1,663,296	7	0.35%
Havasu Mart Long Heine LLC (1)				1,352,836	9	0.28%
Palo Verde Investments LLC				1,254,069	10	0.26%
TOTALS	<u>\$ 31,274,693</u>		3.72%	<u>\$ 25,456,109</u>		5.29%
Net Assessed Value	\$ 578,144,696			\$ 481,685,286		

(1) Formerly named Havasu Plaza (Kmart) in 1997

NOTE: 2003 principal property taxpayers data not available, 2006 earliest information available.

Source: Abstract for the County of Mohave

**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
2005	\$ 3,310,822	\$ 3,183,551	96.16%	\$ 127,269	\$ 3,310,820	100.00%
2006	3,836,086	3,750,741	97.78	85,279	3,836,020	100.00
2007	4,152,633	4,031,318	97.08	121,257	4,152,575	100.00
2008	4,505,493	4,302,624	95.50	202,798	4,505,422	100.00
2009	4,674,836	4,510,022	96.47	164,752	4,674,774	100.00
2010	4,885,663	4,701,200	96.22	184,318	4,885,518	100.00
2011	4,078,121	3,952,993	96.93	124,506	4,077,499	99.98
2012	4,080,039	3,965,111	97.18	114,124	4,079,235	99.98
2013	4,126,230	4,011,502	97.22	113,167	4,124,669	99.96
2014	4,153,208	4,032,532	97.09	-	4,032,532	97.09

(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
2005	\$ 2,025,509	\$ 1,966,752	97.10%	\$ 58,758	\$ 2,025,510	100.00%
2006	2,029,901	2,009,295	98.98	20,798	2,030,093	100.01
2007	2,071,502	2,027,101	97.86	44,188	2,071,289	99.99
2008	2,091,005	1,993,102	95.32	95,669	2,088,771	99.89
2009	2,092,838	2,037,986	97.38	41,848	2,079,834	99.38
2010	3,259,052	3,167,426	97.19	59,402	3,226,828	99.01
2011	4,423,441	4,330,276	97.89	41,057	4,371,333	98.82
2012	5,589,949	5,408,979	96.76	109,699	5,518,678	98.73
2013	5,582,326	5,409,765	96.91	100,853	5,510,618	98.72
2014	5,650,203	5,442,107	96.32	-	5,442,107	96.32

(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 2022 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. 1 - 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		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
2005	\$ 102,919	\$ 99,899	97.07%	\$ 3,020	\$ 102,919	100.00%
2006	102,660	100,719	98.11	1,941	102,660	100.00
2007	149,059	145,447	97.58	3,612	149,059	100.00
2008	109,984	105,526	95.95	4,458	109,984	100.00
2009	109,338	107,041	97.90	2,297	109,338	100.00
2010	149,612	145,722	97.40	3,890	149,612	100.00
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-

(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. 1 operates the gas lights in the golf course area tracts. This Improvement District was dissolved on April 13, 2010.

(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		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
2005	\$ 22,998	\$ 20,448	88.91%	\$ 2,550	\$ 22,998	100.00%
2006	22,993	20,939	91.07	2,054	22,993	100.00
2007	36,939	33,293	90.13	3,646	36,939	100.00
2008	18,035	16,472	91.33	1,563	18,035	100.00
2009	16,710	14,902	89.18	1,808	16,710	100.00
2010	15,006	14,057	93.67	949	15,006	100.00
2011	8,066	7,275	90.19	791	8,066	100.00
2012	3,826	3,647	95.33	179	3,826	100.00
2013	3,966	3,589	90.49	377	3,966	100.00
2014	8,000	7,419	92.74	-	7,419	92.74

(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. 3 - 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		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
2005	\$ 22,172	\$ 20,749	93.58%	\$ 1,423	\$ 22,172	100.00%
2006	23,455	22,771	97.08	684	23,455	100.00
2007	27,935	26,511	94.90	1,424	27,935	100.00
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-

(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. 3 was established for the purpose of maintaining and operating the gas lights and landscape strips in the Lakeview Mobile Home Park. This improvement District was dissolved on January 8, 2008.

(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		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
2005	\$ 61,523	\$ 59,981	97.49%	\$ 1,542	\$ 61,523	100.00%
2006	61,716	61,420	99.52	296	61,716	100.00
2007	64,323	63,878	99.31	445	64,323	100.00
2008	55,294	53,644	97.02	1,650	55,294	100.00
2009	55,600	55,053	99.02	547	55,600	100.00
2010	54,981	54,003	98.22	978	54,981	100.00
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	68,267	65,770	96.34	2,497	68,267	100.00
2014	74,937	73,649	98.28	-	73,649	98.28

(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.

LAKE HAVASU CITY, ARIZONA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	Special Assessment Bonds	Revenue Bonds	Capital Leases	Sewer Bonds	Irrigation and Drainage District	General Obligation Bonds	Capital Leases			
2005	\$ 695,000	\$ 10,190,000	\$ 2,518,386	\$ 61,570,539	-	\$ 215,000	\$ 595,203	\$ 75,784,128	6.88%	\$ 1,466
2006	610,000	6,900,000	3,768,074	139,685,545 (1)	-	195,000	1,286,112	152,444,731	13.57	2,853
2007	520,000	3,510,000	6,032,598	169,865,746 (1)	1,103,163	175,000	1,995,812	183,202,319	15.68	3,355
2008	425,000	2,615,000	4,485,455	218,411,503 (1)	3,462,247	155,000	1,669,632	231,223,837	19.36	4,184
2009	185,000	2,615,000	3,009,616	243,266,488 (1)	4,582,821	145,000	1,236,248	255,040,173	17.55	4,601
2010	125,000	2,510,000	1,951,828	276,829,369 (1)	5,253,043	135,000	812,444	287,616,684	24.11	5,182
2011	60,000	2,375,000	1,181,330	306,508,389 (1)	5,074,148	125,000	422,469	315,746,336	22.65	6,011
2012	-	2,235,000	1,610,207	306,394,210 (1)	4,728,052	115,000	1,432,240	316,514,709	23.94	6,040
2013	-	2,090,000	2,786,873	296,762,325 (1)	4,496,819	105,000	1,795,066	308,036,083	21.15	5,843
2014	-	1,940,000	5,931,270	288,268,940 (1)	4,131,389	95,000	1,683,448	302,050,047	21.26	5,709

(1) Net of related premium

Note: Balances reflect reduction for principal payment made on July 1, 2014.

**LAKE HAVASU CITY, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2014**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping Debt			
Lake Havasu Unified School District No. 1	\$ 4,535,000	97.78%	\$ 4,434,323
Total overlapping debt			<u>4,434,323</u>
City Direct Debt			
Lake Havasu City Freedom Bridge Land Acquisition	1,940,000	100.00%	1,940,000
Lake Havasu City, Arizona Direct Debt			<u>1,940,000</u>
Total Direct and Overlapping Debt			<u>\$ 6,374,323</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.

LAKE HAVASU CITY, ARIZONA LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>20% Limitation (1)</u>										
Debt Limit	\$ 90,167,579	\$ 117,037,500	\$ 150,200,367	\$ 185,942,969	\$ 207,685,270	\$ 185,465,760	\$ 142,473,705	\$ 113,548,424	\$ 114,778,903	\$ 114,963,683
Total Net Debt Applicable to 20% Limit (Restated to Account for Amount Set Aside for Repayment of Debt)	<u>40,634,726</u>	<u>94,688,680</u>	<u>141,365,953</u>	<u>140,113,909</u>	<u>182,493,498</u>	<u>155,003,212</u>	<u>146,343,638</u>	<u>140,427,574</u>	<u>136,101,397</u>	<u>126,686,249</u>
Legal Debt Margin (Available Borrowing Capacity)	<u>\$ 49,532,853</u>	<u>\$ 22,348,820</u>	<u>\$ 8,834,414</u>	<u>\$ 45,829,060</u>	<u>\$ 25,191,772</u>	<u>\$ 30,462,548</u>	<u>\$ (3,869,933)</u>	<u>\$ (26,879,150)</u>	<u>\$ (21,322,494)</u>	<u>\$ (11,722,566)</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	45.07%	80.90%	94.12%	75.35%	87.87%	83.58%	102.72%	123.67%	118.58%	110.20%
<u>6% Limitation (2)</u>										
Debt Limit	\$ 27,050,274	\$ 35,111,250	\$ 45,060,110	\$ 55,782,891	\$ 62,305,581	\$ 55,639,728	\$ 42,742,111	\$ 34,064,527	\$ 34,433,671	\$ 34,489,105
Total Net Debt Applicable to 6% Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin (Available Borrowing Capacity)	<u>\$ 27,050,274</u>	<u>\$ 35,111,250</u>	<u>\$ 45,060,110</u>	<u>\$ 55,782,891</u>	<u>\$ 62,305,581</u>	<u>\$ 55,639,728</u>	<u>\$ 42,742,111</u>	<u>\$ 34,064,527</u>	<u>\$ 34,433,671</u>	<u>\$ 34,489,105</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	-	-	-	-	-	-	-	-	-	-

(1) Additional bonds amounting to 20% of the assessed valuation of taxable property can be issued for supplying such services as water, artificial light, or sewers, when the works for supplying such water, light, or sewers are or shall be owned and controlled by the municipality, and for the acquisition and development by the incorporated city or town of land or interest therein for open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency service facilities and streets and transportation facilities.

(2) The Arizona Constitution states that for general municipal purposes a municipality cannot incur a debt exceeding 6% of the assessed valuation of taxable property.

**LAKE HAVASU CITY, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2014**

Net secondary assessed valuation (1)	<u>\$ 574,818,414</u>
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Water, Sewer, Light, Parks, Open Space Preserves, Playgrounds,
Recreational Facilities, Public Safety, Law Enforcement, Fire and
Emergency Facilities, and Streets and Transportation Facilities

Debt limit - 20% of secondary net assessed valuation	\$ 114,963,683
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Debt applicable to limit

General Obligation bonds outstanding	\$ 154,349,451
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Less amount set aside for repayment of debt	<u>(27,663,202)</u>
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Net debt applicable to limit	<u>126,686,249</u>
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20% legal debt margin	<u>(11,722,566)</u>
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All other general obligation bonds

Debt Limit - 6% of secondary net assessed valuation	34,489,105
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Debt applicable to limit

General Obligation bonds outstanding	\$ -
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Less amount set aside for repayment of debt	<u>-</u>
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Net debt applicable to limit	<u>-</u>
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All other general obligation bonds debt margin	<u>34,489,105</u>
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Total legal debt margin	<u>\$ 22,766,539</u>
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(1) Source: Mohave County Assessor's Office.

**LAKE HAVASU CITY, ARIZONA
PLEDGED-REVENUE COVERAGE
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

132

Fiscal Year	Excise Tax (1)	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections (2)	Debt Service Principal	Debt Service Interest	Coverage
2005	\$ 32,521,575	\$ 3,155,000	\$ 540,700	8.80	\$ 181,027	\$ 80,000	\$ 37,669	1.54
2006	36,991,755	3,290,000	414,500	9.99	155,733	85,000	33,441	1.31
2007	37,021,321	3,390,000	282,900	10.08	106,040	90,000	28,956	0.89
2008	34,612,756	3,510,000	143,910	9.47	124,319	95,000	24,216	1.04
2009	29,875,827	-	110,005	271.59	131,602	240,000	15,631	0.51
2010	27,395,795	105,000	106,675	129.42	68,996	60,000	7,944	1.02
2011	25,979,260	135,000	102,700	109.29	66,283	65,000	4,741	0.95
2012	25,248,684	140,000	97,229	106.43	65,357	60,000	1,538	1.06
2013	26,526,205	145,000	91,446	112.19	-	-	-	-
2014	27,854,065	150,000	85,463	118.30	-	-	-	-

(1) Excise Tax revenues are pledged for the Excise Tax Bonds. Prior to FY 2005 the revenues were pledged for both the Municipal Property Corporation Bonds and Excise Tax Bonds.

(2) D7 Special Assessment Bonds were retired in Fiscal Year 2011-12.

**LAKE HAVASU CITY, ARIZONA
PLEDGED-REVENUE COVERAGE
PROPRIETARY FUNDS
LAST TEN FISCAL YEARS**

Fiscal Year	Sewer Revenue Bonds												
	(1) Operating Revenue	(2) Plus: Rate Stabilization	Less: Operating Expenses	Net Available Revenue for SR Debt	Senior Debt Principal	Senior Debt Interest	Total Senior Debt Service	(2) Senior Debt Coverage	Net Available Revenue for Junior Debt	Junior Debt Principal	Junior Debt Interest	Total Junior Debt Service	(2) Junior Debt Coverage
2005	\$ 10,965,873	-	\$ 3,674,565	\$ 7,291,308	-	\$ 447,798	\$ 447,798	16.28	\$ 6,843,510	\$ 5,765,000	\$ 545,948	\$ 6,310,948	1.08
2006	15,055,202	-	4,323,846	10,731,356	357,774	687,803	1,045,577	10.26	9,685,779	357,774	3,743,753	4,101,527	2.36
2007	20,593,753	-	4,028,938	16,564,815	1,293,449	1,034,328	2,327,777	7.12	14,237,038	4,429,119	4,209,600	8,638,719	1.65
2008	23,703,017	5,000,000	6,955,929	21,747,088	1,334,925	1,292,596	2,627,521	8.28	19,119,567	6,205,823	5,016,735	11,222,558	1.70
2009	19,916,120	5,000,000	7,272,649	17,643,471	1,887,732	2,384,482	4,272,214	4.13	13,371,257	8,277,899	5,346,758	13,624,657	0.98
2010	26,810,286	5,000,000	6,710,135	25,100,151	5,083,762	2,683,741	7,767,503	3.23	17,332,648	2,285,358	5,993,530	8,278,888	2.09
2011	31,765,529	6,500,000	7,409,668	30,855,861	3,244,183	3,557,825	6,802,008	4.54	24,053,853	3,308,953	6,210,561	9,519,514	2.53
2012	23,380,304	6,500,000	6,303,028	23,577,276	5,249,416	4,226,331	9,475,747	2.49	14,101,529	3,120,546	6,117,489	9,238,035	1.53
2013	23,072,178	6,500,000	6,705,193	22,866,985	5,404,372	4,220,890	9,625,262	2.38	13,241,723	4,566,798	5,980,474	10,547,272	1.26
2014	23,635,466	6,500,000	7,134,366	23,001,100	5,572,168	4,839,966	10,412,134	2.21	12,588,966	4,694,038	5,839,593	10,533,631	1.20

Water Revenue Bonds						
	(1)	Less:				
	Operating Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Coverage
2005	12,044,926	7,719,678	4,325,248	20,000	13,800	127.97
2006	12,594,163	8,257,603	4,336,560	20,000	12,500	133.43
2007	12,876,316	8,597,673	4,278,643	20,000	11,200	137.14
2008	11,841,750	10,025,454	1,816,296	20,000	61,578	22.26
2009	10,917,741	9,632,388	1,285,353	211,475	130,486	3.76
2010	11,081,387	7,890,122	3,191,265	218,535	169,680	8.22
2011	10,898,753	8,080,253	2,818,500	225,842	185,363	6.85
2012	12,158,839	7,558,432	4,600,407	356,095	177,258	8.63
2013	11,797,191	7,503,781	4,293,410	357,328	161,868	8.27
2014	13,193,838	7,833,935	5,359,903	368,929	153,481	10.26

(1) Includes investment income and contributed capital.

(2) In May 2007 City Council approved Resolution No. 07-2160 pledging a rate stabilization fund in the amount of \$5 million for debt coverage to ensure loan covenant requirements are met. In December 2010 Council approved Resolution No. 10-2505 increasing the rate stabilization fund by \$1.5 million for a total rate stabilization fund of \$6.5 million for additional pledged coverage.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Bond covenants may include revenue for purposes of debt service coverage.

**LAKE HAVASU CITY, ARIZONA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income</u>	<u>(2) Per Capita Personal Income</u>	<u>(2) Median Age</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u>
2005	51,700	\$ 1,102,037,000	\$ 21,316	48.3	6,549	4.2%
2006	53,435	1,123,471,000	21,025	48.3	6,453	4.3
2007	54,610	1,168,053,000	21,389	47.9	6,463	4.3
2008	55,263	1,194,068,000	21,607	48.0	6,227	6.6
2009	55,429	1,453,293,000	26,219	47.7	6,175	9.8
2010	55,502	1,192,960,000	21,494	47.8	6,163	8.1
2011	52,527	1,394,014,000	26,539	51.4	5,833	8.3
2012	52,406	1,321,889,000	25,224	50.2	5,677	10.3
2013	52,720	1,456,548,000	27,628	50.7	5,622	10.7
2014	52,908	1,420,686,000	26,852	51.0	5,561	9.4

(1) Fiscal year 2011 from the U.S. Census.
All other years from the Arizona Economic Estimates Commission and
the Arizona Office of Employment and Population Statistics www.azstats.gov

(2) Demographics Now estimates

(3) Lake Havasu Unified School District No. 1

(4) Fiscal year 2012 to present Arizona Department of Administration, Office of Employment & Population Statistics
All other years from Arizona Workforce Informer.

LAKE HAVASU CITY, ARIZONA PRINCIPAL EMPLOYERS CURRENT AND EIGHT YEARS AGO

Employer	2014			2006		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (1)
Havasu Regional Medical Center	695	1	3.08%	695	1	2.85%
Lake Havasu City	654	2	2.90%	671	2	2.75%
Lake Havasu School District	607	3	2.69%	530	3	2.17%
Sterilite Corporation	450	4	1.99%	425	4	1.74%
Walmart	300	5	1.33%	259	6	1.06%
Shugrue's Restaurants	300	6	1.33%	250	7	1.03%
London Bridge Resort	250	7	1.11%	315	5	1.29%
Bashas' (2 locations)	203	8	0.90%			
River Medical	165	9	0.73%			
Anderson Auto Group	165	10	0.73%			
Mohave Community College				183	9	0.75%
Mission of Nevada, Inc.				200	8	0.82%
Bradley Chevrolet & Ford				160	10	0.66%
New Horizons Center				160	10	0.66%
TOTAL	3,789		16.79%	3,848		15.78%

Total Employees in Lake Havasu City 22,588 (1)

24,375 (2)

(1) Arizona Department of Administration-Office of Employment and Population Statistics www.azstats.gov.

(2) Arizona Workforce Infomer.

Note: 2004 principal employers data not available for comparison, 2006 earliest information available.

Source: Lake Havasu Partnership for Economic Development.

**LAKE HAVASU CITY, ARIZONA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Authorized Positions as of Fiscal Year Ended									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	72.0	77.0	81.0	83.0	83.0	70.0	62.0	59.0	67.0	71.0
Community Development	26.0	30.0	29.0	29.0	29.0	25.0	22.0	21.0	19.0	13.0
Public Safety										
Police	105.0	108.0	123.0	127.0	127.0	123.0	123.0	116.0	117.0	121.0
Fire	75.0	80.0	95.0	95.0	95.0	85.0	93.0	86.0	85.0	85.0
Operations										
Administration/Engineering (3)	22.0	22.0	22.0	26.0	26.0	22.0	17.0	18.0	19.0	4.0
Airport	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	2.0	2.0
Maintenance Services (2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	54.0
Transportation	19.0	19.0	19.0	19.0	19.0	15.0	15.0	14.0	12.0	11.0
Street Maintenance	32.0	32.0	32.0	32.0	32.0	29.5	31.0	30.0	25.0	N/A
Buildings and Grounds (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	28.0	N/A
Vehicle Maintenance	11.0	12.0	12.0	12.0	12.0	8.5	8.0	9.0	7.0	8.0
Wastewater	20.0	21.5	25.5	25.5	26.0	26.0	26.0	26.0	24.0	28.0
Water	41.0	41.5	42.5	40.5	40.0	39.0	43.0	42.0	38.0	39.0
Culture and Recreation (1)	41.0	41.0	44.0	45.0	45.0	39.0	39.0	34.0	6.0	9.0
Total	<u>469.0</u>	<u>489.0</u>	<u>530.0</u>	<u>539.0</u>	<u>539.0</u>	<u>487.0</u>	<u>484.0</u>	<u>460.0</u>	<u>449.0</u>	<u>445.0</u>

(1) Parks Division moved from Culture and Recreation to Operations-Building and Grounds

(2) Street Maintenance and Buildings and Grounds moved to Operations-Maintenance Services

(3) Operations- Engineering moved to Maintenance Services, Water and Wastewater

Source: Lake Havasu City, Arizona's Administration Services.

LAKE HAVASU CITY, ARIZONA

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Police</u>										
Number of Sworn Officers	83	95	96	96	92	91	91	83	83	77
Number of Incidents Handled	60,610	60,440	59,951	76,759	77,014	67,189	64,024	58,652	60,940	54,843
Number of Report Numbers Issued	9,893	10,316	9,612	8,740	8,637	7,441	8,242	7,001	7,788	7,126
Response Time, Priority 1 Calls (Minutes)	6:10	6:10	5:54	5:26	5:17	5:32	5:51	5:56	6:23	6:39
<u>Fire</u>										
Number of Field Suppression Personnel	58	60	72	78	72	69	85	72	75	76
Number of Structural Fires	62	68	43	53	41	36	35	37	57	35
Number of Emergency Responses	5,719	6,234	6,113	6,457	6,996	7,311	7,487	7,542	8,358	7,811
Response Time (Minutes)	5:25	5:16	5:14	5:34	5:26	5:24	5:25	5:27	5:29	6:16
Inspections	4,452	4,224	4,496	4,924	5,443	4,418	4,055	3,102	1,880	1,280
<u>Highways and streets</u>										
Street Resurfacing (Miles)	27.00	23.00	51.50	31.50	11.50	5.00	11.00	15.00	37.00	96.00
Utility Patches	731	699	645	494	468	269	219	380	224	211
Skin Patches	511	526	187	270	178	98	39	211	52	35
Crackfilling (Miles)	18.43	41.05	30.00	35.50	18.00	13.00	26.20	40.50	15.00	63.00
<u>Wastewater</u>										
Connections	7,394	8,991	11,983	16,112	18,320	19,014	25,066	31,771	31,790	31,950
Average Daily Flowage (mg)	1.99	2.33	2.50	3.08	3.03	3.38	3.64	3.69	3.60	3.71
<u>Municipal Parks</u>										
Park Uses	3,055	3,849	3,025	3,969	3,684	2,587	2,410	2,311	2,418	3,238
<u>Water</u>										
Miles of Line	498	500	500	500	500	500	500	500	500	500
New Connections	1,255	889	308	388	216	245	127	130	230	277
Main Breaks	47	49	47	52	57	60	44	55	71	69
Service Line Leaks	798	915	723	612	510	366	280	225	239	205
Average Daily Consumption (Gallons) per Capita	246	240	230	250	250	250	199	199	199	183
<u>Airport</u>										
Based Aircraft	240	243	240	234	180	180	159	153	138	120
Operations	51,996	53,892	55,844	51,900	60,000	60,000	60,000	60,000	55,000	40,000
Fuel Flowage	368,822	314,501	502,137	536,175	627,628	704,175	659,121	522,144	447,599	302,690
<u>Transit</u>										
Total Ridership	138,112	137,658	82,803	82,955	115,070	122,500	123,999	114,548	110,414	87,884
Miles Driven	550,925	571,279	448,267	412,270	443,900	438,003	404,497	347,841	342,391	257,190
<u>General</u>										
Building Permits Issued	3,233	2,916	2,124	1,485	894	908	871	895	1,573	1,907
Building Inspections Conducted	28,532	26,658	19,513	15,687	10,849	7,486	5,812	5,432	7,605	9,574
Land Use Actions	491	405	333	370	229	210	202	75	65	102

Source: Lake Havasu City, Arizona departments.

**LAKE HAVASU CITY, ARIZONA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Public Safety</u>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units										
Cars	30	32	38	34	37	37	37	40	34	42
Boats	4	4	4	4	4	4	5	3	3	3
Quads/UTV	6	6	6	6	7	7	5	5	5	5
Fire:										
Stations	5	6	6	6	6	6	6	6	6	6
Apparatus										
Fire Trucks	10	11	12	10	11	11	11	11	11	16
Vehicles	23	22	21	21	27	24	23	23	23	23
Boats	1	1	2	2	1	1	1	1	1	1
<u>Highways and Streets</u>										
Streets (Miles)	424.5	425.0	426.0	428.0	428.0	428.0	435.0	435.0	435.0	435.0
Streetlights	84	84	84	84	84	84	84	84	84	84
Traffic Signals	12	12	12	12	12	12	13	13	13	13
<u>Culture and Recreation</u>										
Parks Acreage	77.3	85.0	108.7	123.7	125.0	125.0	125.0	125.0	125.0	130.0
Parks Acreage - Sara Park	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082
Parks	6	10	14	15	15	15	15	15	15	15
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Water Launching Facility	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1	1
<u>Water</u>										
Water Mains (Miles)	498.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0
Installed Meters	26,417	27,789	28,097	27,983	27,826	29,304	28,068	31,108	31,338	31,543
Fire Hydrants	n/a	2,645	2,684	2,684	2,695	2,708	2,708	2,708	2,676	2,676
Available Acre Feet	25,180	25,180	25,180	25,180	27,319	21,271	28,318	28,318	28,318	28,318
<u>Sewer</u>										
Sanitary Sewers (Miles)	165.0	175.3	203.4	237.8	267.0	292.4	352.9	352.9	352.9	352.9
<u>Transportation</u>										
Transit Buses	19	19	15	16	18	19	19	23	21	17
<u>Airport</u>										
Enclosed Hangars	78	78	78	101	78	78	78	78	78	78
Shade Ports	27	27	27	25	16	16	16	16	16	16

Source: Lake Havasu City, Arizona departments.

**LAKE HAVASU CITY, ARIZONA
MISCELLANEOUS STATISTICS
JUNE 30, 2014**

Date of Incorporation	October 2, 1978
Form of Government	Council-Manager
Area	46 square miles
Education	
Number of Schools:	
Public Elementary	6
Public Middle School	1
Public High School	1
Alternative Schools	3
Private	2
Charter Schools	2
Community College (Mohave)	1
State University (NAU)	1
State University (ASU)	1
Number of Students	
L.H.C. Unified School District	5,561
Alternative	98
Private	155
Charter	758
Community College (MCC)	2,254
State University (NAU/ASU)	237
Employees as of June 30, 2014	
Full-Time	412
Part-Time	242
Elected Officials	7
Total Payroll Wages for Fiscal Year 2014	\$ 26,975,587
Elections	
Last Municipal General Election - November 2012	
Number of Registered Voters	31,682
Number of Votes Cast	22,508
Percentage of Registered Voters	71.04%
Last Municipal Primary Election - August 2012	
Number of Registered Voters	30,585
Number of Votes Cast	9,470
Percentage of Registered Voters	30.96%
At the time of incorporation	
Number of Registered Voters	6,053
Active Business Licenses	4,427
Economy:	
Number of Annual Visitors (Estimate by the Convention and Visitors Bureau)	750,000
Lake Havasu City Municipal Airport (2013 Arizona Airport of the Year)	
Fixed Based Operators	3
Runway Length (in Feet)	8,001

**LAKE HAVASU CITY, ARIZONA
MISCELLANEOUS STATISTICS
JUNE 30, 2014**

Population

Census Population Count (Calendar Year)

2013***	52,908
2012***	52,720
2011***	52,406
2010**	52,527
2009*	55,502
2008*	55,429
2007*	55,263
2006*	54,610
2005*	53,435
2004*	51,700
1990**	24,363
1980**	15,926

*Arizona Department of Economic Security

**United States Census

***Arizona Office of Employment and Population Statistics

2010 Census Information:

Age Distribution of Population

1-4 Years	2,354	4.5%
5-19 Years	8,079	15.4%
20-29 Years	4,578	8.7%
30-44 Years	7,530	14.3%
45-64 Years	15,878	30.2%
65+ Years	14,108	26.9%
	<u>52,527</u>	100.0%

Median Age	51.0
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Median Household Income	\$	44,635
Per Capita Income (2014)		26,852

2010 Census information available at the following websites:

<http://factfinder2.census.gov>

Median Age / Median Household Income / Per Capita Income :
Demographics Now Estimates