

**LAKE HAVASU CITY, AZ**  
**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**  
**For the Year Ended June 30, 2011**



PHOTOS COURTESY OF DIANE LOWERY-BINNIE

Lake Havasu City, Arizona  
**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended June 30, 2011

**CITY COUNCIL**

**Mark S. Nexsen**  
Mayor

**Don Callahan**  
Vice Mayor

**Dean Barlow**  
Councilmember

**Lee Barnes**  
Councilmember



**Sonny Borrelli**  
Councilmember

**David McAtlin**  
Councilmember

**Margaret Nyberg**  
Councilmember

**CITY STAFF**

**Charlie Cassens**  
City Manager

*Finance Department staff responsible for CAFR presentation*

**Valerie Fenske, CPA**  
Finance Director

**Sharon Lawrence**  
Accounting Manager

**LAKE HAVASU CITY**

[www.lhcaz.gov](http://www.lhcaz.gov)

2330 McCulloch Boulevard N.

Lake Havasu City, AZ 86403

(928) 855-2116

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**LAKE HAVASU CITY, ARIZONA  
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# **INTRODUCTORY SECTION**

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# LAKE HAVASU CITY

## FINANCE DEPARTMENT

November 16, 2011

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

The 2011 Comprehensive Annual Financial Report (CAFR) of Lake Havasu City, Arizona (City) for the fiscal year ended June 30, 2011, 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 control 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., Certified Public Accountants, has issued an unqualified (“clean”) opinion on the City’s financial statements for the year ended June 30, 2011. 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 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 trusteeships of bonded debts and a sanitary district. 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 44 square miles and serves a population of approximately 52,527 (2010 United States Census). 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 the 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, transit services, 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 jail services, animal control, 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, government, marine industry and retirement sector, although efforts are in place to further diversify the local economy. The City has benefited in the past from steady growth in these areas but has experienced declines beginning in fiscal year 2006-07 and which have continued throughout fiscal year 2010-11, mirroring the national and state economic climate. Construction and retail have exhibited the heaviest downturn and have impacted the City's related sales tax revenues. The City is faced with balancing the declining revenue sources with many critical growth and expenditure issues, but is committed to finding innovative solutions for the future.

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 that the protection and acquisition of public shoreline access, preservation of sensitive lands, renovation of the London Bridge, building the Freedom Bridge (the second bridge to the Island), development of the Bridgewater Channel, development of a mainland marina and golf course, four-year university and revitalization of downtown Mainstreet are critical to the economic well-being of the community. In response to these needs the City revised the General Plan Update and Future Land Use Plan in September 2008 to include regional development plans as identified by the Regional/Urban Design Assistance Team (R/UDAT) for establishing special purpose zoning districts to revitalize the City.

### 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 decreased slightly during the year. Issuance of new single-family housing permits decreased 16% from the previous year's total of 87 to a total of 73 in fiscal year 2010-11. Since fiscal year 2006-07, single-family housing permits have averaged 125 per year. This decline is caused, in part, by the abundance of housing on the market due to foreclosures and bankruptcies. The decrease in the total number of permits issued has also reflected a decrease in estimated building valuation from \$15,198,799 in 2009-10 to \$13,809,503 in 2010-11, representing a 9% decrease.

New commercial building permits decreased 40% from the previous year with 3 commercial building permits in fiscal year 2010-11 as compared to 5 permits in fiscal year 2009-10. Actual permits decreased significantly, as did the average commercial permit value in fiscal year 2010-11. In fiscal year 2010-11 the average commercial permit was valued at \$474,766 representing a decrease of 42% over the previous year's estimated average valuation of \$818,691. Commercial addition permits increased 3% in fiscal year 2010-11, with 80 permits compared to the previous fiscal year's permits of 78. Commercial addition valuations in fiscal year 2010-11 averaged \$66,355, an increase of 72% when compared to the fiscal year 2009-10 average valuation of \$38,481. Overall the trending follows the state and national economic conditions related to the construction industry, which should start a gradual recovery once the housing market stabilizes, the recession comes to an end and the need to accommodate growth develops.

it has slowed due to the shake up of the mortgage industry and the excess supply of existing housing. The projected build-out population figure for the City is estimated at 96,000. Potential constraints to achieving the population build-out figure include water availability, land transfers from public to private use, and infrastructure costs.

The significant developments currently underway or scheduled to begin in fiscal year 2011-12 are:

Commercial:

- **Agave Business Park** – This will be a three phase 84-acre industrial park located south of the airport. The property will be subdivided to allow for light industrial uses. The first phase of the industrial park is complete, including infrastructure. The second tenant is scheduled to occupy one of the largest lots and will begin construction in late fall of 2011. They also have an option on one additional lot for future expansion. The first park tenant is presently on hold pending new financial arrangements with their banking partner. They are currently at a rental facility and have continued to grow their business at that location for the time being.
- **Nautical Inn** – The Nautical Inn has completed the zoning approval process to allow for the expansion of an additional 188 residential units, new pool area, reservation building, convention center and boat storage building. Phase I has been completed and includes a new pool area and administration building.
- **Old Wal-Mart facility** – The vacant Wal-Mart building has been redeveloped and divided into four store fronts. One is occupied by a Hobby Lobby retail store and is currently under additional renovation during fiscal year 2011-12 to include a 99 Cent store and a Tuesday Morning retail location. One storefront remains vacant.
- **Old Basha's Center** – The Basha's Center is currently under renovation and will be occupied in fiscal year 2011-12 by a Ross Dress for Less retail store and a Dollar Tree retail location.

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 95% developed. Phase II has infrastructure in place, a community building and pool area completed with 5% residential completed. Phase III has infrastructure in place and lots available for sale. Phase IV "Mesquite Bay" has infrastructure in place and lots available for sale.

- **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, 23.4 acres – single family, 18.9 acres – townhouses, 15 acres – park parcel, 13.8 acres patio homes, 11.6 acres – dual homes for a total of 400 units. Residential element is approximately 6% 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 a decline with an average unemployment rate of 8.3%, as reported by Arizona Department of Economic Security. This rate increased as compared to last year's average rate of 8.1% in June 2010. The City's unemployment rate is currently lower than the state and the national average due to a slight increase in retail and construction over the prior fiscal year. The state's employment and job growth continue to reflect recessionary levels as experienced nationally. In June 2011 the state's average unemployment rate was 9.3%, down from 9.8% from the prior year. The national unemployment average in June 2011 was 9.3%.

Lake Havasu City had no new major employers recruited to the area during fiscal year 2010-11. The average annual salary is \$26,539. The City is looking forward to attracting new employers in the service, retail, and manufacturing industries. The regional mall is expected to continue to provide new positions for the area and the major vacated commercial properties are currently in remodel stages for new businesses establishing in fiscal year 2011-12. The City is also working with a major developer to revamp the English Village, which is adjacent to the London Bridge, to create a Channel River Walk District with a Commercial and Residential Planned Development.

### ***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. The financial position of the City at the close of fiscal year 2010-11 reflected higher than expected reserves. The City took drastic measures back in fiscal year 2008-09 by making major cuts in operating expenditures, some of which included: non-essential operating expenditure cutbacks; 5% reduction of all salaries; reduction in workforce; elimination of vacant positions; along with other reductions to employee benefits. This budget strategy continued into fiscal year 2010-11, 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 2011-12 budget and continually analyzes and revises the City's fee schedules. These changes should allow the City to weather the 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).

In order to provide flexibility to respond to unanticipated revenue decreases or unexpected expenditures, the City maintains a "Contingency Fund" of 5% of the average actual fund revenues for the preceding five fiscal years in the General Fund, Irrigation & Drainage District Fund (operating and maintenance only), Wastewater Fund (operating and maintenance only) and the Highway Users Revenue Fund. The City's Fiscal Sustainability Policy outlines the requirements for fund balance levels. Additional information regarding fund balance levels are addressed in the accompanying Notes to the Financial Statements (Note 1 D.11.).

The City is shifting from a “pay as you go” philosophy for capital infrastructure to increase reserves and to stay in compliance with the State’s expenditure limits by researching the best financing options for required infrastructure and operating capital outlay. In fiscal year 2006-07 the City implemented impact fees for acquisition and construction of a second bridge to the Island and in 2007-08 Council approved implementation of impact fees for future infrastructure and equipment needs of police, fire, parks, transportation, and general administration that went into effect beginning in fiscal year 2008-09. The collection of future impact fees was repealed by Council on October 11, 2011. The fees collected to date will be used to fund a portion of the designated projects for infrastructure and equipment costs only, not operating costs.

### ***Major Initiatives***

During fiscal year 2010-11 the City moved into program year nine of the \$463 million sewer expansion project, which voters approved in November 2001. The project calls for expanding the existing collection system by contracting and installing 390 miles of gravity sewer lines, 400 miles of gravity sewer laterals, 9,700 sewer manholes, 17 miles of sewer force main, 75 pumping stations, decommissioning over 24,000 individual onsite septic systems (90% of the residential units), building a new treatment plant with a capacity of 14 million gallons per day, upgrading two existing treatment plants to treat an additional 1.1 million gallons per day or 4.7 million gallons per day total, and developing reuse/disposal facilities.

The construction project, which began in October 2002, will be completed by the end of fiscal year 2011-12 and is being financed by voter-approved borrowing authority. The project is funded from a combination of financing secured through the Water Infrastructure Financing Authority (WIFA) of Arizona and Greater Arizona Development Authority (GADA). The debt service periods range from twenty to thirty years to keep debt payments level and is currently funded through user rate charges. The City applied for federal assistance for the project and received \$1.4 million toward the project in fiscal year 2007-08. The City also received \$2 million of forgivable American Recovery and Reinvestment Act (ARRA) awards through WIFA for the project. In fiscal year 2010-11 the City was awarded an additional \$8.2 million of federal funds for principal forgiveness on WIFA funding for the final phase of the expansion project.

The City partners with the Colorado River Regional Sewer Coalition (CRRSCo) to bring legislators aware of the financial burden of protecting and enhancing the Colorado River through the improvement of wastewater management practices to ensure high quality water for all users. This effort has proven to be valuable in generating awareness and funding assistance for the City’s wastewater expansion program.

During fiscal year 2010-11 the City completed approximately 4,219 new connections to sewer, bringing the total new connections to 20,350 at the end of fiscal year 2010-11.

The City was in the research and development stages of other major projects during 2010-11. These projects are the Freedom Bridge and Park, Havasu 280 - a planned development to include a four-year university and a performing arts and cultural center and the Water Treatment Plant Capacity increase.



### ***Awards and Acknowledgements***

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, 2010. This was the 24th 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 the fiscal year beginning July 1, 2010 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and we expect to receive this award again for the fiscal year beginning July 1, 2011.

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Finance Department and Accounting 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  
Finance Director



Sharon Lawrence  
Accounting Manager

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# 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, 2010

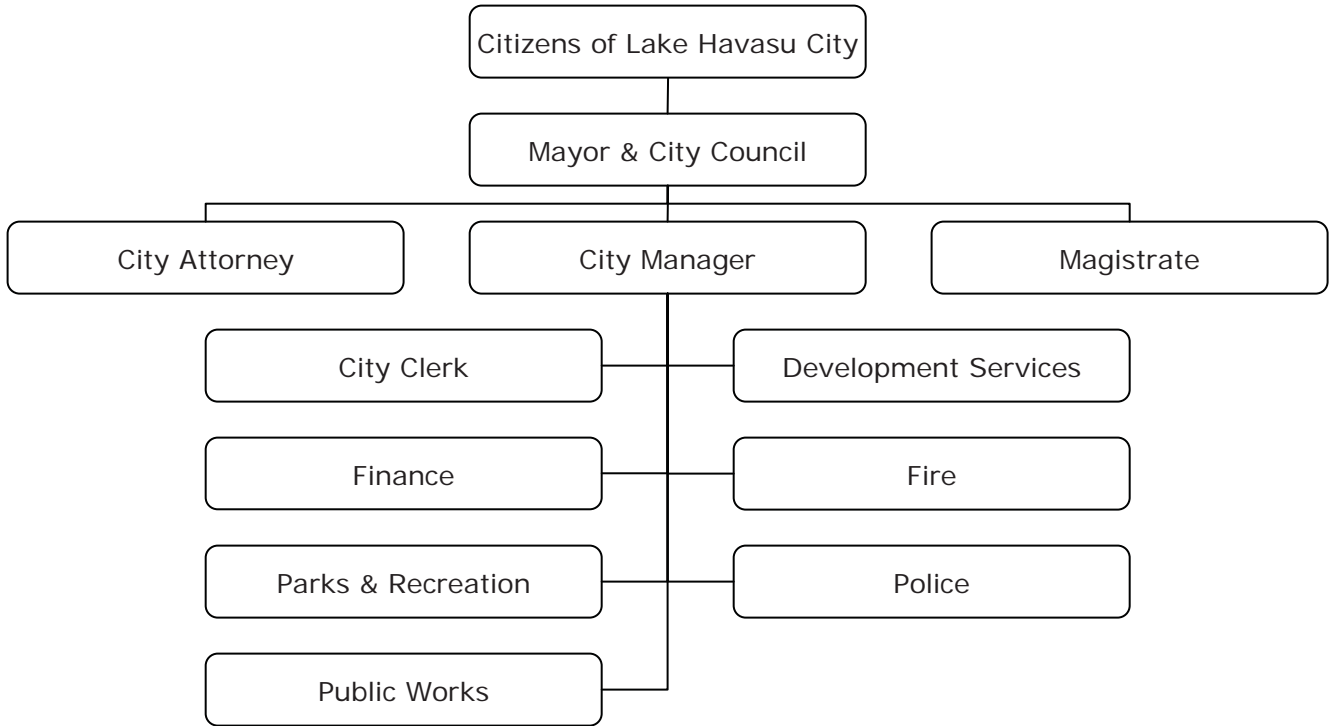
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## ORGANIZATIONAL CHART



### **MANAGEMENT STAFF**

Charlie Cassens, City Manager

### **DEPARTMENT DIRECTORS**

W. Mark Clark, Public Works Director

Larry Didion, Development Services Director

Dan Doyle, Police Chief

Valerie Fenske, Finance Director

Kelly Garry, Interim City Attorney

Mitchell Kalauli, Magistrate

Dennis Mueller, Fire Chief

Carla Simendich, City Clerk

Bart Wagner, Parks & Recreation Director

**MAYOR & CITY COUNCIL**



**Mark S. Nexsen**  
**Mayor**

Term Expires 11/2014



**Don Callahan**  
**Vice Mayor**

Term Expires 11/2012



**Sonny Borrelli**  
**Councilmember**

Term Expires 11/2014



**Dean Barlow**  
**Councilmember**

Term Expires 11/2012



**David McAtlin**  
**Councilmember**

Term Expires 11/2014



**Lee Barnes**  
**Councilmember**

Term Expires 11/2012



**Margaret Nyberg**  
**Councilmember**

Term Expires 11/2014

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# FINANCIAL SECTION

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HEINFELD, MEECH & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Havasu City, Arizona (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Havasu City, Arizona, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and HURF Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 37 and Public Safety Personnel Retirement Systems and Other Post Employment Benefit Schedules of Funding Progress on pages 84 through 86 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information such as 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

*Heinfeld, Meech & Co., P.C.*

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

November 16, 2011

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

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, 2011. 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.

**Financial Highlights**

- The City's total net assets increased by \$23.1 million (7.0 percent) in fiscal year 2010-11.
- The assets of the City exceeded liabilities at the close of fiscal year 2010-11 by \$351.0 million (net assets). Governmental funds reflected \$119.6 million of net assets and \$231.4 million were in business-type activities. Of this amount, \$113.1 million is unrestricted net assets, (\$21.6 million in governmental funds, and \$91.5 million in business-type activities) and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's governmental funds reported combined ending fund balances of \$26.4 million, an increase of \$1.3 million (5.2 percent) in comparison with the prior fiscal year. The unassigned fund balance for the General Fund was \$8.6 million or 26.3 percent of total General Fund expenditures. See Note 1-Summary of Significant Accounting Policies in the Notes to the Basic Financial Statements regarding the Government Accounting Standards Board (GASB) Statement 54 change in governmental fund classifications.
- The City's total debt increased by \$26.6 million (9.0 percent) in fiscal year 2010-11.
- The business-type activities program revenues increased by \$6.7 million (16.2 percent) in fiscal year 2010-11, primarily due to the expanding customer base in the wastewater utility.
- General Fund revenues exceeded expenditures by \$2.0 million, a positive variance of \$5.4 million from the final budget in fiscal year 2010-11.

**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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets 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, 2011**

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused 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 and IDD Fund (water) 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.2 on page 55. Separate financial statements are not prepared for these component units.

The government-wide financial statements can be found on pages 40-41 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.

**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  
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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 nonmajor 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 42-47 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. Two of the City's enterprise funds, the IDD and Wastewater are considered major funds of the City. Individual fund data on the Refuse, 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, 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 48-51 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 52-53 of this report.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Notes to the basic financial statements.** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 55-82 of this report.

**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 84-86 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 90-110 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 Assets 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 assets may serve, over time, as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$351.0 million at the close of fiscal year 2010-11 and \$327.9 million at the close of fiscal year 2009-10.



**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Lake Havasu City, Arizona  
Condensed Statement of Net Assets  
June 30, 2011, and 2010  
(In millions of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2011	2010	2011	2010	2011	2010	
Current and Other Assets	\$ 38.3	\$ 39.1	\$105.7	\$ 97.0	\$144.0	\$136.1	5.8%
Capital Assets							
Non-depreciable	27.7	26.3	11.6	14.6	39.3	40.9	(3.9%)
Depreciable (net)	63.6	64.8	440.5	399.5	504.1	464.3	8.6%
Total Assets	129.6	130.2	557.8	511.1	687.4	641.3	
Other Liabilities	2.7	4.4	10.9	12.8	13.6	17.2	(20.9%)
Non-current Liabilities							
Due Within One Year	2.6	2.7	9.1	7.4	11.7	10.1	15.8%
Due in More Than One Year	4.7	5.0	306.4	281.1	311.1	286.1	8.7%
Total Liabilities	10.0	12.1	326.4	301.3	336.4	313.4	
Net Assets:							
Invested in Capital Assets, Net of Related Debt	87.7	86.7	139.9	128.6	227.6	215.3	5.7%
Restricted	10.3	12.6	-	-	10.3	12.6	(18.3%)
Unrestricted	21.6	18.8	91.5	81.2	113.1	100.0	13.1%
Total Net Assets	\$119.6	\$118.1	\$231.4	\$209.8	\$351.0	\$327.9	

By far the largest portion of the City's net assets in fiscal year 2010-11 and fiscal year 2009-10, \$227.6 million (64.8 percent) and \$215.3 million (65.7 percent), respectively, reflects its investment in capital assets, (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those 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 assets, in the amount of \$10.3 million (2.9 percent) in fiscal year 2010-11, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$113.1 million (32.2 percent) may be used to meet the government's ongoing obligations to citizens and creditors. In fiscal year 2009-10, \$12.6 million (3.8 percent) of the City's net assets were subject to external restrictions and \$100.0 million (30.5 percent) was available to be used to meet the government's ongoing obligations to citizens and creditors.

Business type net assets have increased overall by \$21.6 million (10.3 percent) primarily due to capital asset additions. Investment in capital assets, net of related debt increased \$11.2 million (8.7 percent) in fiscal year 2010-11 generally due to the additions of wastewater infrastructure for the sewer expansion project.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, 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 Assets**

The City's total net assets increased by \$23.1 million (7.0 percent) in fiscal year 2010-11 and by \$18.7 (6.1 percent) million during fiscal year 2009-10. These increases are explained in the government and business-type activities discussion and are primarily a result of budget restrictions that resulted in lower than projected expenditures. These budget restrictions were implemented to offset the recognized decline in sales tax revenue and charges for services at the start of the economic downturn and were continued in fiscal year 2010-11.



**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Lake Havasu City, Arizona  
Statement of Activities  
Fiscal Years Ended June 30, 2011, and June 30, 2010  
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2011	2010	2011	2010	2011	2010	
<b>REVENUES</b>							
Program Revenues:							
Charges for Services	\$ 3,534	\$ 3,800	\$ 34,264	\$ 30,806	\$ 37,798	\$ 34,606	9.2%
Operating Grants and Contributions	7,756	7,656	86	25	7,842	7,681	2.1%
Capital Grants and Contributions	3,265	3,672	13,548	10,373	16,813	14,045	19.7%
General Revenues:							
Property Taxes	4,136	5,106	4,460	3,237	8,596	8,343	3.0%
Business Taxes	14,379	13,979	-	-	14,379	13,979	2.9%
Other Taxes and State Shared Revenues	13,627	15,174	-	-	13,627	15,174	(10.2%)
Investment Earnings	188	253	266	201	454	454	0.0%
Other	374	334	-	-	374	334	12.0%
<b>Total Revenues</b>	<b>47,259</b>	<b>49,974</b>	<b>52,624</b>	<b>44,642</b>	<b>99,883</b>	<b>94,616</b>	
<b>EXPENSES</b>							
General Government	9,621	11,523	-	-	9,621	11,523	(16.5%)
Public Safety	22,373	22,049	-	-	22,373	22,049	1.5%
Highways and Streets	5,919	5,425	-	-	5,919	5,425	9.1%
Culture and Recreation	4,722	4,591	-	-	4,722	4,591	2.9%
Tourism and Promotion	1,390	1,357	-	-	1,390	1,357	2.4%
Transportation	1,462	1,821	-	-	1,462	1,821	(19.7%)
Interest on Long Term Debt Refuse	108	115	-	-	108	115	(6.1%)
	-	-	1,086	1,081	1,086	1,081	0.5%
Recreation/Aquatic Center	-	-	1,080	1,079	1,080	1,079	0.1%
Irrigation and Drainage	-	-	10,523	10,221	10,523	10,221	3.0%
Wastewater	-	-	17,162	15,206	17,162	15,206	12.9%
Airport	-	-	1,357	1,391	1,357	1,391	(2.4%)
<b>Total Expenses</b>	<b>45,595</b>	<b>46,881</b>	<b>31,208</b>	<b>28,978</b>	<b>76,803</b>	<b>75,859</b>	
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	<b>1,664</b>	<b>3,093</b>	<b>21,416</b>	<b>15,664</b>	<b>23,080</b>	<b>18,757</b>	<b>23.0%</b>
Transfers	(154)	(1,877)	154	1,877	-	-	
<b>CHANGE IN NET ASSETS</b>	<b>1,510</b>	<b>1,216</b>	<b>21,570</b>	<b>17,541</b>	<b>23,080</b>	<b>18,757</b>	
Net Assets - Beginning of Year	118,094	116,878	209,835	192,294	327,929	309,172	6.1%
<b>Net Assets - End of Year</b>	<b>\$ 119,604</b>	<b>\$ 118,094</b>	<b>\$ 231,405</b>	<b>\$ 209,835</b>	<b>\$ 351,009</b>	<b>\$ 327,929</b>	

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

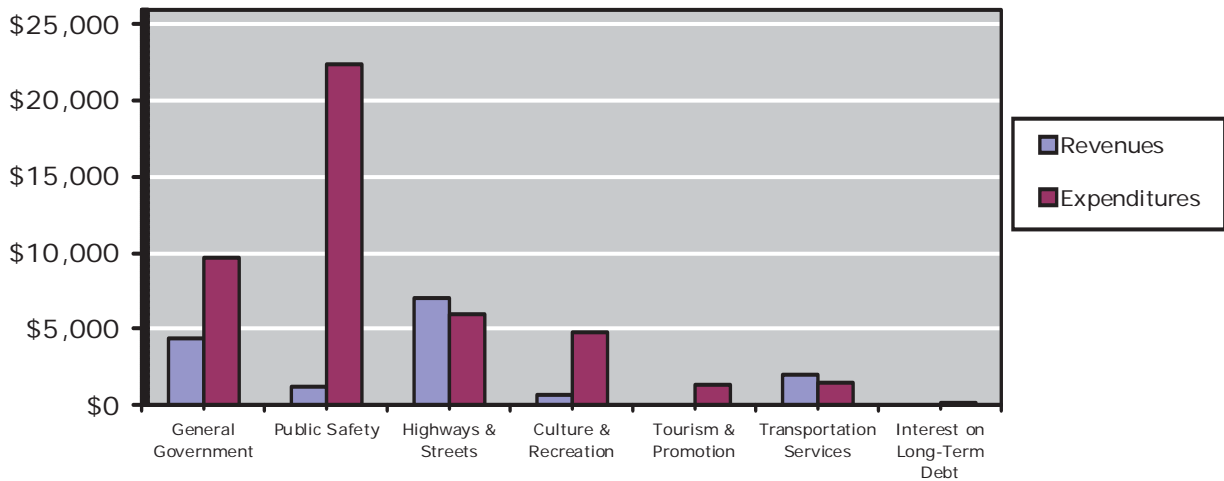
**Governmental activities.** Governmental activities increased the City's net assets by \$1.5 million (1.3 percent) in fiscal year 2010-11, as compared to the fiscal year 2009-10 increase of \$1.2 million (1.0 percent of total growth). Key elements of this increase are as follows:

- Total expenses decreased \$1.3 million (2.7 percent) due to a combination of factors. The majority of the decrease in fiscal year 2010-11 was realized in General Government (\$1.9 million, 16.5 percent) but was offset by increases in Public Safety, Highways and Streets and Culture and Recreation totaling \$948,741. This overall decrease in expenses in General Government were due to the continuing budget strategy that began in fiscal year 2008-09 and included reductions in workforce, salary freezes, postponement of vehicle rents to the replacement fund and other cost saving measures to minimize the change in net assets for the fiscal year. In fiscal year 2009-10, total expenses had decreased \$5.1 million (9.9 percent). This was the first complete fiscal year to reflect the budget reductions mentioned above. The majority of the decreases were reflected in Public Safety (\$2.1 million, 8.5 percent), Highways and Streets (\$1.8 million, 24.8 percent), and Culture and Recreation (\$1.0 million, 17.4 percent).
- Transfers out from the governmental funds to enterprise funds decreased in fiscal year 2010-11 by \$1.7 million (91.8 percent) from fiscal year 2009-10. This decrease in transfers is due primarily to elimination of the General Fund transfer to Wastewater for the wastewater system expansion in the amount of \$2.3 million. Transfers out from the governmental funds to enterprise funds in fiscal year 2009-10 decreased by \$2.0 million (51.9 percent) over the prior year. This decrease was due primarily to an increase in transfers from enterprise funds for general government capital projects (\$719,593), the elimination of the operating subsidy to Airport (\$298,000) and a reduction to the operating subsidy to Aquatic (\$215,000). The \$3 million transfer from General Fund to Wastewater for the wastewater system expansion was reduced by \$750,000 in fiscal year 2009-10 as well.
- Capital grants and contributions held steady with just a slight decrease of \$407,187 (11.1 percent) in fiscal year 2010-11. In fiscal year 2009-10 capital grants and contributions decreased \$3.4 million (48.2 percent). This change in fiscal year 2009-10 was due to the dedication of infrastructure in fiscal year 2008-09 in the amount of \$2.8 million from the regional mall developers, North Havasu Holdings, LLC. This was an unusual item.
- Business tax (sales tax) revenues increased \$400,262 (2.9 percent) in fiscal year 2010-11. Although this tax showed a small increase, the continued slow construction and retail activity from the economic downturn do not reflect a significant improvement. This economic condition continued from fiscal year 2009-10, which reflected a decrease of \$1.4 million (9.0 percent).
- Other taxes and state shared revenue decreased \$1.5 million (10.2 percent) during fiscal year 2010-11 and decreased \$1.8 million (10.7 percent) in fiscal year 2009-10. State shared revenues declining \$1.6 million (11.7 percent), reflecting the delay in timing from the economic recession and collection distribution as well as the allocation adjustment for other state shared revenues.
- In fiscal year 2010-11, property taxes decreased by \$1.0 million (19.0 percent) due to a decline in assessed values. There was an increase of \$230,427 (4.7 percent) in fiscal year 2009-10 due to the delay of the economic decline reflecting in the assessed property values.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

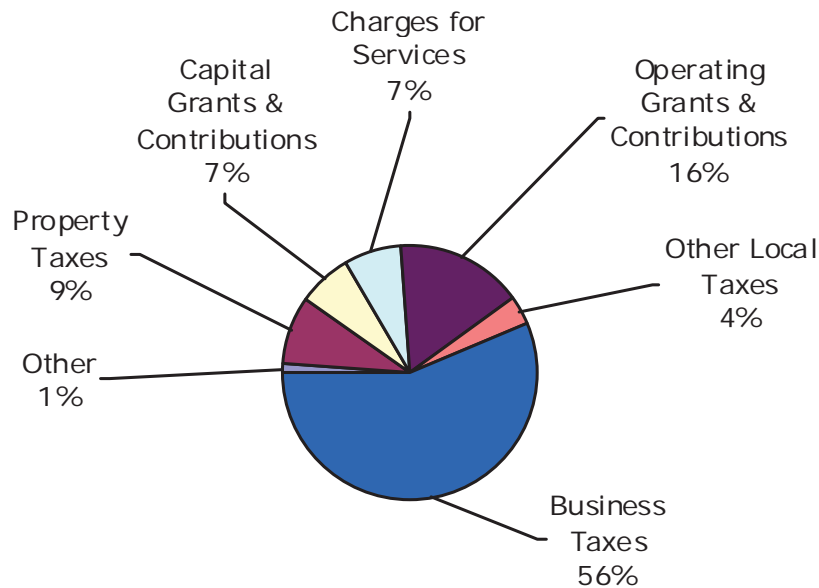
- Operating grants and contributions reflected no significant change in fiscal year 2010-11 (increase of \$99,392, 1.3 percent). In fiscal year 2009-10, operating grants and contributions reflected an increase of \$563,300 (7.9 percent). Most of the fiscal year 2009-10 increase related to one time federal operating grants for public safety programs.
- Total governmental revenues decreased overall by \$2.7 million (5.4 percent) in fiscal year 2010-11. As mentioned earlier, this decline in overall revenue was from collection of less property tax (\$1.0 million, 19.0 percent) and a reduction in state shared revenue (\$1.6 million, 11.7 percent). Total governmental revenues in fiscal year 2009-10 decreased overall by \$5.6 million (10.1 percent) while expenses decreased at a rate of 9.9 percent or \$5.1 million. The decrease in revenues in fiscal year 2009-10 was due to declining sales tax collections, reduced state shared revenue and a decrease in capital grants and contributions.

**Lake Havasu City, Arizona  
Program Revenues and Expenses  
Governmental Activities  
Fiscal Year 2010-11  
(in thousands of dollars)**



**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Lake Havasu City, Arizona  
Revenues by Source  
Governmental Activities  
Fiscal Year 2010-11**



**Business-type activities.** Business-type activities increased the City's net assets by \$21.6 million, accounting for 93.5 percent of the total growth in the government's net assets in fiscal year 2010-11. Key elements of the fiscal year 2010-11 increase are as follows:

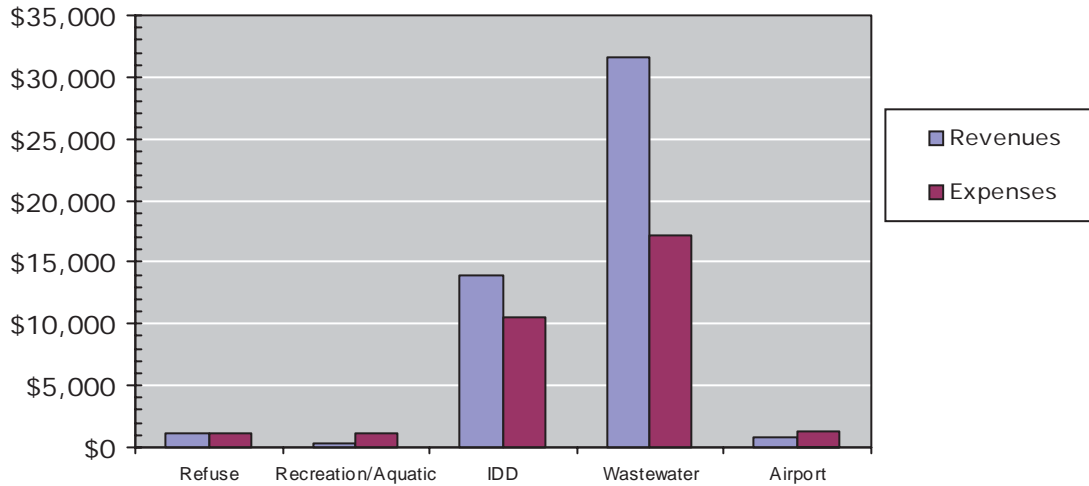
- Charges for services for business-type activities increased \$3.5 million (11.2 percent) overall during the year. Refuse, Recreation/Aquatic, and IDD realized very little change. However, Wastewater had an increase of \$4.4 million (26.2 percent) over last year. This increase is due to the increasing customer base from the ongoing wastewater system expansion project that was accelerated in fiscal year 2010-11. Airport realized a decrease of \$604,601 (53.7 percent) from the prior year due mainly to a sale of land in fiscal year 2009-10 in the amount of \$589,946. In fiscal year 2009-10, charges for services for business-type activities increased \$3.2 million (11.6 percent) overall. Refuse, Recreation/Aquatic, and IDD together realized slight increases totaling \$286,114 (2.3 percent) over prior year. Wastewater realized an increase of \$2.3 million (16.0 percent) over prior year. This increase was also due to the increasing customer base and a rate increase in April 2010. In fiscal year 2009-10 Airport realized an increase of \$590,826 (110.5 percent) over the prior year due to the sale of land.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

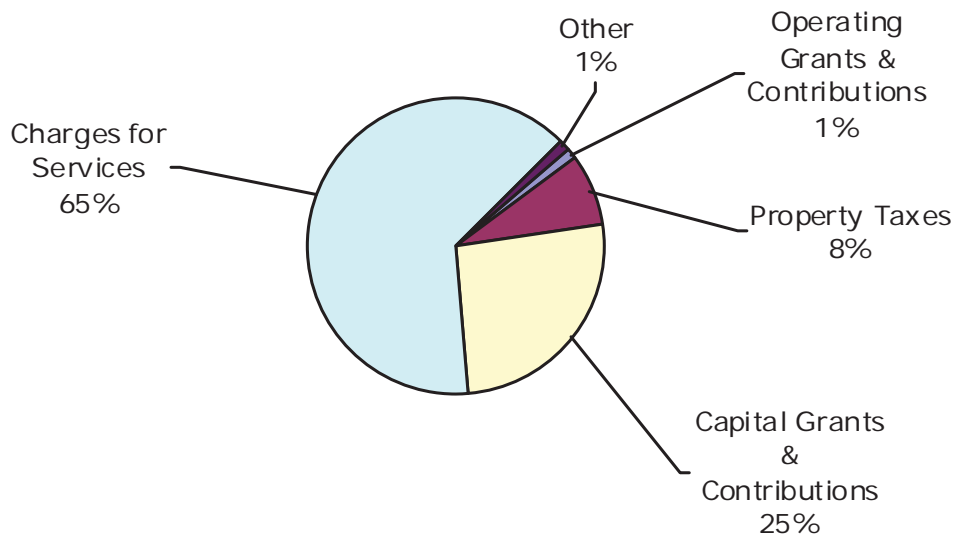
- Capital grants and contributions increased by \$3.2 million (30.6 percent) in fiscal year 2010-11. This increase can be attributed to a contribution in the form of a federal award in the amount of \$2.8 million as forgivable principal on a Water Infrastructure Financing Authority (WIFA) loan for construction costs associated with water line replacements. Contributions in the form of treatment capacity fees for new connections to the sewer system in fiscal year 2010-11 increased by \$477,393 or 4.8 percent due to acceleration of the sewer expansion project. In fiscal year 2009-10 capital grants and contributions increased by \$3.3 million (45.9 percent). Much of this increase was attributed to contributions in the form of treatment capacity fees for new connections to the sewer system in fiscal year 2009-10 and \$2.0 million forgivable principal on a WIFA loan received from an American Recovery and Reinvestment Authority grant.
- Property taxes reflected an increase of \$1.2 million (37.8 percent) in fiscal year 2010-11. This increase is due to a higher per acre tax for the IDD. In fiscal year 2009-10 property taxes brought an increase of \$1.1 million in revenues (51.7 percent). This increase was also due to a higher per acre tax for the IDD during that fiscal year.
- In fiscal year 2010-11 total expenses reflected an increase of \$2.2 million (7.7 percent). The most significant change occurred in wastewater where expenses increased by \$2.0 million (12.9 percent) due to an increase in operating and maintenance costs associated with the sewer system expansion and an increased customer base. In fiscal year 2009-10 total expenses reflected a decline of \$1.3 million (4.4 percent). Refuse realized an increase of \$293,051 (37.2 percent) due to higher administrative costs for services provided by governmental funds. IDD realized a decline in expenses of \$1.6 million (13.9 percent). Airport had a decrease in expenses of \$247,178 (15.1 percent). Recreation/Aquatic, IDD and Airport all had reductions in staff as well as budget restraints in fiscal year 2009-10, as mentioned previously. Wastewater expenses continued to increase by \$428,992 (2.9 percent), as cutbacks did not completely offset the increasing costs of an expanding customer base.
- Transfers in from governmental funds decreased by \$1.7 million (91.8 percent) due to the elimination of the general fund transfer to wastewater in fiscal year 2010-11 to subsidize the sewer expansion project. This transfer was stopped mid-year in 2010-11. Transfers decreased \$1.4 million (21.3 percent) overall in fiscal year 2009-10 due mainly to the \$2.0 million decrease in transfers from the governmental funds (51.9 percent) subsidy for enterprise fund capital projects that were scaled back in an attempt to preserve the General Fund balance until such time as an economic recovery can be relied upon for the long-term outlook.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Lake Havasu City  
Program Revenues and Expenses  
Business-Type Activities  
Fiscal Year 2010-11  
(in thousands of dollars)**



**Lake Havasu City  
Revenues by Source  
Business-Type Activities  
Fiscal Year 2010-11**



**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**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 2010-11, the City's governmental funds reported combined ending fund balances of \$26.4 million, an increase of \$1.3 million (5.2 percent) in comparison with prior fiscal year 2009-10, which reflected combined ending fund balance of \$25.1 million, an increase of \$6.0 million (31.5 percent) over fiscal year 2008-09. In fiscal year 2010-11 the City implemented Government Accounting Standard Board (GASB) Statement No. 54, which required that fund balance be categorized to focus on the extent to which the government is bound to honor constraints on the specific purpose for which amounts in the fund can be spent. Of the fiscal year 2010-11 fund balance of \$26.4 million, \$578,006 (2.2 percent) is nonspendable, the portion of net resources that cannot be spent because of their form (inventory, prepaids). Approximately \$10.2 million (38.5 percent) is restricted in its use by externally enforceable limitations. The committed fund balance of \$3.9 million (14.6 percent) is limited for use on certain expenditures through formal action of the Council. Approximately \$3.2 million (12.1 percent) is assigned for use by management for specific intentions and \$8.6 million (32.6 percent) is unassigned and available for use at the government's discretion.

At the end of fiscal year 2009-10, the City's governmental funds reported combined ending fund balances of \$25.1 million, an increase of \$6.0 million (31.5 percent) in comparison with the prior fiscal year. Approximately \$24.4 million (97.3 percent) of fiscal year 2009-10 balance constituted unreserved, undesignated fund balance, which was available for spending at the government's discretion. This balance does not reflect restrictions, commitments or intended use of fund balance as reflected in fiscal year 2010-11.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2010-11, total fund balance reached \$13.0 million. Of that fund balance, \$461,612 (3.6 percent) is nonspendable, \$8,663 (0.1 percent) is restricted, \$1.2 million (9.2 percent) is committed, \$2.7 million (20.8 percent) is assigned and \$8.6 million (66.3 percent) is unassigned. At the end of fiscal year 2009-10 unreserved, undesignated fund balance of the General Fund was \$12.0 million, while total fund balance reached \$12.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both spendable fund balance and total fund balance to total fund expenditures. Spendable fund balance (\$12.5 million) for fiscal year 2010-11 represents 38.2 percent of total General Fund expenditures, while total fund balance (\$13.0 million) represents 39.7 percent of that same amount. Unreserved, undesignated fund balance for fiscal year 2009-10 represented 37.2 percent of total General Fund expenditures, while total fund balance represented 38.7 percent of that same amount.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

The fund balance of the City's General Fund increased \$454,958 (3.6 percent) during fiscal year 2010-11. Key factors for this increase in fiscal year 2010-11 are:

- Overall total revenues in fiscal year 2010-11 reflected a decrease of \$2.3 million (6.2 percent). Expenditures increased by only \$401,271 (1.2 percent). In fiscal year 2009-10, revenues decreased \$2.8 million (7.0 percent) and the expenditures decreased \$6.8 million (17.4 percent). Revenues were expected to decrease both years but the City was successful in offsetting this decrease to still realize a positive net change in fund balance.
- Intergovernmental revenues reflected the largest decrease of \$1.6 million (11.3 percent) due to a decline in state shared revenue. State shared revenues related to income tax have a delay of about 2 years in reflecting the true economic condition and resulting distribution from the state. Fiscal year 2009-10 was the first year to reflect the full impact of that delay. Fiscal year 2009-10 reflected a decrease of \$1.5 million (9.8 percent).
- All other major revenues (taxes, licenses and permits, fines and forfeitures, charges for services) stayed fairly level in fiscal year 2010-11. In fiscal year 2009-10 licenses and permits increased \$200,948 (20.2 percent) due to rate increases and a slight increase to building permit activity. Sales tax revenue decreased \$1.4 million (10.0 percent) in fiscal year 2009-10. This revenue source was affected by the continued downturn in the construction and retail industry.
- There were no significant changes in expenditures for any one function to note in fiscal year 2010-11 as the most drastic expenditure cuts took place in fiscal year 2009-10. In fiscal year 2009-10 public safety expenditures for police and fire combined decreased in total by \$4.2 million (17.4 percent). Culture and recreation reflected a decrease in expenditures of \$1.3 million (23.9 percent). General government expenditures also decreased \$1.4 million (14.0 percent) in fiscal year 2009-10. The decrease in fiscal year 2009-10 and the continued level of expenditures in 2010-11 was again the result of the budget reduction strategies implemented, as mentioned earlier, including reducing recreation programs and hours of operation.
- A decrease of \$1.8 million (53.3 percent) is reflected in transfers out from the General Fund in fiscal year 2010-11. This was due to the reduction of capital projects after management implemented the budget reductions, therefore reducing the subsidies to the enterprise and capital project funds. This strategy was used to keep the general fund with a positive and growing fund balance. In fiscal year 2009-10 total transfers out decreased by \$2.1 million (37.9 percent) from the prior fiscal year with the same intent to preserve the general fund balance.

The HURF fund, which accounts for the City's highways and streets activities, had a net increase in fund balance of \$599,741 (27.1 percent) over fiscal year 2009-10. Revenues remained level with no notable change while expenditures increased \$607,410 (15.9 percent) due to regularly scheduled street repair contractual services. In fiscal year 2009-10, the net change in fund balance reflected an increase of \$1.5 million (220.2 percent) from prior fiscal year due to the budget reductions implemented during that fiscal year.



**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

The City's debt service fund has a total fund balance of \$193,152 which is restricted for the payment of debt service. The Debt Service Fund 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. Fund balance increased \$143,121 due to increased transfers from other governmental funds to cover the debt service payment due in July 2011.

The capital projects fund had an increase to fund balance of only \$315,586 as compared to fiscal year 2009-10, which showed an increase of \$3.0 million. Revenues decreased by \$265,318 (6.6 percent) while expenditures totaled \$3.3 million, an increase of \$2.2 million (181.8 percent) from fiscal year 2009-10. In fiscal year 2009-10 the capital projects had expenditures of \$1.2 million, representing a decrease of \$3.0 million (71.4 percent) from the prior year. In fiscal year 2010-11 the City moved forward as scheduled with needed capital projects.

**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 proprietary fund net assets reflected an increase of \$21.6 million (10.3 percent). The most significant increase occurred in Wastewater, showing an increase of \$16.7 million (14.5 percent) followed by the IDD with an increase of \$5.8 million (8.6 percent). Refuse, Recreation/Aquatic, and Airport realized a decrease totaling \$1.0 million (3.4 percent) for all non-major funds overall with no notable changes in revenue or expenses.

The change to net assets in Wastewater was due to an increase in operating revenues of \$4.4 million (26.3 percent) while operating expenses increased by only \$1.9 million (12.7 percent). The increase in revenues was due to increased charges for service revenues related to an expanding customer base due to the wastewater system expansion, as was the increase in expenses for maintaining a system with more connections. In fiscal year 2009-10 the Wastewater Fund had a \$2.3 million increase (15.9 percent) in operating revenue and kept constant expenses. The increase in revenues was again due to the increased customer base from the wastewater system expansion in fiscal year 2009-10.

The increase to IDD's net assets in fiscal year 2010-11 was due to an increase of revenue of \$3.8 million over fiscal year 2009-10. Property taxes increased by \$1.2 million (37.8 percent) due to the increase in the per acre tax on assessed property value. Intergovernmental revenues increased by \$2.9 million (11519.3 percent) due to the federal funding of \$2.8 million of forgivable principal awarded on a WIFA loan used for water line replacements. In fiscal year 2009-10 the increase to IDD's net assets was a result of operating expenses decreasing by \$1.7 million (14.3 percent) due to budget reductions.

Net assets invested in capital assets net of related debt increased by \$9.1 million (20.5 percent) in Wastewater and \$2.7 (4.4 percent) in the IDD. This increase is due to capital asset activity exceeding debt activity. These increases can be attributed to the wastewater system expansion project and the water line replacements constructed in conjunction with the sewer expansion project.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

Unrestricted net assets in fiscal year 2010-11 for the IDD were \$9.9 million, up \$3.2 million (47.1 percent) over fiscal year 2009-10. Unrestricted net assets in Wastewater were \$77.7 million, up \$7.5 million (10.7 percent). Refuse Fund unrestricted net assets were \$3.7 million, down \$237,478 (6.0 percent). Unrestricted net assets in fiscal year 2009-10 for the IDD were \$6.7 million, the Wastewater Fund were \$70.2 million, Airport Fund were \$255,742, Refuse Fund were \$4.0 million, and Recreation/Aquatic Fund were \$25,917. The IDD realized an increase over prior year of \$2.2 million (48.1 percent) and Wastewater realized an increase of \$7.4 million (11.7 percent) also due to the replacement of water lines and the sewer expansion project.

The internal service funds total net assets decreased by \$50,894 (0.50 percent) in fiscal year 2010-11. The vehicle replacement fund, which accounts for the vehicle and equipment replacement program had unrestricted net assets of \$4.9 million, an increase over fiscal year 2009-10 of \$339,322 (6.5 percent). One of the budget reduction strategies was to extend the life of the City's vehicles and equipment and forego the rental charges that provide the operating revenue to the vehicle replacement fund for another year. The only major expense to this fund, which caused the decrease in total net assets, was the depreciation on capital assets purchased in prior years. In fiscal year 2009-10 net assets totaled \$5.2 million, which reflected a decrease from the prior year of \$206,717 (3.8 percent). The only notable expense in fiscal year 2009-10 was depreciation.

The Employee Benefit Trust Fund (EBT) is used to account for the City's limited risk self-insurance program for employee and dependent medical care. The EBT had unrestricted net assets of \$5.5 million, an increase of \$288,428 (5.5 percent) from fiscal year 2009-10's balance of \$5.2 million. Premium revenues increased \$575,604 (10.1 percent) due to a rise in premium costs for coverage. Operating expenses were \$6.1 million in fiscal year 2010-11, reflecting no change from fiscal year 2009-10.

***Fiduciary Funds***

The City maintained a Fiduciary Fund for the assets of the Paid-On-Call (POC) Firefighters Pension Fund. The POC Fund manages the investments held in trust on behalf of the participants in the plan. This fund was completely liquidated in fiscal year 2010-11. Additional information can be found in the Notes to the Basic Financial Statements on page 79.

**General Fund Budgetary Highlights**

During the year there were no changes in appropriations between the original and final budget of the General Fund in fiscal year 2010-11.

Total revenues reflect a positive variance to budget in the amount of \$1.4 million (4.2 percent) for fiscal year 2010-11. In fiscal year 2009-10 revenues reflected a negative variance of \$1.6 million (4.2 percent). This was due mainly to the ongoing decline in sales tax revenue from a slow construction and retail industry which began in fiscal year 2007-08 and continued through 2009-10. The variance in fiscal year 2010-11 was due to conservative budgeting in anticipation of declining tax revenue and intergovernmental revenue due to the economic climate.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

The actual expenditures reflected a favorable variance to final budget in the amount of \$4.0 million, or 11.0 percent less than the total appropriations. This was due to a conscious effort by staff and management to adhere to budget restrictions. In fiscal year 2009-10 actual expenditures showed favorable variance to final budget in the amount of \$5.1 million (13.7 percent). Non-departmental expenditures were \$2.2 million less than anticipated primarily due to the savings of contingency budgeted for unplanned expenditures that was not needed in fiscal year 2010-11.

Tax revenues show a positive variance of \$794,739 between actual and final budget. This was due to an unanticipated increase in some sales tax collections from construction, tourism and retail activity.

The end of year actual fund balance to projected fund balance reflects an additional \$6.1 million due to the favorable variances in expenditures for fiscal year 2010-11. In fiscal year 2009-10 the projected fund balance reflected an additional \$5.7 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, 2011, totals \$543.3 million (net of accumulated depreciation). In fiscal year 2009-10, the capital asset investment was \$505.2 million, representing an increase of \$38.1 million (7.5 percent) in fiscal year 2010-11 and \$37.6 million (8.0 percent) in fiscal year 2009-10. This investment in capital assets includes land, buildings and improvements, other improvements, water rights, machinery and equipment, park facilities, roads, and highways. The total decrease in fiscal year 2010-11 for governmental activities was \$112,324, a 0.1 percent decrease. The total increase for business-type activities was \$38.0 million, or 9.2 percent increase. This increase was due mainly to the ongoing sewer expansion project. The total change in fiscal year 2009-10 for governmental activities was a decrease of \$4.3 million (4.5 percent) and an increase of \$41.8 million (11.2 percent) for business-type activities. This increase was also attributed to the sewer expansion project.

**Lake Havasu City, Arizona  
Capital Assets, Net of Depreciation  
June 30, 2011, and 2010  
(In thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2011	2010	2011	2010	2011	2010	
Land	\$ 26,301	\$ 25,539	\$ 3,288	\$ 3,288	\$ 29,589	\$ 28,827	2.6%
Improvements to Land	10,416	10,328	-	-	10,416	10,328	0.9%
Buildings, Structures & Improvements	15,213	14,530	26,864	27,736	42,077	42,266	(0.4%)
Other Improvements	-	-	409,984	367,598	409,984	367,598	11.5%
Equipment, Furniture & Fixtures	5,476	6,107	1,323	1,803	6,799	7,910	(14.0%)
Construction in Progress	1,376	790	2,102	5,113	3,478	5,903	(41.1%)
Infrastructure	32,464	33,840	-	-	32,464	33,840	(4.1%)
Water Allocation	-	-	8,476	8,535	8,476	8,535	(0.7%)
<b>Total</b>	<b>\$ 91,246</b>	<b>\$ 91,134</b>	<b>\$ 452,037</b>	<b>\$ 414,073</b>	<b>\$ 543,283</b>	<b>\$ 505,207</b>	

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

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

- The majority of the increase in capital assets was in the Wastewater Fund. Construction continued on the City's sewer system expansion project during fiscal year 2010-11. The increase to this fund's capital assets totaled \$39.8 million (12.4 percent). This total system cost included \$33.3 million for the expanded sewer connections, \$1.7 million for the Sweetwater/Hagen pump station, and the balance on various other projects of the Wastewater Fund.
- The remaining increases in the proprietary funds were mainly in the IDD, which had additions of \$2.3 million (3.5 percent). There was \$2.1 million added in waterline and service line replacements and \$1.1 million expensed on water tank rehabilitation.
- The governmental capital assets increased by only \$112,324. Although additions of \$2.3 million occurred, which included the purchase of land (\$725,454), Park improvements (\$442,976) and a modular Transit facility (662,877), depreciation on these and existing assets offset these costs to reflect the small increase in total governmental capital assets.

Additional information on the City's capital assets can be found in Note 3 A. 4. on pages 67-70 of this report.

**Long-term debt.** At the end of fiscal year 2010-11, the City had total bonded debt outstanding of \$314.1 million (net of related premium), an increase of \$26.9 million (9.4 percent). At the end of fiscal year 2009-10 the bonded debt totaled \$287.2 million. Of the fiscal year 2010-11 total bonded debt, \$125,000 are general obligation bonds backed by the full faith and credit of the IDD (water utilities), \$2.4 million are excise tax revenue bonds for the Freedom Bridge, \$251.2 million are loans from WIFA for the wastewater system expansion and water system improvements and \$60.4 million (net of related premium) is a loan from Greater Arizona Development Authority (GADA) also for the wastewater expansion. The remaining \$60,000 are improvement district bonds for the McCulloch Boulevard streetscape improvements at the request of the property owners.

During fiscal year 2010-11, the City received \$36.8 million from WIFA for wastewater capital improvements (\$33.9 million) and water capital improvements (\$2.9 million). The City received federal funding of \$2.8 million as forgivable principal on the WIFA water capital improvement loan. The City retired \$65,000 in special assessment debt, \$10,000 in general obligation bonds of the IDD, \$135,000 on the GADA excise tax bonds for the Freedom Bridge and \$9.7 million (net of related premium) in WIFA and GADA loans in the Wastewater Fund.

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, 2011, is \$42.7 million in the 6 percent capacity and (\$3.9) million in the 20 percent capacity. In fiscal year 2009-10, the 6 percent capacity limit was \$55.6 million and the 20 percent capacity limit was \$30.5 million. This deficit in available debt margin in fiscal year 2010-11 stems from the declining assessed property valuations from economic conditions and the issuance of additional debt for the sewer system expansion. Additional information on the debt limitations and capacities may be found on page 136 in the statistical section of this report. See Note 3 C. and D. on pages 71-74 to the financial statements for further information regarding capital leases and long-term bonds and loans.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Lake Havasu City, Arizona  
Outstanding Obligations  
June 30, 2011, and 2010  
(In thousands of dollars)**

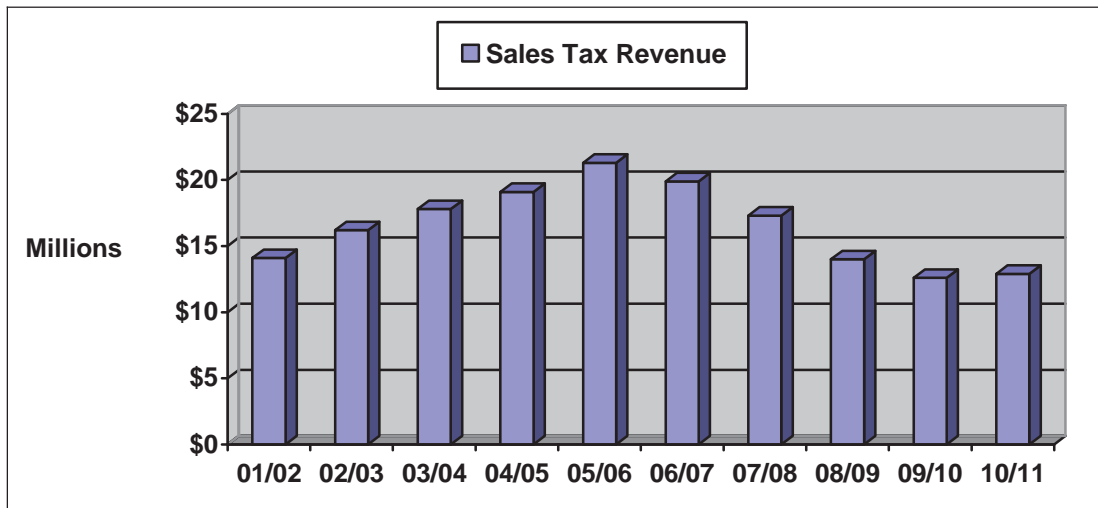
	Governmental		Business-Type		Total		Percent Change
	Activities		Activities				
	2011	2010	2011	2010	2011	2010	
General Obligation Bonds	\$ -	\$ -	\$ 125	\$ 135	\$ 125	\$ 135	(7.4%)
GADA Loan	2,375	2,510	-	-	2,375	2,510	(5.4%)
Special Assessments Debt with Government Commitment	60	125	-	-	60	125	(52.0%)
GADA Loan (net of related premium), G/O Loan	-	-	60,356	60,451	60,356	60,451	(0.2%)
LHC WIFA 2002 Jr. Lien Revenue, G/O Loan	-	-	6,183	6,602	6,183	6,602	(6.3%)
LHC WIFA 2002 Sr. Lien Revenue	-	-	6,183	6,602	6,183	6,602	(6.3%)
LHC WIFA 2004 Sr. Lien Revenue	-	-	4,696	4,960	4,696	4,960	(5.3%)
LHC WIFA 2004A Jr. Construction, G/O Loan	-	-	28,290	29,290	28,290	29,290	(3.4%)
LHC WIFA 2004A Sr. Construction	-	-	14,090	14,875	14,090	14,875	(5.3%)
LHC WIFA 2006 Jr. Construction, G/O Loan	-	-	45,615	46,610	45,615	46,610	(2.1%)
LHC WIFA 2006 Sr. Construction	-	-	10,855	11,395	10,855	11,395	(4.7%)
LHC WIFA 2007 Drinking Water	-	-	5,074	5,253	5,074	5,253	(3.4%)
LHC WIFA 2007 Sr. Construction	-	-	50,394	51,567	50,394	51,567	(2.3%)
LHC WIFA 2008 Jr. Construction, G/O Loan	-	-	28,573	28,985	28,573	28,985	(1.4%)
LHC WIFA 2009 Sr. Construction	-	-	2,837	2,901	2,837	2,901	(2.2%)
LHC WIFA 2009A Sr. Construction	-	-	48,436	14,973	48,436	14,973	223.5%
<b>Total Bonds Payable</b>	<b>2,435</b>	<b>2,635</b>	<b>311,707</b>	<b>284,599</b>	<b>314,142</b>	<b>287,234</b>	
Capital Leases	1,181	1,952	423	812	1,604	2,764	(42.0%)
Compensated Absences	2,181	2,115	279	311	2,460	2,426	1.4%
Other Postemployment Benefits	1,511	1,001	571	374	2,082	1,375	51.4%
Landfill Closure and Post-Closure Costs	-	-	2,498	2,379	2,498	2,379	5.0%
<b>Total Long-Term Liabilities</b>	<b>\$ 7,308</b>	<b>\$ 7,703</b>	<b>\$ 315,478</b>	<b>\$ 288,475</b>	<b>\$ 322,786</b>	<b>\$ 296,178</b>	

**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 37.4 percent (\$13.0 million) of the total General Fund revenues in fiscal year 2010-11. This represents an increase of \$364,523 (2.9 percent) from fiscal year 2009-10, which reflected a decrease of \$1.4 million (10.0 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 flat during the current economic climate; however, future planned commercial development is expected to generate sales tax to offset the decline in residential construction. The City expects to maintain a sustainable long-term economic outlook which can be attributed to new tenants continually opening at the new regional mall, continued tourism and major commercial growth in the City.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**



The unemployment rate for the City is currently 8.3 percent, which has increased 0.2 percent from last year's rate of 8.1 percent. This compares favorably to the state's average unemployment rate of 9.3 percent and the national average rate of 9.3 percent at June 30, 2011; however, the City's rate has increased while the state and national's rate have declined. Inflationary trends in the region compare to national indices.

During the current fiscal year, the City has assigned \$2.7 of the \$13.0 million fund balance in the General Fund for spending in the 2011-12 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2011-12 fiscal year. The General Fund will receive a transfer from IDD of \$2 million a year for 6 years, beginning in fiscal year 2011-12, to pay back the transfers to the IDD of \$12.2 million for funding of prior years' IDD capital projects. The City intends to continue growing the reserves of the General Fund through implementation of budget restraints and increased fees for services and programs in fiscal year 2011-12. It is also intended to obviate the need for the transfer of additional resources to the General Fund.

Recognizing that the City's General Fund balance needs to maintain a healthy level, the City Council continues to evaluate other financing alternatives of 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 during a continued national recession. In addition, the City is researching alternative service delivery options for implementation in the face of continued budget restraints to mitigate the cost of operations and maintenance.

The City maintained the property tax levy rates of \$0.5834 per \$100 assessed value in fiscal year 2010-11. In fiscal year 2009-10 the property tax levy rates were decreased to \$0.5834 per \$100 assessed value due to the rise in assessed value of property (which had not yet reflected the recessionary values) and the statutory limit on the total levy, representing a decrease of 3.4 percent. In fiscal year 2011-12 the property tax levy rates will be increased to \$0.7264 due to the decline in assessed value of property in an attempt to maintain a steady level of collections to fund current operating needs.



**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

Building permit fees are expected to continue at the prior year level based on the distressed residential housing condition and mortgage crisis. This, in turn, will impact the sales tax collections. The City is optimistic that new commercial growth and increased valuation of the permitted improvements, in addition to the establishment of an ASU campus, renovations of vacant commercial property by new retail establishments and continued tenant expansion at the regional mall will improve permit activity as well as generate additional retail sales to help carry the City through the ongoing economic slump.

During fiscal year 2010-11 sewer rates remained the same. In fiscal year 2008-09 the City contracted for a new rate study for the wastewater system. The study was completed in July 2009. Sewer rate increases were effective April 2010 and rate increases were scheduled in April 2011 and April 2012 based on the rate study adopted by Council in July 2009. During fiscal year 2010-11 an internal study of the City's position resulted in a decision to hold rates for three years at the current level with the next increase scheduled for fiscal year 2012-13. 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. Sewer revenues are expected to increase due to expanded customer base.

Trash rates will increase in the 2011-12 budget year. Trash rates are evaluated annually in January against the consumer price index. The consumer price index had increased slightly in fiscal year 2010-11, resulting in a small rate increase in January 2010.

The City conducted an in-house water rate study in fiscal year 2010-11 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 2010-11 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 2011-12.

All of these factors were considered in preparing the City's budget for the 2011-12 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:

Finance 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](http://www.lhcaz.gov)

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## **Basic Financial Statements**

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Governmental Activities	Business-type Activities	Totals
<b>Assets</b>			
Cash and Investments	\$ 30,829,356	\$ 58,463,209	\$ 89,292,565
Receivables, Net			
Accounts Receivable	160,355	12,727,946	12,888,301
Taxes Receivable	148,094	199,808	347,902
Intergovernmental Receivable	6,462,549	10,150,482	16,613,031
Special Assessments Receivable	63,269	-	63,269
Interest Receivable	7,739	12,984	20,723
Inventories	206,304	2,880	209,184
Prepaid Items	465,845	173,651	639,496
Deferred Charges	-	4,727,042	4,727,042
Restricted Assets	-	19,350,165	19,350,165
Capital Assets			
Non-Depreciable	27,677,014	11,555,424	39,232,438
Depreciable (net)	63,569,438	440,481,728	504,051,166
Total Assets	129,589,963	557,845,319	687,435,282
<b>Liabilities</b>			
Accounts Payable	1,195,298	2,971,191	4,166,489
Accrued Wages and Benefits	533,746	91,684	625,430
Interest Payable	47,563	4,933,339	4,980,902
Intergovernmental Payable	235,845	136,699	372,544
Retainage Payable	-	2,136,060	2,136,060
Unearned Revenue	78,153	277,852	356,005
Performance Bonds Payable	25,949	-	25,949
Developer Agreements	85,696	-	85,696
Claims Payable	476,000	-	476,000
Liabilities Payable from Restricted Assets	-	414,719	414,719
Noncurrent Liabilities			
Due Within One Year	2,558,163	9,127,744	11,685,907
Due in More Than One Year	4,749,477	306,350,854	311,100,331
Total Liabilities	9,985,890	326,440,142	336,426,032
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	87,690,122	139,907,146	227,597,268
Restricted for:			
Highways and Streets	2,813,034	-	2,813,034
Debt Service	193,152	-	193,152
Capital Outlay	6,730,366	-	6,730,366
Tourism/Economic Development	277,407	-	277,407
Improvement Districts	51,888	-	51,888
Special Programs	213,272	-	213,272
Unrestricted	21,634,832	91,498,031	113,132,863
Total Net Assets	<u>\$ 119,604,073</u>	<u>\$ 231,405,177</u>	<u>\$ 351,009,250</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, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 9,621,283	\$ 2,697,578	\$ 989,100	\$ 39,969	\$ (5,894,636)	\$ -	\$ (5,894,636)
Public Safety	22,372,576	131,855	1,023,428	-	(21,217,293)	-	(21,217,293)
Highways and Streets	5,918,563	22,861	4,403,930	2,557,413	1,065,641	-	1,065,641
Culture and Recreation	4,722,202	570,009	115,793	7,716	(4,028,684)	-	(4,028,684)
Tourism and Promotion	1,390,134	-	-	-	(1,390,134)	-	(1,390,134)
Transportation Services	1,461,976	106,000	1,223,605	659,728	527,357	-	527,357
Interest on Long-term Debt	108,188	5,765	-	-	(102,423)	-	(102,423)
Total Governmental Activities	45,594,922	3,534,068	7,755,856	3,264,826	(31,040,172)	-	(31,040,172)
Business-Type Activities:							
Refuse	1,085,990	1,198,732	-	-	-	112,742	112,742
Recreation/Aquatic Center	1,079,984	332,304	-	-	-	(747,680)	(747,680)
Irrigation and Drainage	10,523,588	10,970,391	86,000	2,818,813	-	3,351,616	3,351,616
Wastewater	17,162,396	21,241,682	-	10,369,369	-	14,448,655	14,448,655
Airport	1,356,632	521,022	-	359,772	-	(475,838)	(475,838)
Total Business-Type Activities	31,208,590	34,264,131	86,000	13,547,954	-	16,689,495	16,689,495
Total Primary Government	\$ 76,803,512	\$ 37,798,199	\$ 7,841,856	\$ 16,812,780	(31,040,172)	16,689,495	(14,350,677)
General Revenues:							
Taxes							
Sales Taxes					14,379,370	-	14,379,370
Property Taxes					4,135,595	4,460,402	8,595,997
Franchise Taxes					1,722,878	-	1,722,878
Impact Fees					295,355	-	295,355
Unrestricted State Revenue Sharing					5,200,976	-	5,200,976
Unrestricted State Sales Tax Revenue Sharing					4,081,876	-	4,081,876
Unrestricted Auto Lieu Tax Revenue Sharing					2,621,452	-	2,621,452
Investment Earnings					187,740	266,125	453,865
Other					78,417	-	78,417
Transfers					(153,685)	153,685	-
Total General Revenues and Transfers					32,549,974	4,880,212	37,430,186
Change in Net Assets					1,509,802	21,569,707	23,079,509
Net Assets, Beginning					118,094,271	209,835,470	327,929,741
Net assets, Ending					\$ 119,604,073	\$ 231,405,177	\$ 351,009,250

**LAKE HAVASU CITY, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General	HURF	Debt Service	Capital Projects	Nonmajor Funds	Totals
<b>Assets</b>						
Cash and Investments	\$ 10,874,066	\$ 2,364,556	\$ 237,341	\$ 7,405,466	\$ 442,657	\$ 21,324,086
Receivables						
Accounts Receivable	153,521	662	-	-	222	154,405
Taxes Receivable	143,846	-	-	-	4,248	148,094
Intergovernmental Receivable	2,796,229	387,064	-	2,557,402	721,854	6,462,549
Special Assessments Receivable	-	-	63,269	-	-	63,269
Interest Receivable	7,739	-	-	-	-	7,739
Due from Other Funds	486,155	-	-	-	-	486,155
Inventories	156,304	50,000	-	-	-	206,304
Prepaid Items	305,308	62,840	-	-	3,554	371,702
Total Assets	<u>\$ 14,923,168</u>	<u>\$ 2,865,122</u>	<u>\$ 300,610</u>	<u>\$ 9,962,868</u>	<u>\$ 1,172,535</u>	<u>\$ 29,224,303</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 1,062,953	\$ 16,254	\$ -	\$ 57,978	\$ 25,127	\$ 1,162,312
Accrued Wages and Benefits	481,982	34,956	-	-	16,808	533,746
Interest Payable	2,496	878	44,189	-	-	47,563
Intergovernmental Payable	235,845	-	-	-	-	235,845
Due to Other Funds	-	-	-	-	486,155	486,155
Deferred Revenue	119,271	-	63,269	-	3,164	185,704
Retainage Payable	-	-	-	32,971	-	32,971
Performance Bonds Payable	25,949	-	-	-	-	25,949
Developer Agreements	-	-	-	85,696	-	85,696
Total Liabilities	<u>1,928,496</u>	<u>52,088</u>	<u>107,458</u>	<u>176,645</u>	<u>531,254</u>	<u>2,795,941</u>
<b>Fund Balances</b>						
Nonspendable	461,612	112,840	-	-	3,554	578,006
Restricted	8,663	2,700,194	193,152	6,730,366	542,567	10,174,942
Committed	1,199,646	-	-	2,654,787	-	3,854,433
Assigned	2,708,530	-	-	401,070	95,160	3,204,760
Unassigned	8,616,221	-	-	-	-	8,616,221
Total Fund Balance	<u>12,994,672</u>	<u>2,813,034</u>	<u>193,152</u>	<u>9,786,223</u>	<u>641,281</u>	<u>26,428,362</u>
Total Liabilities and Fund Balance	<u>\$ 14,923,168</u>	<u>\$ 2,865,122</u>	<u>\$ 300,610</u>	<u>\$ 9,962,868</u>	<u>\$ 1,172,535</u>	<u>\$ 29,224,303</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 ASSETS  
JUNE 30, 2011**

Total Fund Balances for Governmental Funds	\$ 26,428,362
Amounts reported for governmental activities in the statement of net assets are different because:	
Property taxes not collected within 60 days subsequent to fiscal year-end are deferred in the governmental funds.	44,282
Special assessment revenue not available for current resources	63,269
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	172,607,161
Less Accumulated Depreciation	<u>(82,667,003)</u>
Capital Assets Used in Governmental Activities	<u>89,940,158</u>
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	(2,375,000)
Special Assessment Debt with Government Commitment	(60,000)
Capital Leases	(1,181,330)
Compensated Absences	(2,180,721)
Other Postemployment Benefits	(1,510,589)
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 assets.	<u>10,435,642</u>
Total Net Assets of Governmental Activities	<u><u>\$ 119,604,073</u></u>

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, 2011**

	General	HURF	Debt Service	Capital Projects	Nonmajor Funds	Totals
<b>Revenues</b>						
Taxes						
Sales Taxes	\$ 12,992,151	\$ -	\$ -	\$ -	\$ 1,387,221	\$ 14,379,372
Property Taxes	4,125,501	-	-	-	76,113	4,201,614
Franchise Taxes	1,722,878	-	-	-	-	1,722,878
Intergovernmental Revenue	12,429,043	4,403,766	-	3,257,110	2,617,967	22,707,886
Fines and Forfeitures	1,292,377	-	-	-	75,680	1,368,057
Licenses and Permits	1,033,320	-	-	-	-	1,033,320
Charges for Services	709,641	-	-	-	107,527	817,168
Rents and Royalties	46,494	-	-	-	-	46,494
Contributions and Donations	126,783	-	-	7,716	8,216	142,715
Impact Fees	-	-	-	295,355	-	295,355
Special Assessments	-	-	66,283	-	-	66,283
Investment Earnings	125,903	4,959	26	38,111	182	169,181
Other	161,437	22,862	-	139,025	14,324	337,648
<b>Total Revenue</b>	<u>34,765,528</u>	<u>4,431,587</u>	<u>66,309</u>	<u>3,737,317</u>	<u>4,287,230</u>	<u>47,287,971</u>
<b>Expenditures</b>						
Current						
General Government	8,644,171	-	-	-	867,332	9,511,503
Public Safety	20,298,646	-	-	-	931,386	21,230,032
Highways and Streets	-	4,418,689	-	-	-	4,418,689
Culture and Recreation	3,831,229	-	-	-	4,165	3,835,394
Tourism and Promotion	-	-	-	-	1,389,473	1,389,473
Transportation Services	-	-	-	-	1,847,708	1,847,708
Debt Service						
Principal Retirement	-	-	200,000	-	-	200,000
Interest on Long-Term Debt	-	-	108,188	-	-	108,188
Capital Outlay	-	-	-	3,345,613	-	3,345,613
<b>Total Expenditures</b>	<u>32,774,046</u>	<u>4,418,689</u>	<u>308,188</u>	<u>3,345,613</u>	<u>5,040,064</u>	<u>45,886,600</u>
<b>Excess (Deficiency) of Revenue Over</b>						
Expenditures	1,991,482	12,898	(241,879)	391,704	(752,834)	1,401,371
<b>Other Financing Sources (Uses)</b>						
Transfers In	1,129	749,014	385,000	531,508	544,100	2,210,751
Transfers Out	(1,594,639)	(162,171)	-	(607,626)	-	(2,364,436)
Proceeds from Capital Lease	56,986	-	-	-	-	56,986
<b>Total Other Financing Sources (Uses)</b>	<u>(1,536,524)</u>	<u>586,843</u>	<u>385,000</u>	<u>(76,118)</u>	<u>544,100</u>	<u>(96,699)</u>
<b>Net Change in Fund Balance</b>	454,958	599,741	143,121	315,586	(208,734)	1,304,672
<b>Fund balances,</b>						
Beginning of Year	12,539,714	2,213,293	50,031	9,470,637	850,015	25,123,690
End of Year	<u>\$ 12,994,672</u>	<u>\$ 2,813,034</u>	<u>\$ 193,152</u>	<u>\$ 9,786,223</u>	<u>\$ 641,281</u>	<u>\$ 26,428,362</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, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ 1,304,672

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

Governmental funds report capital outlays as expenditure. 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	3,896,794
Less Current Year Depreciation	(4,720,160)
Excess Capital Expenditures Over Depreciation	<u>(823,366)</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, and donations) to decrease net assets 810,453

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	(66,022)
Special Assessments	(60,520)

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 assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets.

Principal Payments on Long-term Debt	1,134,545
Proceeds from Debt	(56,986)
Capital-Related Debt - Capital Asset Under Lease Transferred From Enterprise Fund to Governmental Fund	(107,060)

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	(65,418)
Net Increase in Other Postemployment Benefits	(509,602)

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

The net changes in net assets of the internal service fund is reported with governmental activities	<u>(50,894)</u>
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Changes in Net Assets of Governmental Activities \$ 1,509,802

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, 2011**

	Original and Final Budget	Actual Amount Budgetary Basis	Variance with Final Budget
<b>Revenue</b>			
Taxes	\$ 18,045,791	\$ 18,840,530	\$ 794,739
Intergovernmental Revenue	11,896,477	12,429,043	532,566
Fines and Forfeitures	1,304,783	1,292,377	(12,406)
Licenses and Permits	971,540	1,033,320	61,780
Charges for Services	861,237	709,641	(151,596)
Rents and Royalties	53,000	46,494	(6,506)
Contributions and Donations	86,975	126,783	39,808
Investment Earnings	115,000	125,903	10,903
Other	26,000	161,437	135,437
Total Revenue	<u>33,360,803</u>	<u>34,765,528</u>	<u>1,404,725</u>
<b>Expenditures</b>			
<b>Current</b>			
<b>General Government</b>			
City Council	91,001	89,309	1,692
City Clerk	150,505	145,352	5,153
Magistrate Court	1,011,553	961,004	50,549
City Manager	196,729	145,289	51,440
Human Resources	156,449	119,294	37,155
Finance	814,460	653,167	161,293
Information Systems	798,846	754,961	43,885
City Attorney	452,799	420,953	31,846
Non-Departmental	4,222,937	2,032,589	2,190,348
Government-Outside Contracts	1,405,000	1,375,979	29,021
Public Works Administration and Engineering	447,092	352,836	94,256
Vehicle Maintenance	407,705	366,978	40,727
Development Services	1,247,284	1,169,474	77,810
Total General Government	<u>11,402,360</u>	<u>8,587,185</u>	<u>2,815,175</u>
<b>Public Safety</b>			
Police	11,377,921	11,141,860	236,061
Fire	9,621,464	9,156,786	464,678
Total Public Safety	<u>20,999,385</u>	<u>20,298,646</u>	<u>700,739</u>
<b>Culture and Recreation</b>			
Parks and Recreation Administration	362,507	349,634	12,873
Recreation Department	1,723,733	1,380,869	342,864
Parks and Maintenance	2,272,423	2,100,726	171,697
Total Culture and Recreation	<u>4,358,663</u>	<u>3,831,229</u>	<u>527,434</u>
Total Expenditures	<u>36,760,408</u>	<u>32,717,060</u>	<u>4,043,348</u>
Excess (Deficiency) of Revenue Over Expenditures	(3,399,605)	2,048,468	5,448,073
<b>Other Financing Sources (Uses)</b>			
Transfers In	1,100,000	1,129	(1,098,871)
Transfers Out	(1,697,229)	(1,594,639)	102,590
Total Other Financing Sources (Uses)	<u>(597,229)</u>	<u>(1,593,510)</u>	<u>(996,281)</u>
Net Change in Fund Balance	(3,996,834)	454,958	4,451,792
<b>Fund Balance</b>			
Beginning of Year	<u>10,885,551</u>	<u>12,539,714</u>	<u>1,654,163</u>
End of Year	<u>\$ 6,888,717</u>	<u>\$ 12,994,672</u>	<u>\$ 6,105,955</u>

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, 2011**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 4,415,355	\$ 4,403,766	\$ (11,589)
Investment Earnings	1,000	4,959	3,959
Other	8,873	22,862	13,989
Total Revenue	<u>4,425,228</u>	<u>4,431,587</u>	<u>6,359</u>
Expenditures			
Current			
Highways and Streets	<u>5,412,562</u>	<u>4,418,689</u>	<u>993,873</u>
Excess (Deficiency) of Revenue over Expenditures	(987,334)	12,898	1,000,232
Other Financing Sources (Uses)			
Transfers In	758,729	749,014	(9,715)
Transfers Out	<u>(250,740)</u>	<u>(162,171)</u>	<u>88,569</u>
Total Other Financing Sources (Uses)	<u>507,989</u>	<u>586,843</u>	<u>78,854</u>
Net Change in Fund Balances	(479,345)	599,741	1,079,086
Fund Balance			
Beginning of Year	<u>1,482,111</u>	<u>2,213,293</u>	<u>731,182</u>
End of Year	<u>\$ 1,002,766</u>	<u>\$ 2,813,034</u>	<u>\$ 1,810,268</u>

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

**LAKE HAVASU CITY, ARIZONA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011**

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Irrigation and Drainage	Wastewater	Total Nonmajor Business-Type Activities	Total	
<b>Assets</b>					
Current Assets					
Cash and Cash Equivalents	\$ 8,312,469	\$ 43,736,842	\$ 6,413,898	\$ 58,463,209	\$ 9,505,270
Receivables, Net					
Accounts Receivable	1,152,852	11,052,111	522,983	12,727,946	5,950
Taxes Receivable	161,900	37,908	-	199,808	-
Intergovernmental Receivable	1,269,756	8,809,992	70,734	10,150,482	-
Interest Receivable	306	6,320	6,358	12,984	-
Inventory	-	-	2,880	2,880	-
Prepaid Items	123,134	37,196	13,321	173,651	94,143
Deferred Charges	90,399	4,636,643	-	4,727,042	-
Restricted Assets	904,242	18,418,729	27,194	19,350,165	-
Total Current Assets	<u>12,015,058</u>	<u>86,735,741</u>	<u>7,057,368</u>	<u>105,808,167</u>	<u>9,605,363</u>
Noncurrent Assets					
Capital Assets					
Non-Depreciable	9,121,184	1,737,906	696,334	11,555,424	-
Depreciable (net)	60,075,684	358,559,697	21,846,347	440,481,728	1,306,294
Total Noncurrent Assets	<u>69,196,868</u>	<u>360,297,603</u>	<u>22,542,681</u>	<u>452,037,152</u>	<u>1,306,294</u>
Total Assets	<u>81,211,926</u>	<u>447,033,344</u>	<u>29,600,049</u>	<u>557,845,319</u>	<u>10,911,657</u>
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	503,265	1,924,415	543,511	2,971,191	15
Accrued Wages and Benefits	46,871	28,371	16,442	91,684	-
Intergovernmental Payable	126,013	10,144	542	136,699	-
Interest Payable	93,418	4,839,572	349	4,933,339	-
Retainage Payable	295,064	1,840,996	-	2,136,060	-
Deferred Revenue	151,218	81,934	44,700	277,852	-
Liabilities Payable From Restricted					
Assets	387,425	100	27,194	414,719	-
Claims Payable	-	-	-	-	476,000
Compensated Absences	75,796	57,257	20,805	153,858	-
Capital Leases Payable	114,595	76,285	54,228	245,108	-
Other Postemployment Benefits	14,805	4,195	6,153	25,153	-
Bonds and Notes Payable	238,405	8,465,220	-	8,703,625	-
Total Current Liabilities	<u>2,046,875</u>	<u>17,328,489</u>	<u>713,924</u>	<u>20,089,288</u>	<u>476,015</u>
Noncurrent Liabilities					
Compensated Absences	61,270	46,515	17,440	125,225	-
Landfill Closure and Postclosure					
Care Costs	-	-	2,498,414	2,498,414	-
Capital Leases Payable	66,511	50,625	60,225	177,361	-
Other Postemployment Benefits	329,716	198,598	17,628	545,942	-
Bonds and Notes Payable	4,960,742	298,043,170	-	303,003,912	-
Total Noncurrent Liabilities	<u>5,418,239</u>	<u>298,338,908</u>	<u>2,593,707</u>	<u>306,350,854</u>	<u>-</u>
Total Liabilities	<u>7,465,114</u>	<u>315,667,397</u>	<u>3,307,631</u>	<u>326,440,142</u>	<u>476,015</u>
<b>Net assets</b>					
Invested in Capital Assets, Net of					
Related Debt	63,816,615	53,662,303	22,428,228	139,907,146	1,306,294
Unrestricted	9,930,197	77,703,644	3,864,190	91,498,031	9,129,348
Total Net Assets	<u>\$ 73,746,812</u>	<u>\$ 131,365,947</u>	<u>\$ 26,292,418</u>	<u>\$ 231,405,177</u>	<u>\$ 10,435,642</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 ASSETS**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2011**

	Irrigation and Drainage	Wastewater	Total Nonmajor Business-Type Activities	Totals	Governmental Activities - Internal Service Funds
<b>Operating Revenue</b>					
Charges for Services	\$ 10,861,255	\$ 21,185,479	\$ 2,051,876	34,098,610	\$ -
Premiums Charged	-	-	-	-	6,295,768
Total Operating Revenue	<u>10,861,255</u>	<u>21,185,479</u>	<u>2,051,876</u>	<u>34,098,610</u>	<u>6,295,768</u>
<b>Operating Expenses</b>					
Cost of Sales and Services	8,080,253	7,409,668	2,563,458	18,053,379	-
Premiums Paid	-	-	-	-	449,274
Administration	-	-	-	-	420,631
Benefits	-	-	-	-	5,227,147
Depreciation	<u>2,243,199</u>	<u>9,359,322</u>	<u>953,606</u>	<u>12,556,127</u>	<u>346,585</u>
Total Operating Expenses	<u>10,323,452</u>	<u>16,768,990</u>	<u>3,517,064</u>	<u>30,609,506</u>	<u>6,443,637</u>
Operating Income (Loss)	<u>537,803</u>	<u>4,416,489</u>	<u>(1,465,188)</u>	<u>3,489,104</u>	<u>(147,869)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Taxes	4,460,402	-	-	4,460,402	-
Intergovernmental	2,904,813	-	-	2,904,813	-
Interest Earnings	37,498	210,681	17,946	266,125	18,558
Interest Expense	(195,135)	(177,066)	(5,542)	(377,743)	-
Issuance Costs	(5,001)	(216,340)	-	(221,341)	-
Other Income	<u>109,136</u>	<u>56,203</u>	<u>182</u>	<u>165,521</u>	<u>78,417</u>
Total Nonoperating Revenues (Expenses)	<u>7,311,713</u>	<u>(126,522)</u>	<u>12,586</u>	<u>7,197,777</u>	<u>96,975</u>
<b>Income (Loss) Before Capital</b>					
Contributions and Transfers	7,849,516	4,289,967	(1,452,602)	10,686,881	(50,894)
Capital Contributions	-	10,369,369	359,772	10,729,141	-
Transfers In	-	2,000,000	552,626	2,552,626	-
Transfers Out	<u>(2,001,129)</u>	<u>(1,312)</u>	<u>(396,500)</u>	<u>(2,398,941)</u>	<u>-</u>
Change in Net Assets	<u>5,848,387</u>	<u>16,658,024</u>	<u>(936,704)</u>	<u>21,569,707</u>	<u>(50,894)</u>
<b>Net Assets</b>					
Beginning of Year	<u>67,898,425</u>	<u>114,707,923</u>	<u>27,229,122</u>	<u>209,835,470</u>	<u>10,486,536</u>
End of Year	<u>\$ 73,746,812</u>	<u>\$ 131,365,947</u>	<u>\$ 26,292,418</u>	<u>\$ 231,405,177</u>	<u>\$ 10,435,642</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, 2011**

	Irrigation and Drainage	Wastewater	Total Nonmajor Business-Type Activities	Totals	Governmental Activities - Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers	\$ 10,553,653	\$ 20,324,438	\$ 1,903,958	\$ 32,782,049	\$ 6,308,749
Payments to Suppliers	(4,765,704)	(7,058,816)	(1,481,090)	(13,305,610)	(6,213,590)
Payments to Employees	(3,272,403)	(2,008,294)	(868,874)	(6,149,571)	-
Other Nonoperating Receipts	79,423	57,994	182	137,599	78,417
Customer Deposits (Payments)	21,920	-	1,224	23,144	-
Net Cash Flows from (used by) Operating Activities	<u>2,616,889</u>	<u>11,315,322</u>	<u>(444,600)</u>	<u>13,487,611</u>	<u>173,576</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers In	-	2,000,000	552,626	2,552,626	-
Transfers Out	(2,000,000)	(1,312)	(369,337)	(2,370,649)	-
Tax Receipts	4,437,189	-	-	4,437,189	-
Net Cash Flows from (used by) Financing Activities	<u>2,437,189</u>	<u>1,998,688</u>	<u>183,289</u>	<u>4,619,166</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from Capital Debt	224,896	35,866,147	-	36,091,043	-
Capital Grants and Contributions	1,640,820	8,192,715	297,857	10,131,392	-
Purchases of Capital Assets	(4,586,402)	(36,110,192)	(363,308)	(41,059,902)	(471,823)
Principal Paid on Capital Debt	(362,790)	(6,643,547)	(55,555)	(7,061,892)	-
Interest Paid on Capital Debt	(191,538)	(9,321,335)	(6,032)	(9,518,905)	-
Loan Issuance Costs	(69,200)	-	-	(69,200)	-
Proceeds from Sale of Capital Assets	29,713	755	-	30,468	-
Net Cash Flows from (used by) Capital and Financing Activities	<u>(3,314,501)</u>	<u>(8,015,457)</u>	<u>(127,038)</u>	<u>(11,456,996)</u>	<u>(471,823)</u>
<b>Cash Flows from Investing Activities</b>					
Interest and Dividends	<u>40,692</u>	<u>218,564</u>	<u>11,588</u>	<u>270,844</u>	<u>18,558</u>
Net Change in Cash and Cash Equivalents	1,780,269	5,517,117	(376,761)	6,920,625	(279,689)
Cash and Cash Equivalents, Beginning of Year	<u>7,436,442</u>	<u>56,638,454</u>	<u>6,817,853</u>	<u>70,892,749</u>	<u>9,784,959</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,216,711</u>	<u>\$ 62,155,571</u>	<u>\$ 6,441,092</u>	<u>\$ 77,813,374</u>	<u>\$ 9,505,270</u>

Note: Cash and Cash Equivalents, End of Year on Statement of Cash Flows reflects the total of Cash and Cash Equivalent and Restricted Assets on the Statement of Net Assets

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, 2011**

	<u>Irrigation and Drainage</u>	<u>Wastewater</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)	\$ 537,803	\$ 4,416,489	\$ (1,465,188)	\$ 3,489,104	\$ (147,869)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (used by) Operating Activities					
Depreciation	2,243,199	9,359,322	953,606	12,556,127	346,585
Other Nonoperating Receipts (Expenses)	79,423	57,994	182	137,599	78,417
Change in Assets/Liabilities:					
Receivables, Net	(324,885)	(861,041)	(167,431)	(1,353,357)	12,981
Inventories	-	-	155	155	-
Prepaid Items	(12,676)	(4,663)	627	(16,712)	(52,208)
Accounts Payable	(135,454)	(2,146,522)	109,278	(2,172,698)	1,670
Retainage Payable	177,568	504,139	-	681,707	-
Intergovernmental Payable	27,782	2,324	19,568	49,674	-
Accrued Wages and Benefits	(105,406)	(72,804)	(30,467)	(208,677)	-
Compensated Absences	(31,786)	(6,142)	6,086	(31,842)	-
Deferred Revenue	17,283	-	-	17,283	-
Customer Deposits Payable	21,920	-	1,224	23,144	-
Other Postemployment Benefits	122,118	66,226	8,641	196,985	-
Claims Payable	-	-	-	-	(66,000)
Landfill Closure and Postclosure Care Costs	-	-	119,119	119,119	-
Net Cash from (used by) Operating Activities	<u>\$ 2,616,889</u>	<u>\$ 11,315,322</u>	<u>\$ (444,600)</u>	<u>\$ 13,487,611</u>	<u>\$ 173,576</u>

**Noncash Investing, Capital and Financing Activities**

Loan issuance costs of \$5,001 and \$216,340 were amortized in the Irrigation and Drainage District and Wastewater Funds, respectively, during the year.

The Refuse Fund transferred capital assets to the HURF Fund with net value of \$27,163 and a lease payable balance of \$107,060.

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

**LAKE HAVASU CITY, ARIZONA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	<u>Paid-On-Call Firefighters' Pension</u>
<b>Assets</b>	
Cash and Equivalents	\$ -
Total Assets	<u>-</u>
<b>Net Assets</b>	
Held In Trust for Pension Benefits	<u><u>\$ -</u></u>

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

**LAKE HAVASU CITY, ARIZONA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2011**

	Paid-On-Call Firefighters' Pension
Additions	
Investment Earnings (Loss)	
Net Increase (Decrease) in the Fair Value of Investments	\$ (162)
Deductions	
Benefits	2,001
Change in Net Assets	(2,163)
Net Assets, Beginning of Year	2,163
Net Assets, End of Year	\$ -

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

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**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2011**

**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, general administrative services.

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

For the year ended June 30, 2011, the City implemented the provisions of the GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for the enhancement of fund balance information by providing specifically defined fund balance classification for Nonspendable, Restricted, Committed, Assigned, and Unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Ending fund balances for the City's governmental funds have been restated to reflect the above classifications.

**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. 1, 2 and 4 – The City has three 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.

Improvement District No. 1 was approved for dissolution on April 13, 2010 (Resolution #10-2453). The final activity for the district is reflected in fiscal year 2010-2011. Assets of the district have been dissolved.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**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 assets 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, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. 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 and fiduciary 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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, 2011**

**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.

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.

The *Pension Trust Fund* accounts for the activities of the Paid-on-call Firefighters' Pension, which accumulates resources for pension benefit payments to qualified volunteer firefighters.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

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 Assets or Equity**

**1. Deposits and Investments**

The City's 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 month-end cash balances. Investment premiums and discounts are deferred and amortized over the life of the investments using a straight-line method.

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 return on investments. Investments are stated at fair value.

**2. Receivables**

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

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.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**3. Short-Term Interfund Receivables/Payables**

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

**4. Inventories and Prepaid Items**

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

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

**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 assets 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, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets 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. 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 assets. Bond premiums and discounts, as well as issuance costs, 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.

**9. Claims Incurred But Not Reported**

The estimated liability for claims incurred but not reported accrued as a current liability in the Internal Service Fund is based on historic monthly claims paid factored by a percentage of completion by month for the preceding twelve months.

**10. Net Assets**

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



**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**11. Fund Equity**

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 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 City Ordinance or approval for contract execution. Assigned fund balance represents limitations imposed by management. Assigned fund balance requests are submitted to the Chief Financial Officer for approval/non-approval and submitted with budget presentation to Council for approval.

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 (if available) before unassigned amounts.

The City approved a Fiscal Sustainability Policy in August 2007 which requires the City to maintain a General Fund unrestricted fund balance of 10% (in addition to the 5% unrestricted contingency fund balance) based on the average actual General Fund revenues for the preceding five fiscal years. The City will maintain a contingency fund balance of 5% of the average actual revenues for the preceding five fiscal years in the IDD Fund, Wastewater Fund and HURF Fund.

These funds will not be appropriated except to cover emergencies and unexpected declines in revenue in the following budget year and must be replenished within three fiscal years following the fiscal year in which the event occurred.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

As of June 30, 2011, 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>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	\$ 156,304	\$ 50,000	\$ -	\$ -	\$ -	\$ 206,304
Prepaid Expenditures	305,308	62,840			3,554	371,702
<b>Restricted:</b>						
Debt Service			193,152			193,152
Highways and Streets		2,700,194				2,700,194
Capital Projects				6,719,663		6,719,663
Federal Grants				10,703		10,703
Public Safety	8,663				213,272	221,935
Economic Development					277,407	277,407
Other Purposes					51,888	51,888
<b>Committed To:</b>						
Highways and Streets	297,119			607,199		904,318
Culture and Recreation	142,363					142,363
Public Safety	613,404					613,404
Other Purposes	146,760			2,047,588		2,194,348
<b>Assigned To:</b>						
Culture and Recreation					14,236	14,236
Transportation					80,924	80,924
Other Purposes	2,708,530			401,070		3,109,600
<b>Unassigned:</b>	<u>8,616,221</u>					<u>8,616,221</u>
<b>Total Fund Balances</b>	<b><u>\$ 12,994,672</u></b>	<b><u>\$ 2,813,034</u></b>	<b><u>\$ 193,152</u></b>	<b><u>\$ 9,786,223</u></b>	<b><u>\$ 641,281</u></b>	<b><u>\$ 26,428,362</u></b>

The following tables illustrate the reclassification of governmental fund balances as of June 30, 2011:

	<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>
<b>Fund Balances:</b>						
Reserved for Inventories	\$ 156,304	\$ 50,000	\$ -	\$ -	\$ -	\$ 206,304
Reserved for Prepaid Items	305,308	62,840			3,554	371,702
Reserved for Debt Service			193,152			193,152
<b>Unreserved:</b>						
Undesignated	12,533,060	2,700,194		9,786,223		25,019,477
<b>Unreserved reported in:</b>						
Special Revenue					637,727	637,727
<b>Total Fund Balances</b>	<b><u>\$ 12,994,672</u></b>	<b><u>\$ 2,813,034</u></b>	<b><u>\$ 193,152</u></b>	<b><u>\$ 9,786,223</u></b>	<b><u>\$ 641,281</u></b>	<b><u>\$ 26,428,362</u></b>

**Fund Balance Reclassification as of June 30, 2011:**

	<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>
<b>Fund Balances:</b>						
Nonspendable	\$ 461,612	\$ 112,840	\$ -	\$ -	\$ 3,554	\$ 578,006
Restricted	8,663	2,700,194	193,152	6,730,366	542,567	10,174,942
Committed	1,199,646	-	-	2,654,787	-	3,854,433
Assigned	2,708,530	-	-	401,070	95,160	3,204,760
Unassigned	8,616,221				-	8,616,221
<b>Total Fund Balances</b>	<b><u>\$ 12,994,672</u></b>	<b><u>\$ 2,813,034</u></b>	<b><u>\$ 193,152</u></b>	<b><u>\$ 9,786,223</u></b>	<b><u>\$ 641,281</u></b>	<b><u>\$ 26,428,362</u></b>



**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**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 Finance 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.

City Council authorized one supplemental budgetary appropriation during the fiscal year. A \$102,121 transfer was approved from the Capital Projects Fund to the Airport Fund related to additional grant funding awarded to cover costs associated with an ongoing Airport project.

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.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2011, consist of the following:

Deposits	
Cash on Hand	\$ 10,050
Cash in Bank	13,601,918
Cash on Deposit with County Treasurer	237,446
Investments	
Pension Trust Mutual Fund	-
State Treasurer's Investment Pool (LGIP)	70,443,316
U.S. Government Securities	<u>24,350,000</u>
Total Deposits and Investments	108,642,730
Restricted Assets	(19,350,165)
Total Cash and Equivalents	<u><u>\$ 89,292,565</u></u>

**Investments** – The City's Investment Policy, adopted on July 10, 2002, 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. The City is also empowered to invest, by resolution, in the State of Arizona Local Government Investment Pool.

The City's investments at June 30, 2011, consist of the following:

Investment	Amount	Investment Maturities (in Years)		
		Less than 1	1-3	4-5
State Treasurer's Investment Pools	\$ 70,443,316	\$ 70,443,316	\$ -	\$ -
U.S. Government Securities	<u>24,350,000</u>	<u>-</u>	<u>14,350,000</u>	<u>10,000,000</u>
Total Investments	<u><u>\$ 94,793,316</u></u>	<u><u>\$ 70,443,316</u></u>	<u><u>\$ 14,350,000</u></u>	<u><u>\$ 10,000,000</u></u>

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of less than five years.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**Credit Risk** – Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to invest in securities with the highest rating issued by NRSROs. Presented below is the rating as of June 30, 2011, for each investment type.

Investment Type	Total	AAA	AAAf	Exempt from Disclosure	Not Rated
State Treasurer's Investment Pools	\$ 70,443,316	\$ -	\$ 56,188,315	\$ -	\$ 14,255,001
U.S. Government Securities	<u>24,350,000</u>	<u>24,350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 94,793,316</u>	<u>\$ 24,350,000</u>	<u>\$ 56,188,315</u>	<u>\$ -</u>	<u>\$ 14,255,001</u>

**Custodial Credit Risk** – Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2011, 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 AAA 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% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**2. Restricted Assets**

Restricted assets in the proprietary funds at June 30, 2011, consisted of the following:

Customer Deposits	\$	414,719
Future Debt Service		<u>18,935,446</u>
		<u>\$ 19,350,165</u>

**3. Receivables**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes Receivable (General Fund)	\$ 41,693	\$ -
Miscellaneous (General Fund)	-	77,578
Special Assessments Receivable (Debt Service Fund)	63,269	-
Delinquent Property Taxes Receivable (Nonmajor Governmental Funds)	2,589	-
Grants and Miscellaneous (Nonmajor Governmental Funds)	-	575
Total Deferred Revenue for Governmental Funds	<u>\$ 107,551</u>	<u>\$ 78,153</u>

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets**

Capital assets activity for the year ended June 30, 2011, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 25,539,217	\$ 764,258	\$ (2,738)	\$ 26,300,737
Construction in Process	789,653	2,540,534	(1,953,910)	1,376,277
Total Capital Assets, Not Being Depreciated	<u>26,328,870</u>	<u>3,304,792</u>	<u>(1,956,648)</u>	<u>27,677,014</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	22,525,994	1,312,106	-	23,838,100
Improvements to Land	13,505,809	476,500	-	13,982,309
Infrastructure	85,093,601	291,067	-	85,384,668
Furniture, Machinery and Equipment	22,364,126	2,070,121	(593,902)	23,840,345
Total Capital Assets, Being Depreciated	<u>143,489,530</u>	<u>4,149,794</u>	<u>(593,902)</u>	<u>147,045,422</u>
Accumulated Depreciation for:				
Buildings and Improvements	(7,996,269)	(629,246)	-	(8,625,515)
Improvements to Land	(3,177,291)	(388,914)	-	(3,566,205)
Infrastructure	(51,253,869)	(1,666,412)	-	(52,920,281)
Furniture, Machinery and Equipment	(16,256,843)	(2,382,173)	275,033	(18,363,983)
Total Accumulated Depreciation:	<u>(78,684,272)</u>	<u>(5,066,745)</u>	<u>275,033</u>	<u>(83,475,984)</u>
Total Capital Assets, Being Depreciated, Net	<u>64,805,258</u>	<u>(916,951)</u>	<u>(318,869)</u>	<u>63,569,438</u>
Governmental Activities Capital Assets, Net	<u>\$ 91,134,128</u>	<u>\$ 2,387,841</u>	<u>\$ (2,275,517)</u>	<u>\$ 91,246,452</u>

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 3,288,029	\$ -	\$ -	\$ 3,288,029
Water Allocation Rights	6,165,681	-	-	6,165,681
Construction in Process	5,113,224	50,370,933	(53,382,443)	2,101,714
Total Capital Assests, Not Being Depreciated	<u>14,566,934</u>	<u>50,370,933</u>	<u>(53,382,443)</u>	<u>11,555,424</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	34,672,925	12,035	-	34,684,960
Other Improvements	435,642,381	53,473,073	-	489,115,454
Machinery, Equipment and Vehicles	6,130,252	184,361	(631,465)	5,683,148
Water Allocation Rights	2,374,554	-	-	2,374,554
Total Capital Assets, being depreciated:	<u>478,820,112</u>	<u>53,669,469</u>	<u>(631,465)</u>	<u>531,858,116</u>
Accumulated Depreciation for:				
Buildings and Improvements	(6,937,246)	(883,435)	-	(7,820,681)
Other Improvements	(68,044,274)	(11,087,595)	-	(79,131,869)
Machinery, Equipment and Vehicles	(4,327,419)	(525,734)	493,626	(4,359,527)
Water Allocation Rights	(4,948)	(59,363)	-	(64,311)
Total Accumulated Depreciation:	<u>(79,313,887)</u>	<u>(12,556,127)</u>	<u>493,626</u>	<u>(91,376,388)</u>
Total Capital Assets, Being Depreciated, Net	<u>399,506,225</u>	<u>41,113,342</u>	<u>(137,839)</u>	<u>440,481,728</u>
Business-Type Activities Capital Assets, Net	<u>\$ 414,073,159</u>	<u>\$ 91,484,275</u>	<u>\$ (53,520,282)</u>	<u>\$ 452,037,152</u>

During fiscal year 2010-11, the Wastewater Fund capitalized net interest costs of \$9,598,054. Total interest expense in this fund before capitalization was \$9,775,120.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities:</b>	
General Government	\$ 628,528
Public Safety - Police	877,441
Public Safety - Fire	699,764
Highways and Streets	1,781,556
Culture and Recreation	492,075
Transportation Services	240,135
Tourism and Promotion	661
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	346,585
Total Depreciation Expense	\$ 5,066,745
 <b>Business-type activities:</b>	
Refuse	\$ 1,175
Recreation/Aquatic Center	195,941
Irrigation and Drainage	2,243,199
Wastewater	9,359,322
Airport	756,490
Total Depreciation Expense	\$ 12,556,127

**5. Construction Commitments**

The City has active construction projects at June 30, 2011. The projects include various street and park projects, water master plan and water system upgrades, and wastewater system expansion and treatment plant. At fiscal year end the City's commitments with contractors were as follows:

Governmental Activities		
Project	Spent-to-date	Remaining Commitment
Streets	\$ 1,230,195	\$ 635,389
Municipal Facilities	-	42,963
Total Governmental Activities	\$ 1,230,195	\$ 678,352

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**5. Construction Commitments (Continued)**

Business-type Activities		
Project	Spent-to-date	Remaining Commitment
Water system	\$ 3,609,804	\$ 1,970,714
Wastewater system expansion	49,024,383	4,709,613
Total business-type activities	\$ 52,634,187	\$ 6,680,327

**B. Interfund Receivables, Payables and Transfers**

As of June 30, 2011, interfund receivables and payables were as follows:

Due To	Due From Nonmajor Governmental Funds
General Fund	\$486,155

The above interfund receivables and payables reflect short-term loans to the Havasu Area Transit, Grants Funds, and CDBG/Home Fund for negative ending cash balances.

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers to	Transfers From							Total
	General Fund	Capital Projects	Irrigation & Drainage	Wastewater	HURF	Nonmajor Governmental Funds	Nonmajor Business-Type Activities	
HURF	\$ 120,539	\$ 600,000	\$ -	\$ 1,312	\$ -	\$ -	\$ 27,163	\$ 749,014
Debt Service	385,000	-	-	-	-	-	-	385,000
General fund	-	-	1,129	-	-	-	-	1,129
Capital Projects	-	-	-	-	162,171	-	369,337	531,508
Nonmajor Business- Type Funds	545,000	7,626	-	-	-	-	-	552,626
Wastewater	-	-	2,000,000	-	-	-	-	2,000,000
Nonmajor Governmental Funds	544,100	-	-	-	-	-	-	544,100
	\$ 1,594,639	\$ 607,626	\$ 2,001,129	\$ 1,312	\$ 162,171	\$ -	\$ 396,500	\$ 4,763,377

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



**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Obligations Under Capital Leases**

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Vehicles and Equipment	\$ 5,053,583	\$ 1,804,570
Less: Accumulated Depreciation	(3,412,718)	(1,196,367)
Total	<u>\$ 1,640,865</u>	<u>\$ 608,203</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2012	\$ 794,376	\$ 257,884
2013	290,497	122,636
2014	145,248	61,318
2015	-	-
2016	-	-
2017-2021	-	-
Total Minimum Lease Payments	<u>1,230,121</u>	<u>441,838</u>
Less: Amount Representing Interest	(48,791)	(19,369)
Present Value of Minimum Lease Payments	<u>\$ 1,181,330</u>	<u>\$ 422,469</u>

**D. Long-Term Obligations**

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

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. 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 \$163,725. Principal and interest paid for the current year and total assessed taxes were \$17,950 and \$67,183, respectively.

The City has pledged assessed taxes from each of the property owners within the McCulloch Boulevard Streetscape Improvement District to repay \$891,000 at 5.125% in governmental special assessment obligations issued in May 2001. Special assessment districts are created only by petition of the City Council by property owners within the District areas. Proceeds of the bonds provided financing for the improvements in the McCulloch Boulevard Streetscape Improvement District. In case of default, the City has the responsibility to cover delinquencies of special assessment bonds with other sources until foreclosure proceeds are received. The bonds are payable solely from property assessments and are payable through 2012. The total principal and interest to be paid on the bonds is \$61,538. Principal and interest paid for the current year and total assessments collected were \$69,741 and \$66,283, respectively.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$306,662,286 in authorized wastewater system loans from the Water Infrastructure Financing Authority (WIFA). Loans were issued October 2002 (\$17,015,000) at 3.171%, April 2004 (\$5,940,000) at 3.12%, December 2004 (\$50,065,000) at 3.255%, October 2006 (\$60,835,000) at 2.672%, August 2007 (\$52,703,467) at 3.185%, and October 2008 (\$29,468,259) at 3.75%, July 2009 (\$4,900,832) at 3.241%, and October 2009 (\$87,734,728) at 3.098%. 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 \$13,513,280. The total principal and interest remaining to be paid on the WIFA loans is \$398,015,257.

In July 2010 the City de-obligated \$210,963 of the August 2007 WIFA loan originally issued for \$52,914,430. In August 2010 the City de-obligated an additional \$246,656 of the July 2009 WIFA loan originally issued for \$5,147,488 and de-obligated \$16,116,741 of the October 2008 WIFA loan originally issued for \$45,585,000. In total the City de-obligated \$16,574,359 of the WIFA loans authorized for the wastewater system expansion.

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 principal and interest paid for the current year was \$2,903,500. The total principal and interest remaining to be paid on the loan is \$114,646,750.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3     DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

Loan covenants on the wastewater debt (WIFA and GADA) requires 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 \$16,416,780 (WIFA loans - \$13,513,280, GADA Loan - \$2,903,500) and \$24,355,861 respectively.

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. Loan covenants require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. Total principal and interest remaining to be paid on the WIFA loans is \$10,795,410. Principal and interest paid for the current year and total customer net revenues were \$393,255 and \$2,818,500, respectively.

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 4.00% 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 \$3,114,232. Principal and interest paid for the current year and total excise taxes were \$237,700 and \$25,979,260, respectively.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

Changes in long-term obligations for the year ended June 30, 2011, are as follows:

<b>Governmental Activities:</b>	July 1, 2010	Increases	Decreases	June 30, 2011	Due Within One Year
<b>Bonds and Loans Payable:</b>					
GADA Loan Payable	\$ 2,510,000	\$ -	\$ (135,000)	\$ 2,375,000	\$ 140,000
Special Assessment Debt with Government Commitment	125,000	-	(65,000)	60,000	60,000
<b>Total Bonds and Loans Payable</b>	<b>2,635,000</b>	<b>-</b>	<b>(200,000)</b>	<b>2,435,000</b>	<b>200,000</b>
<b>Other Liabilities:</b>					
Capital Leases	1,951,828	164,047	(934,545)	1,181,330	761,203
Compensated Absences	2,115,303	2,222,804	(2,157,386)	2,180,721	1,161,403
Other Postemployment Benefits	1,000,987	924,931	(415,329)	1,510,589	435,557
<b>Governmental Activities Long-term Liabilities</b>	<b>\$ 7,703,118</b>	<b>\$ 3,311,782</b>	<b>\$ (3,707,260)</b>	<b>\$ 7,307,640</b>	<b>\$ 2,558,163</b>

<b>Business-type Activities:</b>	July 1, 2010	Increases	Decreases	June 30, 2011	Due Within One Year
<b>Bonds, Notes, and Loans Payable:</b>					
General Obligation Bonds	\$ 135,000	\$ -	\$ (10,000)	\$ 125,000	\$ 15,000
GADA Loan Payable	58,070,000	-	-	58,070,000	-
WIFA Loan Payable	224,012,412	36,801,723	(9,587,791)	251,226,344	8,593,367
Plus: Deferred Amount on Premium	2,381,451	-	(95,258)	2,286,193	95,258
<b>Total Bonds, Notes and Loans Payable</b>	<b>284,598,863</b>	<b>36,801,723</b>	<b>(9,693,049)</b>	<b>311,707,537</b>	<b>8,703,625</b>
<b>Other Liabilities:</b>					
Capital Leases	812,444	-	(389,975)	422,469	245,108
Compensated Absences	310,925	362,269	(394,111)	279,083	153,858
Other Postemployment Benefits	374,110	219,983	(22,998)	571,095	25,153
Landfill Closure and Postclosure	2,379,295	119,119	-	2,498,414	-
<b>Business-type Activities Long-term Liabilities</b>	<b>\$ 288,475,637</b>	<b>\$ 37,503,094</b>	<b>\$ (10,500,133)</b>	<b>\$ 315,478,598</b>	<b>\$ 9,127,744</b>

Debt service requirements on long-term debt at June 30, 2011, are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 200,000	\$ 101,101	\$ 8,731,057	\$ 11,819,242
2013	145,000	93,862	10,338,499	11,502,070
2014	150,000	87,963	10,645,134	11,175,423
2015	160,000	81,762	11,063,295	10,835,705
2016	165,000	74,438	11,513,186	10,481,880
2017 - 2021	940,000	255,316	66,120,718	46,480,620
2022 - 2026	675,000	46,328	75,258,473	35,156,908
2027 -2031	-	-	62,248,651	22,930,315
2032 - 2036	-	-	68,305,501	10,191,933
2037 - 2040	-	-	27,717,470	1,110,062
	<b>\$ 2,435,000</b>	<b>\$ 740,770</b>	<b>\$ 351,941,984</b>	<b>\$ 171,684,158</b>

The \$351,941,984 principal amount above includes \$42,520,640 of authorized WIFA loan proceeds not drawn down by the City as of June 30, 2011.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require that Lake Havasu City, Arizona place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and 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 \$2,498,414 as of June 30, 2011, which is based on 42% usage of the landfill. It is estimated that an additional \$3,454,463 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 (\$5,952,877) 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, 2011. 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, 2011.

**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 (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. The City purchases commercial insurance for claims in excess of coverage provided by the Trust. For the fiscal year ended June 30, 2011, the Employee Benefit Trust provided coverage for up to \$125,000 for each insured's health care claim with an additional \$29,000 in aggregate liability to the Trust for amounts over the \$125,000 threshold. Amounts in excess of these deductibles are commercially insured through a specific stop loss policy. Specific reimbursements in the amount of \$138,691 were due the Trust for fiscal year 2010-2011. The trust received \$104,946 during the year and \$33,745 was outstanding as of June 30, 2011. Additionally, the Plan maintains an Aggregate stop loss policy with an annual reimbursable limit of \$1,000,000. Settled claims were less than the aggregate stop loss attachment point for the year ended June 30, 2011, thus no reimbursements were due the Trust under this policy.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**A. Risk Management (Continued)**

All funds of the City with employees participate in the program and make payments to the Employee Benefit Trust based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophic losses. The claims liability reported at June 30, 2011, is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. All claims booked as payable in EBT are incurred but not recorded and are anticipated to be paid in the next fiscal year. Changes in the claims liability amount for the years ended June 30, 2011, and 2010 were as follows:

	2011	2010
Claims Payable, Beginning of Year	\$ 542,000	\$ 567,000
Current Year Claims and Changes in Estimates	5,227,147	5,343,720
Claims Payments	<u>(5,293,147)</u>	<u>(5,368,720)</u>
Claims Payable, End of Year	<u>\$ 476,000</u>	<u>\$ 542,000</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, 2011.

**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, other financing sources and fund balances at the end of the year on a budgetary basis in order to provide a meaningful comparison.

	General Fund		
	Total Expenditures	Total Other Financing Sources	Fund Balance End of Year
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 32,774,046	\$ (1,536,524)	\$ 12,994,672
Present value of net minimum Capital lease payments	<u>(56,986)</u>	<u>(56,986)</u>	<u>-</u>
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	<u>\$ 32,717,060</u>	<u>\$ (1,593,510)</u>	<u>\$ 12,994,672</u>

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Related Party Transactions**

The City expended \$49,583 for services from two electrical contractors which are partially owned by one of the City Council members. At June 30, 2011, there was no amount owed to this vendor in the HURF Fund.

**E. Subsequent Events**

On August 5, 2011, credit rating agency Standard and Poor's downgraded the credit rating of the United States from AAA to AA+, placing the United States on credit watch. Although this is not the highest rating, this rating is still strong.

On October 25, 2011, City Council adopted Ordinance No. 11-1064 amending Lake Havasu City's Code for elimination of Development Fees.

**F. Retirement Plans**

**Arizona State Retirement System**

**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 Arizona State Retirement System (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.

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 System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**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, 2011, active plan members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance and 0.25 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.



**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**F. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

Arizona State Retirement System Contributions  
Last Three Fiscal Years

<u>Years ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>	<u>Percent of Required Contribution</u>
2009	\$ 1,565,339	\$ 204,231	\$ 97,262	100.0%
2010	1,382,667	109,420	65,975	100.0
2011	1,435,992	94,101	39,778	100.0

**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 Public Safety Personnel Retirement System 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](http://www.psprs.com).

**Funding Policy** – Covered employees are required to contribute 7.65 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 18.89 percent of annual covered payroll for police and 20.96 percent of annual covered payroll for fire.

**Annual Pension Cost** – During the year ended June 30, 2010 (the date of the latest available information), Lake Havasu City, Arizona’s annual pension cost of \$997,663 for police and \$1,022,307 for fire was equal to the City’s required and actual contributions.

The required contribution was determined as part of the June 30, 2010, 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 8.5% per year compounded annually, (b) projected salary increases of 3.0% per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

**Funding Status and Funding Progress** – Funding Status and Funding Progress - As of June 30, 2010, the most recent actuarial valuation date, the plan was 65.8% funded for police and 67.5% funded for fire. For police, the actuarial accrued liability for benefits was \$28.8 million, and the actuarial value of assets was \$18.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.8 million. For fire, the actuarial accrued liability for benefits was \$30.7 million, and the actuarial value of assets was \$20.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$10 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.1 million for police and \$4.1 million for fire, and the ratio of the UAAL to the covered payroll was 191.5% for police and 241.3% for fire.



**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**F. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS) (Continued)**

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, 2010, was 26 years.

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

**Lake Havasu City Police**

Fiscal Year Ended June 30,	Annual Required Contribution*	Percent Contributed	Net Pension Obligation
2008	\$ 838,855	100.0 %	\$ -
2009	1,173,118	100.0	-
2010	997,663	100.0	-

**Lake Havasu City Fire Fighters**

Fiscal Year Ended June 30,	Annual Required Contribution*	Percent Contributed	Net Pension Obligation
2008	\$ 869,756	100.0 %	\$ -
2009	919,921	100.0	-
2010	1,022,307	100.0	-

Additional historical trend information for the City's PSPRS is disclosed on pages 84-85. 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.

**Paid-On-Call (POC) Firefighters Pension Fund**

The following brief description of the Paid-on-call Firefighters' Pension Fund (Fund) is provided for general information purposes only. The Fund is a defined contribution pension plan. Reference is made to the Fund agreement for more complete information. The plan does not issue a separate financial report.

**General** – The Fund is a single-employer defined contribution pension plan which covered all paid on-call firefighters of Lake Havasu City, Arizona's Fire Department (the "Employer"). The Fund was a mandatory savings fund. Council approved termination of the Plan on December 11, 2007.

During the fiscal year ended June 30, 2011, there were no active paid-on-call firefighters. No contributions were made by employees or the employer.

All inactive participants with account balances remaining in the Plan at the time of plan termination received distributions of their individual account balances plus the employer contributions which were 100% vested. The remaining assets in the plan were liquidated to the City in March 2011. These funds were distributed on March 31, 2011, to the remaining qualified inactive participants.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**G. Other Postemployment Benefits**

During the fiscal year ended June 30, 2011, 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, 2011. The plan does not issue a separate financial report.

**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 Lake Havasu City Employee Benefit Trust Plan (LHCEBT).

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 LHCEBT, 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, 2011, there were approximately 227 active participants and 60 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 2011, the City contributed \$438,327 to the plan, funded primarily by the general fund.

**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 cost 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.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**G. Other Postemployment Benefits (Continued)**

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

Annual Required Contribution	\$ 1,166,375
Interest on Net OPEB Obligation	55,004
Adjustment to Annual Required Contribution	<u>(76,465)</u>
Annual OPEB cost (Expense)	1,144,914
Contributions Made	<u>(438,327)</u>
Increase in Net OPEB Obligation	706,587
Net OPEB Obligation-Beginning of Year	<u>1,375,097</u>
Net OPEB Obligation-End of Year	<u><u>\$ 2,081,684</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 2009, 2010, and 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 969,102	28.8%	\$ 689,697
2010	1,040,137	34.1%	1,375,097
2011	1,144,914	38.3%	2,081,684

**Funding Status and Funding Progress** – As of July 1, 2010, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$12.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$17.0 million and the ratio of the UAAL to the covered payroll was 73.2 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.

**LAKE HAVASU CITY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4    OTHER INFORMATION (CONTINUED)**

**G. Other Postemployment Benefits (Continued)**

**Actuarial Methods and Assumptions (Continued)**

In the July 1, 2010, actuarial valuation the entry age normal cost method was used. The actuarial assumptions included a 4% 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%, reduced by decrements to an ultimate rate of 5% after five 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, 2011, was 27 years.

## **Required Supplementary Information**

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

**Lake Havasu City Police**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution*</u>	<u>Percent Contributed</u>
2008	\$ 838,855	100.0 %
2009	1,173,118	100.0
2010	997,663	100.0

\* Includes insurance premium tax, where applicable.

<u>Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Over (Under) Funded AAL</u>	<u>Annual Covered Payroll</u>	<u>Over (Under) Funded AAL as a Percentage of Covered Payroll</u>
2008	\$ 16,686,011	\$ 25,574,703	65.2%	\$ (8,888,692)	\$ 6,349,025	(140.0%)
2009	18,395,786	26,488,623	69.4	(8,092,837)	6,002,632	(134.8%)
2010	18,944,336	28,782,800	65.8	(9,838,464)	5,137,294	(191.5%)

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

**Lake Havasu City Fire Fighters**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution*</u>	<u>Percent Contributed</u>
2008	\$ 869,756	100.0 %
2009	919,921	100.0
2010	1,022,307	100.0

\* Includes insurance premium tax, where applicable.

<u>Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Over (Under) Funded AAL</u>	<u>Annual Covered Payroll</u>	<u>Over (Under) Funded AAL as a Percentage of Covered Payroll</u>
2008	\$ 20,669,656	\$ 29,862,258	69.2%	\$ (9,192,602)	\$ 5,350,345	(171.8%)
2009	21,111,450	29,557,447	71.4	(8,445,997)	4,490,899	(188.1%)
2010	20,717,588	30,702,101	67.5	(9,984,513)	4,137,630	(241.3%)

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

**Lake Havasu City Other Postemployment Benefits**

Valuation Date June 30,	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
2009	\$ -	\$ 9,877,174	-%	\$ (9,877,174)	\$ 20,880,821	(47.3%)
2010	-	10,580,736	-	(10,580,736)	17,519,891	(60.4%)
2011	-	12,465,566	-	(12,465,566)	17,025,507	(73.2%)

**Schedule of Employer Contribution**

Fiscal Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2009	\$ 279,405	\$ 969,102	28.8%
2010	354,740	1,040,137	34.1
2011	438,327	1,144,914	38.3



## **Combining and Individual Fund Statements and Schedules**

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## **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.

**Havasu 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.

**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. 1 for the gas lights along the residential area of the London Bridge Golf Course, Improvement District No. 2 for maintenance of 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, 2011**

	Special Revenue						
	Tourism/ Economic Development	Havasu Area Transit	Grants	CDBG/Home	Improvement Districts	Special Programs	Total Nonmajor Governmental Funds
<b>Assets</b>							
Cash and Investments	\$ 209,476	\$ 200	\$ -	\$ -	\$ 49,202	\$ 183,779	\$ 442,657
Receivables							-
Accounts Receivable	222	-	-	-	-	-	222
Taxes Receivable	-	-	-	-	4,248	-	4,248
Intergovernmental Receivable	67,709	342,250	230,388	31,121	1,302	49,084	721,854
Prepaid Items	-	3,554	-	-	-	-	3,554
Total Assets	<u>\$ 277,407</u>	<u>\$ 346,004</u>	<u>\$ 230,388</u>	<u>\$ 31,121</u>	<u>\$ 54,752</u>	<u>\$ 232,863</u>	<u>\$ 1,172,535</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable	\$ -	\$ 10,858	\$ 7,564	\$ 1,075	\$ 275	\$ 5,355	\$ 25,127
Accrued Wages and Benefits	-	16,808	-	-	-	-	16,808
Intergovernmental Payable	-	-	-	-	-	-	-
Due to Other Funds	-	233,320	222,789	30,046	-	-	486,155
Deferred Revenue	-	540	35	-	2,589	-	3,164
Total Liabilities	<u>-</u>	<u>261,526</u>	<u>230,388</u>	<u>31,121</u>	<u>2,864</u>	<u>5,355</u>	<u>531,254</u>
<b>Fund Balance</b>							
Nonspendable	-	3,554	-	-	-	-	3,554
Restricted	277,407	-	-	-	51,888	213,272	542,567
Committed	-	-	-	-	-	-	-
Assigned	-	80,924	-	-	-	14,236	95,160
Unassigned	-	-	-	-	-	-	-
Total Fund Balance	<u>277,407</u>	<u>84,478</u>	<u>-</u>	<u>-</u>	<u>51,888</u>	<u>227,508</u>	<u>641,281</u>
Total Liabilities and Fund Balance	<u>\$ 277,407</u>	<u>\$ 346,004</u>	<u>\$ 230,388</u>	<u>\$ 31,121</u>	<u>\$ 54,752</u>	<u>\$ 232,863</u>	<u>\$ 1,172,535</u>

**LAKE HAVASU CITY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – NONMAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2011**

	Special Revenue						Total Nonmajor Governmental Funds
	Tourism/ Economic Development	Havasu Area Transit	Grants	CDBG/Home	Improvement Districts	Special Programs	
<b>Revenue</b>							
<b>Taxes</b>							
Sales Taxes	\$ 1,387,221	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,387,221
Property Taxes	-	-	-	-	76,113	-	76,113
Intergovernmental Revenue	-	1,223,605	779,986	468,074	-	146,302	2,617,967
Fines and Forfeitures	-	-	-	-	-	75,680	75,680
Charges for Services	-	96,577	-	-	-	10,950	107,527
Contributions and Donations	-	-	-	-	-	8,216	8,216
Investment Earnings	-	-	-	-	182	-	182
Other	-	9,423	-	-	-	4,901	14,324
<b>Total Revenue</b>	<u>1,387,221</u>	<u>1,329,605</u>	<u>779,986</u>	<u>468,074</u>	<u>76,295</u>	<u>246,049</u>	<u>4,287,230</u>
<b>Expenditures</b>							
<b>Current</b>							
General Government	-	-	15,862	469,252	117,194	265,024	867,332
Public Safety	-	-	764,124	-	-	167,262	931,386
Highways and Streets	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	4,165	4,165
Tourism and Promotion	1,389,473	-	-	-	-	-	1,389,473
Transportation Services	-	1,847,708	-	-	-	-	1,847,708
<b>Total Expenditures</b>	<u>1,389,473</u>	<u>1,847,708</u>	<u>779,986</u>	<u>469,252</u>	<u>117,194</u>	<u>436,451</u>	<u>5,040,064</u>
<b>Excess (Deficiency) of Revenue Over</b>							
Expenditures	<u>(2,252)</u>	<u>(518,103)</u>	<u>-</u>	<u>(1,178)</u>	<u>(40,899)</u>	<u>(190,402)</u>	<u>(752,834)</u>
<b>Other Financing Sources (Uses)</b>							
Transfers In	-	544,100	-	-	-	-	544,100
Transfers Out	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>544,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>544,100</u>
<b>Net Change in Fund Balance</b>	(2,252)	25,997	-	(1,178)	(40,899)	(190,402)	(208,734)
<b>Fund Balance</b>							
Beginning of Year	<u>279,659</u>	<u>58,481</u>	<u>-</u>	<u>1,178</u>	<u>92,787</u>	<u>417,910</u>	<u>850,015</u>
End of Year	<u>\$ 277,407</u>	<u>\$ 84,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,888</u>	<u>\$ 227,508</u>	<u>\$ 641,281</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, 2011**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Special Assessments	\$ 129,900	\$ 66,283	\$ (63,617)
Investment Earnings	100	26	(74)
Total Revenue	<u>130,000</u>	<u>66,309</u>	<u>(63,691)</u>
Expenditures			
Debt Service			
Principal Retirement	260,000	200,000	60,000
Interest on Long-Term Debt	<u>109,819</u>	<u>108,188</u>	<u>1,631</u>
Total Expenditures	<u>369,819</u>	<u>308,188</u>	<u>61,631</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(239,819)</u>	<u>(241,879)</u>	<u>(2,060)</u>
Other Financing Sources (Uses)			
Transfers In	385,000	385,000	-
Net Change in Fund Balance	145,181	143,121	(2,060)
Fund Balance			
Beginning of Year	<u>50,220</u>	<u>50,031</u>	<u>(189)</u>
End of Year	<u>\$ 195,401</u>	<u>\$ 193,152</u>	<u>\$ (2,249)</u>

**LAKE HAVASU CITY, ARIZONA  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental Revenue	\$ 12,676,194	\$ 12,676,194	\$ 3,257,110	\$ (9,419,084)
Contributions and Donations	-	-	7,716	7,716
Impact Fees	144,100	144,100	295,355	151,255
Investment Earnings	11,500	11,500	38,111	26,611
Other	<u>19,200</u>	<u>19,200</u>	<u>139,025</u>	<u>119,825</u>
Total Revenue	12,850,994	12,850,994	3,737,317	(9,113,677)
Expenditures				
Capital Outlay	<u>24,451,171</u>	<u>24,349,050</u>	<u>3,345,613</u>	<u>21,003,437</u>
Excess (Deficiency) of Revenue Over Expenditures	(11,600,177)	(11,498,056)	391,704	11,889,760
Other Financing Sources (Uses)				
Transfers In	5,243,740	5,243,740	531,508	(4,712,232)
Transfers Out	(643,606)	(643,606)	(607,626)	35,980
Proceeds from Capital Lease	<u>4,725,000</u>	<u>4,725,000</u>	<u>-</u>	<u>(4,725,000)</u>
Total Other Financing Sources (Uses)	9,325,134	9,325,134	(76,118)	(4,676,252)
Special Item				
Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(2,275,043)	(2,172,922)	315,586	7,213,508
Fund Balance				
Beginning of Year	<u>6,833,417</u>	<u>6,833,417</u>	<u>9,470,637</u>	<u>2,637,220</u>
End of Year	<u>\$ 4,558,374</u>	<u>\$ 4,660,495</u>	<u>\$ 9,786,223</u>	<u>\$ 5,125,728</u>

**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, 2011**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes			
Sales Taxes	\$ 1,625,000	\$ 1,387,221	\$ (237,779)
Expenditures			
Current			
Tourism and Promotion	<u>1,725,000</u>	<u>1,389,473</u>	<u>335,527</u>
Excess (Deficiency) of Revenue Over Expenditures	(100,000)	(2,252)	97,748
Fund Balance			
Beginning of Year	<u>281,980</u>	<u>279,659</u>	<u>(2,321)</u>
End of Year	<u>\$ 181,980</u>	<u>\$ 277,407</u>	<u>\$ 95,427</u>



**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, 2011**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 1,754,156	\$ 1,223,605	\$ (530,551)
Charges for Services	103,800	96,577	(7,223)
Other	1,000	9,423	8,423
Total Revenue	1,858,956	1,329,605	(529,351)
Expenditures			
Current			
Transportation Services	2,467,235	1,847,708	619,527
Excess (deficiency) of revenues over expenditures	(608,279)	(518,103)	90,176
Other Financing Sources (Uses)			
Transfers In	570,000	544,100	(25,900)
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	570,000	544,100	(25,900)
Net Change in Fund Balance	(38,279)	25,997	64,276
Fund Balance			
Beginning of Year	54,704	58,481	3,777
End of Year	\$ 16,425	\$ 84,478	\$ 68,053

**LAKE HAVASU CITY, ARIZONA  
GRANTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2011**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 1,414,424	\$ 779,986	\$ (634,438)
Total Revenue	<u>1,414,424</u>	<u>779,986</u>	<u>(634,438)</u>
Expenditures			
Current			
General Government	15,862	15,862	-
Public Safety	<u>1,398,562</u>	<u>764,124</u>	<u>634,438</u>
Total Expenditures	<u>1,414,424</u>	<u>779,986</u>	<u>634,438</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, 2011**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Intergovernmental Revenue	\$ 2,624,417	\$ 468,074	\$ (2,156,343)
Expenditures			
Current			
General Government	2,624,417	469,252	2,155,165
Excess (Deficiency) of Revenue Over Expenditures	-	(1,178)	(1,178)
Fund Balance			
Beginning of Year	-	1,178	1,178
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LAKE HAVASU CITY, ARIZONA  
IMPROVEMENT DISTRICTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2011**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes			
Property Taxes	\$ 85,000	\$ 76,113	\$ (8,887)
Investment Earnings	-	182	182
Total Revenue	85,000	76,295	(8,705)
 Expenditures			
Current			
General Government	120,949	117,194	3,755
 Excess (Deficiency) of Revenue Over Expenditures	(35,949)	(40,899)	(4,950)
 Fund Balance			
Beginning of Year	93,143	92,787	(356)
End of Year	\$ 57,194	\$ 51,888	\$ (5,306)

**LAKE HAVASU CITY, ARIZONA  
SPECIAL PROGRAMS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2011**

	Original and Final Budget	Actual	Variance with Final Budget
<b>Revenue</b>			
Intergovernmental Revenue	\$ 175,680	\$ 146,302	\$ (29,378)
Fines and Forfeitures	79,000	75,680	(3,320)
Charges for Services	11,000	10,950	(50)
Contributions and Donations	5,000	8,216	3,216
Other	2,448	4,901	2,453
Total Revenue	<u>273,128</u>	<u>246,049</u>	<u>(27,079)</u>
<b>Expenditures</b>			
<b>Current</b>			
General Government	261,352	265,024	(3,672)
Public Safety	196,964	167,262	29,702
Culture and Recreation	20,000	4,165	15,835
Total Expenditures	<u>478,316</u>	<u>436,451</u>	<u>41,865</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(205,188)</u>	<u>(190,402)</u>	<u>14,786</u>
<b>Other Financing Sources (Uses)</b>			
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(205,188)	(190,402)	14,786
<b>Fund Balance</b>			
Beginning of Year	<u>490,363</u>	<u>417,910</u>	<u>(72,453)</u>
End of Year	<u>\$ 285,175</u>	<u>\$ 227,508</u>	<u>\$ (57,667)</u>

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

**Refuse Fund** – To account for the operation of the City’s waste hauling services and landfill.

**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 ASSETS  
NONMAJOR ENTERPRISE FUNDS  
JUNE 30, 2011**

	<u>Refuse</u>	<u>Recreation/ Aquatic Center</u>	<u>Airport</u>	<u>Total</u>
<b>Assets</b>				
Current Assets				
Cash and Cash Equivalents	\$ 6,241,799	\$ 80,792	\$ 91,307	\$ 6,413,898
Receivables, Net				
Accounts Receivable	506,045	447	16,491	522,983
Intergovernmental Receivable	-	-	70,734	70,734
Interest Receivable	6,358	-	-	6,358
Inventory	-	2,880	-	2,880
Prepaid Items	1,531	7,106	4,684	13,321
Restricted Assets	-	-	27,194	27,194
Total Current Assets	<u>6,755,733</u>	<u>91,225</u>	<u>210,410</u>	<u>7,057,368</u>
Noncurrent Assets				
Capital Assets				
Non-Depreciable	-	-	696,334	696,334
Depreciable (Net)	28,204	4,498,498	17,319,645	21,846,347
Total Noncurrent Assets	<u>28,204</u>	<u>4,498,498</u>	<u>18,015,979</u>	<u>22,542,681</u>
Total Assets	<u>6,783,937</u>	<u>4,589,723</u>	<u>18,226,389</u>	<u>29,600,049</u>
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	537,467	1,909	4,135	543,511
Accrued Wages and Benefits	-	11,012	5,430	16,442
Intergovernmental Payable	-	542	-	542
Interest Payable	-	-	349	349
Deferred Revenue	-	26,719	17,981	44,700
Liabilities Payable from Restricted Assets	-	-	27,194	27,194
Compensated Absences	-	9,178	11,627	20,805
Other Postemployment Benefits	-	-	6,153	6,153
Capital Leases Payable	-	-	54,228	54,228
Total Current Liabilities	<u>537,467</u>	<u>49,360</u>	<u>127,097</u>	<u>713,924</u>
Noncurrent Liabilities				
Compensated Absences	-	7,798	9,642	17,440
Landfill Closure and Postclosure Care Costs	2,498,414	-	-	2,498,414
Capital Leases Payable	-	-	60,225	60,225
Other Postemployment Benefits	-	14,885	2,743	17,628
Total Noncurrent Liabilities	<u>2,498,414</u>	<u>22,683</u>	<u>72,610</u>	<u>2,593,707</u>
Total Liabilities	<u>3,035,881</u>	<u>72,043</u>	<u>199,707</u>	<u>3,307,631</u>
<b>Net assets</b>				
Invested in Capital Assets, Net of Related Debt	28,204	4,498,498	17,901,526	22,428,228
Unrestricted	3,719,852	19,182	125,156	3,864,190
Total Net Assets	<u>\$ 3,748,056</u>	<u>\$ 4,517,680</u>	<u>\$ 18,026,682</u>	<u>\$ 26,292,418</u>



**LAKE HAVASU CITY, ARIZONA  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Refuse</u>	<u>Recreation/ Aquatic Center</u>	<u>Airport</u>	<u>Total Nonmajor Business-Type Activities</u>
Operating Revenue				
Charges for Services	\$ 1,198,732	\$ 332,122	\$ 521,022	\$ 2,051,876
Operating Expenses				
Costs of Sales and Services	1,084,815	884,043	594,600	2,563,458
Depreciation	<u>1,175</u>	<u>195,941</u>	<u>756,490</u>	<u>953,606</u>
Total Operating Expenses	<u>1,085,990</u>	<u>1,079,984</u>	<u>1,351,090</u>	<u>3,517,064</u>
Operating Income (Loss)	<u>112,742</u>	<u>(747,862)</u>	<u>(830,068)</u>	<u>(1,465,188)</u>
Nonoperating Revenues (Expenses)				
Interest Earnings	17,941	5	-	17,946
Interest Expense	-	-	(5,542)	(5,542)
Other Income	<u>-</u>	<u>182</u>	<u>-</u>	<u>182</u>
Total Nonoperating Revenue (Expenses)	<u>17,941</u>	<u>187</u>	<u>(5,542)</u>	<u>12,586</u>
Income (Loss) Before Contributions and Transfers	130,683	(747,675)	(835,610)	(1,452,602)
Capital Contributions	-	-	359,772	359,772
Transfers In	-	545,000	7,626	552,626
Transfers Out	<u>(396,500)</u>	<u>-</u>	<u>-</u>	<u>(396,500)</u>
Change in Net Assets	<u>(265,817)</u>	<u>(202,675)</u>	<u>(468,212)</u>	<u>(936,704)</u>
Net Assets				
Beginning of Year	<u>4,013,873</u>	<u>4,720,355</u>	<u>18,494,894</u>	<u>27,229,122</u>
End of Year	<u>\$ 3,748,056</u>	<u>\$ 4,517,680</u>	<u>\$ 18,026,682</u>	<u>\$ 26,292,418</u>

**LAKE HAVASU CITY, ARIZONA  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Refuse</u>	<u>Recreation/ Aquatic Center</u>	<u>Airport</u>	<u>Totals</u>
Cash Flows from Operating Activities				
Receipts from Customers	\$ 1,019,811	\$ 341,392	\$ 542,755	\$ 1,903,958
Payments to Suppliers	(843,204)	(400,774)	(237,112)	(1,481,090)
Payments to Employees	-	(505,782)	(363,092)	(868,874)
Other Nonoperating Receipts	-	182	-	182
Customer Deposits (Payments)	-	-	1,224	1,224
Net Cash Flows from (used by) Operating Activities	<u>176,607</u>	<u>(564,982)</u>	<u>(56,225)</u>	<u>(444,600)</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	-	545,000	7,626	552,626
Transfers Out	<u>(369,337)</u>	<u>-</u>	<u>-</u>	<u>(369,337)</u>
Net Cash Flows from (used by) Noncapital Financing Activities	<u>(369,337)</u>	<u>545,000</u>	<u>7,626</u>	<u>183,289</u>
Cash Flows from Capital and Financing Activities				
Proceeds from Capital Debt	-	-	-	-
Capital Grants and Contributions	-	-	297,857	297,857
Purchases of Capital Assets	-	-	(363,308)	(363,308)
Principal Paid on Capital Debt	-	-	(55,555)	(55,555)
Interest Paid on Capital Debt	(321)	-	(5,711)	(6,032)
Proceeds from Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Flows from (used by) Capital and Financing Activities	<u>(321)</u>	<u>-</u>	<u>(126,717)</u>	<u>(127,038)</u>
Cash Flows from Investing Activities				
Interest and Dividends	<u>11,583</u>	<u>5</u>	<u>-</u>	<u>11,588</u>
Net Change in Cash and Cash Equivalents	(181,468)	(19,977)	(175,316)	(376,761)
Cash and Cash Equivalents, Beginning of Year	<u>6,423,267</u>	<u>100,769</u>	<u>293,817</u>	<u>6,817,853</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,241,799</u>	<u>\$ 80,792</u>	<u>\$ 118,501</u>	<u>\$ 6,441,092</u>

Note: Cash and Cash Equivalents, End of Year on Statement of Cash Flows reflects the total of Cash and Cash Equivalents and Restricted Assets on the Statement of Net Assets.

**LAKE HAVASU CITY, ARIZONA  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FISCAL YEAR ENDED JUNE 30, 2011**

	Refuse	Recreation/ Aquatic Center	Airport	Totals
(Continued)				
Reconciliation of Operating Income (Loss) to Net Cash from (used by) Operating Activities				
Operating Income (Loss)	\$ 112,742	\$ (747,862)	\$ (830,068)	\$ (1,465,188)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (used by) Operating Activities				
Depreciation	1,175	195,941	756,490	953,606
Other Nonoperating Receipts (Expenses)	-	182	-	182
Change in Assets/Liabilities:				
Receivables, Net	(178,921)	2,214	9,276	(167,431)
Inventories	-	155	-	155
Prepaid Items	(1,531)	(569)	2,727	627
Accounts Payable	124,023	(15,571)	826	109,278
Intergovernmental Payable	-	7,056	12,512	19,568
Accrued Wages and Benefits	-	(18,692)	(11,775)	(30,467)
Compensated Absences	-	2,165	3,921	6,086
Deferred Revenue	-	-	-	-
Customer Deposits Payable	-	-	1,224	1,224
Other Postemployment Benefits	-	9,999	(1,358)	8,641
Landfill Closure and Postclosure Care Costs	119,119	-	-	119,119
Net Cash from (used by) Operating Activities	\$ 176,607	\$ (564,982)	\$ (56,225)	\$ (444,600)

**Noncash Investing, Capital and Financing Activities**

The Refuse Fund transferred capital assets to the HURF Fund with net value of \$27,163 and a lease payable balance of \$107,060.

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## 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 ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2011**

	Vehicle Replacement	Employee Benefit Trust	Totals
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ 3,598,956	\$ 5,906,314	\$ 9,505,270
Receivables, Net			
Accounts Receivable	-	5,950	5,950
Prepaid Items	-	94,143	94,143
Total Current Assets	3,598,956	6,006,407	9,605,363
Noncurrent Assets			
Capital Assets			
Depreciable (net)	1,306,294	-	1,306,294
Total Assets	4,905,250	6,006,407	10,911,657
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	-	15	15
Claims Payable	-	476,000	476,000
Total Current Liabilities	-	476,015	476,015
Total Liabilities	-	476,015	476,015
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,306,294	-	1,306,294
Unrestricted	3,598,956	5,530,392	9,129,348
Total Net Assets	\$ 4,905,250	\$ 5,530,392	\$ 10,435,642

**LAKE HAVASU CITY, ARIZONA  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Vehicle Replacement</u>	<u>Employee Benefit Trust</u>	<u>Totals</u>
Operating Revenue			
Premiums	\$ -	\$ 6,295,768	\$ 6,295,768
Total Operating Revenues	<u>-</u>	<u>6,295,768</u>	<u>6,295,768</u>
Operating Expenses			
Premiums	-	449,274	449,274
Administration	137	420,494	420,631
Benefits	-	5,227,147	5,227,147
Depreciation	346,585	-	346,585
Total Operating Expenses	<u>346,722</u>	<u>6,096,915</u>	<u>6,443,637</u>
Operating Income (Loss)	<u>(346,722)</u>	<u>198,853</u>	<u>(147,869)</u>
Nonoperating Revenues (Expenses)			
Investment Earnings	7,399	11,159	18,558
Other Income	-	78,417	78,417
Total Nonoperating Revenues (Expenses)	<u>7,399</u>	<u>89,576</u>	<u>96,975</u>
Change in Net Assets	(339,323)	288,429	(50,894)
Net Assets			
Beginning of Year	<u>5,244,573</u>	<u>5,241,963</u>	<u>10,486,536</u>
End of Year	<u>\$ 4,905,250</u>	<u>\$ 5,530,392</u>	<u>\$ 10,435,642</u>

**LAKE HAVASU CITY, ARIZONA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Vehicle Replacement</u>	<u>Employee Benefit Trust</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Receipts from Customers	\$ -	\$ 6,308,749	\$ 6,308,749
Payments to Suppliers	(137)	(6,213,453)	(6,213,590)
Other Nonoperating Receipts	-	78,417	78,417
Net Cash Flows from (used by) Operating Activities	<u>(137)</u>	<u>173,713</u>	<u>173,576</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of Capital Assets	(471,823)	-	(471,823)
Cash Flows from Investing Activities			
Interest and Dividends	<u>7,399</u>	<u>11,159</u>	<u>18,558</u>
Net Change in Cash and Cash Equivalents	(464,561)	184,872	(279,689)
Cash and Cash Equivalents, Beginning of Year	<u>4,063,517</u>	<u>5,721,442</u>	<u>9,784,959</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,598,956</u>	<u>\$ 5,906,314</u>	<u>\$ 9,505,270</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used by) Operating Activities			
Operating Income (Loss)	\$ (346,722)	\$ 198,853	\$ (147,869)
Adjustments to Reconcile Operating Loss to Net Cash from (used by) Operating Activities:			
Depreciation	346,585	-	346,585
Other Nonoperating Receipts (Expenses)	-	78,417	78,417
Change in Assets/Liabilities:			
Receivables, Net	-	12,981	12,981
Prepaid Items	-	(52,208)	(52,208)
Accounts Payable	-	1,670	1,670
Claims Payable	-	(66,000)	(66,000)
Net Cash from (used by) Operating Activities	<u>\$ (137)</u>	<u>\$ 173,713</u>	<u>\$ 173,576</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. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities									
Invested in Capital Assets, Net of Related Debt	\$ 36,170,959	\$ 44,518,547	\$ 46,769,169	\$ 49,705,688	\$ 69,549,691	\$ 84,717,176	\$ 89,771,829	\$ 86,672,300	\$ 87,690,122
Restricted	4,755,999	5,849,813	6,895,895	10,075,093	9,473,106	7,502,504	7,913,264	12,583,976	10,279,119
Unrestricted	20,875,610	19,298,873	18,947,577	24,154,802	30,241,127	25,019,618	19,192,814	18,837,995	21,634,832
Total Governmental Activities Net Assets	<u>\$ 61,802,568</u>	<u>\$ 69,667,233</u>	<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>
Business-type Activities									
Invested in Capital Assets, Net of Related Debt	\$ 96,686,600	\$ 98,939,694	\$ 106,779,037	\$ 143,521,523	\$ 135,934,350	\$ 147,265,013	\$ 120,519,205	\$ 128,661,852	\$ 139,907,146
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	14,325,762	23,289,617	29,642,653	8,508,879	32,101,132	33,854,356	71,808,903	81,173,618	91,498,031
Total Business-type Activities Net Assets	<u>\$ 111,012,362</u>	<u>\$ 122,229,311</u>	<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>\$ 231,405,177</u>
Primary Government									
Invested in Capital Assets, Net of Related Debt	\$ 132,857,559	\$ 143,458,241	\$ 153,548,206	\$ 193,227,211	\$ 205,484,041	\$ 231,982,189	\$ 210,291,034	\$ 215,334,152	\$ 227,597,268
Restricted	4,755,999	5,849,813	6,895,895	10,075,093	9,473,106	7,502,504	7,913,264	12,583,976	10,279,119
Unrestricted	35,201,372	42,588,490	48,590,230	32,663,681	62,342,259	58,873,974	91,001,717	100,011,613	113,132,863
Total Primary Government Net Assets	<u>\$ 172,814,930</u>	<u>\$ 191,896,544</u>	<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>\$ 351,009,250</u>

Source: Lake Havasu City, Arizona's Finance Department.

Note: Fiscal year 2002-03 was the City's first year to prepare government-wide financial statements.

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
Governmental Activities:									
General Government	\$ 7,158,240	\$ 8,476,152	\$ 8,368,982	\$ 8,659,589	\$ 8,939,846	\$ 11,443,459	\$ 11,587,628	\$ 11,523,143	\$ 9,621,283
Public Safety	13,067,015	14,960,107	16,646,139	18,067,192	21,061,456	24,929,038	24,101,607	22,048,520	22,372,576
Highways and Streets	6,197,856	6,445,426	7,214,688	6,167,089	8,150,105	7,785,062	7,212,143	5,425,314	5,918,563
Transportation Services	1,518,401	1,761,356	1,796,054	1,888,322	1,841,324	2,236,456	2,081,649	1,820,974	1,461,975
Tourism and Promotion	1,201,872	1,264,920	1,398,228	1,529,094	1,577,687	1,582,985	1,357,250	1,357,407	1,390,134
Culture and Recreation	3,262,316	3,724,502	4,533,104	4,566,607	5,005,653	5,708,732	5,560,189	4,590,764	4,722,202
Interest on Long-Term Debt	903,514	732,398	581,320	450,892	314,557	192,875	126,647	115,351	108,188
Total Governmental Activities	<u>33,309,214</u>	<u>37,364,861</u>	<u>40,538,515</u>	<u>41,328,785</u>	<u>46,890,628</u>	<u>53,878,607</u>	<u>52,027,113</u>	<u>46,881,473</u>	<u>45,594,921</u>
Business-type Activities:									
Refuse	384,014	395,178	433,897	437,916	432,118	796,755	788,325	1,081,376	1,085,990
Recreation / Aquatic Center	1,118,978	1,165,795	1,220,529	1,182,535	1,293,160	1,421,768	1,238,856	1,079,224	1,079,984
Irrigation and Drainage	6,967,361	7,424,603	9,452,177	9,852,891	10,545,850	12,082,578	11,865,294	10,220,643	10,523,588
Wastewater	4,545,242	6,395,900	7,308,945	9,426,955	9,824,124	12,244,284	14,776,656	15,205,648	17,162,396
Airport	1,650,741	2,128,119	1,499,059	1,518,477	1,578,872	1,569,121	1,638,496	1,391,318	1,356,632
Total Business-type Activities	<u>14,666,336</u>	<u>17,509,595</u>	<u>19,914,607</u>	<u>22,418,774</u>	<u>23,674,124</u>	<u>28,114,506</u>	<u>30,307,627</u>	<u>28,978,209</u>	<u>31,208,590</u>
Total Primary Government Expenses	<u>\$ 47,975,550</u>	<u>\$ 54,874,456</u>	<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>\$ 76,803,511</u>
<b>Program Revenues</b>									
Governmental Activities:									
Fines, Fees and Charges for Services:									
General Government	\$ 4,201,970	\$ 4,362,919	\$ 4,312,475	\$ 5,419,483	\$ 4,591,229	\$ 3,803,583	\$ 2,714,374	\$ 2,883,613	\$ 2,697,578
Public Safety	109,301	122,690	145,296	150,248	131,148	161,717	110,643	138,856	131,855
Highways and Streets	74,765	28,743	39,402	23,773	105,697	7,880	105,763	26,885	22,861
Culture and Recreation	551,332	575,014	551,165	635,464	654,523	670,950	535,640	639,748	570,009
Transportation Services	336,825	382,816	367,310	354,059	171,779	91,617	102,469	103,165	106,000
Interest	66,728	41,746	80,978	-	16,040	29,091	3,201	7,308	5,765
Operating Grants and Contributions	5,289,206	5,817,861	6,874,258	6,938,568	8,737,113	9,255,906	7,093,164	7,656,464	7,755,856
Capital Grants and Contributions	868,693	4,697,048	367,726	643,939	17,022,840	6,215,355	7,088,714	3,672,012	3,264,826
Total Governmental Activities Program Revenues	<u>11,498,820</u>	<u>16,028,837</u>	<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>

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Business-type Activities:</b>									
<b>Charges for Services:</b>									
Refuse	\$ 744,172	\$ 847,270	\$ 917,215	\$ 967,991	\$ 1,042,200	\$ 1,269,783	\$ 1,180,596	\$ 1,193,935	\$ 1,198,732
Recreation / Aquatic Center	412,350	457,219	422,279	429,222	497,842	433,782	376,044	349,804	332,304
Irrigation and Drainage	9,556,571	11,187,833	11,945,099	12,322,158	12,690,337	11,590,238	11,000,962	11,299,977	10,970,391
Wastewater	4,107,757	4,441,473	5,110,191	7,333,204	11,071,344	13,331,015	14,514,990	16,836,789	21,241,682
Airport	443,613	484,506	545,364	551,921	557,926	581,215	534,797	1,125,623	521,022
Operating Grants and Contributions	1,185,737	1,247,605	1,360,656	1,908,002	85,129	1,000	46,076	25,000	86,000
Capital Grants and Contributions	2,871,542	4,235,562	6,552,540	7,320,449	6,569,117	9,196,982	7,112,526	10,373,301	13,547,954
Total Business-type Activities Program Revenues	<u>19,321,742</u>	<u>22,901,468</u>	<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>
Total Primary Government Program Revenues	<u>\$ 30,820,562</u>	<u>\$ 38,930,305</u>	<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>
<b>Net (Expense)/Revenue</b>									
Governmental Activities	\$ (21,810,394)	\$ (21,336,024)	\$ (27,799,905)	\$ (27,163,251)	\$ (15,460,259)	\$ (33,642,508)	\$ (34,273,145)	\$ (31,753,421)	\$ (31,040,172)
Business-type Activities	<u>4,655,406</u>	<u>5,391,873</u>	<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>16,689,495</u>
Total Primary Government Net Expense	<u>\$ (17,154,988)</u>	<u>\$ (15,944,151)</u>	<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>\$ (14,350,677)</u>
<b>General Revenues and Other</b>									
<b>Changes in Net Assets</b>									
<b>Governmental Activities:</b>									
<b>Taxes:</b>									
Sales Taxes	\$ 17,455,115	\$ 19,055,160	\$ 20,558,443	\$ 22,880,568	\$ 21,552,577	\$ 18,825,309	\$ 15,366,885	\$ 13,979,108	\$ 14,379,370
Property Taxes	2,983,706	3,107,290	3,497,095	4,042,201	4,442,505	4,659,276	4,875,880	5,106,364	4,135,595
Franchise Taxes	224,516	258,528	254,675	227,038	746,815	1,733,704	1,921,624	1,687,909	1,722,878
Impact Fees	-	-	-	-	185,562	10,674	97,045	318,232	295,355
State Revenue Sharing	4,463,510	3,781,523	3,855,258	4,390,884	6,066,778	7,519,909	7,979,307	6,899,020	5,200,976
State Sales Tax Revenue Sharing	3,279,879	3,528,252	3,885,149	4,520,559	5,078,851	4,910,888	4,251,458	3,921,350	4,081,876
Auto Lieu Tax Revenue Sharing	2,308,162	2,389,482	2,620,537	3,008,101	3,244,184	3,102,207	2,840,324	2,665,669	2,621,452
Investment Earnings (Loss)	(371,813)	480,411	621,096	1,066,812	1,198,654	1,193,238	467,629	253,403	187,740
Other	90,871	36,861	17,325	71,692	18,705	14,912	12,590	16,124	78,417
Transfers	(11,983,144)	(3,436,818)	(4,564,265)	(1,721,662)	(1,746,031)	561,289	(3,900,988)	(1,877,395)	(153,685)
Total Governmental Activities	<u>18,450,802</u>	<u>29,200,689</u>	<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>
<b>Business-type activities:</b>									
Property Taxes	2,149,954	2,052,192	1,992,909	2,034,044	2,111,867	2,156,284	2,134,068	3,237,149	4,460,402
Investment Earnings (Loss)	(166,709)	336,066	696,468	3,438,833	3,757,572	2,285,859	715,319	200,593	266,125
Transfers	<u>11,983,144</u>	<u>3,436,818</u>	<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>
Total Business-type Activities	<u>13,966,389</u>	<u>5,825,076</u>	<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>
Total Primary Government	<u>\$ 32,417,191</u>	<u>\$ 35,025,765</u>	<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>
<b>Change in Net Assets</b>									
Governmental Activities	\$ (3,359,592)	\$ 7,864,665	\$ 2,945,408	\$ 11,322,942	\$ 25,328,341	\$ 8,888,898	\$ (361,391)	\$ 1,216,364	\$ 1,509,802
Business-type Activities	<u>18,621,795</u>	<u>11,216,949</u>	<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>21,569,707</u>
Total Primary Government	<u>\$ 15,262,203</u>	<u>\$ 19,081,614</u>	<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>\$ 23,079,509</u>

Note: Fiscal year 2002-03 was the City's first year to prepare government-wide financial statements.

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

Function/Program	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities:</b>									
General Government	\$ 4,928,269	\$ 4,990,776	\$ 5,112,021	\$ 6,051,764	\$ 5,442,971	\$ 6,070,080	\$ 4,553,454	\$ 4,369,104	\$ 3,726,647
Public Safety	442,252	254,668	475,607	416,702	1,467,555	667,438	545,061	1,033,934	1,155,283
Highways and Streets	4,662,669	5,441,918	5,408,483	6,038,682	22,362,852	10,788,458	10,370,964	7,734,943	6,984,204
Culture and Recreation	562,044	4,212,127	656,829	647,903	1,057,891	697,866	1,188,244	654,545	693,518
Transportation Services	836,858	1,087,602	1,004,692	1,010,483	1,083,060	1,983,166	1,093,044	1,328,218	1,989,333
Interest on Long-term Debt	66,728	41,746	80,978	-	16,040	29,091	3,201	7,308	5,765
Subtotal Governmental Activities	11,498,820	16,028,837	12,738,610	14,165,534	31,430,369	20,236,099	17,753,968	15,128,052	14,554,750
<b>Business-type Activities:</b>									
Refuse	744,172	847,270	917,215	967,991	1,064,929	1,269,783	1,180,596	1,193,935	1,198,732
Recreation/Aquatic Center	412,350	457,219	422,279	429,222	497,842	433,782	501,550	349,804	332,304
Irrigation and Drainage	10,670,135	12,435,438	13,253,505	14,230,160	12,752,737	11,591,238	12,469,059	11,750,407	13,875,204
Wastewater	5,962,794	7,651,686	10,519,987	12,107,493	17,636,027	22,055,956	19,416,038	26,728,765	31,611,051
Airport	1,532,291	1,509,855	1,740,358	3,098,081	562,360	1,053,256	1,198,748	1,181,518	880,794
Subtotal Business-type Activities	19,321,742	22,901,468	26,853,344	30,832,947	32,513,895	36,404,015	34,765,991	41,204,429	47,898,085
<b>Total Primary Government</b>	<b><u>\$ 30,820,562</u></b>	<b><u>\$ 38,930,305</u></b>	<b><u>\$ 39,591,954</u></b>	<b><u>\$ 44,998,481</u></b>	<b><u>\$ 63,944,264</u></b>	<b><u>\$ 56,640,114</u></b>	<b><u>\$ 52,519,959</u></b>	<b><u>\$ 56,332,481</u></b>	<b><u>\$ 62,452,835</u></b>

Note: Fiscal year 2002-03 was the City's first year to prepare government-wide financial statements.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Fund</b>										
Reserved	\$ 151,463	\$ 241,494	\$ 212,631	\$ 236,978	\$ 221,242	\$ 239,771	\$ 289,716	\$ 245,625	\$ 510,785	\$ -
Unreserved	23,597,461	17,013,903	16,517,487	16,177,818	1,938,201	22,381,025	15,770,483	10,941,973	12,028,929	-
Nonspendable	-	-	-	-	-	-	-	-	-	461,612
Restricted	-	-	-	-	-	-	-	-	-	8,663
Committed	-	-	-	-	-	-	-	-	-	1,199,646
Assigned	-	-	-	-	-	-	-	-	-	2,708,530
Unassigned	-	-	-	-	-	-	-	-	-	8,616,221
<b>Total General Fund</b>	<b>\$ 23,748,924</b>	<b>\$ 17,255,397</b>	<b>\$ 16,730,118</b>	<b>\$ 16,414,796</b>	<b>\$ 2,159,443</b>	<b>\$ 22,620,796</b>	<b>\$ 16,060,199</b>	<b>\$ 11,187,598</b>	<b>\$ 12,539,714</b>	<b>\$ 12,994,672</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 105,021	\$ 1,461,901	\$ 1,165,554	\$ 1,031,329	\$ 866,633	\$ 777,537	\$ 260,745	\$ 161,487	\$ 161,447	-
Unreserved, Reported in:										
Special Revenue Funds	2,468,180	1,551,618	458,524	1,410,111	2,016,653	2,023,123	1,337,693	1,307,293	2,951,892	-
Debt Service Funds	1,398,007	-	-	-	-	-	-	-	-	-
Capital Projects Funds	952,809	2,246,238	4,252,007	4,576,046	7,312,618	6,883,115	5,904,066	6,444,484	9,470,637	-
<b>Total Unreserved</b>	<b>4,818,996</b>	<b>3,797,856</b>	<b>4,710,531</b>	<b>5,986,157</b>	<b>9,329,271</b>	<b>8,906,238</b>	<b>7,241,759</b>	<b>7,751,777</b>	<b>12,422,529</b>	<b>-</b>
Nonspendable	-	-	-	-	-	-	-	-	-	116,394
Restricted	-	-	-	-	-	-	-	-	-	10,166,279
Committed	-	-	-	-	-	-	-	-	-	2,654,787
Assigned	-	-	-	-	-	-	-	-	-	496,230
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>\$ 4,924,017</b>	<b>\$ 5,259,757</b>	<b>\$ 5,876,085</b>	<b>\$ 7,017,486</b>	<b>\$ 10,195,904</b>	<b>\$ 9,683,775</b>	<b>\$ 7,502,504</b>	<b>\$ 7,913,264</b>	<b>\$ 12,583,976</b>	<b>\$ 13,433,690</b>

Notes: For FY 2011 GASB Statement No. 54 was implemented. See Note 1.D.11. 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									
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>											
Taxes	\$	18,263,634	20,669,273	22,452,872	24,284,788	27,243,475	26,745,506	25,069,101	22,251,293	20,752,317	20,303,864
Intergovernmental		16,656,120	16,189,913	20,201,471	17,581,248	19,487,017	25,771,964	28,683,671	26,413,424	24,711,004	22,707,886
Fines and Forfeitures		897,570	1,054,494	1,209,200	1,159,289	1,373,678	1,501,738	1,491,271	1,369,529	1,486,805	1,368,057
Licenses and Permits		2,620,165	2,943,803	3,054,053	3,063,436	3,925,346	2,913,384	1,961,920	992,742	1,193,690	1,033,320
Charges for Services		1,016,466	1,040,759	1,079,752	1,055,558	1,131,132	970,168	836,573	711,345	931,886	817,168
Rents and Royalties		23,483	23,485	17,170	28,875	28,006	22,958	27,732	58,785	51,889	46,494
Contributions and Donations		28,805	19,537	12,695	21,680	15,034	11,921	6,910	11,018	6,939	142,715
Impact Fees		-	-	-	-	-	185,562	10,674	97,045	318,232	295,355
Special Assessments		28,803	119,374	124,514	181,027	155,733	106,040	124,318	131,602	68,996	66,283
Investment Earnings (Loss)		848,109	(364,958)	404,262	500,624	910,746	960,145	801,582	325,534	212,547	169,181
Other		993,743	349,564	112,007	108,490	124,865	246,128	418,251	436,488	224,576	337,648
Total Revenues		<u>41,376,898</u>	<u>42,045,244</u>	<u>48,667,996</u>	<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>
<b>Expenditures</b>											
General Government		6,302,401	7,035,908	8,141,073	8,270,651	9,096,156	10,184,269	12,752,567	10,778,205	9,320,011	9,511,503
Public Safety		12,128,366	12,725,332	14,283,381	16,727,791	18,909,689	22,896,305	24,966,721	24,280,422	20,448,619	21,230,032
Highways and Streets		4,379,122	4,646,201	4,990,748	6,501,669	5,628,498	6,936,589	6,668,408	5,203,661	3,821,793	4,418,689
Culture and Recreation		2,898,241	3,014,259	3,585,349	4,530,472	4,637,482	5,490,982	6,075,524	5,307,096	4,038,440	3,835,394
Health and Welfare		138,832	-	-	-	-	-	-	-	-	-
Transportation Services		1,190,852	1,414,090	1,950,290	1,666,808	1,775,815	1,865,392	2,951,865	1,919,213	1,605,268	1,847,708
Tourism and Promotion		1,184,846	1,201,211	1,264,259	1,397,567	1,528,433	1,577,026	1,582,324	1,356,589	1,356,746	1,389,473
Capital Outlay		8,474,142	2,399,915	7,582,000	6,737,122	2,838,789	5,935,886	11,727,752	4,147,830	1,187,425	3,345,613
Debt Service											
Principal Retirement		2,710,000	2,906,000	2,700,000	3,235,000	3,375,000	3,480,000	3,605,000	240,000	165,000	200,000
Interest on Long-term Debt		1,050,603	903,514	732,398	581,320	450,892	314,557	192,875	126,647	115,351	108,188
Total Expenditures		<u>40,457,405</u>	<u>36,246,430</u>	<u>45,229,498</u>	<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>
Excess of Revenues over (under) Expenditures		919,493	5,798,814	3,438,498	(1,663,385)	6,154,278	754,508	(11,091,033)	(560,858)	7,900,228	1,401,371



	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Other financing sources (uses)</b>										
Transfers In	\$ 10,607,653	\$ 9,124,156	\$ 9,276,457	\$ 12,402,838	\$ 10,214,298	\$ 8,227,998	\$ 9,977,784	\$ 2,107,983	\$ 2,395,347	\$ 2,210,751
Transfers Out	(12,159,037)	(21,107,300)	(12,713,275)	(12,815,973)	(11,935,960)	(10,060,429)	(9,416,495)	(6,008,971)	(4,272,742)	(2,364,436)
Issuance of Debt	60,781	13,134	89,369	2,902,599	1,934,849	3,582,747	2,615,000	-	-	56,986
Total Other Financing Sources (uses)	(1,490,603)	(11,970,010)	(3,347,449)	2,489,464	213,187	1,750,316	3,176,289	(3,900,988)	(1,877,395)	(96,699)
Net Change in Fund Balance	<u>\$ (571,110)</u>	<u>\$ (6,171,196)</u>	<u>\$ 91,049</u>	<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>
Debt Service as a Percentage of Noncapital Expenditures	11.8%	11.3%	9.1%	8.9%	8.4%	7.2%	6.5%	0.7%	0.7%	0.7%

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)**

Fiscal Year	Sales Taxes	Property Taxes	Franchise Taxes	Transient Occupancy Tax	Bar and Restaurant Tax	Total
2002	\$ 14,069,249	\$ 2,782,023	\$ 261,488	\$ 549,781	\$ 601,093	\$ 18,263,634
2003	16,240,531	2,989,642	224,516	575,556	639,028	20,669,273
2004	17,767,870	3,139,184	258,528	634,257	653,033	22,452,872
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
Change, 2002-2011	(7.7%)	51.0%	558.9%	0.2%	39.1%	11.2%

Source: Lake Havasu City, Arizona's Finance Department.

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

Sales Category	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mining	\$ -	\$ 39,000	\$ -	\$ 621,000	\$ 2,649,142	\$ 1,637,109	\$ 2,238,146	\$ 1,502,091	\$ 957,338	\$ 679,224
Communications & Utilities	N/A	N/A	N/A	89,352,250	107,586,616	85,848,353	43,192,822	45,438,961	43,187,392	44,157,693
Transportation & Warehousing	N/A	N/A	N/A	828,450	1,297,067	1,719,521	1,370,195	825,406	610,037	476,664
Construction	129,160,550	163,485,100	189,835,700	187,626,750	210,074,556	203,114,606	174,759,818	104,429,178	59,267,145	69,777,264
Manufacturing	5,662,700	8,502,250	16,662,850	38,247,150	40,484,661	38,529,152	32,292,739	27,051,299	25,263,121	22,203,330
Wholesale Trade	19,769,900	25,142,200	15,321,750	11,458,300	16,112,220	16,468,758	18,348,808	12,097,298	10,438,461	10,563,544
Retail Trade	336,565,500	380,034,700	398,373,800	425,905,350	472,769,867	461,287,506	416,971,743	368,990,071	368,767,470	367,590,435
Finance & Insurance	N/A	N/A	N/A	2,022,000	857,392	1,967,267	2,213,297	1,563,165	1,295,523	868,042
Real Estate, Rental & Leasing	N/A	N/A	N/A	20,303,900	22,929,529	19,808,226	21,511,506	18,474,750	13,903,727	15,116,990
Restaurant & Bars	76,413,050	80,836,700	81,840,100	99,646,950	107,735,614	109,166,457	66,018,944	53,496,452	55,204,958	57,201,379
Hotels & Other Lodging	18,494,200	19,050,950	20,793,450	22,242,450	23,807,000	24,080,294	26,786,943	27,752,236	28,709,923	26,843,295
Public Administration	N/A	N/A	N/A	70,450	308,237	146,659	310,450	493,218	318,627	(185,615)
Services	62,747,100	58,695,300	48,760,150	33,456,850	34,582,787	35,897,971	32,340,521	27,984,637	23,674,619	22,870,852
Arts & Entertainment	N/A	N/A	N/A	14,211,950	15,291,189	15,650,494	12,128,912	7,334,109	7,783,062	7,176,416
All Others	10,069,550	17,056,350	62,271,700	28,840,450	30,838,124	27,361,014	18,575,934	12,616,449	11,544,005	16,950,308
Transportation, Communications & Utilities	73,837,300	70,415,050	78,915,700	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire, Insurance & Real Estate	2,625,500	5,404,600	6,315,800	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$ 735,345,350</b>	<b>\$ 828,662,200</b>	<b>\$ 919,091,000</b>	<b>\$ 974,834,250</b>	<b>\$1,087,324,001</b>	<b>\$1,042,683,387</b>	<b>\$ 869,060,778</b>	<b>\$ 710,049,320</b>	<b>\$ 650,925,408</b>	<b>\$ 662,289,819</b>
City Sales Tax Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Source: Arizona Department of Revenue

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.

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

<u>Fiscal Year</u>	<u>City Sales Tax</u>	<u>City Restaurant and Bar Tax</u>	<u>City Transient Occupancy Tax</u>	<u>(1) Mohave County</u>	<u>(1) State of Arizona</u>
2002	2.00%	1.00%	3.00%	0.25%	5.60%
2003	2.00	1.00	3.00	0.25	5.60
2004	2.00	1.00	3.00	0.25	5.60
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

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

Source: Arizona Department of Revenue

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

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		
2002	P	\$ 312,993,501	\$ 2,553,024,864	\$ 9,358,258	\$ 50,637,799	\$ 322,351,759	\$ 2,603,662,663	0.8413	12.38%
	S	309,818,437	2,582,613,239	9,358,258	50,637,799	319,176,695	2,633,251,038	-	plus \$ 101.55 per acre
2003	P	325,840,542	2,848,610,186	10,778,445	56,227,733	336,618,987	2,904,837,919	0.8413	11.59
	S	332,033,998	2,888,473,152	10,778,445	56,227,733	342,812,443	2,944,700,885	-	plus \$ 101.11 per acre
2004	P	360,067,071	3,222,522,010	11,291,589	59,052,690	371,358,660	3,281,574,700	0.7958	11.32
	S	367,828,704	3,495,046,718	11,291,589	59,052,690	379,120,293	3,554,099,408	-	plus \$ 100.77 per acre
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

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

Fiscal Year		City Direct Rate			Special Districts							Overlapping Rates			Rate Total
		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	
2002	P	0.8413	-	0.8413	-	-	-	-	-	-	-	2.6898	4.1564	0.4974	8.1849
	S	-	-	-	\$ 101.55/acre	1.2480	0.4520	2.1628	1.5816	0.3060	-	1.0103	1.5060	-	8.2667 plus \$ 101.55/acre
2003	P	0.8413	-	0.8413	-	-	-	-	-	-	-	2.6898	4.3377	0.4889	8.3577
	S	-	-	-	\$ 101.11/acre	-	0.5538	1.4600	3.1579	0.1243	-	1.0103	1.0535	-	7.3598 plus \$ 101.11/acre
2004	P	0.7958	-	0.7958	-	-	-	-	-	-	-	2.6973	5.2253	0.4717	9.1901
	S	-	-	-	\$ 100.77/acre	-	0.4998	1.4001	3.4221	0.3969	-	1.0103	1.3034	-	8.0326 plus \$ 100.77/acre
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

**LAKE HAVASU CITY, ARIZONA  
PRINCIPAL PROPERTY TAXPAYERS  
JUNE 30, 2011  
CURRENT AND FIVE YEARS AGO**

Taxpayer	2011			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Unisource Energy Corporation	\$ 9,012,491	1	1.27%	\$ 8,212,498	2	1.40%
PHC Lake Havasu Inc	5,506,860	2	0.77%	9,194,016	1	1.57%
Shops at Lake Havasu City LLC	5,247,769	3	0.74%			
Citizens Rural Division	3,594,539	4	0.50%			
Walmart Stores Inc	1,862,200	5	0.26%	1,503,854	8	0.26%
Sterilite Corporation	1,848,821	6	0.26%	2,303,118	4	0.39%
Havasu Regional Medical Center LLC	1,572,440	7	0.22%			
London Bridge Resort	1,511,474	8	0.21%	2,009,951	5	0.34%
Island Development Group LLC	1,400,000	9	0.20%			
Lowe's HIW Inc	1,392,130	10	0.20%			
Citizens Utilities Inc				4,300,792	3	0.73%
Grace Investment Co				1,874,177	6	0.32%
Lake Havasu City Hotel Partners LLC				1,663,296	7	0.28%
Havasu Mart Long Heine LLC				1,352,836	9	0.23%
Palo Verde Investments LLC				1,254,069	10	0.21%
<b>TOTALS</b>	<b>\$ 32,948,724</b>		<b>4.63%</b>	<b>\$ 33,668,607</b>		<b>5.73%</b>

NOTE: 2001 principal property taxpayers data not available, 2006 earliest information available.

Net Assessed Value                      \$ 712,368,524                      \$ 585,187,498

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
2002	\$ 2,612,469	\$ 2,516,381	96.32%	\$ 96,010	\$ 2,612,391	100.00%
2003	2,828,474	2,705,073	95.64	123,042	2,828,115	99.99
2004	2,947,709	2,889,381	98.02	58,289	2,947,670	100.00
2005	3,310,822	3,183,551	96.16	127,150	3,310,701	100.00
2006	3,836,086	3,750,741	97.78	85,193	3,835,934	100.00
2007	4,152,649	4,031,318	97.08	120,998	4,152,316	99.99
2008	4,505,493	4,302,624	95.50	200,163	4,502,787	99.94
2009	4,675,850	4,510,022	96.45	162,254	4,672,276	99.92
2010	4,886,106	4,701,200	96.22	180,929	4,882,129	99.92
2011	4,080,241	3,952,993	96.88	-	3,952,993	96.88

(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			Total Collections to Date	
		Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2002	\$ 2,076,365	\$ 1,994,409	96.05%	\$ 81,906	\$ 2,076,315	100.00%
2003	2,075,813	2,004,113	96.55	71,700	2,075,813	100.00
2004	2,060,775	2,012,055	97.64	48,720	2,060,775	100.00
2005	2,059,030	1,966,752	95.52	92,278	2,059,030	100.00
2006	2,062,197	2,009,295	97.43	52,902	2,062,197	100.00
2007	2,103,046	2,027,101	96.39	75,769	2,102,870	99.99
2008	2,122,847	1,993,102	93.89	129,168	2,122,270	99.97
2009	2,124,709	2,037,986	95.92	85,888	2,123,874	99.96
2010	3,308,682	3,167,426	95.73	136,697	3,304,123	99.86
2011	4,491,015	4,330,276	96.42	-	4,330,276	96.42

(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 all outstanding obligations of the District.

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

**LAKE HAVASU CITY, ARIZONA  
SANITARY 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			Total Collections to Date	
		Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2002	\$ 1,586,210	\$ 1,513,807	95.44%	\$ 60,260	\$ 1,574,067	99.23%
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-

(1) Lake Havasu Sanitary District was formed on October 28, 1964. The District was to be dissolved in fiscal year 1996 upon retirement of all outstanding obligations of the District. However, on May 23, 1990, \$160,000 in general obligation refunding bonds were issued. The outstanding general obligation bonds of the District were retired in fiscal year 2003. The District was officially dissolved September 26, 2006.

(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			Total Collections to Date	
		Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2002	\$ 59,922	\$ 58,429	97.51%	\$ 1,493	\$ 59,922	100.00%
2003	79,997	77,612	97.02	2,385	79,997	100.00
2004	80,167	78,949	98.48	1,218	80,167	100.00
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	3,870	149,592	99.99
2011	-	-	-	-	-	-

(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			Total Collections to Date	
		Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2002	\$ 34,917	\$ 34,362	98.41%	\$ 555	\$ 34,917	100.00%
2003	23,466	22,474	95.77	992	23,466	100.00
2004	23,455	22,888	97.58	567	23,455	100.00
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	-	7,275	90.19

(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			Total Collections to Date	
		Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2002	\$ 10,389	\$ 10,056	96.79%	\$ 314	\$ 10,370	99.81%
2003	21,130	20,881	98.82	249	21,130	100.00
2004	23,469	23,035	98.15	434	23,469	100.00
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	-	-	-	-	-	-

(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			Total Collections to Date	
		Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2002	\$ 38,683	\$ 37,414	96.72%	\$ 1,269	\$ 38,683	100.00%
2003	17,252	15,433	89.46	1,818	17,251	99.99
2004	60,780	59,605	98.07	1,165	60,770	99.98
2005	61,523	59,981	97.49	1,526	61,507	99.97
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	528	55,581	99.97
2010	54,981	54,003	98.22	687	54,690	99.47
2011	68,580	67,831	98.91	-	67,831	98.91

(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			
2002	\$ 891,000	\$ 18,835,000	\$ 86,326	\$ -	\$ -	\$ 535,000	\$ 3,070,490	\$ 23,417,816	2.50%	\$ 530
2003	850,000	15,970,000	49,408	8,549,414	-	370,000	9,151	25,797,973	2.65	556
2004	775,000	13,345,000	113,006	32,142,869	-	235,000	14,907	46,625,782	4.49	953
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

(1) Net of related premium

Note: Balances reflect reduction for principal payment made on July 1, 2011.

**LAKE HAVASU CITY, ARIZONA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
JUNE 30, 2011**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<b>Overlapping Debt</b>			
Lake Havasu Unified School District No. 1	\$ 17,035,000	95.10%	\$ 16,200,285
Total overlapping debt			<u>16,200,285</u>
<b>City Direct Debt</b>			
Lake Havasu City Freedom Bridge Land Acquisition	2,375,000	100.00%	2,375,000
Lake Havasu City McCulloch Boulevard Streetscape Improvement District No. 7 Improvement Bonds	60,000	100.00%	60,000
Lake Havasu City, Arizona Direct Debt			<u>2,435,000</u>
Total Direct and Overlapping Debt			<u>\$ 18,635,285</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 businesses 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>20% Limitation (1)</b>										
Debt Limit	\$ 63,835,339	\$ 68,562,489	\$ 75,824,059	\$ 90,167,579	\$ 117,037,500	\$ 150,200,367	\$ 185,942,969	\$ 207,685,270	\$ 185,465,760	\$ 142,473,705
Total Net Debt Applicable to 20% Limit (Restated to Account for Amount Set Aside for Repayment of Debt)	<u>370,000</u>	<u>8,742,500</u>	<u>8,722,500</u>	<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>
Legal Debt Margin (Available Borrowing Capacity)	<u>\$ 63,465,339</u>	<u>\$ 59,819,989</u>	<u>\$ 67,101,559</u>	<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>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	0.58%	12.75%	11.50%	45.07%	80.90%	94.12%	75.35%	87.87%	83.58%	102.72%
<b>6% Limitation (2)</b>										
Debt Limit	\$ 19,150,602	\$ 20,568,747	\$ 22,747,218	\$ 27,050,274	\$ 35,111,250	\$ 45,060,110	\$ 55,782,891	\$ 62,305,581	\$ 55,639,728	\$ 42,742,111
Total Net Debt Applicable to 6% Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin (Available Borrowing Capacity)	<u>\$ 19,150,602</u>	<u>\$ 20,568,747</u>	<u>\$ 22,747,218</u>	<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>
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, 2011**

Net secondary assessed valuation (1)		<u><u>\$ 712,368,524</u></u>
<div style="text-align: center;"> <p>Water, Sewer, Light, Parks, Open Space Preserves, Parks, Playgrounds, Recreational Facilities, Public Safety, Law Enforcement, Fire and Emergency Facilities, and Streets and Transportation Facilities</p> <hr style="width: 50%; margin: auto;"/> </div>		
Debt limit - 20% of secondary net assessed valuation		\$ 142,473,705
Debt applicable to limit		
General Obligation bonds outstanding	\$ 166,730,833	
Less amount set aside for repayment of debt	<u>(20,387,195)</u>	
Net debt applicable to limit		<u>146,343,638</u>
20% legal debt margin		<u>(3,869,933)</u>
<div style="text-align: center;"> <p><u>All other general obligation bonds</u></p> <hr style="width: 50%; margin: auto;"/> </div>		
Debt Limit - 6% of secondary net assessed valuation		42,742,111
Debt applicable to limit		
General Obligation bonds outstanding	\$ -	
Less amount set aside for repayment of debt	<u>-</u>	
Net debt applicable to limit		<u>-</u>
All other general obligation bonds debt margin		<u>42,742,111</u>
Total legal debt margin		<u><u>\$ 38,872,178</u></u>

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

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

Fiscal Year	Municipal Property Corporation Bonds (1)				Excise Tax Revenue Bonds (1)				Special Assessment Bonds			
	Excise Tax (2)	Debt Service Principal	Debt Service Interest	Coverage	Excise Tax (2)	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2002	\$ 26,343,805	\$ 2,525,000	\$ 419,881	8.95	\$ 26,343,805	\$ 185,000	\$ 562,565	35.24	\$ 28,803	\$ -	\$ 65,469	0.44
2003	29,196,801	2,675,000	283,531	9.87	29,196,801	190,000	555,720	39.15	119,374	41,000	61,613	1.16
2004	30,628,188	2,425,000	136,406	11.96	30,628,188	200,000	548,500	40.92	124,514	75,000	41,641	1.07
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

(1) Includes debt service payments paid out of revenue from IDD (Water) and Airport.

(2) Excise Tax revenues are pledged for both Municipal Property Corporation Bonds and Excise Tax Bonds.

**LAKE HAVASU CITY, ARIZONA  
PLEGDED-REVENUE COVERAGE  
ENTERPRISE FUNDS  
LAST TEN FISCAL YEARS**

Fiscal Year	Sewer Revenue Bonds						Water Revenue Bonds					
	(1) Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	(1) Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2002	\$ 3,297,596	\$ 3,198,068	\$ 99,528	\$ 905,000	\$ 260,318	0.09	\$ 9,011,458	\$ 6,004,762	\$ 3,006,696	\$ 145,000	\$ 32,285	16.96
2003	5,575,694	3,253,324	2,322,370	3,090,000	102,096	0.73	9,454,625	6,002,888	3,451,737	140,000	23,605	21.10
2004	7,837,338	4,182,008	3,655,330	-	411,938	8.87	11,247,609	6,413,094	4,834,515	135,000	15,100	32.21
2005	10,965,873	3,674,565	7,291,308	5,765,000	993,746	1.08	12,044,926	7,719,678	4,325,248	20,000	13,800	127.97
2006	15,055,202	4,323,846	10,731,356	715,547	4,431,556	2.08	12,594,163	8,257,603	4,336,560	20,000	12,500	133.43
2007	20,593,753	4,028,938	16,564,815	5,722,568	5,243,928	1.51	12,876,316	8,597,673	4,278,643	20,000	11,200	137.14
2008	23,703,017	6,955,929	16,747,088	7,540,749	6,309,330	1.21	11,841,750	10,025,454	1,816,296	20,000	61,578	22.26
2009	19,916,120	7,272,649	12,643,471	10,165,631	7,731,240	0.71	10,917,741	9,632,388	1,285,353	211,475	130,486	3.76
2010	26,810,286	6,710,135	20,100,151	7,369,121	8,677,270	1.25	11,081,387	7,890,122	3,191,265	218,535	169,680	8.22
2011	31,765,529	7,409,668	24,355,861	6,553,136	9,768,386	1.49	10,898,753	8,080,253	2,818,500	225,842	185,363	6.85

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(1) Includes investment income and contributed capital.

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

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

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Personal Income	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate
2002	44,200	\$ 935,449,000	\$ 21,164	47.5	5,889	5.9%
2003	46,400	972,219,000	20,953	48.0	6,345	5.2
2004	48,945	1,039,543,000	21,239	48.5	6,545	4.5
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

(1) Fiscal year 2011 from the U.S. Census.  
All other years from the Arizona Economic Estimates Commission.

(2) Demographics Now

(3) Demographics Now

(4) Lake Havasu Unified School District No. 1

(5) Arizona Department of Economic Security's Workforce Informer.

**LAKE HAVASU CITY, ARIZONA  
PRINCIPAL EMPLOYERS  
JUNE 30, 2011  
CURRENT AND FIVE YEARS AGO**

Employer	2011			2006		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (1)
Havasu Regional Medical Center	640	1	2.59%	695	1	2.85%
Lake Havasu School District	610	2	2.47%	530	3	2.17%
Lake Havasu City	605	3	2.45%	671	2	2.75%
Sterilite Corporation	350	4	1.42%	425	4	1.74%
Walmart	315	5	1.28%	259	6	1.06%
Shugrue's Restaurants	200	6	0.81%	250	7	1.03%
Bashas' (2 locations)	186	7	0.75%			
London Bridge Resort	180	8	0.73%	315	5	1.29%
Mohave Community College	172	9	0.70%	183	9	0.75%
River Medical	150	10	0.61%			
Mission of Nevada, Inc.				200	8	0.82%
Bradley Chevrolet & Ford				160	10	0.66%
New Horizons Center				160	10	0.66%
<b>TOTAL</b>	<b>2,768</b>		<b>11.22%</b>	<b>3,848</b>		<b>15.79%</b>

Total Employees in Lake Havasu City 24,666 (1)

24,375 (1)

(1) Arizona Workforce Informer.

Note: 2001 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	64.00	65.00	65.00	72.00	77.00	81.00	83.00	83.00	70.00	62.00
Community Development	24.00	26.00	26.00	26.00	30.00	29.00	29.00	29.00	25.00	22.00
Public Safety										
Police	101.00	101.00	101.00	105.00	108.00	123.00	127.00	127.00	123.00	123.00
Fire	70.00	70.00	71.00	75.00	80.00	95.00	95.00	95.00	85.00	93.00
Public Works										
Administration/Engineering	18.00	19.00	19.00	22.00	22.00	22.00	26.00	26.00	22.00	17.00
Airport	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Transportation	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	15.00	15.00
Highways and Streets	31.00	31.00	32.00	32.00	32.00	32.00	32.00	32.00	29.50	31.00
Vehicle Maintenance	10.00	10.00	11.00	11.00	12.00	12.00	12.00	12.00	8.50	8.00
Wastewater	19.00	19.00	18.00	20.00	21.50	25.50	25.50	26.00	26.00	26.00
Water	33.00	33.00	40.00	41.00	41.50	42.50	40.50	40.00	39.00	43.00
Culture and Recreation	39.00	39.00	39.00	41.00	41.00	44.00	45.00	45.00	39.00	39.00
Total	<u>432.00</u>	<u>436.00</u>	<u>446.00</u>	<u>469.00</u>	<u>489.00</u>	<u>530.00</u>	<u>539.00</u>	<u>539.00</u>	<u>487.00</u>	<u>484.00</u>

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Source: Lake Havasu City, Arizona's Finance Department.

**LAKE HAVASU CITY, ARIZONA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Police</u>										
Number of Sworn Officers	75	75	79	83	95	96	96	92	91	91
Number of Incidents Handled	52,793	57,969	58,552	60,610	60,440	59,951	76,759	77,014	67,189	64,024
Number of Report Numbers Issued	8,527	8,495	9,394	9,893	10,316	9,612	8,740	8,637	7,441	8,242
Response Time, Priority 1 Calls (Minutes)	5:51	6:17	6:04	6:10	6:10	5:54	5:26	5:17	5:32	5:51
<u>Fire</u>										
Number of Field Suppression Personnel	54	55	55	58	60	72	78	72	69	85
Number of Structural Fires	82	55	65	62	68	43	53	41	36	35
Number of Emergency Responses	5,124	5,276	5,603	5,719	6,234	6,113	6,457	6,996	7,311	7,487
Response Time (Minutes)	6:23	5:24	5:20	5:25	5:16	5:14	5:34	5:26	5:24	5:25
Inspections	3,432	3,999	4,041	4,452	4,224	4,496	4,924	5,443	4,418	4,055
<u>Highways and streets</u>										
Street Resurfacing (Miles)	51.00	37.00	32.00	27.00	23.00	51.50	31.50	11.50	5.00	11.00
Utility Patches	778	843	777	731	699	645	494	468	269	219
Skin Patches	308	240	280	511	526	187	270	178	98	39
Crackfilling (Miles)	46.10	32.42	40.12	18.43	41.05	30.00	35.50	18.00	13.00	26.20
<u>Wastewater</u>										
Connections	2,757	3,450	4,891	7,394	8,991	11,983	16,112	18,320	19,014	25,066
Average Daily Flowage (mg)	1.60	1.74	2.12	1.99	2.33	2.50	3.08	3.03	3.38	3.64
<u>Municipal Parks</u>										
Park Uses	1,826	2,308	2,575	3,055	3,849	3,025	3,969	3,684	2,587	2,410
<u>Water</u>										
Miles of Line	492	494	496	498	500	500	500	500	500	500
New Connections	911	946	1,435	1,255	889	308	388	216	245	127
Main Breaks	54	56	64	47	49	47	52	57	60	44
Service Line Leaks	801	874	925	798	915	723	612	510	366	280
Average Daily Consumption (Gallons) per Capita	283	268	259	246	240	230	250	250	250	199
<u>Airport</u>										
Based Aircraft Operations	238	226	230	240	243	240	234	180	180	159
Fuel Flowage	49,600	49,853	49,733	51,996	53,892	55,844	51,900	60,000	60,000	60,000
	453,095	436,541	359,881	368,822	314,501	502,137	536,175	627,628	704,175	659,121
<u>Transit</u>										
Total Ridership	115,676	135,299	143,873	138,112	137,658	82,803	82,955	115,070	122,500	123,999
Miles Driven	507,114	568,925	595,784	550,925	571,279	448,267	412,270	443,900	438,003	404,497
<u>General</u>										
Building Permits Issued	2,711	3,161	3,284	3,233	2,916	2,124	1,485	894	908	871
Building Inspections Conducted	19,828	29,623	29,222	28,532	26,658	19,513	15,687	10,849	7,486	5,812
Land Use Actions	507	469	617	491	405	333	370	229	210	202

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Source: Lake Havasu City, Arizona departments.



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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Public Safety</u>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units										
Cars	28	28	28	30	32	38	34	37	37	37
Boats	4	4	4	4	4	4	4	4	4	5
Quads	6	6	6	6	6	6	6	7	7	5
Fire:										
Stations	4	5	5	5	6	6	6	6	6	6
Apparatus										
Fire Trucks	9	9	9	10	11	12	10	11	11	11
Vehicles	18	20	20	23	22	21	21	27	24	23
Boats	1	1	1	1	1	2	2	1	1	1
<u>Highways and Streets</u>										
Streets (Miles)	423.0	423.5	424.0	424.5	425.0	426.0	428.0	428.0	428.0	435.0
Streetlights	80	80	84	84	84	84	84	84	84	84
Traffic Signals	12	12	12	12	12	12	12	12	12	13
<u>Culture and Recreation</u>										
Parks Acreage	77.3	77.3	77.3	77.3	85.0	108.7	123.7	125.0	125.0	125.0
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	6	6	6	10	14	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)	492.0	494.0	496.0	498.0	500.0	500.0	500.0	500.0	500.0	500.0
Installed Meters	23,899	24,845	25,339	26,417	27,789	28,097	27,983	27,826	29,304	28,068
Fire Hydrants	n/a	n/a	n/a	n/a	2,645	2,684	2,684	2,695	2,708	2,708
Available Acre Feet	25,180	25,180	25,180	25,180	25,180	25,180	25,180	27,319	21,271	28,318
<u>Sewer</u>										
Sanitary Sewers (Miles)	125.0	146.0	155.0	165.0	175.3	203.4	237.8	267.0	292.4	352.9
<u>Transportation</u>										
Transit Buses	19	19	19	19	19	15	16	18	19	19
<u>Airport</u>										
Enclosed Hangars	72	72	72	78	78	78	101	78	78	78
Shade Ports	27	27	27	27	27	27	25	16	16	16

Source: Lake Havasu City, Arizona departments.

**LAKE HAVASU CITY, ARIZONA  
MISCELLANEOUS STATISTICS  
JUNE 30, 2011**

Date of Incorporation	October 2, 1978
Form of Government	Council Manager
Area	44 square miles
Education	
Number of Schools:	
Public Elementary	6
Public Middle School	1
Public High School	1
Alternative Schools	3
Private	3
Charter Schools	1
Community College (Mohave)	1
State University (NAU)	1
Number of Students	
L.H.C. Unified School District	5,833
Alternative	155
Private	173
Charter	421
MCC Lake Havasu City Campus	2,994
NAU Lake Havasu City Extended Campus Site	168
Employees as of June 30, 2011	
Full-Time	443
Part-Time	162
Elected Officials	7
Total Payroll Fiscal Year 2011	\$ 27,885,798
Elections	
Last Special Referendum Election - May 2011	
Number of Registered Voters	33,440
Number of Votes Cast	13,733
Percentage of Registered Voters	41.07%
Last Municipal General Election - November 2010	
Number of Registered Voters	33,139
Number of Votes Cast	18,224
Percentage of Registered Voters	54.99%
Last Municipal Primary Election - August 2010	
Number of Registered Voters	32,596
Number of Votes Cast	8,575
Percentage of Registered Voters	26.31%
At the time of incorporation	
Number of Registered Voters	6,053
Active Business Licenses	5,544
Economy:	
Number of Annual Visitors (Estimate by the Convention and Visitors Bureau)	750,000
Lake Havasu City Municipal Airport	
Fixed Based Operators	3
Runway Length (in Feet)	8,001

**LAKE HAVASU CITY, ARIZONA  
MISCELLANEOUS STATISTICS  
JUNE 30, 2011**

Population

Census Population Count (Calendar Year)

2010**	52,527
2009*	55,502
2008*	55,429
2007*	55,263
2006*	54,610
2005*	53,435
2004*	51,700
2003*	48,945
2002*	46,400
2001*	44,200
1990**	24,363
1980**	15,926

\*Arizona Department of Economic Security

\*\*United States Census

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>	<u>100.0%</u>

Median Age 51.4

Median Household Income	\$	46,156
Per Capita Income (2010)		26,539

2010 Census information available at the following websites:

<http://factfinder2.census.gov>

Median Household and Per Capita Income from Demographics Now