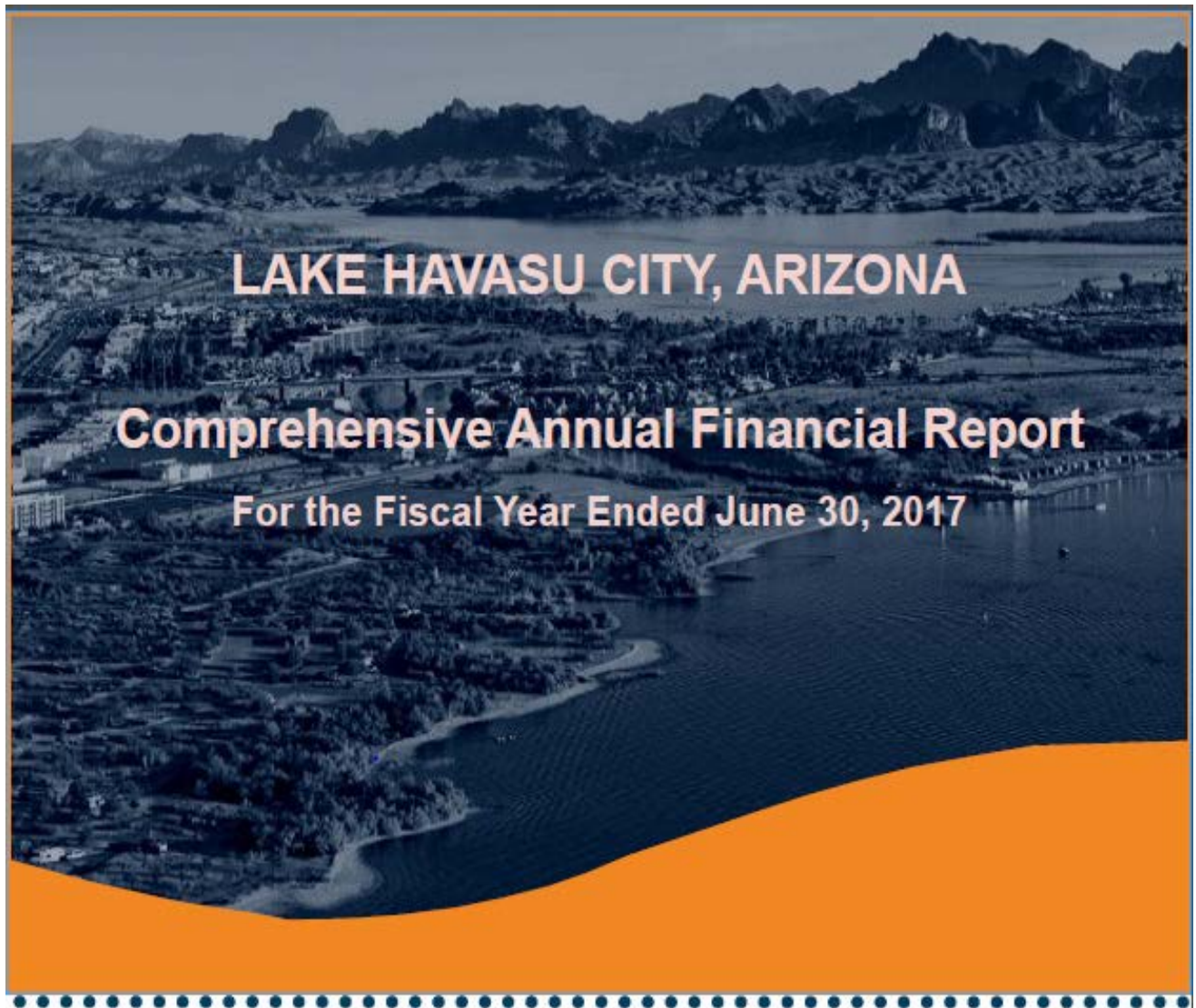




LAKE HAVASU CITY
ARIZONA

PROUD TO BE
**ONE OF
AMERICA'S
BEST
COMMUNITIES**

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2017



Prepared by the Administrative Services Department

Tabatha Miller, CPA
Administrative Services Director

Trinna Ware, MBA
Finance Division Manager





LAKE HAVASU CITY

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LAKE HAVASU CITY

INTRODUCTORY SECTION



LAKE HAVASU CITY

December 15, 2017



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

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of Lake Havasu City, Arizona for the fiscal year ended June 30, 2017. Arizona Revised Statutes, Section 9-481 requires that incorporated cities annually publish a complete set of financial statements. The financial statements must be presented in accordance with accounting principles generally accepted in the United States of America and audited in accordance with generally accepted auditing standards by a certified public accountant, or a public accountant licensed by the Arizona Board of Accountancy. This report complies with these requirements.

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

The City's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2017, are free of material misstatement. The independent auditor concluded, based upon their audit, that the City's financial statements for the fiscal year ended June 30, 2017 are fairly presented in accordance with accounting principles generally accepted in the United States of America. This is the most favorable conclusion and is commonly referred to as an unmodified or "clean" opinion. The independent auditor's report is presented as the first component of the financial section of this report. The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These auditor reports are available on the City's website.

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

Profile of Lake Havasu City

Current Profile - Lake Havasu City is situated in the western part of Arizona in Mohave County on the Colorado River; three hours driving time west of Phoenix, two and a half hours south of Las Vegas. The City, the largest in Mohave County, covers 46 square miles and has an estimated population of 53,796.

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

Lake Havasu City was founded as a master-planned community with an emphasis on recreation and residential retirement. 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 1970s, the board took steps toward incorporation. Near the end of the decade, incorporation was made possible with a new state law that enabled a new municipality to organize as a city and to assume trusteeship of bonded debts and special districts. The City was incorporated in 1978 by a vote of the residents.

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

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

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

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

Economic Conditions and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from a broader perspective of the specific environment within which the City operates. The City was economically hit hard by the Recession and the ongoing recovery continues to improve the City's economic outlook.

Tourism and Visitation

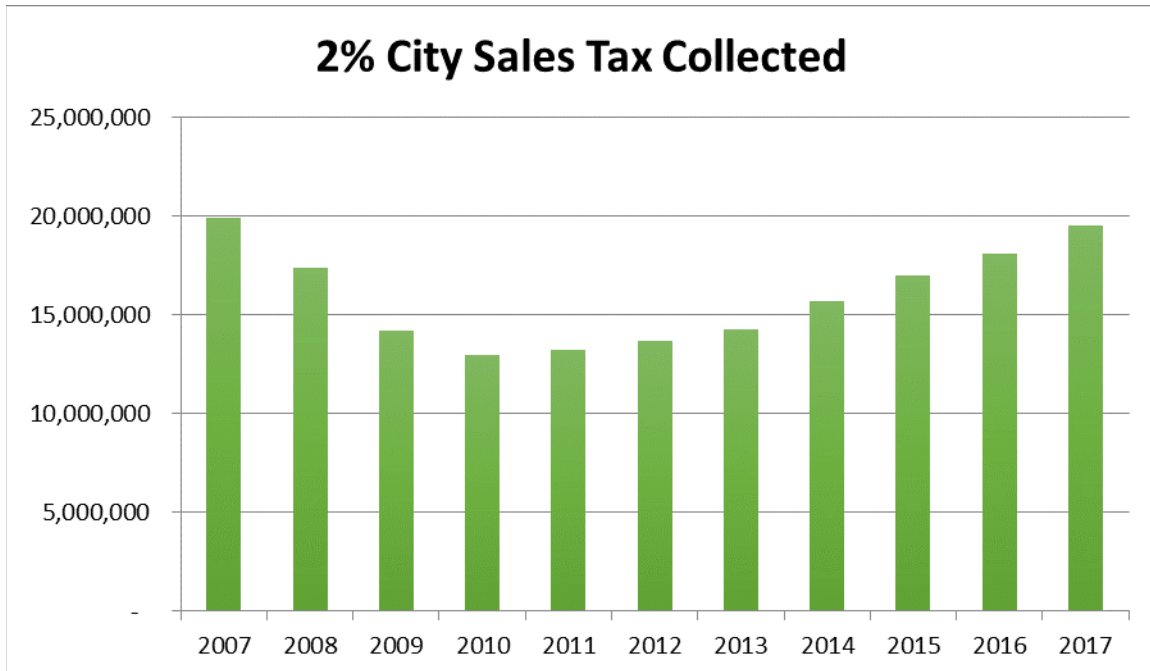
Lake Havasu City sits on the eastern shore of Lake Havasu, along 60 continuous miles of lake and river waterways. The reservoir has an available capacity of 619,400 acre feet of water and over 450 miles of shoreline. Although the lake's primary purpose was to store water for pumping into two aqueducts, the lake offers some of the best boating, fishing, and water sports in the Southwest.

As such, tourism is one of the City's largest contributors to the local economy. With more than 320 days of sunshine a year, Lake Havasu annually attracts 835 thousand visitors for vacationing, special events, and other attractions, including the London Bridge. Special events include an Annual Balloon Festival, Western Winter Blast Pyrotechnics Show, Desert Storm Poker Run, Bluegrass Festival, and Boat Parade of Lights. To further tourism, the City committed 75 percent of the proceeds from the additional 3 percent hotel/motel and 1 percent restaurant and bar sales tax to the Convention and Visitors Bureau (CVB) to facilitate promotion of the City as "Arizona's Playground". Contributions to the CVB in fiscal year 2017 were \$1.5 million.

Many of Lake Havasu City's residents are retired. The median age of City residents is 53 years old and has steadily increased over the last fifteen years. The City is also temporarily home to approximately 15,000 winter visitors from fall through the early spring months. These seasonal visitors typically come from colder climates across North America. This influx of winter visitors increases the population of the City by approximately 28 percent. The City's top industries include retail, healthcare and social services, accommodations, and food service.

City Sales Tax Revenues

Local sales tax is the City's largest General Fund revenue source, and is second only to Utility Revenues city-wide. Overall Transaction Privilege Tax (TPT) collections increased 8.0 percent from fiscal year 2016 to 2017. This is a continuing trend of recovery for the City, which has experienced steady growth in sales tax revenue since fiscal year 2010. The City's 3 cent hotel/motel or bed taxes increased 10.6 percent and the restaurant and bar 1 cent tax increased 7.5 percent from fiscal year 2016. The chart below provides a historical summary by year of the City's 2 percent sales tax collections.



Economic Development

To further economic development in fiscal year 2017, the City contributed \$500 thousand to the Partnership for Economic Development (PED), which is funded from the remaining 25 percent of the additional 3 percent hotel/motel and 1 percent restaurant and bar sales tax. The PED's mission is to foster growth of local and existing businesses, and attract new businesses to the region.

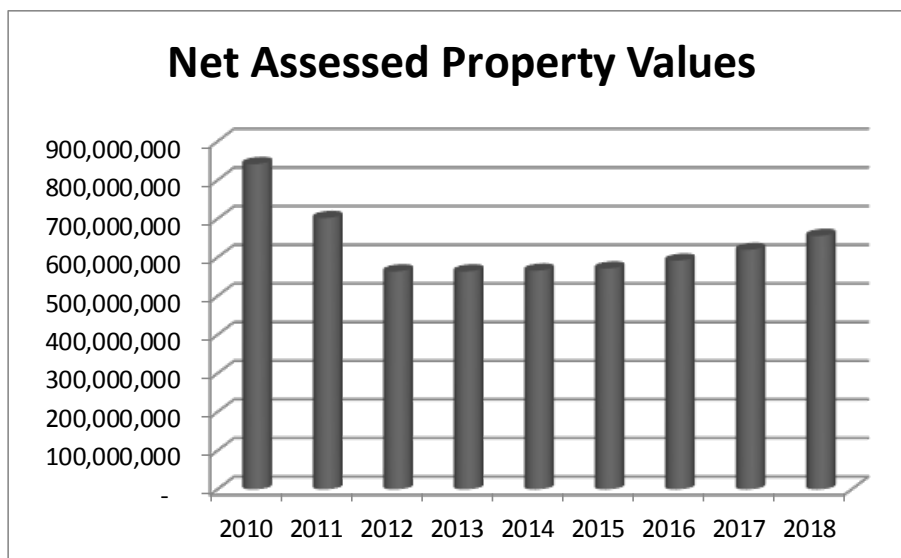
Over 85 percent of the businesses in the City have nine or fewer employees. In partnership with Arizona State University, the PED's Entrepreneurship Outreach Network (EON) delivers college-level continuing education curriculum, in the form of the ASU Startup School, with a focus on providing lasting and sustainable entrepreneurship classes for participants at all stages of product or service development.

Property Values

Total net assessed property values in the City have not yet reached the level of values prior to the Recession, but have been increasing since 2012. Total primary property values are \$620 million in 2017, an increase of 4.7 percent and \$656 million in 2018, an increase of 5.8 percent. The City is statutorily allowed to set the primary property tax rate at a 2 percent annual growth in revenues plus new construction. As a policy, the City Council has kept property tax revenues flat for existing properties. The City is able to bank or accumulate the 2 percent growth for possible future levy increases. As a result, the City could increase the levy by more than 40 percent for fiscal year 2017-18, although there is no plan for such an increase.

New construction is partially responsible for the increase in property values. The number of new single-family housing permits issued increased by just one, or less than 1 percent over the prior year. However, total value of the new residential housing permits plus addition/alteration permits issued increased by 46 percent, from \$67 million in fiscal year 2015-16 to \$98 million in fiscal year 2016-17. The number of commercial permits decreased by 10 percent and the value

decreased almost 3 times, but overall building permits value was up 24 percent over the prior year.



Future new development within City limits includes the Havasu Foothills with 172 residential lots expected to be completed by the end of 2017. The Window Rock development will complete construction of infrastructure for 118 residential lots in 2018. The Havasu

Riviera preliminary plat and rezoning should be completed in 2018. A Smart and Final market is anticipated to open the first quarter of 2018. Expansion of the Havasu Regional Medical Center Emergency Room is expected to be complete in 2018. The 96-room Holiday Inn Express should be completed by the end of 2017, and a 124-room Homewood Suites is also in the pipeline. A continuing care retirement community with 79 independent senior-living units is anticipated to be constructed in 2018, followed by 50 assisted-living units and 13 memory care units in 2019. The Showplace Avenue Storage construction should also happen in early 2018.

The 2017-18 budget sustains the City's long tradition of financial strength and flexibility, balanced with reinvestment in the infrastructure and services that support economic development, and a high quality of life for residents. As reported to Council during the fiscal year 2017-18 budget process, financial projections for fiscal year 2017-18 show continued signs of positive revenue growth, specifically in transaction privilege tax and property tax revenues. Locally, the unemployment rate at June 30, 2017 was 5.7 percent, which represents a decrease from the June 2016 rate of 7.0 percent.

Long-term Financial Planning

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

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

The City implemented a priority-based budgeting process to encourage elected officials, management, and staff to continuously focus on the results most important to our community. The process involves a systematic review of existing services which are scored based on its contributions to desired results so that tax dollars can be allocated to those with the greatest impact. The results most valued by our community:

- Safe and Secure Community
- Well-planned, Sustainable Growth and Development
- Reliable Infrastructure and Effective Mobility
- Clean, Sustainable Environment and Preservation of Natural Resources
- Great Community to Live, Work, and Play
- Well Governed and Administered City

Major Initiatives and Accomplishments

America's Best Communities Runner up

This year, the community of Lake Havasu City won second place and \$2 million in the America's Best Communities Contest. The contest started with 350 communities and was narrowed to just 8 in the finals. The America's Best Communities was a contest that focused on the communities coming together to build an economic-development plan, a road map for community accomplishments, and sustainable growth. The plan and implementation required community engagement, long-term vision and strategy, short-term tactics and measurable achievement of such, and sustainable community revitalization. The first place community received \$3 million.

Community leaders, including City officials, focused on economic momentum to strengthen and protect Lake Havasu City's quality of life, natural resources, and economic security. Community Leaders created and implemented Vision 20/20, an economic revitalization call-to-action plan for this community. The plan's initiative is to transform Lake Havasu City by focusing on a common mission to reverse the current trend and to begin cycling back to net gains for a healthy and diverse City economy. The Five Pillars of Change identified in the plan are Economic Development and Job Creation; Education and Competent Workforces; Tourism and Hospitality Excellence; Water Research and Environmental Science; and Community Engagement.

The \$2 million prize money will be used to design and further the Downtown Catalyst Project, the Entrepreneur Center, the Eco Environmental Center, and to reinvest into Vision 20/20, back into Pillars 2, 3, and 5 specifically. In February, 2017, the City purchased land that will serve as the site for an entertainment center and cultural hub in the City's central business district. The Downtown Catalyst Project will bring vitality and focus to the business district. It is meant to be a place to bring people together and create downtown economic growth. The Entrepreneur Center will provide a collaborative work space for the entrepreneurial community in Lake Havasu City. The 3rd project, the Eco Environmental Center, is to be adjacent to the Havasu Riviera State Park, and will be a learning center focused on water research and education. The Center will serve as a reminder of the City's most precious asset: the lake, the river, and the clean water we rely on in the desert for life.

The community can continue to participate in the Vision 20/20 at the next Town Hall scheduled for March 3, 2018.

Havasu Riviera and Contact Point State Park Project

Located along the shore of Lake Havasu, Havasu Riviera is a public private partnership between Lake Havasu City, Arizona State Parks, and Komick Development. Encompassing over 550 acres, Havasu Riviera is a unique opportunity for recreation, education, and living. The project includes: 1) Havasu Riviera Resort Community – a unique waterfront resort and residential project developed by Komick Development; 2) Contact Point State Park – a waterfront marina and boat launch project developed through a public private partnership with Arizona State Parks; 3) Havasu 280 – 280 acres of public recreational and educational facilities developed by Lake Havasu City, including day-use facilities, a botanical garden, and other park amenities.

Lake Havasu State Park Windsor Beach New Launch Ramp

In September 2016, a new seven-lane boat launch ramp, dock, and an additional parking lot were opened at Lake Havasu State Park, Windsor Beach Lot 2. Construction began in November 2015 and was initially expected to open Memorial Day weekend of 2016, but a sinkhole discovered during construction delayed completion. The new launch ramp opened just in time for one of the busiest boating weekends of the year, Labor Day weekend.

For the Future

The fiscal year 2017-18 Annual Budget was adopted by the City Council on June 27, 2017. The combined capital and operating budget for the fiscal year beginning July 1, 2017 totals \$155 million. The fiscal year 2017-18 budget reflects a projected 1.5 percent increase in property tax revenue over projected fiscal year 2017 results, and a 5 percent increase in sales tax over fiscal year 2017 projections.

The 2017-18 capital budget includes new and/or continuing projects totaling \$35 million. Including:

- Construction of the Cypress Park playing fields
- Completion of the City's portion of the Havasu Riviera infrastructure
- Reconstruction of Lake Havasu Avenue
- Implementation of the water conservation system
- Continuation of the water main replacement program and tank and booster station improvements
- Completion of the Public Safety dispatch radio system replacement

Fiscal year 2017-18 capital funding sources include traditional capital revenues, capital reserves, remaining debt proceeds from the 2016 Excise Tax Bonds, and grants.

An emerging issue for Lake Havasu City is the state-imposed expenditure limitation. The expenditure limitation, set forth in both the Arizona Constitution and Arizona Revised Statutes, limits the amount municipal governments can expend in any year to the revenues it received in FY 1979-80, adjusted annually by population change and inflation. The City's current expenditures exceed the current limit and are only offset by a reserve of prior year revenues. The reserve is quickly depleting. A long-term voter approved solution in the form of an alternative expenditure limitation or permanent base adjustment will be pursued in the fall of 2018.

Awards and Acknowledgments

The City has participated in and was awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program for fiscal year ended June 30, 2016. GFOA recognizes governmental units that issue their CAFR substantially in conformity with Generally Accepted Accounting Principles (GAAP) and legal requirements. The City has received this award for its CAFR since 1986.

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

The City also received the Distinguished Budget Presentation Award for its fiscal years 2016 and 2017 biennial budget from the GFOA for our conformity in budget presentation.

The preparation of this report has been accomplished by the City's Administrative Services Department, particularly the Finance Division staff. The contributions of all are invaluable and clearly reflect the high standards we have set for ourselves.

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

Respectfully submitted,



Tabatha Miller

Administrative Services Director



Trinna Ware

Finance Division Manager



Government Finance Officers Association

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

Presented to

**Lake Havasu City
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emswiler". The signature is fluid and cursive.

Executive Director/CEO

ORGANIZATIONAL CHART



CITIZENS OF LAKE HAVASU CITY

MAYOR & CITY COUNCIL

CITY ATTORNEY
KELLY GARRY

CITY MANAGER
CHARLIE CASSENS

MAGISTRATE
MITCHELL KALAU LI

ADMINISTRATIVE
SERVICES DIRECTOR
TABATHA MILLER

CITY CLERK
KELLY WILLIAMS

COMMUNITY INVESTMENT
DIRECTOR
GREG FROSLIE

COMMUNITY
SERVICES

FIRE CHIEF
BRIAN DAVIS

OPERATIONS

POLICE CHIEF
DAN DOYLE



Pictured from Left to Right:

Cal Sheehy • *Councilmember*

Donna McCoy • *Vice Mayor*

Jeni Coke • *Councilmember*

Mark S. Nexsen • *Mayor*

Gordon Groat • *Councilmember*

Michele Lin • *Councilmember*

David Lane • *Councilmember*



LAKE HAVASU CITY



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CITY COUNCIL





LAKE HAVASU CITY

FINANCIAL SECTION



LAKE HAVASU CITY

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake Havasu City, Arizona (City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake Havasu City, Arizona as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Highway User Revenue (HURF) Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the Lake Havasu City, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lake Havasu City, Arizona's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
December 15, 2017

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The Management's Discussion and Analysis (MD&A) section of the City's Comprehensive Annual Financial Report (CAFR) provides an overview of the City's financial performance based on currently known facts, data and conditions and is designed to assist readers in understanding the accompanying financial statements. The financial statements are prepared in accordance with Governmental Accounting Standards (GASB) principles. This discussion and analysis is designed to be used in conjunction with the letter of transmittal, the financial statements, and notes.

Financial Highlights

- The City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of the fiscal year 2016-17 by \$260 million (net position). Of this amount, \$27.6 million represents unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease in unrestricted net position of \$6.7 million from fiscal year 2015-2016.
- As of June 30, 2017, the City's governmental funds had a combined ending fund balance of \$44.8 million, an increase of \$8.3 million (22.8 percent) in comparison with the prior fiscal year. The increase in fund balance was primarily the result of issuance of \$11.3 million excise tax revenue bonds used for financing of capital projects.
- At the close of the fiscal year, the General Fund had an ending fund balance of \$38.9 million, which represents a \$9.2 million increase from the prior fiscal year. Of that amount, unassigned fund balance for the General Fund was \$31.0 million or 61.7 percent of the total General Fund expenditures of \$50.3 million.
- The City's total liabilities increased by \$14.7 million to \$373.7 million during the fiscal year. This increase is the net of an increase of \$20.7 million in the Governmental Activities and a decrease of \$6 million in the Business-Type Activities. The increase is due primarily to the issuance of the excise tax revenue bonds, increasing current and future liabilities by \$9.8 million, and an increase in unfunded pension liability of \$9.9 million, of this \$8.8 million is from the Public Safety Personnel Retirement System (PSPRS). The decrease in Business-Type Activities liabilities is primarily from repayment of long-term debt in the amount of \$6.5 million.

LAKE HAVASU CITY, ARIZONA
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Overview of the Financial Statements

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

Government-wide financial statements. *The government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, culture and recreation, tourism and promotion, and transportation services. The business-type activities of the City include water (Irrigation and Drainage District (IDD)), wastewater and trash (Refuse) utilities, and the airport. These activities are primarily supported through user charges and fees.

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

The government-wide financial statements can be found on pages 33-35 of this report.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds organized according to their purpose (special revenue, debt service, and capital projects) presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, 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 36-41 of this report.

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

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

**LAKE HAVASU CITY, ARIZONA
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Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City used an internal service fund to account for the vehicle and equipment replacement program. This fund was closed during the fiscal year. Fund balance was transferred back to the contributing funds for any unspent balance. Because the vehicle services predominantly benefited governmental rather than business-type functions, it has 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 44-51 of this report.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 52-94 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 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 95-101 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 102-111 of this report.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-wide Financial Analysis

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

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$260.5 million at the close of fiscal year 2016-17 and \$264.0 million at the close of fiscal year 2015-16.

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

**Condensed Statement of Net Position
June 30, 2017 and 2016
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2017	2016	2017	2016	2017	2016	
Current and Other Assets	\$ 49,272	\$ 41,537	\$ 86,815	\$ 84,063	\$ 136,087	\$ 125,600	8.3 %
Capital Assets							
Non-depreciable	33,232	29,961	16,778	16,413	50,010	46,374	7.8
Depreciable	66,907	67,865	368,122	374,008	435,029	441,873	(1.5)
Total Assets	149,411	139,363	471,715	474,484	621,126	613,847	
Deferred Outflows of Resources	18,555	14,237	1,117	614	19,672	14,851	32.5
Other Liabilities	6,067	3,097	8,084	7,550	14,151	10,647	32.9
Non-current Liabilities							
Due Within One Year	5,827	3,731	4,921	6,404	10,748	10,135	6.0
Due in More Than One Year	99,028	83,368	249,745	254,783	348,773	338,151	3.1
Total Liabilities	110,922	90,196	262,750	268,737	373,672	358,933	
Deferred Inflows of Resources	4,164	3,240	2,464	2,482	6,628	5,722	15.8
Net Positions:							
Net Investment in Capital Assets	88,995	88,095	139,060	137,878	228,055	225,973	0.9
Restricted	4,798	3,704	-	-	4,798	3,704	29.5
Unrestricted	(40,913)	(31,635)	68,558	66,001	27,645	34,366	(19.6)
Total Net Positions	\$ 52,880	\$ 60,164	\$ 207,618	\$ 203,879	\$ 260,498	\$ 264,043	

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Analysis of Changes in Net Position

The largest portion of the City's net position in fiscal year 2016-17 and fiscal year 2015-16, \$228 million (87.6 percent) and \$226 million (85.6 percent), respectively, reflects its investment in capital assets, (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, in the amount of \$4.8 million (1.8 percent) in fiscal year 2016-17, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$27.6 million (10.6 percent) may be used to meet the government's ongoing obligations to citizens and creditors. In fiscal year 2015-16, \$3.7 million (1.4 percent) of the City's net position was subject to external restrictions and \$34.3 million (13.0 percent) was available to be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net position decreased by approximately \$3.5 million in fiscal year 2016-17 and decreased by \$3.6 million from the beginning net position during fiscal year 2015-16. These changes are explained in the government and business-type activities discussion.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole. The implementation of GASB 68 in fiscal year 2014-15 and resulting increase in net pension liability resulted in negative unrestricted net position of \$31.6 million in the governmental activities for fiscal year 2015-16. Net unrestricted position in Governmental Funds remains negative in fiscal year 2016-17.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

**Statement of Activities
Fiscal Years Ended June 30, 2017 and 2016
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2017	2016	2017	2016	2017	2016	
REVENUES							
Program Revenues:							
Charges for Services	\$ 5,142	\$ 5,074	\$ 39,850	\$ 39,680	\$ 44,992	\$ 44,754	0.5 %
Operating Grants and Contributions	7,634	7,399	46	111	7,680	7,510	2.3
Capital Grants and Contributions	14	2	3,981	2,395	3,995	2,397	66.7
General Revenues:							
Property Taxes	4,405	4,379	5,701	5,726	10,106	10,105	0.0
Business Taxes	21,751	20,206	-	-	21,751	20,206	7.6
Other Taxes and State Shared Revenues	16,588	16,128	-	-	16,588	16,128	2.9
Investment Earnings	114	568	70	1,004	184	1,572	(88.3)
Gain (Loss) on Disposal of Capital Assets	-	21	25	68	25	89	(71.6)
Total Revenues	<u>55,648</u>	<u>53,777</u>	<u>49,673</u>	<u>48,984</u>	<u>105,321</u>	<u>102,761</u>	
EXPENSES							
General Government	16,509	16,565	-	-	16,509	16,565	(0.3)
Public Safety	35,730	27,851	-	-	35,730	27,851	28.3
Highways and Streets	6,528	5,954	-	-	6,528	5,954	9.6
Culture and Recreation	3,211	3,525	-	-	3,211	3,525	(8.9)
Tourism and Promotion	2,012	1,867	-	-	2,012	1,867	7.8
Transportation	650	796	-	-	650	796	(18.4)
Interest on Long-term Debt	336	71	-	-	336	71	373.5
Refuse	-	-	5,580	5,462	5,580	5,462	2.2
Irrigation and Drainage	-	-	10,873	10,695	10,873	10,695	1.7
Wastewater	-	-	26,012	28,630	26,012	28,630	(9.1)
Airport	-	-	1,425	1,402	1,425	1,402	1.7
Total Expenses	<u>64,976</u>	<u>56,629</u>	<u>43,890</u>	<u>46,189</u>	<u>108,866</u>	<u>102,818</u>	
CHANGE IN NET POSITIONS BEFORE TRANSFERS	(9,328)	(2,852)	5,783	2,795	(3,545)	(57)	6119.6
Transfers	2,044	(5,800)	(2,044)	5,800	-	-	
CHANGE IN NET POSITIONS	(7,284)	(8,652)	3,739	8,595	(3,545)	(57)	
Net Positions - Beginning of Year	60,164	65,375	203,879	198,725	264,043	264,100	(0.0)
Net Effect of Restatements/ Prior Period Adjustments	-	3,441	-	(3,441)	-	-	
NET POSITIONS - BEGINNING	60,164	68,816	203,879	195,284	264,043	264,100	
NET POSITIONS - END OF YEAR	<u>\$ 52,880</u>	<u>\$ 60,164</u>	<u>\$ 207,618</u>	<u>\$ 203,879</u>	<u>\$ 260,498</u>	<u>\$ 264,043</u>	

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities. When compared to beginning balance, Governmental activities decreased the City's net position by \$7.3 million (12.1 percent) in fiscal year 2016-17 and decreased the City's net position by \$8.7 million in fiscal year 2015-16. Governmental activities accounted for the total reduction in the net position of the City for fiscal year 2016-17, as business-type activities net position increased for the fiscal year by \$3.7 million.

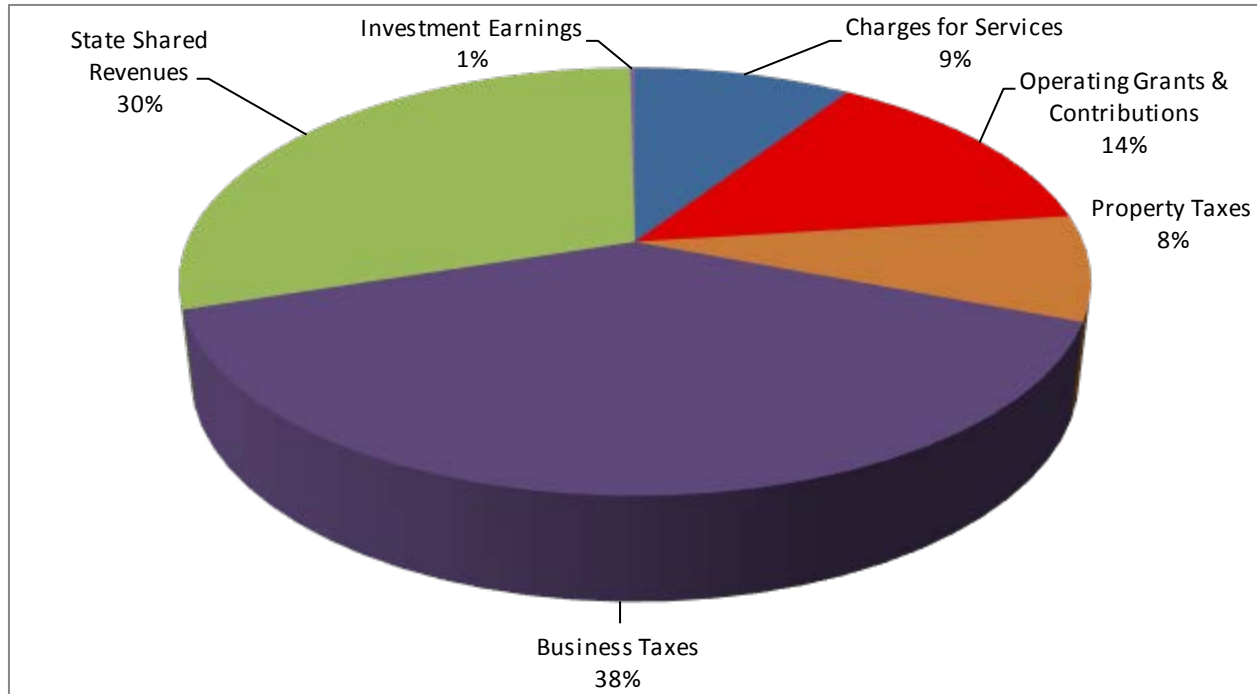
Total revenue for Governmental activities increased \$1.9 million (3.5 percent) over the previous fiscal year. Program revenues represent fees and charges on those who directly benefit from these fee-based programs, such as permit and inspection fees, and charges for recreation and aquatic classes and programs. General revenues are used to fund cost of services not covered by program revenues. General revenues consist mostly of tax revenues such as sales taxes (also referred to as transaction privilege taxes), property taxes, and state shared taxes. The significant changes in revenues are:

- Business tax revenue, which is the single largest source of general government revenue, includes sales and uses taxes. Business tax revenue increased \$1.5 million (7.6 percent) over the previous fiscal year. Retail sales tax increased by 5.2 percent, hotel and other lodging increased 10.0 percent and restaurant and bar sales tax increased 6.2 percent. These increases are attributed to an improving economy and tourism.
- Other taxes and state shared revenues increased by \$458,475 (2.8 percent) from the previous fiscal year. The state shared revenues in this category were up \$412,423 (2.9 percent). Franchise taxes are included in this category and increased by \$46,052 (2.3 percent).
- Operating grants and contributions revenues increased \$235,000 (3.2 percent). HURF revenues in this category increased \$265,105 (5.6 percent). Housing grants decreased \$399,783 (48.3 percent), while police grants increased \$202,851 (36.7 percent).
- Investment revenues decreased \$452,000 primarily due to unrealized losses in investments. This is due to the change in fair value of investments. Securities are valued at market even when held to maturity.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The source of funds for overall governmental activities, without regard to program, is presented below:

**Governmental Activities Revenues
Fiscal Year 2016-17**



Total expenditures for Governmental activities increased by \$8.3 million (14.7 percent) over the previous fiscal year to \$65.0 million. Notable changes in expenditures are:

- Public Safety, which is comprised of the Police and Fire Departments, is the largest governmental expense function (55.0 percent). Public Safety expenses increased \$7.8 million (28.3 percent) over the previous year. The increase is primarily due to an increase in pension expenditures of \$6.5 million and a one-time increase in claims and adjustments of \$1.6 million associated with the refunding of prior year's PSPRS employee contributions as the result of the *Parker* lawsuit.
- General Government is the second largest governmental expense function (28.5 percent). General Government includes Maintenance Services, Municipal Court, Operations, Community Investment (Building and Planning Groups), and the City Administrative Departments. General Government decreased by just \$55,992 (.03 percent) over the previous year.
- Highways and Streets increased \$573,735 (9.6 percent) over the previous fiscal year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Business-Type Activities. Business-type activities increased the City's net position in fiscal year 2016-17 by \$3.7 million (1.8 percent) bringing the total net position to \$207.6 million and increased the City's net position in fiscal year 2015-16 by \$8.6 million.

Total revenue for Business-type activities increased by \$688,270 (1.4 percent). The majority of the increase was from Capital Grants and contributions which increased by \$1.6 million (66.2 percent) this fiscal year. Charges for services increased only slightly from \$39.7 million to \$39.8 million (.4 percent) this fiscal year.

- Capital grants and contributions increased in the Airport Fund by \$1.3 million this fiscal year. These dollars were used for a pavement preservation project.
- Wastewater fees, fines and charges for service increase slightly by \$27,307 (.1 percent). As a general trend, successful water conservation measures have limited revenue growth in wastewater charges for service. The City uses a winter quarter averaging to calculate sewer charges. Three of the four lowest winter months' sewer consumption is used to establish customer's bills for the year. Residents and businesses have been educated and thus have become more aware of the impact of water use during those months on the sewer bill for the rest of the year. This year an availability fee was established for both water and sewer for seasonal visitors. This fee is used to pay for the infrastructure necessary to support the capacity demands of our seasonal population fluctuation. The City has kept all other water and wastewater rates flat since 2011.
- Water fees, fines and charges for service increased nominally \$3,714 (0.0 percent) over the previous fiscal year.

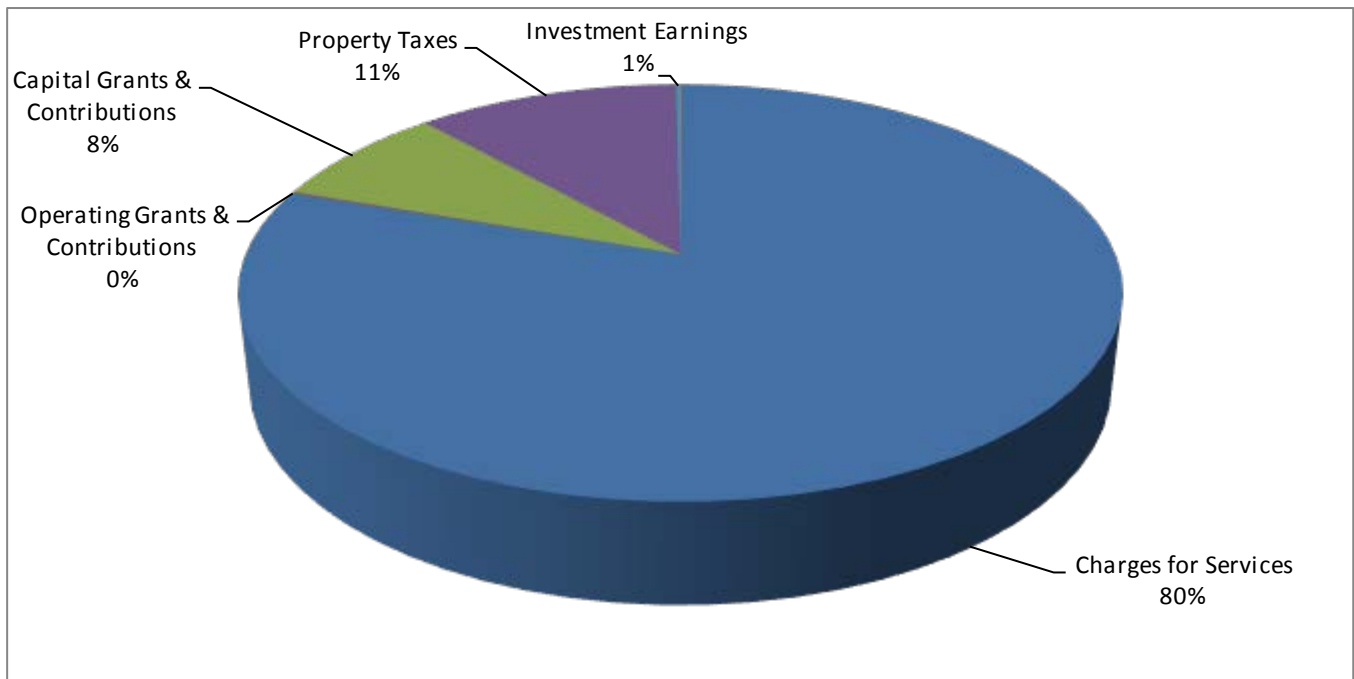
Total expenses for Business-type activities decreased by \$2.3 million (5.0 percent) over the previous fiscal year. Significant changes in expenses include:

- Expenses in the Irrigation Drainage Fund increased slightly by \$178,001 (1.7 percent) this fiscal year. The increase was driven by unrealized losses on investments, as a result of adjusting to fair market value.
- Expenses in the Wastewater Fund decreased by \$2.6 million (9.1 percent) this fiscal year. This decrease is the result of \$2.6 million in debt issuance costs from the restructuring of the Wastewater Fund debt in fiscal year 2015-16, not incurred this year.
- Expenses increased in the Refuse Fund by \$117,437 (2.1 percent) over the prior fiscal year. This increase was primarily due to unrealized losses on investments as well as growth in residential services. The collection of residential trash is contracted out to a third party based on the number of trash accounts billed by the City.

**LAKE HAVASU CITY, ARIZONA
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As shown in the "Business-type Activities Revenue by Source" chart, charges for services provided the largest share of revenues (80 percent) followed by property taxes (11 percent).

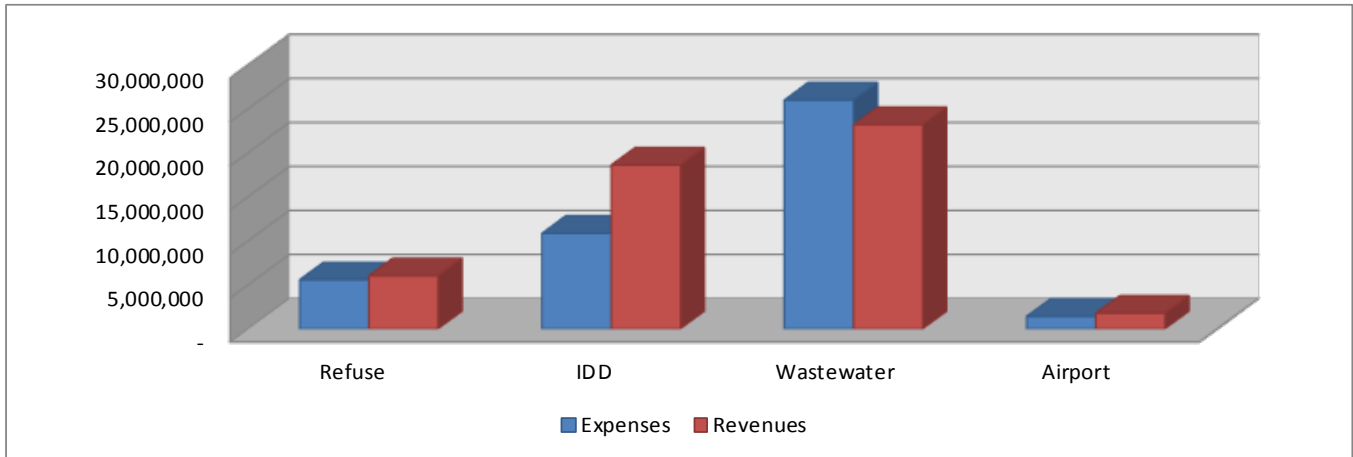
**Business-type Activities Revenues by Source
Fiscal Year 2016-17**



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As shown in the "Business-Type Program Revenue and Expenses" chart below, the largest of Lake Havasu City's business-type activities, Wastewater, had program expenses of \$26.0 million in fiscal year 2016-17, followed by Irrigation and Drainage (IDD) with \$10.9 million.

**Business-type Activities Program Revenues and Expenses
Fiscal Year 2016-17**



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

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

Financial Analysis of Lake Havasu City's Funds

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

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

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As of the end of fiscal year 2016-17, the City's governmental funds reported combined ending fund balances of \$44.8 million, an increase of \$8.3 million (22.8 percent) in comparison with fiscal year 2015-16 fund balance of \$36.5 million. The majority of the fund balance in the amount of \$31.0 million (69.2 percent) is unassigned fund balance and is available for use at the government's discretion. Approximately \$4.8 million (10.7 percent) is restricted in its use by externally enforceable limitations. Approximately \$8.7 million (19.3 percent) is assigned for use by management for specifically identified uses. The amount of \$58,712 (0.1 percent) is committed by Council action. The remaining of \$301,342 (0.7 percent) is nonspendable, the portion of net resources that cannot be spent because of their form (inventory, prepaid expenses).

The General Fund is the chief operating fund of the City. At the end of fiscal year 2016-17 the total fund balance of the General Fund reached \$38.9 million which is a 31.2 percent increase from the prior year. The nonspendable portion of the fund balance is \$227,087 (0.6 percent), reflecting inventory and prepaid expenses. The restricted portion of the fund balance is \$108,473 (0.3 percent). The committed portion of the fund balance is \$58,712 (0.2 percent). The portion that is assigned is \$7.4 million (19.2 percent), and the unassigned fund balance is \$31.0 million (79.8 percent), which is available for use at the City's discretion. At the end of fiscal year 2015-16, total fund balance reached \$29.6 million. Of that fund balance, \$265,722 (0.9 percent) was nonspendable, \$101,523 (0.3 percent) was restricted, committed was zero, \$1.7 million (5.7 percent) was assigned, and \$27.6 million (93.0 percent) was unassigned.

The fund balance of the City's General Fund increased \$9.2 million (31.2 percent) during fiscal year 2016-17. Key factors for this increase are:

- Overall total revenues in fiscal year 2016-17 reflected an increase of \$3.6 million (8.1 percent). Revenues went up mainly due to an increase in transaction privilege tax or sales tax revenue. Transaction privilege tax (sales tax) revenue in the General Fund increased by \$3.4 million (18.6 percent) in fiscal year 2016-17 compared to fiscal year 2015-16. Sales tax revenue partially increased in the General Fund by \$2.0 million this fiscal year due to moving transit occupancy tax (lodging) and restaurant and bar tax from Nonmajor Fund to the General Fund. The remaining \$1.4 million (7.1 percent) is a result of growth in the economy.
- All other major revenues only showed slight changes. Property tax, fines and forfeitures, franchise taxes, intergovernmental, licenses and permits increased while charges for services, rents and royalties, contributions and donations, and investment earnings decreased.
- General Fund expenditures reflected an increase of \$6.4 million (14.7 percent) in fiscal year 2016-17. General Government increased by \$895,300 (6.2 percent), Public Safety increased \$1.0 million (4.0 percent), and Culture and Recreation decrease slightly by \$2,367 (0.1 percent). New debt was issued in the General Fund resulting in \$2.5 million in debt service expenditures for the fiscal year. The increase in General Government is primarily due to moving the \$2 million of Tourism Payments from the Nonmajor Funds to the General Fund in 2016-17. The Public Safety increase is primarily due to personnel increases from annual merit pay increases.
- Proceeds from issuing the 2016 Excise Tax Debt in the amount of \$11 million was primarily responsible for the increase in fund balance for this fiscal year.

**LAKE HAVASU CITY, ARIZONA
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The HURF Fund, which accounts for the City's highway and street activities, had a net increase in fund balance of \$1.2 million (38.1 percent) in fiscal year 2016-17. Total revenues increased \$157,013 (3.3 percent) primarily due to an increase in gasoline tax revenues received from the Arizona Department of Revenue. Total expenditures increased by \$557,858 (12.6 percent). The increase in expenditures is due to an increase in activity in the fund. Contracted services increased by \$359,436 over the prior year as the City was able to complete more repaving, sealing and other street maintenance. Payroll expenses increased by \$122,094, as the City's crews were also able to complete more regular work in house. Likewise, maintenance and operational supplies used by the crews increased by \$128,122 this fiscal year compared to last. The issuance of excise tax revenue bond increased resources by \$230,786. This bond was issued for short-term financing of capital projects. Transfers in increased due to \$812,710 from closing the vehicle replacement fund and \$116,000 CIP operating transfers.

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

The Capital Projects Fund had a decrease to fund balance of \$2.3 million (74.8 percent) as compared to fiscal year 2015-16. This is due to planned capital expenditure of fund balance.

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

At the end of the fiscal years 2016-17 and 2015-16, the unrestricted net position for the Irrigation Drainage District Fund was \$37.1 million and \$35.5 million, respectively; the Wastewater Fund was \$29.7 million and \$28.1 million, respectively; the Refuse Fund was \$1.9 million and \$2.7 million, respectively; the Total NonMajor was -\$165,272 (negative) and -\$204,723 (negative), respectively. The decrease in Refuse fund balance is mainly due to transfers out for CIP City beautification projects, funding \$307,535 for SARA Park trailhead improvements and \$1,035,350 for the Havasu 280 masterplan. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Total actual revenues compared to Final Budget reflect a small increase in the amount of \$291,438 (.6 percent) for fiscal year 2016-17. The Final Budgeted revenues increased from Original Budget by \$3.4 million, mostly the result of moving the tourism sales tax to the General Fund.

Total actual expenditures are \$4.4 million less than Final Budget, which is 8.1 percent of total appropriations. Issuance of debt was less than budget by \$6.8 million. The additional debt was planned to fund capital projects and also resulted in reduced transfers out to the capital improvement funds. The actual change in fund balance reflects an increase from Final Budget of \$3.0 million.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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, 2017 and 2016, totaled to \$485.0 million and \$488.2 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, other improvements, water rights, machinery and equipment, park facilities, roads, and highways. The change in the City's capital assets (net of accumulated depreciation) between fiscal years 2017 and 2016 was a decrease of .7 percent.

**Capital Assets, Net of Depreciation
June 30, 2017 and 2016
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2017	2016	2017	2016	2017	2016	
Land	\$ 28,805	\$ 26,753	\$ 3,299	\$ 3,298	\$ 32,104	\$ 30,051	6.8 %
Improvements to Land	10,574	11,076	-	-	10,574	11,076	(4.5)
Buildings, Structures and Improvements	19,854	18,751	18,721	19,494	38,575	38,247	0.9
Other Improvements	-	-	344,546	349,868	344,546	349,868	(1.5)
Equipment, Furniture & Fixtures	5,679	5,709	2,901	2,631	8,580	8,339	2.9
Construction in progress	4,426	3,208	6,233	5,973	10,659	9,181	16.1
Infrastructure	30,801	32,328	-	-	30,801	32,328	(4.7)
Water Allocation Rights	-	-	9,200	9,156	9,200	9,156	0.5
Total Capital Assets	<u>\$ 100,139</u>	<u>\$ 97,826</u>	<u>\$ 384,900</u>	<u>\$ 390,421</u>	<u>\$ 485,039</u>	<u>\$ 488,247</u>	

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

- The stabilization and critical bank repairs along Havasupai wash totaled \$1.2 million with the project continuing in fiscal year 2018. The purchase of Springberg McAndrews Park in the City's central business district for \$1.0 million.
- The replacement of the water booster station 1B totaled \$1.0 million spent in fiscal year 2016-2017. This was a multi-year project with the total spent on the project \$2.8 million.
- The replacement of water mains is a continuing project each year, with \$848,623 expended in fiscal year 2016-17.

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

Long-term debt. At the end of fiscal year 2016-17, the City had total bonded debt outstanding of \$254.0 million (net of related premium), an increase of \$2.3 million (.9 percent). At the end of fiscal year 2015-16 the bonded debt totaled \$251.7 million. Of the fiscal year 2016-17 total bonded debt, \$67.6 million is general obligation bonds backed by the full faith and credit of the government, \$1.4 million is excise tax revenue bonds for the Freedom Bridge, \$99.0 million is revenue bonds pledging wastewater revenues for repayment, \$9.0 million excise tax revenue bonds identified for capital projects, and \$63.2 million is in the form of loans from WIFA for loans associated with the water and wastewater systems.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

State statutes impose certain debt limitations on the City of 6 percent and 20 percent of the outstanding limited property assessed valuation of the City. The City's available debt margin at June 30, 2017, is \$36.3 million in the 6 percent capacity and \$0 million in the 20 percent capacity. In fiscal year 2015-16, the 6 percent capacity limit was \$21.9 million and \$19.4 million in the 20 percent capacity limit. Additional information on the debt limitations and capacities may be found in the statistical section of this report. See Note 3 C and D to the financial statements for further information regarding capital leases and long-term bonds and loans.

**Outstanding Obligations
June 30, 2017 and 2016
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2017	2016	2017	2016	2017	2016	
General Obligation Bonds	\$ -	\$ -	\$ 67,625	\$ 71,845	\$ 67,625	\$ 71,845	(5.9)
Revenue Bonds	9,038	-	99,022	98,300	108,060	98,300	9.9
Bond Premium	-	-	13,655	14,257	13,655	14,257	(4.2)
GADA Loan Payable	1,440	1,615	-	-	1,440	1,615	(10.8)
WIFA Loans Payable	-	-	63,222	65,668	63,222	65,668	(3.7)
Capital Leases	6,706	8,116	341	370	7,046	8,486	(17.0)
Compensated Absences	2,560	2,448	289	355	2,849	2,803	1.7
Landfill Closure and Postclosure Costs	-	-	3,211	3,084	3,211	3,084	4.1
Other Postemployment Benefits	4,212	3,903	1,251	1,172	5,463	5,075	7.6
Total Long-term Liabilities	<u>\$ 23,955</u>	<u>\$ 16,082</u>	<u>\$ 248,616</u>	<u>\$ 255,051</u>	<u>\$ 272,571</u>	<u>\$ 271,133</u>	

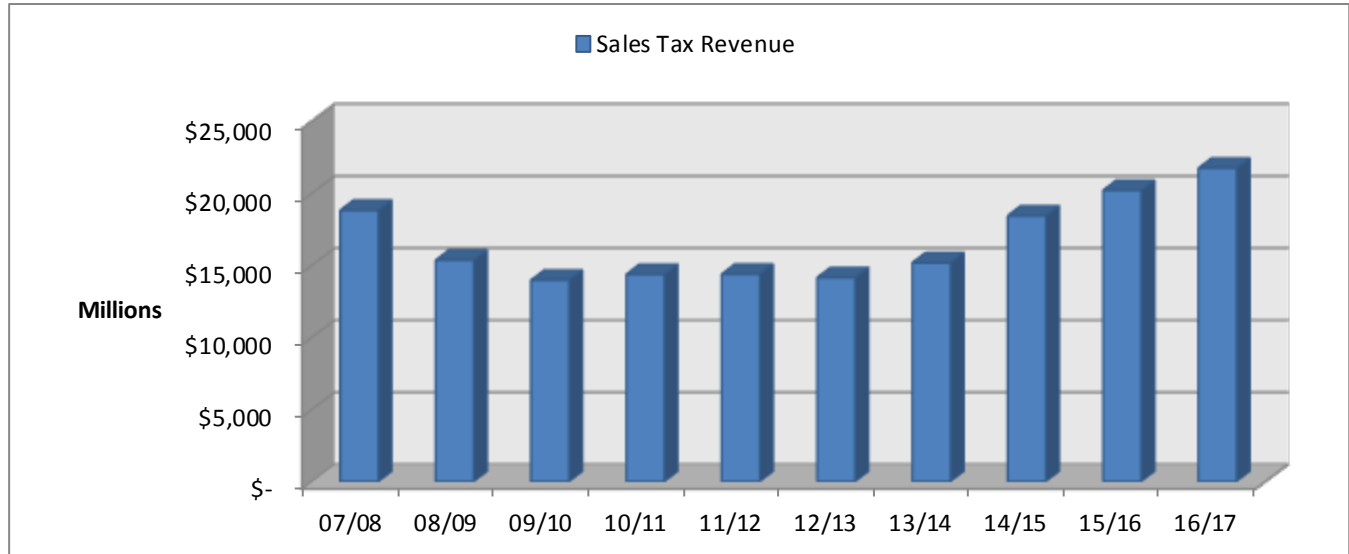
**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Economic Factors and Next Year's Budgets and Rates

Transaction Privilege Tax

The City's most reliable indicator of economic condition is transaction privilege tax. The City's collection of the 2 percent transaction privilege tax revenue comprised 43.3 percent (\$19.7 million) of the total General Fund revenues in fiscal year 2016-17. This represents an increase of \$1.4 million (7.6 percent) from fiscal year 2015-16.

The City's transaction privilege tax rate is currently 2 percent. An additional 1 percent for restaurant/bar activity and 3 percent for transient occupancy is collected for Tourism/Economic Development. The Tourism tax collections and payments were moved from Nonmajor Funds to the General Fund in 2016-17. Collections for the 1 percent restaurant/bar and 3 percent transient occupancy tax increased by \$145,205 (7.8 percent) in fiscal year 2016-17.



The City assessed a property tax levy rate of \$0.7000 per \$100 assessed value in fiscal year 2016-17. This was a decrease from the prior fiscal year in which the assessment was \$0.7235 per \$100 assessed value. In fiscal year 2017-18 the property tax levy rates will be decreased to \$0.6718, due to the incline in the 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, 2017**

During fiscal year 2016-17 sewer rates remained the same. At the end of fiscal year 2006-07, the City adopted a Rate Stabilization Fund. This required that \$5.0 million be reserved to maintain a fund balance in the Wastewater Fund that will factor into calculations of future rate increases with the intent to stabilize rates, meet required debt covenants, and prevent wide rate fluctuations to utility customers. An additional \$1.5 million was added in fiscal year 2010-11 to bring the total Rate Stabilization Fund to \$6.5 million. At the beginning of fiscal year 2015-16, the City restructured the wastewater debt to reduce its annual debt service. As a part of the restructuring, the Rate Stabilization Fund was reduced to \$4.5 million.

All of these factors were considered in preparing the City's budget for the 2017-18 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to:

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



LAKE HAVASU CITY

BASIC FINANCIAL STATEMENTS



LAKE HAVASU CITY

LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 38,634,066	\$ 66,497,344	\$ 105,131,410
Restricted Cash	7,139,983	14,722,381	21,862,364
Receivables, Net			
Accounts Receivable	613,598	4,115,966	4,729,564
Property Taxes Receivable	20,294	146,909	167,203
Intergovernmental Receivable	2,494,234	116,591	2,610,825
Accrued Interest Receivable	68,683	133,086	201,769
Inventories	119,797	-	119,797
Prepaid Items	181,545	158,929	340,474
Other Assets	-	923,286	923,286
Capital Assets:			
Non-Depreciable	33,231,546	16,777,813	50,009,359
Depreciable	66,907,158	368,122,284	435,029,442
Total Assets	<u>149,410,904</u>	<u>471,714,589</u>	<u>621,125,493</u>
DEFERRED OUTFLOWS OF RESOURCES	18,555,826	1,116,691	19,672,517
LIABILITIES			
Accounts Payable	2,296,929	2,176,422	4,473,351
Accrued Salaries and Fringes	1,462,847	161,030	1,623,877
Accrued Interest Payable	77,693	4,633,457	4,711,150
Deposits	-	409	409
Intergovernmental Payable	290,979	72,939	363,918
Retainage Payable	147,595	260,788	408,383
Claims and Judgements Payable	1,632,591	-	1,632,591
Unearned Revenue	36,419	242,392	278,811
Developer Agreements	12,724	-	12,724
Performance Bonds Payable	109,468	-	109,468
Liabilities Payable from Restricted Assets	-	536,063	536,063
Noncurrent Liabilities			
Due Within One Year	5,826,996	4,920,950	10,747,946
Due in More Than One Year	99,028,040	249,745,342	348,773,382
Total Liabilities	<u>110,922,281</u>	<u>262,749,792</u>	<u>373,672,073</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Pension Liability	4,164,233	749,198	4,913,431
Deferred Inflows of Resources - Bond Refinancing	-	1,714,645	1,714,645
Total Deferred Inflows of Resources	<u>4,164,233</u>	<u>2,463,843</u>	<u>6,628,076</u>
NET POSITIONS			
Net Investment in Capital Assets	88,995,496	139,060,241	228,055,737
Restricted for:			
Public Safety	303,127	-	303,127
Highways and Streets	4,111,085	-	4,111,085
Other Purposes	384,194	-	384,194
Unrestricted	(40,913,686)	68,557,404	27,643,718
Total Net Positions	<u>\$ 52,880,216</u>	<u>\$ 207,617,645</u>	<u>\$ 260,497,861</u>

See accompanying Notes to Financial Statements.

**LAKE HAVASU CITY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 16,508,917	\$ 3,824,870	\$ 1,094,815	\$ -
Public Safety	35,730,398	306,598	1,056,403	13,750
Highways and Streets	6,527,976	4,586	4,981,079	-
Culture and Recreation	3,211,372	994,556	80,826	-
Tourism and Promotion	2,011,849	-	-	-
Transportation Services	649,522	11,440	421,103	-
Interest on Long-term Debt	336,191	-	-	-
Total Governmental Activities	64,976,225	5,142,050	7,634,226	13,750
Business-Type Activities:				
Refuse	5,579,670	6,032,980	-	-
Irrigation and Drainage	10,873,128	10,694,299	46,241	2,042,842
Wastewater	26,012,366	22,619,965	-	647,687
Airport	1,425,314	502,238	-	1,290,612
Total Business-Type Activities	43,890,478	39,849,482	46,241	3,981,141
Total Primary Government	\$ 108,866,703	\$ 44,991,532	\$ 7,680,467	\$ 3,994,891

General Revenues:

Taxes

 Sales Taxes

 Property Taxes

 Franchise Taxes

Unrestricted State Revenue Sharing

Unrestricted State Sales Tax Revenue Sharing

Unrestricted Auto Lieu Tax Revenue Sharing

Investment Earnings

Gain (Loss) on Disposal of Capital Assets

Transfers

 Total General Revenues and Transfers

Change in Net Assets

Net Positions - Beginning

Net Positions - Ending

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (11,589,232)	\$ -	\$ (11,589,232)
(34,353,647)	-	(34,353,647)
(1,542,311)	-	(1,542,311)
(2,135,990)	-	(2,135,990)
(2,011,849)	-	(2,011,849)
(216,979)	-	(216,979)
(336,191)	-	(336,191)
(52,186,199)	-	(52,186,199)
-	453,310	453,310
-	1,910,254	1,910,254
-	(2,744,714)	(2,744,714)
-	367,536	367,536
-	(13,614)	(13,614)
(52,186,199)	(13,614)	(52,199,813)
21,750,919	-	21,750,919
4,404,669	5,701,272	10,105,941
2,017,919	-	2,017,919
6,551,824	-	6,551,824
4,903,171	-	4,903,171
3,114,874	-	3,114,874
115,537	69,205	184,742
-	25,240	25,240
2,043,948	(2,043,948)	-
44,902,861	3,751,769	48,654,630
(7,283,338)	3,738,155	(3,545,183)
60,163,554	203,879,490	264,043,044
\$ 52,880,216	\$ 207,617,645	\$ 260,497,861

**LAKE HAVASU CITY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General	HURF	Debt Service	Capital Projects
Assets				
Cash and Investments	\$ 32,175,232	\$ 4,738,567	\$ 26,318	\$ 842,793
Restricted Cash	6,537,669	-	-	493,334
Receivables				
Accounts Receivable	605,234	-	-	-
Taxes Receivable	19,781	-	-	-
Intergovernmental Receivable	1,881,139	456,567	-	-
Interest Receivable	53,704	6,195	62	7,931
Due from Other Funds	142,534	-	-	-
Inventories	119,797	-	-	-
Prepaid Items	107,290	74,255	-	-
Total Assets	<u>\$ 41,642,380</u>	<u>\$ 5,275,584</u>	<u>\$ 26,380</u>	<u>\$ 1,344,058</u>
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 878,604	\$ 904,208	\$ -	\$ 485,576
Accrued Wages and Benefits	1,417,930	42,645	-	-
Interest Payable	50,975	338	26,380	-
Intergovernmental Payable	290,979	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	23,699	77	-	-
Retainage Payable	-	88,107	-	59,488
Performance Bonds Payable	109,468	-	-	-
Developer Agreements	-	-	-	12,724
Total Liabilities	<u>2,771,655</u>	<u>1,035,375</u>	<u>26,380</u>	<u>557,788</u>
Fund Balances				
Nonspendable	227,087	74,255	-	-
Restricted	108,473	4,111,085	-	-
Committed	58,712	-	-	-
Assigned	7,468,453	54,869	-	786,270
Unassigned	31,008,000	-	-	-
Total Fund Balance	<u>38,870,725</u>	<u>4,240,209</u>	<u>-</u>	<u>786,270</u>
Total Liabilities and Fund Balance	<u>\$ 41,642,380</u>	<u>\$ 5,275,584</u>	<u>\$ 26,380</u>	<u>\$ 1,344,058</u>

See accompanying Notes to Financial Statements.

<u>Nonmajor Funds</u>		<u>Totals</u>	
\$	851,156	\$	38,634,066
	108,980		7,139,983
	8,364		613,598
	513		20,294
	156,528		2,494,234
	791		68,683
	-		142,534
	-		119,797
	-		181,545
<u>\$</u>	<u>1,126,332</u>	<u>\$</u>	<u>49,414,734</u>

\$	28,541	\$	2,296,929
	2,272		1,462,847
	-		77,693
	-		290,979
	142,534		142,534
	12,643		36,419
	-		147,595
	-		109,468
	-		12,724
	185,990		4,577,188

	-		301,342
	578,848		4,798,406
	-		58,712
	361,494		8,671,086
	-		31,008,000
<u></u>	<u>940,342</u>	<u></u>	<u>44,837,546</u>
<u>\$</u>	<u>1,126,332</u>	<u>\$</u>	<u>49,414,734</u>



LAKE HAVASU CITY

LAKE HAVASU CITY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balances for Governmental Funds	\$ 44,837,546
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	206,354,493
Less Accumulated Depreciation	(106,215,789)
Capital Assets Used in Governmental Activities	100,138,704

Deferred outflows relating to deferred amounts on pensions are not financial resources; therefore are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	18,555,826
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Deferred inflows relating to pensions represent a future acquisition of net position that is not reported in the funds.

Deferred Inflows of Resources Related to Pensions	(4,164,233)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

GADA Loan	(1,440,000)
Revenue Bonds	(9,037,626)
Capital Leases	(6,705,608)
Compensated Absences	(2,560,436)
Other Postemployment Benefits	(4,211,825)
Claims and Judgements Payable (PSPRS)	(1,632,591)
Net Pension Liability	(80,899,541)

Total Net Position of Governmental Activities	\$ 52,880,216
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LAKE HAVASU CITY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>HURF</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenue				
Taxes				
Sales Taxes	\$ 21,750,919	\$ -	\$ -	\$ -
Property Taxes	4,318,694	-	-	-
Franchise Taxes	2,017,919	-	-	-
Intergovernmental Revenue	15,229,136	4,981,079	-	-
Fines and Forfeitures	1,325,656	-	-	-
Licenses and Permits	2,109,402	-	-	-
Charges for Services	1,228,056	-	-	-
Rents and Royalties	85,969	-	-	-
Contributions and Donations	108,386	-	-	-
Investment Earnings	111,095	1,749	240	284
Other	295,756	3,984	-	602
Total Revenue	<u>48,580,988</u>	<u>4,986,812</u>	<u>240</u>	<u>886</u>
Expenditures				
Current				
General Government	15,257,873	-	-	-
Public Safety	26,978,775	-	-	-
Highways and Streets	-	4,925,005	-	-
Culture and Recreation	3,287,776	-	-	-
Tourism and Promotion	2,011,849	-	-	-
Transportation Services	259,255	-	-	-
Debt Service				
Principal Retirement	2,195,944	45,869	175,000	-
Interest on Long-Term Debt	102,137	2,133	64,318	-
Issuance Costs	164,174	3,429	-	-
Capital Outlay	-	-	-	5,485,194
Total Expenditures	<u>50,257,783</u>	<u>4,976,436</u>	<u>239,318</u>	<u>5,485,194</u>
Excess (Deficiency) of Revenue Over Expenditures	(1,676,795)	10,376	(239,078)	(5,484,308)
Other Financing Sources (Uses)				
Transfers In	1,717,237	928,710	54,082	3,156,692
Transfers Out	(1,855,011)	-	-	(3,207)
Issuance of Long-Term Debt	11,048,653	230,786	-	-
Total Other Financing Sources (Uses)	<u>10,910,879</u>	<u>1,159,496</u>	<u>54,082</u>	<u>3,153,485</u>
Net Change in Fund Balance	9,234,084	1,169,872	(184,996)	(2,330,823)
Fund Balance				
Beginning of Year	29,636,641	3,070,337	184,996	3,117,093
End of Year	<u>\$ 38,870,725</u>	<u>\$ 4,240,209</u>	<u>\$ -</u>	<u>\$ 786,270</u>

See accompanying Notes to Financial Statements.

<u>Nonmajor Funds</u>	<u>Totals</u>
\$ -	\$ 21,750,919
85,975	4,404,669
-	2,017,919
1,605,449	21,815,664
73,386	1,399,042
-	2,109,402
15,000	1,243,056
-	85,969
280,045	388,431
2,169	115,537
4,239	304,581
<u>2,066,263</u>	<u>55,635,189</u>
550,391	15,808,264
631,095	27,609,870
82,045	5,007,050
-	3,287,776
-	2,011,849
339,112	598,367
-	2,416,813
-	168,588
-	167,603
-	5,485,194
<u>1,602,643</u>	<u>62,561,374</u>
463,620	(6,926,185)
-	5,856,721
(39,560)	(1,897,778)
-	11,279,439
<u>(39,560)</u>	<u>15,238,382</u>
424,060	8,312,197
516,282	36,525,349
<u>\$ 940,342</u>	<u>\$ 44,837,546</u>

**LAKE HAVASU CITY, ARIZONA
RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ 8,312,197

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

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

Expenditures for Capital Assets	6,755,219
Less Current Year Depreciation	(4,346,312)
Excess Capital Expenditures Over Depreciation	2,408,907

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, and donations) to decrease net position. 1,096,234

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position.

Principal Payments on Long-term Debt	3,826,881
Proceeds from Debt	(11,279,439)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net Increase in Compensated Absences	(112,122)
Net Increase in Other Postemployment Benefits	(308,885)
Increase in Claims and Judgements Payable (PSPRS)	(1,632,591)
Pension expense	(12,260,353)

Current-year pension contributions are reclassified to deferred outflows of resources on the statement of activities, and are therefore not a reduction of net position.

Current Year Pension Contributions	5,773,294
------------------------------------	-----------

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

The net changes in net position of the internal service fund is reported with governmental activities.	(3,107,461)
--	-------------

Changes in Net Position of Governmental Activities	\$ (7,283,338)
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**LAKE HAVASU CITY, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amount	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenue				
Taxes	\$ 24,848,000	\$ 28,216,000	\$ 28,087,532	\$ (128,468)
Intergovernmental Revenue	15,173,000	15,173,000	15,229,136	56,136
Fines and Forfeitures	1,130,000	1,130,000	1,325,656	195,656
Licenses and Permits	2,047,250	2,047,250	2,109,402	62,152
Charges for Services	1,200,800	1,200,800	1,228,056	27,256
Rents and Royalties	128,000	128,000	85,969	(42,031)
Contributions and Donations	75,500	75,500	108,386	32,886
Investment Earnings	265,000	265,000	111,095	(153,905)
Other	54,000	54,000	295,756	241,756
Total Revenue	44,921,550	48,289,550	48,580,988	291,438
Expenditures				
Current				
General Government				
City Council	235,779	145,240	130,572	14,668
City Clerk	559,056	441,503	271,088	170,415
Magistrate Court	1,893,863	1,893,863	1,735,511	158,352
City Manager	355,799	251,605	211,148	40,457
Human Resources	614,381	414,198	399,469	14,729
Community Affairs	230,243	171,929	92,842	79,087
Administrative Services	4,701,286	3,298,595	2,489,041	809,554
City Attorney	987,887	796,449	731,102	65,347
Non-Departmental	(1,748,397)	4,118,874	2,645,480	1,473,394
Government - Outside Contracts	189,000	194,000	194,000	-
Operations	5,613,382	4,459,688	4,100,326	359,362
Vehicle Maintenance	943,999	642,084	532,461	109,623
Community Investment	2,991,202	2,107,452	1,724,833	382,619
Total General Government	17,567,480	18,935,480	15,257,873	3,677,607
Public Safety				
Police	15,501,520	15,501,520	14,949,730	551,790
Fire	12,082,124	12,082,124	12,029,045	53,079
Total Public Safety	27,583,644	27,583,644	26,978,775	604,869
Culture and Recreation				
Recreation Department	3,680,031	3,680,031	3,287,776	392,255
Tourism and Promotion				
Tourism/Economic Development	-	2,000,000	2,011,849	(11,849)
Transportation Services				
Havasu Mobility	311,028	311,028	259,255	51,773
Debt Service				
Principal Retirement	1,513,942	1,513,942	2,195,944	(682,002)
Interest on Long-Term Debt	117,004	637,004	102,137	534,867
Issuance Costs	-	-	164,174	(164,174)
Total Debt Service	1,630,946	2,150,946	2,462,255	(311,309)
Total Expenditures	50,773,129	54,661,129	50,257,783	4,403,346
Excess (Deficiency) of Revenue Over Expenditures	(5,851,579)	(6,371,579)	(1,676,795)	4,694,784
Other Financing Sources (Uses)				
Transfers In	1,967,317	1,967,317	1,717,237	(250,080)
Transfers Out	(5,140,132)	(5,140,132)	(1,855,011)	3,285,121
Issuance of Long-Term Debt	17,800,234	17,800,234	11,048,653	(6,751,581)
Total Other Financing Sources (Uses)	14,627,419	14,627,419	10,910,879	(3,716,540)
Net Change in Fund Balance	8,775,840	8,255,840	9,234,084	978,244
Fund Balance				
Beginning of Year	27,659,969	27,659,969	29,636,641	1,976,672
End of Year	\$ 36,435,809	\$ 35,915,809	\$ 38,870,725	\$ 2,954,916

See accompanying Notes to Financial Statements.



LAKE HAVASU CITY

LAKE HAVASU CITY, ARIZONA
HURF FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017

	Budget Amounts		
	Original and Final Budget	Actual Amount Budgetary Basis	Variance with Final Budget
Revenues			
Intergovernmental Revenue	\$ 4,950,000	\$ 4,981,079	\$ 31,079
Investment Earnings	25,800	1,749	(24,051)
Other	5,700	3,984	(1,716)
Total Revenue	<u>4,981,500</u>	<u>4,986,812</u>	<u>5,312</u>
Expenditures			
Current			
Highways and Streets	6,191,493	4,925,005	1,266,488
Principal Retirement	65,214	45,869	19,345
Interest on Long-Term Debt	5,040	2,133	2,907
Issuance Costs	-	3,429	(3,429)
Total Expenditures	<u>6,261,747</u>	<u>4,976,436</u>	<u>1,285,311</u>
Excess (Deficiency) of Revenue Over Expenditures	(1,280,247)	10,376	1,290,623
Other Financing Sources (Uses)			
Transfers In	1,478,000	928,710	(549,290)
Issuance of Long-Term Debt	336,000	230,786	(105,214)
Total Other Financing Sources (Uses)	<u>1,814,000</u>	<u>1,159,496</u>	<u>(654,504)</u>
Net Change in Fund Balance	533,753	1,169,872	636,119
Fund Balance			
Beginning of Year	2,310,707	3,070,337	759,630
End of Year	<u>\$ 2,844,460</u>	<u>\$ 4,240,209</u>	<u>\$ 1,395,749</u>

LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-Type Activities			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 41,328,279	\$ 20,166,671	\$ 4,945,749	\$ 56,645
Restricted Cash	605,927	14,092,667	-	23,787
Receivables, Net				
Accounts Receivable	1,048,207	2,594,269	453,663	19,827
Taxes Receivable	146,909	-	-	-
Intergovernmental Receivable	116,591	-	-	-
Interest Receivable	48,990	72,408	11,350	338
Prepaid Items	93,351	59,915	-	5,663
Other Assets	-	923,286	-	-
Total Current Assets	43,388,254	37,909,216	5,410,762	106,260
Noncurrent Assets				
Capital Assets				
Non-Depreciable	14,126,217	1,922,964	-	728,632
Depreciable (Net)	62,433,719	290,931,708	21,153	14,735,704
Total Noncurrent Assets	76,559,936	292,854,672	21,153	15,464,336
Total Assets	119,948,190	330,763,888	5,431,915	15,570,596
Deferred Outflows of Resources	577,974	498,788	-	39,929
Liabilities				
Current Liabilities				
Accounts Payable	1,608,047	233,473	330,001	4,901
Accrued Wages and Benefits	87,923	67,019	-	6,088
Intergovernmental Payable	64,100	8,839	-	-
Interest Payable	970	4,632,241	-	246
Retainage Payable	251,378	9,410	-	-
Unearned Revenue	227,197	1,149	-	14,046
Liabilities Payable from				
Restricted Assets	512,685	-	-	23,787
Compensated Absences	125,036	115,172	-	5,416
Capital Leases Payable	12,243	15,162	-	3,108
Bonds and Notes Payable	10,000	4,633,843	-	970
Total Current Liabilities	2,899,579	9,716,308	330,001	58,562
Noncurrent Liabilities				
Compensated Absences	21,996	20,261	-	953
Landfill Closure and Postclosure				
Care Costs	-	-	3,211,235	-
Capital Leases Payable	124,412	154,075	-	31,583
Other Postemployment Benefits	729,598	521,472	-	-
Net Pension Liability	3,098,137	2,724,777	-	227,816
Bonds and Notes Payable	4,439,305	234,436,732	-	2,990
Total Noncurrent Liabilities	8,413,448	237,857,317	3,211,235	263,342
Total Liabilities	11,313,027	247,573,625	3,541,236	321,904
Deferred Inflows of Resources	383,610	2,052,025	-	28,208
Net Position				
Net Investment in Capital Assets	71,722,598	51,890,805	21,153	15,425,685
Unrestricted	37,106,929	29,746,221	1,869,526	(165,272)
Total Net Position	\$ 108,829,527	\$ 81,637,026	\$ 1,890,679	\$ 15,260,413

See accompanying Notes to Financial Statements.

Total Business-Type Activities	Governmental Activities - Internal Service Funds
\$ 66,497,344	\$ -
14,722,381	-
4,115,966	-
146,909	-
116,591	-
133,086	-
158,929	-
923,286	-
<u>86,814,492</u>	<u>-</u>
16,777,813	-
<u>368,122,284</u>	<u>-</u>
<u>384,900,097</u>	<u>-</u>
471,714,589	-
1,116,691	-
2,176,422	-
161,030	-
72,939	-
4,633,457	-
260,788	-
242,392	-
536,472	-
245,624	-
30,513	-
<u>4,644,813</u>	<u>-</u>
<u>13,004,450</u>	<u>-</u>
43,210	-
3,211,235	-
310,070	-
1,251,070	-
6,050,730	-
<u>238,879,027</u>	<u>-</u>
<u>249,745,342</u>	<u>-</u>
<u>262,749,792</u>	<u>-</u>
2,463,843	-
139,060,241	-
<u>68,557,404</u>	<u>-</u>
<u>\$ 207,617,645</u>	<u>\$ -</u>

LAKE HAVASU CITY, ARIZONA
STATEMENT REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-Type Activities			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
Operating Revenue				
Charges for Services	\$ 10,629,941	\$ 22,558,517	\$ 6,032,980	\$ 468,525
Total Operating Revenue	10,629,941	22,558,517	6,032,980	468,525
Operating Expenses				
Cost of Sales and Services	8,410,995	7,332,142	5,578,495	615,690
Depreciation	2,365,186	10,211,850	1,175	807,430
Total Operating Expenses	10,776,181	17,543,992	5,579,670	1,423,120
Operating Income (Loss)	(146,240)	5,014,525	453,310	(954,595)
Nonoperating Revenue (Expense)				
Taxes	5,701,272	-	-	-
Intergovernmental	46,241	-	-	-
Investment Earnings	95,385	(33,239)	10,863	(3,804)
Gain (Loss) on Sale of Capital Assets	38,550	(13,310)	-	-
Interest Expense	(96,947)	(8,416,115)	-	(2,194)
Issuance Costs	-	(52,259)	-	-
Other Income	64,358	61,448	-	33,713
Total Nonoperating Revenue (Expenses)	5,848,859	(8,453,475)	10,863	27,715
Income (Loss) Before Capital Contributions and Transfers	5,702,619	(3,438,950)	464,173	(926,880)
Capital Contributions	2,042,842	647,687	-	1,290,612
Transfers In	455,754	1,239,082	83,624	188,268
Transfers Out	(2,597,984)	(58,541)	(1,354,151)	-
Change in Net Position	5,603,231	(1,610,722)	(806,354)	552,000
Net Position				
Beginning of Year	103,226,296	83,247,748	2,697,033	14,708,413
End of Year	<u>\$ 108,829,527</u>	<u>\$ 81,637,026</u>	<u>\$ 1,890,679</u>	<u>\$ 15,260,413</u>

See accompanying Notes to Financial Statements.

Total Business-Type Activities	Governmental Activities - Internal Service Funds
<u>\$ 39,689,963</u>	<u>\$ -</u>
39,689,963	-
21,937,322	-
13,385,641	-
<u>35,322,963</u>	<u>-</u>
4,367,000	-
5,701,272	-
46,241	-
69,205	-
25,240	(1,192,466)
(8,515,256)	-
(52,259)	-
<u>159,519</u>	<u>-</u>
<u>(2,566,038)</u>	<u>(1,192,466)</u>
1,800,962	(1,192,466)
3,981,141	-
1,966,728	-
<u>(4,010,676)</u>	<u>(1,914,995)</u>
3,738,155	(3,107,461)
203,879,490	3,107,461
<u><u>\$ 207,617,645</u></u>	<u><u>\$ -</u></u>

LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-Type Activities – Enterprise Funds			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
Cash Flows from Operating Activities				
Receipts from Customers	\$ 10,854,985	\$ 23,844,244	\$ 6,139,092	\$ 473,425
Payments to Suppliers	(5,235,537)	(5,111,022)	(5,511,489)	(458,900)
Payments to Employees	(2,751,572)	(2,329,817)	-	(166,585)
Other Nonoperating Receipts	110,599	61,448	-	33,713
Customer Deposits (Payments)	38,875	-	-	(164)
Net Cash Flows from (Used by) Operating Activities	3,017,350	16,464,853	627,603	(118,511)
Cash Flows from Noncapital Financing Activities				
Transfers In	455,754	1,239,082	83,624	188,268
Transfers Out	(2,597,984)	(58,541)	(1,354,151)	-
Tax Receipts	5,694,083	-	-	-
Net Cash Flows from (Used by) Noncapital Financing Activities	3,551,853	1,180,541	(1,270,527)	188,268
Cash Flows from Capital and Related Financing Activities				
Proceeds from Capital Debt	99,650	1,242,565	-	4,943
Capital Grants and Contributions	2,013,996	647,687	-	64,858
Purchases of Capital Assets	(5,402,198)	(1,010,054)	-	(95,255)
Principal Paid on Capital Debt	(846,889)	(5,839,425)	-	(3,913)
Interest Paid on Capital Debt	(255,931)	(9,347,660)	-	(2,215)
Loan Issuance Costs	-	(52,259)	-	-
Proceeds from Sale of Capital Assets	38,550	-	-	-
Net Cash Flows from (Used by) Capital and Financing Activities	(4,352,822)	(14,359,146)	-	(31,582)
Cash Flows from Investing Activities				
Interest and Dividends	76,516	(40,431)	7,923	(4,088)
Net Change in Cash and Cash Equivalents	2,292,897	3,245,817	(635,001)	34,087
Cash and Cash Equivalents - Beginning of Year	39,641,309	31,013,521	5,580,750	46,345
Cash and Cash Equivalents - End of Year	\$ 41,934,206	\$ 34,259,338	\$ 4,945,749	\$ 80,432
Reconciliation to Statement of Net Position:				
Cash and Investments	\$ 41,328,279	\$ 20,166,671	\$ 4,945,749	\$ 56,645
Restricted Cash and Investments	605,927	14,092,667	-	23,787
Total Cash and Cash Equivalents	\$ 41,934,206	\$ 34,259,338	\$ 4,945,749	\$ 80,432

See accompanying Notes to Financial Statements.

<u>Total Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 41,311,746	\$ -
(16,316,948)	-
(5,247,974)	-
205,760	-
38,711	-
<u>19,991,295</u>	-
1,966,728	-
(4,010,676)	(1,914,995)
<u>5,694,083</u>	-
<u>3,650,135</u>	<u>(1,914,995)</u>
1,347,158	-
2,726,541	-
(6,507,507)	-
(6,690,227)	-
(9,605,806)	-
(52,259)	-
38,550	-
<u>(18,743,550)</u>	-
<u>39,920</u>	<u>4,840</u>
4,937,800	(1,910,155)
<u>76,281,925</u>	<u>1,910,155</u>
<u>\$ 81,219,725</u>	<u>\$ -</u>
\$ 66,497,344	\$ -
14,722,381	-
<u>\$ 81,219,725</u>	<u>\$ -</u>

LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-Type Activities – Enterprise Funds			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	\$ (146,240)	\$ 5,014,525	\$ 453,310	\$ (954,595)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (Used by) Operating Activities				
Pension Expense	(395,533)	(13,890)	-	(6,472)
Depreciation	2,365,186	10,211,850	1,175	807,430
Other Nonoperating Receipts (Expenses)	110,599	61,448	-	33,713
Change in Assets/Liabilities:				
Receivables, Net	187,854	1,285,844	106,112	(318)
Prepaid Items	30	3,804	-	2
Accounts Payable	679,383	8,224	(60,148)	4,189
Retainage Payable	175,731	(113,958)	-	-
Intergovernmental Payable	(62,474)	549	-	-
Accrued Wages and Benefits	10,865	2,189	-	214
Compensated Absences	(19,070)	(40,561)	-	(7,728)
Deferred Revenue	37,190	(117)	-	5,218
Customer Deposits Payable	38,875	-	-	(164)
Other Postemployment Benefits	34,954	44,946	-	-
Landfill Closure and Postclosure Care Costs	-	-	127,154	-
Net Cash from (Used by) Operating Activities	<u>3,017,350</u>	<u>\$ 16,464,853</u>	<u>\$ 627,603</u>	<u>\$ (118,511)</u>

Noncash Investing, Capital and Financing Activities

Other costs of \$38,934, deferred amount on refunding of \$190,516 and premiums of \$602,360 were amortized in the Wastewater Fund during the year.
Capital assets totaling \$1,225,754 were donated to the Airport Fund during the year.

<u>Total Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 4,367,000	\$ -
(415,895)	-
13,385,641	-
205,760	-
1,579,492	-
3,836	-
631,648	-
61,773	-
(61,925)	-
13,268	-
(67,359)	-
42,291	-
38,711	-
79,900	-
<u>127,154</u>	<u>-</u>
<u>\$ 19,991,295</u>	<u>\$ -</u>



LAKE HAVASU CITY

NOTES TO BASIC FINANCIAL STATEMENTS

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

1. Irrigation and Drainage District (District)

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

2. Improvement Districts No. 2 and 4

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

3. Metropolitan Planning Organization

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

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

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

The *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 and storm drainage system.

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

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

Additionally, the government reports the following fund types:

The *Internal Service Funds* account for the City's vehicle replacement program, which was eliminated on July 1, 2016.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

1. Deposits and Investments

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

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

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables

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

Mohave County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

3. Short-Term Interfund Receivables/Payables

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets

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

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

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

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

7. Compensated Absences

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

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Deferred Outflows/Inflows of Resources

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

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

9. Pensions

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

10. Long-Term Obligations

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

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Net Position

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

12. Fund Balance

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

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

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

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Fund Balance (Continued)

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

As of June 30, 2017, the governmental fund balance details by classification are listed below:

	General Fund	HURF	Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Inventory	\$ 119,797	\$ -	\$ -	\$ -	\$ -	\$ 119,797
Prepaid Expenditures	107,290	74,255	-	-	-	181,545
Total Nonspendable	227,087	74,255	-	-	-	301,342
Restricted:						
Highway User Tax for						
Transportation	-	4,111,085	-	-	-	4,111,085
Public Safety Special Programs	108,473	-	-	-	194,654	303,127
Court Enhancement	-	-	-	-	360,201	360,201
Improvement Districts	-	-	-	-	23,993	23,993
Total Restricted	108,473	4,111,085	-	-	578,848	4,798,406
Committed:						
General Government activities	58,712	-	-	-	-	58,712
Assigned:						
Capital Lease	1,458,342	54,869	-	-	-	1,513,211
Operating Lease	105,199	-	-	-	-	105,199
Court Services	37,411	-	-	-	-	37,411
Memorial Tree Special Program	-	-	-	-	26,089	26,089
Public Safety Special Programs	-	-	-	-	335,405	335,405
Capital Projects	5,867,501	-	-	786,270	-	6,653,771
Total Assigned	7,468,453	54,869	-	786,270	361,494	8,671,086
Unassigned:						
	31,008,000	-	-	-	-	31,008,000
Total Fund Balances	\$ 38,870,725	\$ 4,240,209	\$ -	\$ 786,270	\$ 940,342	\$ 44,837,546

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

On June 27, 2017, the City Council authorized budgetary amendments involving the General Fund.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to commit 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 and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2017 consist of the following:

Deposits	
Cash on Hand	\$ 9,000
Cash in Bank	7,575,252
Cash on Deposit with County Treasurer	202,222
Investments	
State Treasurer's Investment Pool (LGIP)	22,935,713
U.S. Government Securities	73,818,422
Certificates of Deposit	12,191,635
Money Market	10,261,530
Total Deposits and Investments	126,993,774
Restricted Assets	(21,862,364)
Total Cash and Investments	<u><u>\$ 105,131,410</u></u>

Investments

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

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

Fair Value Measurements. The City uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level III). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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

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

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

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

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

	6/30/2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Observable Inputs (Level III)
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury Bonds	\$ 7,391,125	\$ 7,391,125	\$ -	\$ -
Federal Agency Bonds	66,427,297	-	66,427,297	-
Total Debt Securities	73,818,422	7,391,125	66,427,297	-
Venture Capital Investments				
Certificates of Deposits	12,191,635	-	12,191,635	-
Total Investments by Fair Value Level	86,010,057	<u>\$ 7,391,125</u>	<u>\$ 78,618,932</u>	<u>\$ -</u>
Investments Measured at Fair Value				
State Treasurer's Investment Pool	22,935,713			
Total Investments Measured at Fair Value	108,945,770			
Investments by Amortized Cost				
Money Market Funds	10,261,530			
Total Investments	<u>\$ 119,207,300</u>			

Interest Rate Risk

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

The City's investments at June 30, 2017 consist of the following:

Investment	Amount	Investment Maturities (in Years)		
		Less than 1	1-3	4-5
State Treasurer's Investment Pools	\$ 22,935,713	\$ 22,935,713	\$ -	\$ -
Certificates of Deposit	12,191,635	750,248	4,743,932	6,697,455
Money Market	10,261,530	10,261,530	-	-
U.S. Treasury Notes	7,391,125	-	7,391,125	-
U.S. Government Securities	66,427,297	18,829,548	17,905,100	29,692,649
Total Investments	<u>\$ 119,207,300</u>	<u>\$ 52,777,039</u>	<u>\$ 30,040,157</u>	<u>\$ 36,390,104</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 for each investment type.

S&P Ratings Investment Type	Total	AAA	AA+	AA-	Not Rated	Investment Percent
State Treasurer's Investment						
Pools	\$ 22,935,713	\$ 10,443,110	\$ -	\$ 12,492,603	\$ -	19 %
Certificates of Deposit	12,191,635	-	-	-	12,191,635	10
Money Market	10,261,530	-	-	-	10,261,530	9
U.S. Treasury Notes	7,391,125	-	7,391,125	-	-	6
U.S. Government Securities	66,427,297	-	66,427,297	-	-	56
Total Investments	<u>\$ 119,207,300</u>	<u>\$ 10,443,110</u>	<u>\$ 73,818,422</u>	<u>\$ 12,492,603</u>	<u>\$ 22,453,165</u>	<u>100 %</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2017, the City's deposits were covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name. No deposits were exposed to custodial credit risk.

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

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

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Concentration of Credit Risk

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

2. Restricted Assets

Restricted assets at June 30, 2017 consisted of the following:

Customer Deposits	\$ 536,472
Performance Bonds Deposits	109,468
Capital	6,921,535
Forfeitures	108,980
Future Debt Service	14,185,909
Total	<u><u>\$ 21,862,364</u></u>

3. Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 26,753,008	\$ 2,052,334	\$ -	\$ -	\$ 28,805,342
Construction in Progress	3,207,911	2,949,931	(1,731,638)	-	4,426,204
Total Capital Assets, Not Being Depreciated	29,960,919	5,002,265	(1,731,638)	-	33,231,546
Capital Assets, Being Depreciated:					
Buildings and Improvements	35,361,350	2,214,883	-	-	37,576,233
Improvements to Land	16,876,751	-	-	-	16,876,751
Infrastructure	93,184,111	-	-	-	93,184,111
Furniture, Machinery and Equipment	24,598,416	1,269,709	(777,741)	395,468	25,485,852
Total Capital Assets, Being Depreciated	170,020,628	3,484,592	(777,741)	395,468	173,122,947
Accumulated Depreciation for:					
Buildings and Improvements	(16,610,052)	(1,112,329)	-	-	(17,722,381)
Improvements to Land	(5,800,352)	(502,306)	-	-	(6,302,658)
Infrastructure	(60,855,991)	(1,528,185)	-	-	(62,384,176)
Furniture, Machinery and Equipment	(18,889,123)	(1,203,492)	681,509	(395,468)	(19,806,574)
Total Accumulated Depreciation	(102,155,518)	(4,346,312)	681,509	(395,468)	(106,215,789)
Total Capital Assets, Being Depreciated, Net	67,865,110	(861,720)	(96,232)	-	66,907,158
Governmental Activities Capital Assets, Net	<u>\$ 97,826,029</u>	<u>\$ 4,140,545</u>	<u>\$ (1,827,870)</u>	<u>\$ -</u>	<u>\$ 100,138,704</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 3,298,415	\$ -	\$ -	\$ -	\$ 3,298,415
Water Allocation Rights	7,142,239	104,110	-	-	7,246,349
Construction in Progress	5,972,559	5,934,895	(5,674,405)	-	6,233,049
Total Capital Assets, Not Being Depreciated	16,413,213	6,039,005	(5,674,405)	-	16,777,813
Capital Assets, Being Depreciated:					
Buildings and Improvements	28,087,856	827	-	-	28,088,683
Other Improvements	486,484,727	6,687,100	-	-	493,171,827
Machinery, Equipment and Vehicles	8,891,293	825,125	(283,248)	(395,468)	9,037,702
Water Allocation Rights	2,374,554	-	-	-	2,374,554
Total Capital Assets, Being Depreciated	525,838,430	7,513,052	(283,248)	(395,468)	532,672,766
Accumulated Depreciation for:					
Buildings and Improvements	(8,593,496)	(774,377)	-	-	(9,367,873)
Other Improvements	(136,615,380)	(12,010,082)	-	-	(148,625,462)
Machinery, Equipment and Vehicles	(6,260,244)	(541,818)	269,941	395,468	(6,136,653)
Water Allocation Rights	(361,130)	(59,364)	-	-	(420,494)
Total Accumulated Depreciation	(151,830,250)	(13,385,641)	269,941	395,468	(164,550,482)
Total Capital Assets, Being Depreciated, Net	374,008,180	(5,872,589)	(13,307)	-	368,122,284
Business-Type Activities Capital Assets, Net	<u>\$ 390,421,393</u>	<u>\$ 166,416</u>	<u>\$ (5,687,712)</u>	<u>\$ -</u>	<u>\$ 384,900,097</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 1,366,571
Public Safety	1,056,092
Highways and Streets	1,553,648
Culture and Recreation	318,846
Transportation Services	51,155
Total Depreciation Expense	<u>\$ 4,346,312</u>

Business-Type Activities:

Refuse	\$ 1,175
Irrigation and Drainage	2,365,186
Wastewater	10,211,850
Airport	807,430
Total Depreciation Expense	<u>\$ 13,385,641</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Construction Commitments

The City had active construction projects at June 30, 2017. The projects include various street projects, water system upgrades, and wastewater system upgrades. At fiscal year end the City's commitments with contractors were as follows:

Governmental Activities		
Project	Spent-to-date	Remaining Commitment
Public Safety - Police/Fire	\$ 8,752	\$ 35,568
Culture and Recreation	38,464	2,885
Total Governmental Activities	<u>\$ 47,216</u>	<u>\$ 38,453</u>
Business-Type Activities		
Project	Spent-to-date	Remaining Commitment
Water System	\$ 5,017,830	\$ 3,122,534
Wastewater System	410,113	267,031
Airport Improvements	36,571	196,369
Total Business-Type Activities	<u>\$ 5,464,514</u>	<u>\$ 3,585,934</u>

B. Interfund Receivables, Payables and Transfers

As of June 30, 2017 interfund receivables and payables were as follows:

	Due From Nonmajor Governmental Funds
Due To General Fund	<u>\$ 142,534</u>

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Transfers to	Transfers From							Total
	General Fund	Capital Projects	Nonmajor Governmental Funds	Irrigation & Drainage	Wastewater	Refuse	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 39,560	\$ 1,502,451	\$ 541	\$ -	\$ 174,685	\$ 1,717,237
HURF Fund	-	-	-	58,000	58,000	-	812,710	928,710
Debt Service	54,082	-	-	-	-	-	-	54,082
Capital Projects	1,765,008	-	-	37,533	-	1,354,151	-	3,156,692
Irrigation and Drainage	-	-	-	-	-	-	455,754	455,754
Wastewater	-	-	-	1,000,000	-	-	239,082	1,239,082
Refuse	-	-	-	-	-	-	83,624	83,624
Nonmajor Business-Type Activities	35,921	3,207	-	-	-	-	149,140	188,268
Total	<u>\$ 1,855,011</u>	<u>\$ 3,207</u>	<u>\$ 39,560</u>	<u>\$ 2,597,984</u>	<u>\$ 58,541</u>	<u>\$ 1,354,151</u>	<u>\$ 1,914,995</u>	<u>\$ 7,823,449</u>

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

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

- From the Irrigation & Drainage District Fund to the Wastewater Fund: \$1,000,000 as a matter of City policy for the purpose of having all citizens of the City who benefit from the Wastewater project, also share in its costs.
- From the Internal Service Fund to the various funds: \$1,914,995 to close the Vehicle Replacement Fund.

C. Obligations Under Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Vehicles, Equipment, and Facility Improvements	\$ 3,915,114
Less Accumulated Depreciation	(1,116,106)
Total	<u>\$ 2,799,008</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2018	\$ 1,458,342	\$ 49,429
2019	1,189,324	49,415
2020	1,045,811	49,301
2021	1,044,586	49,093
2022	1,043,609	48,927
2023-2026	1,803,303	192,840
Total Minimum Lease Payments	7,584,975	439,005
Less: Amount Representing Interest	(879,367)	(98,422)
Present Value of Minimum Lease Payments	<u>\$ 6,705,608</u>	<u>\$ 340,583</u>

D. Long-Term Obligations

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

The City has pledged revenue derived from an annual assessment and levy of taxes upon the real property of the Irrigation and Drainage District to repay \$4,120,000 at 6.625% in refunding bonds issued February 1993. Proceeds of the bonds were used to advance refund all of the District's outstanding bonds and payment of the costs of issuance of the Series 1993 bonds. The bonds are payable solely from tax assessments on the property owners and are payable through fiscal year 2023. The total principal and interest remaining to be paid on the bonds is \$69,938. Principal and interest paid for the current year and total assessed taxes were \$13,975 and \$13,975, respectively.

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

The City has pledged future revenues of the wastewater system, net of operation expenses to repay \$60,269,432 plus interest at 2.368% in refunding bonds issued September 2015 plus new money of \$1,300,000 to construct an expansion of the basin and suction line of the Mulberry Wastewater Treatment Plant reuse pump station. If net revenues are insufficient to provide for debt service payments, the City has pledged and granted a lien on and will levy on all of the taxable property in the City a direct, ad valorem tax sufficient with the net revenues through 2037. Proceeds of the loan, along with the \$71,775,000 Series 2015A proceeds and the proceeds of the \$98,300,000 Series 2015B were used for a current refunding of all remaining Wastewater debt, totaling \$245,164,587.

Loan covenants on the Wastewater debt (Series 2015A, 2015B and the WIFA loan) require the City to maintain 120% coverage of net revenues to current year debt service payments. Loan covenants also required the City to establish a Rate Stabilization Fund with a trustee in the amount of \$4,500,000 to ensure loan covenant requirements are met. Total principal and interest remaining to be paid on the Series 2015A \$105,078,200, Series 2015B \$210,890,350, and WIFA \$72,345,834. Principal and interest (excluding amortized premium) paid for the current year and total customer net revenues were \$14,908,094 and \$19,689,015, respectively. Debt coverage on the Senior Lien debt is 1.32.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$8,922,300 in authorized water system loans from the WIFA issued June 2007 (\$5,700,000) at 3.504% and July 2010 (\$11,400,000) at 2.775%. Proceeds from the loans provided financing for construction of water service line replacement and water main line replacement within the Wastewater System Expansion Program. The loans are payable solely from water customer net revenues and are payable through 2031 with the exception of \$8,177,700, which was principal paid directly to WIFA with Federal funds. Total principal and interest remaining to be paid on the WIFA loans is \$5,179,984. Principal and interest paid for the current year and total customer net revenues were \$983,945 and \$2,218,946, respectively. Loan covenants require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. Debt coverage to current year debt service payments is 2.50.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

The City has pledged future excise tax revenues, which include the City's sales and transaction privilege, franchise taxes, all license and permit fees and fines and forfeitures to repay \$2,615,000 at 4.50% in governmental excise tax revenue obligations in the form of a loan from GADA issued in April 2008. Proceeds of the loan were used to purchase a parcel of land from the Arizona State Land Department for the Freedom Bridge (the second bridge to the Island). The loan is payable solely from excise taxes and is payable through 2024. Loan covenants require the City to maintain 1.25 times coverage of excise tax revenues to current year debt service payments. Total principal and interest to be paid on the loan is \$1,648,451. Principal and interest paid for the current year and total excise taxes were \$238,896 and \$36,640,972, respectively. Debt coverage of net revenues to current year debt service payments is 13.20.

For the year ended June 30, 2017, the City has pledged future excise tax revenues, which includes local sales tax, to repay \$12,181,000 in excise tax revenue refunding bonds. Proceeds from the issuance of the Excise Tax Revenue Bonds were used to fund the operations of the City and various capital expenditures. Bond proceeds were allocated to the General Fund, HURF, Airport Fund, and Wastewater Fund for various projects to be completed during the year. Total remaining principal and interest required on the bonds is \$10,135,411, payable through 2021. In the current year, total principal and interest paid were \$2,533,605. Debt coverage of net revenues to current year debt service payments is 7.84.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Long-Term Obligations are comprised of the following:

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

	Long-Term Obligations Outstanding (in Thousands)
<u>Greater Arizona Development Authority (GADA) Bonds</u>	
2008A GADA Infrastructure Revenue Bonds (issued April 22, 2008) due in annual installments of \$105,000 to \$235,000 through August 1, 2023; interest at 3% to 5%. Original issue amount \$2,615,000.	\$ 1,440
<u>Revenue Bonds</u>	
Various Purpose Excise Tax, Series 2016 (issued November 1, 2016) due in annual installments of \$2,241,846 to \$2,308,518 through July 1, 2021; interest at 1.15% to 1.66%. Original issue amount \$11,279,439. To be allocated to funds based on capital expenditures.	9,038
Total General Governmental Activities Long Term Obligations	<u>\$ 10,478</u>

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

	Long-Term Obligations Outstanding (in Thousands)
<u>General Obligation Bonds</u>	
1993 IDD Refunding Bonds (issued February 1, 1993) due in annual installments of \$10,000 to \$150,000 through July 1, 2022; interest at 6% to 6.625%. Original issue amount \$4,120,000.	\$ 60
2015 Senior Lien Wastewater Revenue Refunding Bonds, Series 2015 A (issued September 15, 2015) due in annual installments of \$755,000 to \$4,210,000 through July 1, 2037; interest at 4% to 5%. Original issue amount \$71,775,000.	67,565
<u>Revenue Bonds</u>	
Senior Lien Wastewater Revenue Bonds, Series 2015 B (issued September 15, 2015) due in annual installments of \$8,245,000 to \$13,160,000; interest at 4% to 5%. Original issue amount \$98,300,000.	98,300
Various Purpose Excise Tax, Series 2016 (issued November 1, 2016) due in annual installments of \$2,241,846 to \$2,308,518 through July 1, 2021; interest at 1.15% to 1.66%. Original issue amount \$11,279,439. To be allocated to funds based on capital expenditures.	722
<u>Water Infrastructure Financing Authority (WIFA) Loans</u>	
2007 SR Drinking Water (issued June 25, 2007) due in annual installments of \$201,475 to \$387,621 through July 1, 2027; interest at 3.504%. Original issue amount \$5,700,000.	3,336
2010 SR Drinking Water (issued July 11, 2010) due in annual installments of \$122,690 to \$206,382 through July 1, 2030; interest at 2.775%. Original issue amount \$3,222,300.	1,053
2015 Senior Lien (GO) Wastewater Rev. Ref & Improvement loan (issued September 15, 2015) due in annual installments of \$1,436,925 to \$3,791,223 through July 1, 2035; interest at 2.368%. Original issue amount \$60,269,432.	58,833
Total Business-Type Long Term Liabilities	<u>\$ 229,869</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2017 are as follows:

Governmental Activities	July 1, 2016	Increases	Decreases	June 30, 2017	Due Within One Year
Bonds and Loans Payable:					
GADA Loan Payable	\$ 1,615,000	\$ -	\$ (175,000)	\$ 1,440,000	\$ 180,000
Revenue Bonds	-	11,279,439	(2,241,813)	9,037,626	2,214,033
Total Bonds and Loans Payable	1,615,000	11,279,439	(2,416,813)	10,477,626	2,394,033
Other Liabilities:					
Capital Leases	8,115,676	-	(1,410,068)	6,705,608	1,255,569
Compensated Absences	2,448,314	2,151,792	(2,039,670)	2,560,436	2,177,394
Other Postemployment Benefits	3,902,940	914,265	(605,380)	4,211,825	-
Net Pension Liability	71,018,295	9,881,246	-	80,899,541	-
Total Other Liabilities	85,485,225	12,947,303	(4,055,118)	94,377,410	3,432,963
Governmental Activities Long-Term Liabilities	\$ 87,100,225	\$ 24,226,742	\$ (6,471,931)	\$ 104,855,036	\$ 5,826,996
Business-Type Activities	July 1, 2016	Increases	Decreases	June 30, 2017	Due Within One Year
Bonds, Notes and Loans Payable:					
General Obligation Bonds	\$ 71,845,000	\$ -	\$ (4,220,000)	\$ 67,625,000	\$ 1,980,000
Revenue Bonds	98,300,000	901,561	(179,187)	99,022,374	176,967
WIFA Loans Payable	65,668,057	99,650	(2,545,894)	63,221,813	2,487,846
Plus Deferred Amount on Premium	14,257,012	-	(602,359)	13,654,653	-
Total Bonds and Notes Payable	250,070,069	1,001,211	(7,547,440)	243,523,840	4,644,813
Other Liabilities:					
Capital Leases	369,352	-	(28,769)	340,583	30,513
Compensated Absences	356,193	277,894	(345,253)	288,834	245,624
Other Postemployment Benefits	1,171,170	150,980	(71,080)	1,251,070	-
Net Pension Liability	6,136,391	-	(85,661)	6,050,730	-
Landfill Closure and Postclosure	3,084,081	127,154	-	3,211,235	-
Total Other Liabilities	11,117,187	556,028	(530,763)	11,142,452	276,137
Business-Type Activities Long-Term Liabilities	\$ 261,187,256	\$ 1,557,239	\$ (8,078,203)	\$ 254,666,292	\$ 4,920,950

Debt service requirements on long-term debt at June 30, 2017 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 2,394,033	\$ 188,651	\$ 4,644,813	\$ 9,264,647
2019	2,426,813	151,897	5,238,856	9,083,879
2020	2,468,296	112,591	5,420,766	8,895,692
2021	2,513,484	69,153	5,604,863	8,700,023
2022	215,000	21,484	5,613,572	8,496,332
2023 - 2027	460,000	12,300	30,595,230	39,499,444
2028 - 2032	-	-	33,724,314	34,063,764
2033 - 2037	-	-	39,971,773	26,988,148
2038 - 2042	-	-	49,705,000	16,259,000
2043 - 2046	-	-	49,350,000	3,194,350
Total	\$ 10,477,626	\$ 556,076	\$ 229,869,187	\$ 164,445,279

The \$229,869,187 principal amount above excludes \$1,235,245 of authorized WIFA loan proceeds not drawn down by the City as of June 30, 2017.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that Lake Havasu City, Arizona place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post closure care costs has a balance of \$3,211,235 as of June 30, 2017, which is based on 52% usage of the landfill. It is estimated that an additional \$2,986,829 will be recognized as closure and post closure care expense between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2040). The estimated total current cost of the landfill closure and post closure care (\$6,198,064) 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, 2017. The actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. No assets have been restricted for the payment of closure and post closure costs as of June 30, 2017.

NOTE 4 OTHER INFORMATION

A. Risk Management

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

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

B. Contingent Liabilities

Lawsuits – The City is a defendant in various lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of the City's attorney, such matters will not have a material adverse effect on the City's financial position at June 30, 2017.

C. Budgetary Basis of Accounting

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Subsequent Events

On November 6, 2017, the City exercised the call provision in the Financing Agreement for the Excise Tax Revenue Bonds, Series 2016 and paid the remaining outstanding principal of \$9,760,000 and accrued interest of \$49,474.

On November 15, 2017 the City exercised the call provision on the Taxable QECB Equipment Lease-Purchase Agreement with Banc of America and paid the remaining outstanding principal of \$2,240,000 plus a prepayment premium of \$44,800 and interest accrued to date of \$170,570.

On November 14, 2017, the City Council adopted a resolution authorizing the City to borrow up to \$13 million in taxable funds from an Arizona Bank in a private placement transaction to finance the Public Safety Personnel Retirement System (PSPRS) pension contribution costs for Fiscal Year 2018 and 2019. The debt proceeds will fund the operating expense for two years, and allows the City to excludes those expenditures from the state imposed expenditure limitation as described in Note 2 A Budgetary Information. On November 30, 2017, the City closed on a loan for \$12,614,000 with First National Bank Texas. The City reimbursed itself for the prepayment to PSPRS of \$6,086,400 for the estimated pension cost for fiscal year 2018.

E. Retirement Plans

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

At June 30, 2017, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business Activities	Total
Net Pension Liability	\$ 80,899,541	\$ 6,050,730	\$ 86,950,271
Deferred Outflows of Resources	18,555,826	1,116,691	19,672,517
Deferred Inflows of Resources	4,164,233	749,198	4,913,431
Pension Expense	12,260,353	(16,115)	12,244,238

The City reported \$5.8 million of pension expenditures in the governmental funds and \$384,392 in enterprise funds related to all pension plans to which it contributes.

1. Arizona State Retirement System
Plan Description

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

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Plan Description (Continued)

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

Benefits Provided

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

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

* With actuarially reduced benefits.

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

Contributions

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Contributions (Continued)

For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48% (11.34% for retirement and 0.14% for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.48% (10.78% for retirement, 0.56% for health insurance premium benefit, and 0.14% for long-term disability) of the members' annual covered payroll.

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.47% (9.17% for retirement, 0.21% for health insurance premium benefits and 0.09% for long-term disability) of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS. The City's contributions to the pension plan for the year ended June 30, 2017 were \$1.8 million.

The City contributions for the current and two preceding years for the Arizona State Retirement System OPEB, all of which were equal to the required contributions, were as follows:

<u>Year Ended June 30,</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2017	\$ 91,175	\$ 23,135
2016	77,599	18,931
2015	88,174	17,986

During fiscal year 2017, the City paid for ASRS pension and OPEB contributions as follows: 78% from the General Fund and 22% from all other funds.

Pension Liability

At June 30, 2017, the City reported a liability of \$26.9 million for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016 reflects a change in actuarial assumptions for a decrease in loads for future potential permanent benefit increases.

The City's proportion of the net pension liability was based on the City's actual contributions for the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The City's proportion measured as of June 30, 2016, was 0.16669%, which was an increase of 0.0001% from its proportion measured as of June 30, 2015.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$1.3 million and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 163,503	\$ 1,850,898
Changes of Assumptions or Other Inputs	-	1,423,513
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,915,654	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	177,113	57,005
City Contributions Subsequent to the Measurement Date	1,755,127	-
Total	<u>\$ 5,011,397</u>	<u>\$ 3,331,416</u>

The \$1.8 million reported as deferred outflows of resources related to ASRS pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$ (1,183,333)
2019	(899,254)
2020	1,189,900
2021	817,541

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Actuarial Assumptions

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

Actuarial Valuation Date	June 30, 2015
Actuarial Roll Forward Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity	58 %	6.73 %	3.90 %
Fixed Income	25	3.70	0.93
Commodities	2	3.84	0.08
Real Estate	10	4.25	0.42
Multi-Asset Class	5	3.41	0.17
Total	<u>100 %</u>		<u>5.50</u>
Inflation			<u>3.25</u>
Expected Arithmetic Nominal Return			<u>8.75 %</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Discount Rate

The discount rate used to measure the ASRS total pension liability was 8.0%, which is less than the long-term expected rate of return of 8.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's Proportionate Share of the Net Pension Liability	\$ 34,306,480	\$ 26,905,441	\$ 20,971,425

Pension Plan Fiduciary Net Position

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

2. Public Safety Personnel Retirement System

Plan Descriptions

City public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

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

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Benefits Provided

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

Retirement and Disability	Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	20 years any age 15 years, age 62	25 years, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percentage		
Normal Retirement	50% less 4.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% for each year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor Benefit</u>		
Retired Members	80-100% of retired member's pension benefit	
Active Members	80-100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50% of the member's compensation for up to 12 months.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Employees Covered by Benefit Terms

At June 30, 2017, the following employees were covered by the agent pension plan's benefit terms:

	PSPRS Police	PSPRS Fire
Inactive employees or beneficiaries currently receiving benefits	48	46
Inactive employees entitled to but not yet receiving benefits	19	8
Active employees	66	78
Total	133	132

Contributions and Annual OPEB Cost

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active Members - Pension		
PSPRS members with an initial membership date on or before July 19, 2011		
July 2016 through March 2017	11.65 %	11.65 %
April 2017 through June 2017	7.65	7.65
PSPRS members with an initial membership date after July 19, 2011	11.65	11.65
City		
Pension	40.93	38.91
Health Insurance Premium Benefit	0.35	-

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Contributions and Annual OPEB Cost (Continued)

For the agent plans, the contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended were:

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Pension		
Contributions Made	\$ 2,141,949	\$ 2,260,610
Health Insurance Premium Benefit		
Annual OPEB Cost	16,700	-
Contributions Made	16,700	-

During fiscal year 2017, the City paid PSPRS pension and OPEB contributions 100% from the General Fund.

Pension Liability

At June 30, 2017, the City reported the following net pension liabilities:

	<u>Net Pension Liability</u>
PSPRS Police	\$ 30,001,970
PSPRS Fire	30,042,860

The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments changed the basis for cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2%.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85% to 7.50% for PSPRS plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's net pension liability as a result of these changes is not known.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Actuarial Assumptions

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

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Individual Entry Age Normal
Investment Rate of Return	7.50%
Projected Salary Increases	4.0% - 8.0%
Inflation	4.0%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
U.S. Equity	16 %	6.23 %
Non-U.S. Equity	14	8.25
Private Equity	11	9.50
Fixed Income	7	2.92
Credit Opportunities	13	7.08
Absolute Return	5	4.11
GTAA	10	4.38
Real Assets	8	4.77
Real Estate	10	4.48
Risk Parity	4	5.13
Short-Term Investments	2	0.75
Total	<u>100 %</u>	

Pension Discount Rates

At June 30, 2016, the discount rate used to measure PSPRS total pension liabilities was 7.50%, which was a decrease of 0.35 from the discount rate used as of June 30, 2015.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Pension Discount Rates (Continued)

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

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

Changes in the Agent Plans Net Pension Liability

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

PSPRS Police

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016	\$ 45,097,182	\$ 19,457,933	\$ 25,639,249
Changes for the Year:			
Service Cost	922,034	-	922,034
Interest on the Total Pension Liability	3,464,339	-	3,464,339
Changes of Benefit Terms	2,528,560	-	2,528,560
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(1,471,071)	-	(1,471,071)
Changes of Assumptions or Other Inputs	1,778,435	-	1,778,435
Contributions - Employer	-	2,228,546	(2,228,546)
Contributions - Employee	-	595,760	(595,760)
Net Investment Income	-	113,130	(113,130)
Benefit Payments, Including Refunds of Employee Contributions	(2,852,973)	(2,852,973)	-
Administrative Expenses	-	(16,679)	16,679
Other Changes	-	(61,181)	61,181
Net Changes	4,369,324	6,603	4,362,721
Balances as of June 30, 2017	\$ 49,466,506	\$ 19,464,536	\$ 30,001,970

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Changes in the Agent Plans Net Pension Liability (Continued)

PSPRS Fire

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016	\$ 45,392,323	\$ 19,812,476	\$ 25,579,847
Changes for the Year:			
Service Cost	1,057,474	-	1,057,474
Interest on the Total Pension Liability	3,496,748	-	3,496,748
Changes of Benefit Terms	1,468,498	-	1,468,498
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(327,782)	-	(327,782)
Changes of Assumptions or Other Inputs	1,911,648	-	1,911,648
Contributions - Employer	-	2,253,104	(2,253,104)
Contributions - Employee	-	628,285	(628,285)
Net Investment Income	-	116,400	(116,400)
Benefit Payments, Including Refunds of Employee Contributions	(2,753,000)	(2,753,000)	-
Administrative Expenses	-	(17,149)	17,149
Other Changes	-	162,933	(162,933)
Net Changes	4,853,586	390,573	4,463,013
Balances as of June 30, 2017	\$ 50,245,909	\$ 20,203,049	\$ 30,042,860

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

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

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.50%	7.50%	8.50%
Net Pension Liability	\$ 36,513,944	\$ 30,001,970	\$ 24,661,256
PSPRS Fire			
Rate	6.50%	7.50%	8.50%
Net Pension Liability	\$ 36,771,755	\$ 30,042,860	\$ 24,498,636

Pension Plan Fiduciary Net Position

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Pension Expense

For the year ended June 30, 2017, the City recognized the following as pension expense:

	Pension Expense
PSPRS Police	\$ 6,124,334
PSPRS Fire	4,824,523

Pension Deferred Outflows/Inflows of Resources

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 353,387	\$ 1,242,436
Changes of assumptions or other inputs	2,982,251	-
Net difference between projected and actual earnings on pension plan investments	1,199,523	-
City contributions subsequent to the measurement date	2,141,949	-
Total	<u>\$ 6,677,110</u>	<u>\$ 1,242,436</u>
 PSPRS - Fire	 Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,432	\$ 339,579
Changes of assumptions or other inputs	4,470,076	-
Net difference between projected and actual earnings on pension plan investments	1,244,891	-
City contributions subsequent to the measurement date	2,260,610	-
Total	<u>\$ 7,984,009</u>	<u>\$ 339,579</u>

The amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	PSPRS Police	PSPRS Fire
2018	\$ 1,250,568	\$ 1,141,913
2019	1,213,859	1,141,913
2020	483,305	1,342,723
2021	343,129	1,180,458
2022	1,864	398,892
Thereafter	-	177,921

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Agent Plan OPEB Actuarial Assumptions

The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plan's assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as understood by the City and plan's members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements are as follows:

PSPRS - OPEB Contribution Requirements

Actuarial Valuation Date	June 30, 2015
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.0%

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Agent Plan OPEB Trend Information

The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2017	\$ 16,700	100 %	\$ -
2016	17,115	100	-
2015	77,658	100	-
PSPRS Fire			
2017	\$ -	100 %	\$ -
2016	-	100	-
2015	79,838	100	-

Agent Plan OPEB Funded Status

The following table presents the funded status of the health insurance premium benefit plan as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used.

Agent OPEB Plan Funded Status	PSPRS Police	PSPRS Fire
Actuarial Value of Assets (a)	\$ 1,097,814	\$ 1,490,236
Actuarial Accrued Liability (b)	1,097,343	1,229,342
Unfunded Actuarial Accrued Liability		
(Funding Excess) (b) - (a)	(471)	(260,894)
Funded Ratio (a) / (b)	100.00%	121.20%
Annual Covered Payroll (c)	4,819,831	5,533,617
Unfunded Actuarial Accrued Liability		
(Funding Excess) as a Percentage of Covered Payroll (b) - (a) / (c)	-0.01%	-4.71%

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Agent Plan OPEB Funded Status (Continued)

The funded status of the PSPRS health insurance premium benefit plan in the June 30, 2016, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

PSPRS - OPEB Funded Status

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	20 years for unfunded actuarial accrued liability, 19 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.0%

F. Other Postemployment Benefits – Single Employer Plan

During the fiscal year ended June 30, 2017, 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, 2017. 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 Northwest Arizona Employee Benefit Trust Plan (NAEBT).

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

- a) The employee must retire from Lake Havasu City, Arizona.
- b) Eligible employees have earned sixty (60) points, which is a combination of age and years of service with Lake Havasu City, Arizona.

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

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

- 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, 2017, there were approximately 127 active participants and 71 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 2017, the City contributed \$676,459 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution	\$ 1,150,582
Interest on Net OPEB Obligation	152,223
Adjustment to Annual Required Contribution	<u>(237,561)</u>
Annual OPEB Cost (Expense)	1,065,244
Contributions Made	<u>(676,459)</u>
Increase in Net OPEB Obligation	388,785
Net OPEB Obligation-Beginning of Year	<u>5,074,110</u>
Net OPEB Obligation-End of Year	<u><u>\$ 5,462,895</u></u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2016 and 2017 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 1,186,219	57.3 %	\$ 4,642,944
2016	1,138,765	62.1	5,074,110
2017	1,065,244	60.7	5,462,895

Funding Status and Funding Progress

As of June 30, 2017, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAL) was \$14.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.2 million and the ratio of the UAL to the covered payroll was 160.3%.

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

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

Actuarial Methods and Assumptions (Continued)

In the June 30, 2017 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 3% 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 9.0%, reduced by decrements to an ultimate rate of 5% after eight years. Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll. The UAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2017, was 22 years.

REQUIRED SUPPLEMENTARY INFORMATION

**LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2017**

Lake Havasu City Other Postemployment Benefits						
Valuation Date	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
July 1, 2013	-	\$ 13,174,513	-	\$ (13,174,513)	\$ 12,133,203	(108.6)%
July 1, 2015	-	12,466,969	-	(12,466,969)	12,133,203	(102.8)
June 30, 2017	-	14,812,227	-	(14,812,227)	9,239,309	(160.3)

Schedule of Employer Contribution			
Fiscal Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2015	\$ 679,939	\$ 1,186,219	57.3 %
2016	707,599	1,138,765	62.1
2017	676,459	1,150,582	58.8

See accompanying Notes to Required Supplementary Information.

LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2017

	Reporting Fiscal Year		
	2017	2016	2015
	(2016)	(2015)	(2014)
City's Proportion of the Net Pension Liability	0.16669%	0.16651%	0.16774%
City's Proportionate Share of the Net Pension Liability	26,905,441	25,935,590	24,263,884
City's Covered Payroll	16,281,324	15,616,058	15,666,260
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	165.25%	166.08%	154.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.06%	68.35%	69.49%

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

**LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
ALL PENSION PLANS
YEAR ENDED JUNE 30, 2017**

Arizona State Retirement System

	Reporting Fiscal Year		
	2017	2016	2015
Statutorily Required Contribution	\$ 1,693,447	\$ 1,683,898	\$ 1,627,479
City's Contribution in Relation to the Statutorily Required Contribution	1,693,447	1,683,898	1,627,479
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 16,281,324	\$ 15,616,058	\$ 15,666,260
City's Contributions as a Percentage of Covered Payroll	10.40%	10.78%	10.39%

PSPRS Police

	Reporting Fiscal Year		
	2017	2016	2015
Actuarially Determined Contribution	\$ 2,141,949	\$ 2,236,512	\$ 1,516,860
City's Contribution in Relation to the Actuarially Determined Contribution	2,141,949	2,236,512	1,516,860
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 5,229,285	\$ 4,819,831	\$ 4,876,023
City's Contributions as a Percentage of Covered Payroll	40.96%	46.40%	31.11%

PSPRS Fire

	Reporting Fiscal Year		
	2017	2016	2015
Actuarially Determined Contribution	\$ 2,260,610	\$ 2,278,554	\$ 1,510,027
City's Contribution in Relation to the Actuarially Determined Contribution	2,260,610	2,278,554	1,510,027
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 5,809,844	\$ 5,533,617	\$ 5,162,923
City's Contributions as a Percentage of Covered Payroll	38.91%	41.18%	29.25%

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

**LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
OTHER POSTEMPLOYMENT BENEFITS
LAST THREE ACTUARIAL VALUATIONS**

Other Post Employment Benefit (Health Insurance Subsidy)

PSPRS - Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2014	\$ 978,025	\$ 1,012,795	96.6 %	\$ (34,770)	\$ 4,534,608	(0.77)%
2015	1,060,978	1,049,338	101.1	11,640	4,876,023	0.24
2016	1,097,814	1,097,343	100.0	471	4,819,831	0.01

PSPRS - Fire

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2014	\$ 1,399,991	\$ 1,184,375	118.2 %	\$ 215,616	\$ 5,018,226	4.30 %
2015	1,471,262	1,174,032	125.3	297,230	5,162,923	5.76
2016	1,490,236	1,229,342	121.2	260,894	5,533,617	4.71

See accompanying Notes to Required Supplementary Information.

LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIO
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM – POLICE AND FIRE
YEAR ENDED JUNE 30, 2017

PSPRS Police

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability			
Service Cost	\$ 922,034	\$ 861,608	\$ 848,865
Interest on the Total Pension Liability	3,464,339	3,399,923	2,915,368
Changes of Benefit Terms	2,528,560	-	703,355
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(1,471,071)	(106,367)	893,651
Changes of Assumptions or Other Inputs	1,778,435	-	3,938,245
Benefit Payments, Including Refunds of Employee Contributions	(2,852,973)	(3,876,595)	(2,389,772)
Net Change in Total Pension Liability	4,369,324	278,569	6,909,712
Total Pension Liability - Beginning	45,097,182	44,818,613	37,908,901
Total Pension Liability - Ending (a)	49,466,506	45,097,182	44,818,613
Plan Fiduciary Net Position			
Contributions - Employer	2,228,546	1,567,440	1,354,412
Contributions - Employee	595,760	554,019	549,533
Net Investment Income	113,130	732,631	2,524,014
Benefit Payments, Including Refunds of Employee Contributions	(2,852,973)	(3,876,595)	(2,389,772)
Administrative Expenses	(16,679)	(18,256)	(20,328)
Other Changes	(61,181)	(2,391)	(204,936)
Net Change in Plan Fiduciary Net Position	6,603	(1,043,152)	1,812,923
Plan Fiduciary Net Position - Beginning	19,457,933	20,501,085	18,688,162
Plan Fiduciary Net Position - Ending (b)	19,464,536	19,457,933	20,501,085
City's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 30,001,970</u>	<u>\$ 25,639,249</u>	<u>\$ 24,317,528</u>

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	39.35%	43.15%	45.74%
Covered Payroll	\$ 5,229,285	\$ 4,819,831	\$ 4,876,023
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	573.73%	531.95%	498.72%

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

LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIO
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM – POLICE AND FIRE (CONTINUED)
YEAR ENDED JUNE 30, 2017

PSPRS Fire

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability			
Service Cost	\$ 1,057,474	\$ 959,699	\$ 924,982
Interest on the Total Pension Liability	3,496,748	3,383,165	2,837,439
Changes of Benefit Terms	1,468,498	-	952,334
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(327,782)	(84,341)	14,363
Changes of Assumptions or Other Inputs	1,911,648	-	4,840,056
Benefit Payments, Including Refunds of Employee Contributions	(2,753,000)	(2,967,977)	(2,301,260)
Net Change in Total Pension Liability	4,853,586	1,290,546	7,267,914
Total Pension Liability - Beginning	45,392,323	44,101,777	36,833,863
Total Pension Liability - Ending (a)	50,245,909	45,392,323	44,101,777
Plan Fiduciary Net Position			
Contributions - Employer	2,253,104	1,546,439	1,452,150
Contributions - Employee	628,285	575,092	510,116
Net Investment Income	116,400	721,120	2,455,716
Benefit Payments, Including Refunds of Employee Contributions	(2,753,000)	(2,967,977)	(2,301,260)
Administrative Expenses	(17,149)	(17,967)	(19,778)
Other Changes	162,933	3,818	104,800
Net Change in Plan Fiduciary Net Position	390,573	(139,475)	2,201,744
Plan Fiduciary Net Position - Beginning	19,812,476	19,951,951	17,750,207
Plan Fiduciary Net Position - Ending (b)	20,203,049	19,812,476	19,951,951
City's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 30,042,860</u>	<u>\$ 25,579,847</u>	<u>\$ 24,149,826</u>

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.21%	43.65%	45.24%
Covered Payroll	\$ 5,809,844	\$ 5,533,617	\$ 5,162,923
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	517.10%	462.26%	467.75%

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

LAKE HAVASU CITY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period as of the 2015 Actuarial Valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.00% to 7.85%
Projected Salary Increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%
Wage Growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 INFORMATION PRIOR TO MEASUREMENT DATE

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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**



LAKE HAVASU CITY

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

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

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

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

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

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

**LAKE HAVASU CITY, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue		
	Metropolitan Planning Organization	Grants	CDBG/HOME
Assets			
Cash and Investments	\$ -	\$ -	\$ -
Restricted Cash	-	-	-
Receivables			
Accounts Receivable	244	-	-
Taxes Receivable	-	-	-
Intergovernmental Receivable	33,260	106,057	16,663
Interest Receivable	-	-	-
Total Assets	<u>\$ 33,504</u>	<u>\$ 106,057</u>	<u>\$ 16,663</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ 675
Accrued Wages and Benefits	2,272	-	-
Due to Other Funds	31,232	95,314	15,988
Unearned Revenue	-	10,743	-
Total Liabilities	<u>33,504</u>	<u>106,057</u>	<u>16,663</u>
Fund Balances			
Restricted	-	-	-
Assigned	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 33,504</u>	<u>\$ 106,057</u>	<u>\$ 16,663</u>

Special Revenue		
Improvement Districts	Special Programs	Total Nonmajor Governmental Funds
\$ 23,631	\$ 827,525	\$ 851,156
-	108,980	108,980
-	8,120	8,364
513	-	513
548	-	156,528
52	739	791
<u>\$ 24,744</u>	<u>\$ 945,364</u>	<u>\$ 1,126,332</u>
\$ 750	\$ 27,116	\$ 28,541
-	-	2,272
-	-	142,534
-	1,900	12,643
<u>750</u>	<u>29,016</u>	<u>185,990</u>
23,994	554,854	578,848
-	361,494	361,494
<u>23,994</u>	<u>916,348</u>	<u>940,342</u>
<u>\$ 24,744</u>	<u>\$ 945,364</u>	<u>\$ 1,126,332</u>

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Special Revenue		
	Metropolitan Planning Organization	Grants	CDBG/HOME
Revenue			
Taxes			
Property Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue	339,058	355,977	428,649
Fines and Forfeitures	-	-	-
Charges for Services	-	-	-
Contributions and Donations	-	-	-
Investment Earnings	-	-	-
Other	54	-	-
Total Revenue	<u>339,112</u>	<u>355,977</u>	<u>428,649</u>
Expenditures			
Current			
General Government	-	15,395	428,649
Public Safety	-	258,537	-
Highways and Streets	-	82,045	-
Transportation Services	339,112	-	-
Total Expenditures	<u>339,112</u>	<u>355,977</u>	<u>428,649</u>
Excess (Deficiency) of Revenue Over Expenditures	-	-	-
Other Financing Sources (Uses)			
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-
Fund Balance			
Beginning of Year	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue		
Improvement Districts	Special Programs	Total Nonmajor Governmental Funds
\$ 85,975	\$ -	\$ 85,975
-	481,765	1,605,449
-	73,386	73,386
-	15,000	15,000
-	280,045	280,045
187	1,982	2,169
1,130	3,055	4,239
<u>87,292</u>	<u>855,233</u>	<u>2,066,263</u>
82,200	24,147	550,391
-	372,558	631,095
-	-	82,045
-	-	339,112
<u>82,200</u>	<u>396,705</u>	<u>1,602,643</u>
5,092	458,528	463,620
-	(39,560)	(39,560)
-	(39,560)	(39,560)
5,092	418,968	424,060
18,902	497,380	516,282
<u>\$ 23,994</u>	<u>\$ 916,348</u>	<u>\$ 940,342</u>

LAKE HAVASU CITY, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u> Original and Final Budget	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Investment Earnings	\$ 694	\$ 240	\$ (454)
Expenditures			
Debt Service			
Principal Retirement	175,000	175,000	-
Interest on Long-Term Debt	64,646	64,318	328
Total Expenditures	<u>239,646</u>	<u>239,318</u>	<u>328</u>
Excess (Deficiency) of Revenue Over Expenditures	(238,952)	(239,078)	(126)
Other Financing Sources (Uses)			
Transfers In	245,000	54,082	(190,918)
Total Other Financing Sources (Uses)	<u>245,000</u>	<u>54,082</u>	<u>(190,918)</u>
Net Change in Fund Balance	6,048	(184,996)	(191,044)
Fund Balance			
Beginning of Year	183,526	184,996	1,470
End of Year	<u>\$ 189,574</u>	<u>\$ -</u>	<u>\$ (189,574)</u>

**LAKE HAVASU CITY, ARIZONA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u> Original and Final Budget	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Intergovernmental Revenue	\$ 50,512	\$ -	\$ (50,512)
Investment Earnings	56,682	284	(56,398)
Other	<u>-</u>	<u>602</u>	<u>602</u>
Total Revenue	107,194	886	(106,308)
Expenditures			
Capital Outlay	<u>6,878,326</u>	<u>5,485,194</u>	<u>1,393,132</u>
Total Expenditures	<u>6,878,326</u>	<u>5,485,194</u>	<u>1,393,132</u>
Excess (Deficiency) of Revenue Over Expenditures	(6,771,132)	(5,484,308)	1,286,824
Other Financing Sources (Uses)			
Transfers In	6,050,814	3,156,692	(2,894,122)
Transfers Out	<u>(33,000)</u>	<u>(3,207)</u>	<u>29,793</u>
Total Other Financing Sources (Uses)	<u>6,017,814</u>	<u>3,153,485</u>	<u>(2,864,329)</u>
Net Change in Fund Balance	(753,318)	(2,330,823)	(1,577,505)
Fund Balance			
Beginning of Year	3,113,406	3,117,093	3,687
End of Year	<u>\$ 2,360,088</u>	<u>\$ 786,270</u>	<u>\$ (1,573,818)</u>

**LAKE HAVASU CITY, ARIZONA
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 1,701,524	\$ 355,977	\$ (1,345,547)
Total Revenue	<u>1,701,524</u>	<u>355,977</u>	<u>(1,345,547)</u>
Expenditures			
Current			
General Government	692,345	15,395	676,950
Public Safety	721,865	258,537	463,328
Highways and Streets	228,764	82,045	146,719
Transportation Services	58,550	-	58,550
Total Expenditures	<u>1,701,524</u>	<u>355,977</u>	<u>1,345,547</u>
Excess (Deficiency) of Revenue Over Expenditures	-	-	-
Fund Balance			
Beginning of Year	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LAKE HAVASU CITY, ARIZONA
CDBG/HOME FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 1,687,611	\$ 428,649	\$ (1,258,962)
Total Revenue	<u>1,687,611</u>	<u>428,649</u>	<u>(1,258,962)</u>
Expenditures			
Current			
General Government	1,687,611	428,649	1,258,962
Total Expenditures	<u>1,687,611</u>	<u>428,649</u>	<u>1,258,962</u>
Excess (Deficiency) of Revenue Over Expenditures	-	-	-
Fund Balance			
Beginning of Year	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u> <u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
Revenue			
Taxes			
Property Taxes	\$ 86,700	\$ 85,975	\$ (725)
Investment Earnings	60	187	127
Other	-	1,130	1,130
Total Revenue	<u>86,760</u>	<u>87,292</u>	<u>532</u>
Expenditures			
Current			
General Government	<u>87,810</u>	<u>82,200</u>	<u>5,610</u>
Total Expenditures	<u>87,810</u>	<u>82,200</u>	<u>5,610</u>
Excess (Deficiency) of Revenue Over Expenditures	(1,050)	5,092	6,142
Fund Balance			
Beginning of Year	29,044	18,902	(10,142)
End of Year	<u>\$ 27,994</u>	<u>\$ 23,994</u>	<u>\$ (4,000)</u>

**LAKE HAVASU CITY, ARIZONA
SPECIAL PROGRAMS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u> <u>Original and Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
Revenue			
Intergovernmental Revenue	\$ 633,240	\$ 481,765	\$ (151,475)
Fines and Forfeitures	68,355	73,386	5,031
Charges for Services	13,500	15,000	1,500
Contributions and Donations	4,000	280,045	276,045
Investment Earnings	4,918	1,982	(2,936)
Other	4,420	3,055	(1,365)
Total Revenue	<u>728,433</u>	<u>855,233</u>	<u>126,800</u>
Expenditures			
Current			
General Government	30,500	24,147	6,353
Public Safety	611,820	372,558	239,262
Total Expenditures	<u>642,320</u>	<u>396,705</u>	<u>245,615</u>
Excess (Deficiency) of Revenue Over Expenditures	86,113	458,528	372,415
Other Financing Sources (Uses)			
Transfers Out	<u>(189,422)</u>	<u>(39,560)</u>	<u>149,862</u>
Total Other Financing Sources (Uses)	<u>(189,422)</u>	<u>(39,560)</u>	<u>149,862</u>
Net Change in Fund Balance	(103,309)	418,968	522,277
Fund Balance			
Beginning of Year	441,323	497,380	56,057
End of Year	<u>\$ 338,014</u>	<u>\$ 916,348</u>	<u>\$ 578,334</u>



LAKE HAVASU CITY

STATISTICAL SECTION



LAKE HAVASU CITY

**LAKE HAVASU CITY, ARIZONA
STATISTICAL SECTION**

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

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

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

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

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

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

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

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

	Fiscal Year			
	2008	2009	2010	2011 (As Restated)
Governmental Activities				
Net Investment in Capital Assets	\$ 84,717,176	\$ 89,771,829	\$ 86,672,300	\$ 87,690,122
Net Position-Restricted	7,502,504	7,913,264	12,583,976	10,279,119
Net Position-Unrestricted	25,019,618	19,192,814	18,837,995	21,634,832
Total Governmental Activities Net Position	<u>\$ 117,239,298</u>	<u>\$ 116,877,907</u>	<u>\$ 118,094,271</u>	<u>\$ 119,604,073</u>
Business-type Activities				
Net Investment in Capital Assets	\$ 147,265,013	\$ 120,519,205	\$ 128,661,852	\$ 113,244,315
Net Position-Restricted	-	-	-	-
Net Position-Unrestricted	33,854,356	71,808,903	81,173,618	91,498,031
Total Business-Type Activities Net Position	<u>\$ 181,119,369</u>	<u>\$ 192,328,108</u>	<u>\$ 209,835,470</u>	<u>\$ 204,742,346</u>
Primary Government				
Net Investment in Capital Assets	\$ 231,982,189	\$ 210,291,034	\$ 215,334,152	\$ 200,934,437
Net Position-Restricted	7,502,504	7,913,264	12,583,976	10,279,119
Net Position-Unrestricted	58,873,974	91,001,717	100,011,613	113,132,863
Total Primary Government Net Position	<u>\$ 298,358,667</u>	<u>\$ 309,206,015</u>	<u>\$ 327,929,741</u>	<u>\$ 324,346,419</u>

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

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

Fiscal Year					
2012 (As Restated)	2013 (As Restated)	2014	2015 (2)	2016	2017
\$ 87,049,507	\$ 87,401,644	\$ 87,718,006	\$ 86,704,197	\$ 88,095,353	\$ 88,995,496
8,223,996	8,485,744	8,971,642	9,629,813	3,703,586	4,798,406
24,258,422	24,692,309	25,319,806	(30,958,540)	(31,635,385)	(40,913,686)
<u>\$ 119,531,925</u>	<u>\$ 120,579,697</u>	<u>\$ 122,009,454</u>	<u>\$ 65,375,470</u>	<u>\$ 60,163,554</u>	<u>\$ 52,880,216</u>
\$ 111,325,222	\$ 112,402,345	\$ 112,968,345	\$ 114,768,401	\$ 137,877,796	\$ 139,060,241
-	-	-	-	-	-
96,661,045	92,463,831	92,849,079	83,956,728	66,001,694	68,557,404
<u>\$ 207,986,267</u>	<u>\$ 204,866,176</u>	<u>\$ 205,817,424</u>	<u>\$ 198,725,129</u>	<u>\$ 203,879,490</u>	<u>\$ 207,617,645</u>
\$ 198,374,729	\$ 199,803,989	\$ 200,686,351	\$ 201,472,598	\$ 225,973,149	\$ 228,055,737
8,223,996	8,485,744	8,971,642	9,629,813	3,703,586	4,798,406
120,919,467	117,156,140	118,168,885	52,998,188	34,366,309	27,643,718
<u>\$ 327,518,192</u>	<u>\$ 325,445,873</u>	<u>\$ 327,826,878</u>	<u>\$ 264,100,599</u>	<u>\$ 264,043,044</u>	<u>\$ 260,497,861</u>

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

	Fiscal Year			
	2008	2009	2010	2011 (As Restated)
Expenses				
Governmental Activities:				
General Government	\$ 11,443,459	\$ 11,587,628	\$ 11,523,143	\$ 9,621,283
Public Safety	24,929,038	24,101,607	22,048,520	22,372,576
Highways and Streets	7,785,062	7,212,143	5,425,314	5,918,563
Transportation Services	2,236,456	2,081,649	1,820,974	1,461,976
Tourism and Promotion	1,582,985	1,357,250	1,357,407	1,390,134
Culture and Recreation	5,708,732	5,560,189	4,590,764	4,722,202
Interest on Long-Term Debt	192,875	126,647	115,351	108,188
Total Governmental Activities	<u>53,878,607</u>	<u>52,027,113</u>	<u>46,881,473</u>	<u>45,594,922</u>
Business-Type Activities:				
Refuse	796,755	788,325	1,081,376	1,085,990
Recreation / Aquatic Center	1,421,768	1,238,856	1,079,224	1,079,984
Irrigation and Drainage	12,082,578	11,865,294	10,220,643	10,523,588
Wastewater	12,244,284	14,776,656	15,205,648	24,963,122
Airport	1,569,121	1,638,496	1,391,318	1,356,632
Total Business-Type Activities	<u>28,114,506</u>	<u>30,307,627</u>	<u>28,978,209</u>	<u>39,009,316</u>
Total Primary Government Expenses	<u>\$ 81,993,113</u>	<u>\$ 82,334,740</u>	<u>\$ 75,859,682</u>	<u>\$ 84,604,238</u>
Program Revenues				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 3,803,583	\$ 2,714,374	\$ 2,883,613	\$ 2,697,578
Public Safety	161,717	110,643	138,856	131,855
Highways and Streets	7,880	105,763	26,885	22,861
Culture and Recreation	670,950	535,640	639,748	570,009
Transportation Services	91,617	102,469	103,165	106,000
Interest	29,091	3,201	7,308	5,765
Operating Grants and Contributions	9,255,906	7,093,164	7,656,464	7,755,856
Capital Grants and Contributions	6,215,355	7,088,714	3,672,012	3,264,826
Total Governmental Activities				
Program Revenues	<u>20,236,099</u>	<u>17,753,968</u>	<u>15,128,051</u>	<u>14,554,750</u>
Business-type Activities:				
Charges for Services:				
Refuse	1,269,783	1,180,596	1,193,935	1,198,732
Recreation / Aquatic Center	433,782	376,044	349,804	332,304
Irrigation and Drainage	11,590,238	11,000,962	11,299,977	10,970,391
Wastewater	13,331,015	14,514,990	16,836,789	21,241,682
Airport	581,215	534,797	1,125,623	521,022
Operating Grants and Contributions	1,000	46,076	25,000	86,000
Capital Grants and Contributions	9,196,982	7,112,526	10,373,301	13,547,954
Total Business-Type Activities				
Program Revenues	<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>\$ 56,640,114</u>	<u>\$ 52,519,959</u>	<u>\$ 56,332,480</u>	<u>\$ 62,452,835</u>

Fiscal Year					
2012 (As Restated)	2013 (As Restated)	2014	2015	2016	2017
\$ 8,476,893	\$ 10,853,502	\$ 12,152,114	\$ 13,730,439	\$ 16,565,010	\$ 16,508,917
21,686,997	24,589,053	25,670,858	29,639,702	27,851,569	35,730,398
6,233,637	6,489,355	6,844,661	7,581,803	5,954,241	6,527,976
1,879,024	2,084,097	1,602,639	590,799	3,524,708	3,211,372
1,496,816	1,485,300	1,651,955	1,614,399	1,866,653	2,011,849
4,073,659	1,818,542	1,860,313	2,069,458	796,465	649,522
99,411	92,090	85,885	79,518	71,419	336,191
43,946,437	47,411,939	49,868,425	55,306,118	56,630,065	64,976,225
5,410,612	5,368,384	5,267,207	5,376,827	5,462,233	5,579,670
1,246,005	1,329,378	1,518,700	1,675,056	-	-
10,044,185	9,845,794	10,173,601	9,961,106	10,695,127	10,873,128
25,793,737	27,266,517	26,965,114	26,687,095	28,630,254	26,012,366
1,364,933	1,332,327	1,358,396	1,361,177	1,401,684	1,425,314
43,859,472	45,142,400	45,283,018	45,061,261	46,189,298	43,890,478
\$ 87,805,909	\$ 92,554,339	\$ 95,151,443	\$ 100,367,379	\$ 102,819,363	\$ 108,866,703
\$ 2,496,454	\$ 3,069,608	\$ 3,274,126	\$ 3,820,613	\$ 3,632,889	\$ 3,824,870
107,777	534,871	422,645	264,639	413,385	306,598
21,023	189,775	26,621	9,897	56,878	4,586
565,388	597,730	613,049	717,178	959,528	994,556
119,262	106,528	100,508	10,507	11,193	11,440
2,086	-	-	-	-	-
6,522,104	6,837,670	6,419,567	6,486,534	7,398,931	7,634,226
1,525,462	2,930,409	2,263,972	1,501,131	1,500	13,750
11,359,556	14,266,591	13,120,488	12,810,499	12,474,304	12,790,026
5,589,465	5,725,669	5,645,063	5,762,381	5,900,766	6,032,980
388,600	372,160	373,728	424,825	-	-
10,792,533	10,490,751	10,586,519	10,320,272	10,690,585	10,694,299
21,865,171	22,047,663	22,408,732	22,529,002	22,592,658	22,619,965
510,311	492,185	490,596	487,182	496,145	502,238
88,717	51,853	112,131	96,035	111,029	46,241
3,161,306	2,159,379	3,103,082	629,838	2,394,886	3,981,141
42,396,103	41,339,660	42,719,851	40,249,535	42,186,069	43,876,864
\$ 53,755,659	\$ 55,606,251	\$ 55,840,339	\$ 53,060,034	\$ 54,660,373	\$ 56,666,890

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

	Fiscal Year			
	2008	2009	2010	2011 (As Restated)
Net (Expense)/Revenue				
Governmental Activities	\$ (33,642,508)	\$ (34,273,145)	\$ (31,753,421)	\$ (31,040,172)
Business-Type Activities	8,289,509	4,458,364	12,226,220	8,888,769
Total Primary Government Net Expense	<u>\$ (25,352,999)</u>	<u>\$ (29,814,781)</u>	<u>\$ (19,527,201)</u>	<u>\$ (22,151,403)</u>
General Revenues and Other				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 18,825,309	\$ 15,366,885	\$ 13,979,108	\$ 14,379,370
Property Taxes	4,659,276	4,875,880	5,106,364	4,135,595
Franchise Taxes	1,733,704	1,921,624	1,687,909	1,722,878
Impact Fees	10,674	97,045	318,232	295,355
State Revenue Sharing	7,519,909	7,979,307	6,899,020	5,200,976
State Sales Tax Revenue Sharing	4,910,888	4,251,458	3,921,350	4,081,876
Auto Lieu Tax Revenue Sharing	3,102,207	2,840,324	2,665,669	2,621,452
Investment Earnings (Loss)	1,193,238	467,629	253,403	187,740
Other	14,912	12,590	16,124	78,417
Transfers	561,289	(3,900,988)	(1,877,395)	(153,685)
Total Governmental Activities	<u>42,531,406</u>	<u>33,911,754</u>	<u>32,969,784</u>	<u>32,549,974</u>
Business-Type activities:				
Property Taxes	2,156,284	2,134,068	3,237,149	4,460,402
Investment Earnings (Loss)	2,285,859	715,319	200,593	266,125
Transfers	(561,289)	3,900,988	1,877,395	153,685
Total Business-Type Activities	<u>3,880,854</u>	<u>6,750,375</u>	<u>5,315,137</u>	<u>4,880,212</u>
Total Primary Government	<u>\$ 46,412,260</u>	<u>\$ 40,662,129</u>	<u>\$ 38,284,921</u>	<u>\$ 37,430,186</u>
Change in Net Position				
Governmental Activities	\$ 8,888,898	\$ (361,391)	\$ 1,216,364	\$ 1,509,802
Business-type Activities	12,170,363	11,208,739	17,541,357	13,768,981
Total Primary Government	<u>\$ 21,059,261</u>	<u>\$ 10,847,348</u>	<u>\$ 18,757,721</u>	<u>\$ 15,278,783</u>

Fiscal Year					
2012 (As Restated)	2013 (As Restated)	2014	2015	2016	2017
\$ (32,586,881)	\$ (33,145,348)	\$ (36,747,937)	\$ (42,495,619)	\$ (44,155,761)	\$ (52,186,199)
(1,463,369)	(3,802,740)	(2,563,167)	(4,811,726)	(4,003,229)	(13,614)
<u>\$ (34,050,250)</u>	<u>\$ (36,948,088)</u>	<u>\$ (39,311,104)</u>	<u>\$ (47,307,345)</u>	<u>\$ (48,158,990)</u>	<u>\$ (52,199,813)</u>
\$ 14,400,439	\$ 14,157,677	\$ 15,185,171	\$ 18,442,101	\$ 20,205,820	\$ 21,750,919
4,150,569	4,194,202	4,231,510	4,237,577	4,378,580	4,404,669
1,684,173	1,705,943	1,795,899	2,300,347	1,971,867	2,017,919
-	-	-	-	-	-
4,433,318	5,365,520	5,854,801	6,358,718	6,324,244	6,551,824
4,104,475	4,299,431	4,572,096	4,800,376	4,961,508	4,903,171
2,451,516	2,423,003	2,506,953	2,666,247	2,871,694	3,114,874
(81,420)	400,393	439,967	355,158	567,614	115,537
119,074	47,499	114,948	58,081	21,866	-
1,252,589	1,599,452	3,476,349	1,448,372	(5,800,353)	2,043,948
<u>32,514,733</u>	<u>34,193,120</u>	<u>38,177,694</u>	<u>40,666,977</u>	<u>35,502,840</u>	<u>44,902,861</u>
5,703,105	5,675,383	5,953,459	5,392,116	5,726,275	5,701,272
256,774	669,737	1,037,304	772,282	1,071,967	94,445
<u>(1,252,589)</u>	<u>(1,599,452)</u>	<u>(3,476,349)</u>	<u>(1,448,372)</u>	<u>5,800,353</u>	<u>(2,043,948)</u>
<u>4,707,290</u>	<u>4,745,668</u>	<u>3,514,414</u>	<u>4,716,026</u>	<u>12,598,595</u>	<u>3,751,769</u>
<u>\$ 37,222,023</u>	<u>\$ 38,938,788</u>	<u>\$ 41,692,108</u>	<u>\$ 45,383,003</u>	<u>\$ 48,101,435</u>	<u>\$ 48,654,630</u>
\$ (72,148)	\$ 1,047,772	\$ 1,429,757	\$ (1,828,642)	\$ (8,652,921)	\$ (7,283,338)
3,243,921	942,928	951,248	(95,700)	8,595,366	3,738,155
<u>\$ 3,171,773</u>	<u>\$ 1,990,700</u>	<u>\$ 2,381,005</u>	<u>\$ (1,924,342)</u>	<u>\$ (57,555)</u>	<u>\$ (3,545,183)</u>

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

Function/Program	Fiscal Year			
	2008	2009	2010	2011
Governmental Activities:				
General Government	\$ 6,070,080	\$ 4,553,454	\$ 4,369,104	\$ 3,726,647
Public Safety	667,438	545,061	1,033,934	1,155,283
Highways and Streets	10,788,458	10,370,964	7,734,943	6,984,204
Culture and Recreation	697,866	1,188,244	654,545	693,518
Transportation Services	1,983,166	1,093,044	1,328,218	1,989,333
Interest on Long-Term Debt	29,091	3,201	7,308	5,765
Subtotal Governmental Activities	<u>20,236,099</u>	<u>17,753,968</u>	<u>15,128,052</u>	<u>14,554,750</u>
Business-Type Activities:				
Refuse	1,269,783	1,180,596	1,193,935	1,198,732
Recreation/Aquatic Center	433,782	501,550	349,804	332,304
Irrigation and Drainage	11,591,238	12,469,059	11,750,407	13,875,204
Wastewater	22,055,956	19,416,038	26,728,765	31,611,051
Airport	1,053,256	1,198,748	1,181,518	880,794
Subtotal Business-Type Activities	<u>36,404,015</u>	<u>34,765,991</u>	<u>41,204,429</u>	<u>47,898,085</u>
Total Primary Government	<u>\$ 56,640,114</u>	<u>\$ 52,519,959</u>	<u>\$ 56,332,481</u>	<u>\$ 62,452,835</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 3,535,789	\$ 3,995,491	\$ 3,932,496	\$ 4,574,380	\$ 5,046,899	\$ 4,919,685
941,184	1,538,204	1,045,352	902,861	1,066,458	1,376,751
5,084,235	7,081,241	6,490,956	6,223,620	4,772,852	4,985,665
707,343	708,112	668,427	827,472	1,085,432	1,075,382
1,088,919	943,543	983,257	282,166	502,663	432,543
2,086	-	-	-	-	-
11,359,556	14,266,591	13,120,488	12,810,499	12,474,304	12,790,026
5,589,465	5,725,669	5,645,063	5,762,381	5,900,766	6,032,980
388,600	372,160	373,728	424,825	-	-
12,496,186	11,824,048	13,161,156	10,429,386	12,529,606	12,783,382
23,241,431	22,693,769	23,009,681	23,136,248	23,259,010	23,267,652
680,421	724,014	530,223	496,695	496,687	1,792,850
42,396,103	41,339,660	42,719,851	40,249,535	42,186,069	43,876,864
<u>\$ 53,755,659</u>	<u>\$ 55,606,251</u>	<u>\$ 55,840,339</u>	<u>\$ 53,060,034</u>	<u>\$ 54,660,373</u>	<u>\$ 56,666,890</u>

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

	Fiscal Year			
	2008	2009	2010	2011
General Fund				
Reserved	\$ 289,716	\$ 245,625	\$ 510,785	\$ -
Unreserved	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
Total General Fund	<u>\$ 16,060,199</u>	<u>\$ 11,187,598</u>	<u>\$ 12,539,714</u>	<u>\$ 12,994,672</u>
All Other Governmental Funds				
Reserved	\$ 260,745	\$ 161,487	\$ 161,447	\$ -
Unreserved, Reported in:				
Special Revenue Funds	1,337,693	1,307,293	2,951,892	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	5,904,066	6,444,484	9,470,637	-
Total Unreserved	<u>7,502,504</u>	<u>7,913,264</u>	<u>12,583,976</u>	<u>-</u>
Nonspendable	-	-	-	116,394
Restricted	-	-	-	10,166,279
Committed	-	-	-	2,654,787
Assigned	-	-	-	496,230
Total All Other Governmental Funds	<u>\$ 7,502,504</u>	<u>\$ 7,913,264</u>	<u>\$ 12,583,976</u>	<u>\$ 13,433,690</u>

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
349,232	280,021	285,386	244,483	244,483	227,087
16,815	43,053	68,775	79,848	79,848	108,473
533,133	73,885	398,755	95,764	95,764	58,712
-	1,705,874	2,122,957	1,413,446	1,413,446	7,468,453
14,476,034	17,920,187	23,222,099	25,280,515	25,280,515	31,008,000
<u>\$ 15,375,214</u>	<u>\$ 20,023,020</u>	<u>\$ 26,097,972</u>	<u>\$ 27,114,056</u>	<u>\$ 27,114,056</u>	<u>\$ 38,870,725</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
123,655	126,163	130,823	128,761	74,285	74,255
8,100,341	8,359,581	8,840,988	9,549,965	3,602,063	4,689,933
153,466	1,228,334	277,375	219,487	-	-
3,028,968	2,010,336	2,531,132	2,659,010	3,212,360	1,202,633
<u>\$ 11,406,430</u>	<u>\$ 11,724,414</u>	<u>\$ 11,780,318</u>	<u>\$ 12,557,223</u>	<u>\$ 6,888,708</u>	<u>\$ 5,966,821</u>

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Taxes	\$ 25,069,101	\$ 22,251,293	\$ 20,752,317	\$ 20,303,864
Intergovernmental	28,683,671	26,413,424	24,711,004	22,707,886
Fines and Forfeitures	1,491,271	1,369,529	1,486,805	1,368,057
Licenses and Permits	1,961,920	992,742	1,193,690	1,033,320
Charges for Services	836,573	711,345	931,886	817,168
Rents and Royalties	27,732	58,785	51,889	46,494
Contributions and Donations	6,910	11,018	6,939	142,715
Impact Fees	10,674	97,045	318,232	295,355
Special Assessments	124,318	131,602	68,996	66,283
Investment Earnings (Loss)	801,582	325,534	212,547	169,181
Other	418,251	436,488	224,576	337,648
Total Revenues	<u>59,432,003</u>	<u>52,798,805</u>	<u>49,958,881</u>	<u>47,287,971</u>
Expenditures				
General Government	12,752,567	10,778,205	9,320,011	9,511,503
Public Safety	24,966,721	24,280,422	20,448,619	21,230,032
Highways and Streets	6,668,408	5,203,661	3,821,793	4,418,689
Culture and Recreation	6,075,524	5,307,096	4,038,440	3,835,394
Transportation Services	2,951,865	1,919,213	1,605,268	1,847,708
Tourism and Promotion	1,582,324	1,356,589	1,356,746	1,389,473
Capital Outlay	11,727,752	4,147,830	1,187,425	3,345,613
Debt Service				
Principal Retirement	3,605,000	240,000	165,000	200,000
Interest on Long-Term Debt	192,875	126,647	115,351	108,188
Total Expenditures	<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	(11,091,033)	(560,858)	7,900,228	1,401,371
Other Financing Sources (Uses)				
Transfers In	9,977,784	2,107,983	2,395,347	2,210,751
Transfers Out	(9,416,495)	(6,008,971)	(4,272,742)	(2,364,436)
Issuance of Debt	2,615,000	-	-	56,986
Total Other Financing Sources (Uses)	<u>3,176,289</u>	<u>(3,900,988)</u>	<u>(1,877,395)</u>	<u>(96,699)</u>
Net Change in Fund Balance	<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	6.9%	0.8%	0.7%	0.7%

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 20,226,164	\$ 20,058,886	\$ 21,169,738	\$ 25,075,151	\$ 26,556,267	\$ 28,173,507
18,727,568	21,694,328	21,368,041	21,639,174	21,331,956	21,815,664
1,309,072	1,344,452	1,405,615	1,343,136	1,271,265	1,399,042
1,072,635	1,434,927	1,645,593	1,850,142	2,058,628	2,109,402
803,069	1,233,163	1,122,442	991,026	1,289,882	1,243,056
64,824	88,445	89,409	106,506	160,822	85,969
112,576	117,678	206,306	113,472	225,921	388,431
137,207	-	-	-	-	-
65,357	-	-	-	-	-
(53,402)	346,455	347,167	331,702	536,861	115,537
119,827	426,502	237,210	602,595	293,276	304,581
42,584,897	46,744,836	47,591,521	52,052,904	53,724,878	55,635,189
9,806,857	10,971,201	11,552,268	13,842,743	15,342,933	15,975,867
20,867,623	23,587,259	27,492,419	25,466,301	26,472,416	27,609,870
4,522,249	4,721,183	5,130,647	5,331,664	4,418,578	5,007,050
3,707,822	1,703,534	1,835,350	1,943,385	3,290,143	3,287,776
1,649,359	1,570,998	1,427,796	479,373	1,866,653	2,011,849
1,496,155	1,484,639	1,651,955	1,628,426	726,537	598,367
2,288,782	3,278,455	3,638,147	259,668	3,244,793	5,485,194
200,000	145,000	150,000	160,000	165,000	2,416,813
99,411	92,090	85,885	79,518	71,419	168,588
44,638,258	47,554,359	52,964,467	49,191,078	55,598,472	62,561,374
(2,053,361)	(809,523)	(5,372,946)	2,861,826	(1,873,594)	(6,926,185)
4,160,552	6,837,490	10,589,871	3,443,746	2,467,823	\$ 5,856,721
(2,907,963)	(2,738,038)	(2,961,494)	(4,512,583)	(6,994,555)	\$ (1,897,778)
1,154,054	1,675,861	3,875,428	-	3,046,010	11,279,439
2,406,643	5,775,313	11,503,805	(1,068,837)	(1,480,722)	15,238,382
<u>\$ 353,282</u>	<u>\$ 4,965,790</u>	<u>\$ 6,130,859</u>	<u>\$ 1,792,989</u>	<u>\$ (3,354,316)</u>	<u>\$ 8,312,197</u>
0.7%	0.5%	0.5%	0.5%	0.5%	4.7%



LAKE HAVASU CITY

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

<u>Fiscal Year</u>	<u>Sales Taxes</u>	<u>Property Taxes</u>	<u>Franchise Taxes</u>	<u>Transient Occupancy Tax</u>	<u>Bar and Restaurant Tax</u>	<u>Total</u>
2008	\$ 17,305,120	\$ 4,510,088	\$ 1,733,704	\$ 645,782	\$ 874,407	\$ 25,069,101
2009	14,117,370	4,962,784	1,921,624	574,442	761,907	22,338,127
2010	13,502,608	5,085,300	1,687,909	557,900	793,580	21,627,297
2011	13,675,865	4,201,614	1,722,878	550,922	836,299	20,987,578
2012	13,868,484	4,141,509	1,684,173	637,377	890,951	21,222,494
2013	13,945,753	4,195,266	1,705,943	626,398	812,347	21,285,707
2014	15,060,996	4,188,668	1,795,899	701,073	950,882	22,697,518
2015	17,455,153	4,332,703	2,300,347	674,532	953,894	25,716,629
2016	18,339,166	4,378,581	1,971,867	769,672	1,096,982	26,556,268
2017	19,739,030	4,404,669	2,017,919	846,536	1,165,323	28,173,477
Change, 2008-2017	14.1%	(2.3%)	16.4%	31.1%	33.3%	12.4%

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

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

Sales Category	Fiscal Year			
	2008	2009	2010	2011
Mining	\$ 2,238,146	\$ 1,502,091	\$ 957,338	\$ 679,224
Communications & Utilities	43,192,822	45,438,961	43,187,392	44,157,693
Transportation & Warehousing	1,370,195	825,406	610,037	476,664
Construction	174,759,818	104,429,178	59,267,145	69,777,264
Manufacturing	32,292,739	27,051,299	25,263,121	22,203,330
Wholesale Trade	18,348,808	12,097,298	10,438,461	10,563,544
Retail Trade	416,971,743	368,990,071	368,767,470	367,590,435
Finance & Insurance	2,213,297	1,563,165	1,295,523	868,042
Real Estate, Rental & Leasing	21,511,506	18,474,750	13,903,727	15,116,990
Restaurant & Bars	66,018,944	53,496,452	55,204,958	57,201,379
Hotels & Other Lodging (1)	26,786,943	27,752,236	28,709,923	26,843,295
Public Administration	310,450	493,218	318,627	(185,615)
Services	32,340,521	27,984,637	23,674,619	22,870,852
Arts & Entertainment	12,128,912	7,334,109	7,783,062	7,176,416
All Others	18,575,934	12,616,449	11,544,005	16,950,308
Total	<u>\$ 869,060,778</u>	<u>\$ 710,049,320</u>	<u>\$ 650,925,408</u>	<u>\$ 662,289,821</u>
City Sales Tax Rate	2.00%	2.00%	2.00%	2.00%

- (1) In fiscal year 2011-12 the Arizona Department of Revenue took over collections of Transient Occupancy Tax. This was previously collected in-house by Lake Havasu City and is not reflected in fiscal years 2003-2011.
- (2) The activity for FY 2012/2013 was restated due to the 3% collections for Transient Occupancy Tax initiated and processed by the Arizona Department of Revenue were corrected.
- (3) The Arizona Department of Revenue began providing payment information by Business Type Code vs. North American Industry Classification System (NAICS). Fiscal Years 2008 - 2016 are categorized and reported by NAICS code. Fiscal Year 2017 is categorized and reported by Business Type Code.

Source: Arizona Department of Revenue

Fiscal Year					
2012	2013	2014	2015	2016	2017 (3)
	Restated ⁽²⁾				
\$ 947,593	\$ 1,114,700	\$ 1,112,000	\$ 1,539,450	\$ 1,708,250	\$ 2,351,089
43,354,901	32,645,950	42,705,200	41,628,700	41,243,550	36,642,489
287,021	425,100	660,650	407,250	372,950	408,394
60,465,951	69,294,750	81,212,300	81,495,650	85,126,250	93,900,227
25,536,642	26,772,800	21,970,500	26,450,800	29,052,200	32,292,489
14,791,777	16,101,650	16,867,550	21,172,150	23,939,750	27,145,541
384,360,559	407,590,250	452,488,100	489,855,200	526,714,900	554,328,385
958,820	1,267,800	1,654,700	2,187,300	2,864,863	3,485,585
13,944,336	16,928,100	18,065,200	17,439,600	20,921,894	24,994,406
59,414,264	62,593,716	68,661,174	75,714,800	77,120,226	86,047,388
28,080,440	26,672,157	24,140,964	32,229,300	34,435,303	30,474,980
83,740	(32,000)	30,250	(55,850)	24,200	43,335
26,771,435	29,469,450	33,204,800	34,146,000	38,102,900	44,536,621
6,590,677	7,156,600	6,481,000	6,178,200	7,010,700	6,558,631
16,782,553	13,789,750	15,735,850	19,215,750	14,640,350	31,837,182
<u>\$ 682,370,709</u>	<u>\$ 711,790,773</u>	<u>\$ 784,990,238</u>	<u>\$ 849,604,300</u>	<u>\$ 903,278,286</u>	<u>\$ 975,046,742</u>
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%



LAKE HAVASU CITY

**LAKE HAVASU CITY, ARIZONA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
RATES AS OF JUNE 30, 2017**

<u>Fiscal Year</u>	<u>City Sales Tax</u>	<u>City Restaurant and Bar Tax</u>	(2) <u>City Transient Occupancy Tax</u>	(1) <u>Mohave County</u>	(1) <u>State of Arizona</u>
2008	2.00	1.00	3.00	0.25	5.60
2009	2.00	1.00	3.00	0.25	5.60
2010	2.00	1.00	3.00	0.25	6.60
2011	2.00	1.00	3.00	0.25	6.60
2012	2.00	1.00	3.00	0.25	6.60
2013	2.00	1.00	3.00	0.25	5.60
2014	2.00	1.00	3.00	0.25	5.60
2015	2.00	1.00	3.00	0.25	5.60
2016	2.00	1.00	3.00	0.25	5.60
2017	2.00	1.00	3.00	0.25	5.60

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

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

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

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

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

Fiscal Year		Real Property		Personal Property	
		Net Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value
2008	P	\$ 658,147,759	\$ 5,340,068,133	\$ 11,375,884	\$ 57,452,096
	S	918,338,959	7,419,032,491	11,375,884	57,452,096
2009	P	760,861,319	6,233,527,611	16,515,213	86,520,314
	S	1,021,911,138	8,397,863,760	16,515,213	86,520,314
2010	P	825,515,085	6,795,625,244	16,137,850	85,087,121
	S	911,190,948	7,429,703,446	16,137,850	85,087,121
2011	P	687,352,145	5,655,648,551	14,778,091	80,768,628
	S	697,590,433	5,725,231,881	14,778,091	80,768,628
2012	P	553,723,386	4,632,576,319	10,215,877	58,066,238
	S	557,526,241	4,660,114,966	10,215,877	58,066,238
2013	P	549,921,360	4,642,019,040	13,932,103	79,171,973
	S	559,962,410	4,720,897,913	13,932,103	79,171,973
2014	P	552,871,353	4,686,326,717	13,209,135	77,033,222
	S	561,609,279	4,754,265,718	13,209,135	77,033,222
2015	P	558,881,781	4,801,310,125	12,490,419	74,105,983
	S	565,654,277	4,853,951,631	12,490,419	74,105,983
2016	P	580,873,455	4,953,980,283	11,256,533	68,368,831
	S	631,446,060	5,408,433,386	11,729,600	71,080,139
2017	P	608,965,019	5,383,479,500	11,006,278	68,939,771
	S	735,626,275	6,505,033,461	13,130,484	81,892,063

Source: Mohave County Assessor

Under Arizona law, there are two primary valuation bases: Primary (P) and Secondary (S).
In 2016, Primary assessed valuation and Secondary assessed valuation base are the same amount.

Total			
Net Assessed Value	Estimated Actual Value	Direct Tax Rate	Ratio of Total Assessed Value to Total Estimated Actual Value
\$ 669,523,643	\$ 5,397,520,229	0.6704	12.40
929,714,843	7,476,484,587	-	plus \$ 100.74 per acre
777,376,532	6,320,047,925	0.6038	12.30
1,038,426,351	8,484,384,074	-	plus \$ 100.74 per acre
841,652,935	6,880,712,365	0.5834	12.23
927,328,798	7,514,790,567	-	plus \$ 156.78 per acre
702,130,236	5,736,417,179	0.5834	12.24
712,368,524	5,806,000,509	-	plus \$ 212.75 per acre
563,939,263	4,690,642,557	0.7264	12.02
567,742,118	4,718,181,204	-	plus \$ 268.85 per acre
563,853,463	4,721,191,013	0.7332	11.94
573,894,513	4,800,069,886	-	plus \$ 268.85 per acre
566,080,488	4,763,359,939	0.7381	11.88
574,818,414	4,831,298,940	-	plus \$ 268.85 per acre
571,372,200	4,875,416,108	0.7408	11.72
578,144,696	4,928,057,614	-	plus \$ 268.85 per acre
592,129,988	5,022,349,114	0.7235	11.79
643,175,660	5,479,513,525	-	plus \$ 268.85 per acre
619,971,297	5,452,419,271	0.7000	11.37
748,756,759	6,586,925,524	-	plus \$ 268.85 per acre

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

Fiscal Year		City Direct Rate			Special Districts			
		Operating Rate	Debt Service Rate	Total City Rate	Irrigation Drainage District	Sanitary District	Improvement District #1	Improvement District #2
2008	P	0.6704	-	0.6704	-	-	-	-
	S	-	-	-	\$ 100.74/acre	-	0.3216	0.4672
2009	P	0.6038	-	0.6038	-	-	-	-
	S	-	-	-	\$ 100.74/acre	-	0.3113	0.5425
2010	P	0.5834	-	0.5834	-	-	-	-
	S	-	-	-	\$ 156.78/acre	-	0.4769	0.4661
2011	P	0.5834	-	0.5834	-	-	-	-
	S	-	-	-	\$ 212.75/acre	-	-	0.2719
2012	P	0.7264	-	0.7264	-	-	-	-
	S	-	-	-	\$ 268.85/acre	-	-	0.1905
2013	P	0.7332	-	0.7332	-	-	-	-
	S	-	-	-	\$ 268.85/acre	-	-	0.1942
2014	P	0.7381	-	0.7381	-	-	-	-
	S	-	-	-	\$ 268.85/acre	-	-	0.4059
2015	P	0.7408	-	0.7408	-	-	-	-
	S	-	-	-	\$268.85/acre	-	-	0.6014
2016	P	0.7235	-	0.7235	-	-	-	-
	S	-	-	-	\$268.85/acre	-	-	0.8502
2017	P	0.7000	-	0.7000	-	-	-	-
	S	-	-	-	\$268.85/acre	-	-	0.8585

Special Districts			Overlapping Rates			
Improvement District #3	Improvement District #4	Improvement District #5	Total County Rate	Total School Rate	Total State Rate	Rate Total
-	-	-	2.3519	3.0141	-	6.0364
-	0.2788	-	1.0103	0.8567	-	2.9346 plus \$100.74/acre
-	-	-	1.3309	2.8005	-	4.7352
-	0.2840	-	1.0103	0.7547	-	2.9028 plus \$100.74/acre
-	-	-	1.2637	2.7367	0.3306	4.9144
-	0.3153	-	1.0103	0.8410	-	3.1096 plus \$156.78/acre
-	-	-	1.4637	2.7462	0.3564	5.1497
-	0.4925	-	1.0103	0.8978	-	2.6725 plus \$212.75/acre
-	-	-	1.8196	3.3785	0.4259	6.3504
-	0.6095	-	1.0103	0.9888	-	2.7991 plus \$268.85/acre
-	-	-	1.8196	3.2644	0.4717	6.2889
-	0.5872	-	1.0103	0.7828	-	2.5745 plus \$268.85/acre
-	-	-	1.8196	3.1962	0.5123	6.2662
-	0.6458	-	1.0103	0.7828	-	2.8448 plus \$268.85/acre
-	-	-	1.8196	4.1683	0.5089	7.9784
-	0.6762	-	0.9936	0.7297	-	3.0009 plus \$268.85/acre
-	-	-	1.9696	4.0121	0.5054	7.9341
-	0.6941	-	0.7436	0.0000	-	2.2879 plus \$268.85/acre
-	-	-	1.9696	3.9873	0.5010	7.8579
-	0.7158	-	0.7436	0.0000	-	2.3179 plus \$268.85/acre

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

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Unisource Energy Corporation	\$ 10,950,635	1	1.77 %	\$ 8,999,558	1	1.34 %
PHC Lake Havasu Inc	4,297,615	2	0.69	8,796,223	2	1.31
Citizens Utilities Inc	2,726,121	3	0.44	5,002,196	3	0.75
SFT Havasu LLC Etal	2,292,097	4	0.37			
Walmart Stores Inc	1,946,162	5	0.31			
Island Development Group LLC	1,416,933	6	0.23			
Lowes HIW Inc	1,401,090	7	0.23	1,897,295	6	0.28
Grace Investment Co	1,045,891	8	0.17	1,850,290	7	0.28
SDI-Havasu LLC	1,035,002	9	0.17			
Home Depot USA Inc.	931,196	10	0.15			
Havasu Regional Medical Center LLC			-	1,674,458	8	0.25
London Bridge Resort			-	2,311,242	5	0.35
Sterilite Corporation			-	2,715,208	4	0.41
Lake Havasu City Hotel Partners LLC			-	1,639,205	10	0.24
Havasu Investors of Duluth			-	1,665,224	9	0.25
Totals	<u>\$ 28,042,742</u>		<u>4.53 %</u>	<u>\$ 36,550,899</u>		<u>5.46 %</u>
Net Assessed Value	\$ 619,971,297			\$ 669,523,643		

Source: Mohave County Assessor.

Note: Above taxable assessed valuations are as of 1/1/2016 and 2007, respectively, and the associated tax levies were due in fiscal years ended June 30, 2017 and 2008, respectively.

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

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2008	\$ 4,467,374	\$ 4,302,624	96.31 %	\$ 164,704	\$ 4,467,328	100.00 %
2009	4,674,256	4,510,022	96.49	164,217	4,674,239	100.00
2010	4,883,826	4,701,200	96.26	182,559	4,883,759	100.00
2011	4,076,711	3,952,993	96.97	123,325	4,076,318	99.99
2012	4,076,846	3,965,111	97.26	111,248	4,076,359	99.99
2013	4,124,313	4,011,502	97.26	112,471	4,123,973	99.99
2014	4,151,317	4,032,532	97.14	118,430	4,150,962	99.99
2015	4,227,750	4,135,746	97.82	91,690	4,227,436	99.99
2016	4,281,176	4,194,139	97.97	86,426	4,280,565	99.99
2017	4,337,928	4,255,053	98.09	-	4,255,053	98.09

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

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

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2008	\$ 2,106,747	\$ 1,993,102	94.61 %	\$ 113,533	\$ 2,106,635	99.99 %
2009	2,124,658	2,037,986	95.92	86,409	2,124,395	99.99
2010	3,307,898	3,167,426	95.75	139,766	3,307,192	99.98
2011	4,488,568	4,330,276	96.47	156,484	4,486,760	99.96
2012	5,671,440	5,408,979	95.37	260,041	5,669,020	99.96
2013	5,666,126	5,409,765	95.48	253,672	5,663,437	99.95
2014	5,665,838	5,442,107	96.05	220,908	5,663,015	99.95
2015	5,666,100	5,517,668	97.38	144,972	5,662,640	99.94
2016	5,665,696	5,521,460	97.45	140,606	5,662,066	99.94
2017	5,701,323	5,572,372	97.74	-	5,572,372	97.74

(1) Lake Havasu Irrigation and Drainage District was organized on September 30, 1963. The District was to be dissolved in fiscal year 2004 upon the retirement of all outstanding obligations of the District. However, on February 1, 1993, \$4,120,000 in general obligation refunding bonds were issued. The District will be dissolved in fiscal year 2022 upon the retirement of this general obligation debt.

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

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

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2008	\$ 109,472	\$ 105,526	95.95 %	\$ 3,946	\$ 109,472	100.00 %
2009	109,744	107,041	97.59	2,703	109,744	100.00
2010	149,612	145,722	97.44	3,890	149,612	100.00
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-

(1) On July 1, 1998, the operation and maintenance of the Improvement Districts became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 1 operates the gas lights in the golf course area tracts. This Improvement District was dissolved on April 13, 2010.

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

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

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2008	\$ 18,035	\$ 16,472	91.33 %	\$ 1,563	\$ 18,035	100.00 %
2009	16,810	14,902	89.18	1,908	16,810	100.00
2010	15,006	14,057	93.67	949	15,006	100.00
2011	8,066	7,275	90.19	791	8,066	100.00
2012	3,826	3,647	95.33	179	3,826	100.00
2013	3,966	3,589	90.49	377	3,966	100.00
2014	8,000	7,419	92.74	581	8,000	100.00
2015	10,771	10,035	93.16	736	10,771	100.00
2016	15,115	14,721	97.39	394	15,115	100.00
2017	15,470	15,269	98.70	-	15,269	98.70

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

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

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

Fiscal Year	Collected Within the Fiscal Year of the Levy				Total Collections to Date		
	Total Adjusted Levy	Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	
2008	\$ 55,294	\$ 53,644	97.02 %	\$ 1,650	\$ 55,294	100.00	
2009	55,702	55,053	99.02	649	55,702	100.00	
2010	54,981	54,003	98.22	978	54,981	100.00	
2011	68,435	67,831	99.12	604	68,435	100.00	
2012	68,649	68,007	99.06	642	68,649	100.00	
2013	67,980	65,770	96.34	2,210	67,980	100.00	
2014	74,937	73,649	98.28	1,288	74,937	100.00	
2015	71,253	69,229	97.03	2,024	71,253	100.00	
2016	69,020	67,571	97.80	1,449	69,020	100.00	
2017	71,664	69,292	96.69	-	69,292	96.69	

(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					
	Special	Revenue Bonds	Capital Leases	Irrigation and Drainage			General		
	Assessment Bonds			Sewer Bonds	District	Airport	Obligation Bonds	Capital Leases	
2008	\$ 425,000	\$ 2,615,000	\$ 4,485,455	\$ 218,411,503	(1)	\$ 3,462,247	\$ -	\$ 155,000	\$ 1,669,632
2009	185,000	2,615,000	3,009,616	243,266,488	(1)	4,582,821	-	145,000	1,236,248
2010	125,000	2,510,000	1,951,828	276,829,369	(1)	5,253,043	-	135,000	812,444
2011	60,000	2,375,000	1,181,330	306,508,389	(1)	5,074,148	-	125,000	422,469
2012	-	2,235,000	1,610,207	306,394,210	(1)	4,728,052	-	115,000	1,432,240
2013	-	2,090,000	2,786,873	296,762,325	(1)	4,496,819	-	105,000	1,795,066
2014	-	1,940,000	5,931,270	288,268,940	(1)	4,131,389	-	95,000	1,683,448
2015	-	1,780,000	4,171,192	276,299,222	(1)	5,570,168	-	80,000	1,581,455
2016	-	1,615,000	8,115,676	244,601,446	(1)	5,398,623	-	70,000	369,353
2017	-	10,477,626	6,705,608	225,415,921	(1)	4,389,304	3,961	60,000	340,583

(1) Net of related premium

(2) Unable to calculate Percentage of Personal Income without Per Capita Income, which is unavailable for 2015.

Note: Balances reflect reduction for principal payment made on July 1, 2017.

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 231,223,837	19.36	\$ 4,184
255,040,173	17.55	4,601
287,616,684	24.11	5,182
315,746,336	22.65	6,011
316,514,709	23.94	6,040
308,036,083	21.15	5,843
302,050,047	21.26	5,709
289,482,037	N/A	5,442
245,913,082	19.01	4,589
247,393,003	18.91	4,599



LAKE HAVASU CITY

**LAKE HAVASU CITY, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2017**

<u>Governmental Unit</u>	<u>Outstanding Debt</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping debt			
Lake Havasu Unified School District No. 1	\$ 15,490,000	91.16 %	14,120,684
City Direct Debt			
Lake Havasu City Freedom Bridge Land Acquisition	1,440,000	100.00	\$ 1,440,000
Lake Havasu City Excise Tax - Series 2016	9,037,626	100.00	9,037,626
Lake Havasu City Capital Leases	6,705,608	100.00	6,705,608
Lake Havasu City, Arizona Direct Debt			<u>17,183,234</u>
Total Direct and Overlapping Debt			<u><u>\$ 31,303,918</u></u>

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

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>20% Limitation (1)</u>				
Debt Limit	\$ 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>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><u>\$ 45,829,060</u></u>	<u><u>\$ 25,191,772</u></u>	<u><u>\$ 30,462,548</u></u>	<u><u>\$ (3,869,933)</u></u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	75.35%	87.87%	83.58%	102.72%
<u>6% Limitation (2)</u>				
Debt Limit	\$ 55,782,891	\$ 62,305,581	\$ 55,639,728	\$ 42,742,111
Total Net Debt Applicable to 6% Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin (Available Borrowing Capacity)	<u><u>\$ 55,782,891</u></u>	<u><u>\$ 62,305,581</u></u>	<u><u>\$ 55,639,728</u></u>	<u><u>\$ 42,742,111</u></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.

(3) Beginning in fiscal year 2016, the primary (limited assessed valuation) is to be used by cities when levying for maintenance and operation and for debt retirement. Prior to that date, the secondary (full cash) assessed valuation was used when levying for debt retirement, voter approved budget overrides, and maintenance and operation of special services districts.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016 (3)</u>	<u>2017</u>
\$ 113,548,424	\$ 114,778,903	\$ 114,963,683	\$ 115,628,939	\$ 118,382,799	\$ 123,962,603
<u>140,427,574</u>	<u>136,101,397</u>	<u>126,686,249</u>	<u>120,719,896</u>	<u>98,935,166</u>	<u>123,962,603</u>
<u>\$ (26,879,150)</u>	<u>\$ (21,322,494)</u>	<u>\$ (11,722,566)</u>	<u>\$ (5,090,957)</u>	<u>\$ 19,447,633</u>	<u>\$ -</u>
123.67%	118.58%	110.20%	104.40%	83.57%	100.00%
\$ 34,064,527	\$ 34,433,671	\$ 34,489,105	\$ 34,688,682	\$ 35,514,840	\$ 37,188,781
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,661,633</u>	<u>874,481</u>
<u>\$ 34,064,527</u>	<u>\$ 34,433,671</u>	<u>\$ 34,489,105</u>	<u>\$ 34,688,682</u>	<u>\$ 21,853,207</u>	<u>\$ 36,314,300</u>
-	-	-	-	38.47%	2.35%



LAKE HAVASU CITY

**LAKE HAVASU CITY, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2017**

Net Secondary Assessed Valuation (1)		<u><u>\$ 619,813,015</u></u>
<div style="text-align: center;"> <u>Water, Sewer, Light, Parks, Open Space Preserves, Playgrounds, Recreational Facilities, Public Safety, Law Enforcement, Fire and Emergency Facilities, and Streets and Transportation Facilities</u> </div>		
Debt Limit - 20% of Secondary Net Assessed Valuation		123,962,603
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ 125,583,026	
Plus: Excess Premium (2)	9,743,179	
Less Amount Set Aside for Repayment of Debt	<u>(11,363,602)</u>	
Net Debt Applicable to Limit		<u>123,962,603</u>
20% Legal Debt Margin		<u>-</u>
<div style="text-align: center;"> <u>All Other General Obligation Bonds</u> </div>		
Debt Limit - 6% of Secondary Net Assessed Valuation		37,188,781
Debt Applicable to Limit		
General Obligation Bonds Outstanding	874,481	
Less Amount Set Aside for Repayment of Debt	<u>-</u>	
Net Debt Applicable to Limit		<u>874,481</u>
All Other General Obligation Bonds Debt Margin		<u>36,314,300</u>
Total Legal Debt Margin		<u><u>\$ 36,314,300</u></u>

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

(2) A change in state law (HB 2452) requires the Excess Premium to be added to the debt subject to the legal margin.

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

Fiscal Year	Excise Tax Revenue Bonds (1)				Special Assessment Bonds (2)			
	Excise Tax (1)	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections (2)	Debt Service Principal	Debt Service Interest	Coverage
2008	\$ 34,612,756	\$ 3,510,000	\$ 143,910	9.47	\$ 124,319	\$ 95,000	\$ 24,216	1.04
2009	29,875,827	-	110,005	271.59	131,602	240,000	15,631	0.51
2010	27,395,795	105,000	106,675	129.42	68,996	60,000	7,944	1.02
2011	25,979,260	135,000	102,700	109.29	66,283	65,000	4,741	0.95
2012	25,248,684	140,000	97,229	106.43	65,357	60,000	1,538	1.06
2013	26,526,205	145,000	91,446	112.19	-	-	-	-
2014	27,854,065	150,000	85,463	118.30	-	-	-	-
2015	32,724,861	160,000	79,096	136.87	-	-	-	-
2016	34,752,074	165,000	70,997	-	-	-	-	-
2017	36,640,972	2,596,000	179,418	13.20				

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

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

(3) Excise Tax revenues are pledged for the 2016 Excise Tax Bonds and include the City's sales and transaction privilege taxes.

Excise Tax Revenue Bonds (3)

Excise Tax (3)	Debt Service Principal	Debt Service Interest	Coverage
\$ -	\$ -	\$ -	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
21,750,889	2,596,000	179,418	7.84

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

Fiscal Year	Sewer Revenue Bonds					
	(1) Operating Revenue	(2) Plus: (3) Rate Stabilization	Less: Operating Expenses (5)	Net Available Revenue for SR Debt	Senior Debt Principal	Senior Debt Interest
2008	\$ 23,703,017	\$ 5,000,000	\$ 6,955,929	\$ 21,747,088	\$ 1,334,925	\$ 1,292,596
2009	19,916,120	5,000,000	7,272,649	17,643,471	1,887,732	2,384,482
2010	26,810,286	5,000,000	6,710,135	25,100,151	5,083,762	2,683,741
2011	31,765,529	6,500,000	7,409,668	30,855,861	3,244,183	3,557,825
2012	23,380,304	6,500,000	6,303,028	23,577,276	5,249,416	4,226,331
2013	23,072,178	6,500,000	6,705,193	22,866,985	5,404,372	4,220,890
2014	23,635,466	6,500,000	7,134,366	23,001,100	5,572,168	4,839,966
2015	23,722,951	6,500,000	7,034,913	23,188,038	5,046,707	3,957,947
2016	23,036,455	4,500,000	7,167,020	20,369,435	5,172,561	3,797,164
2017	22,573,416	4,500,000	7,384,401	19,689,015	5,646,925	9,261,169

Fiscal Year	Water Revenue Bonds					
	(1) Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2008	\$ 11,841,750	\$ 10,025,454	\$ 1,816,296	\$ 20,000	\$ 61,578	22.26
2009	10,917,741	9,632,388	1,285,353	211,475	130,486	3.76
2010	11,081,387	7,890,122	3,191,265	218,535	169,680	8.22
2011	10,898,753	8,080,253	2,818,500	225,842	185,363	6.85
2012	12,158,839	7,558,432	4,600,407	356,095	177,258	8.63
2013	11,797,191	7,503,781	4,293,410	357,328	161,868	8.27
2014	13,193,838	7,833,935	5,359,903	368,929	153,481	10.26
2015	10,585,562	7,488,995	3,096,567	380,912	168,371	5.64
2016	10,626,559	8,281,913	2,344,646	403,288	174,345	4.06
2017	10,874,475	8,410,995	2,463,480	825,345	158,600	2.50

(1) Includes investment income and contributed capital.

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

(3) Rate Stabilization Fund was reduced to \$4.5 million as part of wastewater debt restructuring.

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

(4) All Junior Debt was retired in Fiscal year 2015-16.

(5) Includes capital outlay, debt service fund fees and interfund costs, excludes capital infrastructure and depreciation.

Sewer Revenue Bonds

Total Senior Debt Service	(2) Senior Debt Coverage	Net Available Revenue for Junior Debt	Junior Debt Principal	Junior Debt Interest	Total Junior Debt Service	(2) (4) Junior Debt Coverage
\$ 2,627,521	8.28	\$ 19,119,567	\$ 6,205,823	\$ 5,016,735	\$ 11,222,558	1.70
4,272,214	4.13	13,371,257	8,277,899	5,346,758	13,624,657	0.98
7,767,503	3.23	17,332,648	2,285,358	5,993,530	8,278,888	2.09
6,802,008	4.54	24,053,853	3,308,953	6,210,561	9,519,514	2.53
9,475,747	2.49	14,101,529	3,120,546	6,117,489	9,238,035	1.53
9,625,262	2.38	13,241,723	4,566,798	5,980,474	10,547,272	1.26
10,412,134	2.21	12,588,966	4,694,038	5,839,593	10,533,631	1.20
9,004,654	2.58	14,183,384	4,922,593	5,691,546	10,614,139	1.34
8,969,725	2.27	12,867,857	5,182,509	2,727,094	7,909,603	1.63
14,908,094	1.32	4,780,921	-	-	-	n/a

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

Fiscal Year	(1) Population	(5) Personal Income	(2) Per Capita Personal Income	(2) Median Age	(3) School Enrollment	(4) Unemployment Rate
2008	55,263	\$ 1,194,068,000	\$ 21,607	48.0	6,227	6.6 %
2009	55,429	1,453,293,000	26,219	47.7	6,175	9.8
2010	55,502	1,192,960,000	21,494	47.8	6,163	8.1
2011	52,527	1,394,014,000	26,539	51.4	5,833	8.3
2012	52,406	1,321,889,000	25,224	50.2	5,677	10.3
2013	52,720	1,456,548,000	27,628	50.7	5,622	10.7
2014	52,908	1,420,686,000	26,852	51.0	5,561	9.4
2015	53,193	N/A	N/A	51.4	5,559	7.6
2016	53,583	1,293,279,000	24,136	52.2	5,488	7.0
2017	53,796	1,307,942,000	24,313	53.0	5,385	5.2

(1) Fiscal year 2011 from the U.S. Census.

All other years from the Arizona Economic Estimates Commission and
the Arizona Office of Employment and Population Statistics www.azstats.gov

(2) Demographics Now estimates used until 2014. Per Capita Personal Income unavailable for 2015.
U.S. Census Bureau used for per capita income.

Began using report from Mohave County Economic Development in 2015 for Median Age.

(3) Lake Havasu Unified School District No. 1

(4) Fiscal year 2012 to present Arizona Department of Administration, Office of Employment &
Population Statistics.

All other years from Arizona Workforce Informer.

(5) Unable to calculate Personal Income without Per Capita Income, which is unavailable for 2015.

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

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (1)
Havasu Regional Medical Center	701	1	2.95 %	583	3	2.31 %
Lake Havasu City	644	2	2.71	765	1	3.03
Lake Havasu School District	550	3	2.32	663	2	2.63
Sterilite Corporation	415	4	1.75	402	4	1.59
Walmart	289	5	1.22	380	5	1.51
Shugrue's Restaurants	325	6	1.37	180	8	0.71
London Bridge Resort	250	7	1.05	237	6	0.94
Bashas'	200	8	0.84	200	7	0.79
Anderson Auto Group	191	9	0.80			
River Medical	130	10	0.55			
Mission of Nevada, Inc.				160	9	0.63
Coach Net				150	10	0.59
JC Penny				150	10	0.59
Total	<u>3,695</u>		<u>15.56 %</u>	<u>3,870</u>		<u>15.32 %</u>
Total Employees in Lake Havasu City	23,730 (1)			25,247 (2)		

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

(2) Arizona Workforce Informer.

Source: Lake Havasu Partnership for Economic Development.

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

Function	Authorized Position as of Fiscal Year Ended					
	2008	2009	2010	2011	2012	2013
General Government	83.0	83.0	70.0	62.0	59.0	67.0
Community Investment (4)	29.0	29.0	25.0	22.0	21.0	19.0
Public Safety						
Police	127.0	127.0	123.0	123.0	116.0	117.0
Fire	95.0	95.0	85.0	93.0	86.0	85.0
Operations						
Administration/Engineering (3)	26.0	26.0	22.0	17.0	18.0	19.0
Airport	5.0	5.0	5.0	5.0	5.0	2.0
Maintenance Services (2)	N/A	N/A	N/A	N/A	N/A	N/A
Transportation	19.0	19.0	15.0	15.0	14.0	12.0
Street Maintenance	32.0	32.0	29.5	31.0	30.0	25.0
Buildings and Grounds (1)	N/A	N/A	N/A	N/A	N/A	28.0
Vehicle Maintenance	12.0	12.0	8.5	8.0	9.0	7.0
Wastewater	25.5	26.0	26.0	26.0	26.0	24.0
Water	40.5	40.0	39.0	43.0	42.0	38.0
Culture and Recreation (1)	45.0	45.0	39.0	39.0	34.0	6.0
Total	<u>539.0</u>	<u>539.0</u>	<u>487.0</u>	<u>484.0</u>	<u>460.0</u>	<u>449.0</u>

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

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

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

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

Authorized Position as of Fiscal Year Ended			
2014	2015	2016	2017
71.0	71.0	75.0	74.0
13.0	16.0	26.0	26.0
121.0	121.0	121.0	121.0
85.0	85.0	85.0	85.0
4.0	3.0	2.0	2.0
2.0	2.0	2.0	2.0
54.0	54.0	53.0	53.0
11.0	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
8.0	9.0	9.0	9.0
28.0	29.0	30.0	30.0
39.0	39.0	35.0	35.0
9.0	9.0	12.0	12.0
445.0	438.0	450.0	449.0

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

Function	Fiscal Years				
	2008	2009	2010	2011	2012
<u>Police</u>					
Number of Sworn Officers	96	92	91	91	83
Number of Incidents Handled	76,759	77,014	67,189	64,024	58,652
Number of Report Numbers Issued	8,740	8,637	7,441	8,242	7,001
Number of 911 Calls Processed	15,336	16,321	17,113	16,691	19,787
Response Time, Priority 1 Calls (Minutes)	5:26	5:17	5:32	5:51	5:56
<u>Fire</u>					
Number of Field Suppression Personnel	78	72	69	85	72
Number of Structural Fires	53	41	36	35	37
Number of Emergency Responses	6,457	6,996	7,311	7,487	7,542
Response Time (Minutes)	5:34	5:26	5:24	5:25	5:27
Inspections	4,924	5,443	4,418	4,055	3,102
<u>Highways and Streets</u>					
Street Resurfacing (Miles)	31.50	11.50	5.00	11.00	15.00
Utility Patches	494	468	269	219	380
Skin Patches	270	178	98	39	211
Crackfilling (Miles)	35.50	18.00	13.00	26.20	40.50
<u>Wastewater</u>					
Total Active Sewer Connections (1)	14,901	16,759	20,192	24,750	25,673
Average Daily Flowage (mg)	3.08	3.03	3.38	3.64	3.69
<u>Municipal Parks</u>					
Park Uses	3,969	3,684	2,587	2,410	2,311
<u>Water</u>					
Total Active Water Meters (2)	28,889	28,913	28,864	29,300	29,329
New Connections	388	216	245	127	130
Main Breaks	52	57	60	44	55
Service Line Leaks	612	510	366	280	225
Average Daily Consumption (Gallons) per Capita	250	250	250	199	199
<u>Transit</u>					
Total Ridership (3)	82,955	115,070	122,500	123,999	114,548
Miles Driven	412,270	443,900	438,003	404,497	347,841
<u>General</u>					
Building Permits Issued	1,485	894	908	871	895
Building Inspections Conducted	15,687	10,849	7,486	5,812	5,432
Land Use Actions	370	229	210	202	75

(1) "Total Active Sewer Connections" previously included water connections and average annual connections. These figures are now amended from 2006-2014 to only show active sewer connection as of June 30th.

(2) Figures for "Total Active Water Meters" were previously estimated. Figures from 2007 to 2014 were amended to show true total active water meters as of June 30th of the respective year.

(3) "Total Ridership" decreased significantly in 2015 due to discontinued fix route bus service and transition to Havasu Mobility services (door-to-door) as an alternative.

Source: Lake Havasu City, Arizona departments.

Fiscal Years				
2013	2014	2015	2016	2017
83	77	83	83	83
60,940	54,843	53,897	46,906	44,635
7,788	7,126	7,100	8,095	8,307
19,754	18,969	20,294	20,173	19,626
6:23	6:39	7:02	7:49	7:46
75	76	75	77	77
57	35	25	31	19
8,358	7,811	8,154	8,510	8,654
5:29	6:16	6:06	5:54	6:06
1,880	1,280	2,751	1,615	1,977
37.00	96.00	40.00	58.00	74.00
224	211	174	36	194
52	35	97	13	26
15.00	63.00	27.00	39.00	54.50
25,826	26,129	26,351	32,117	28,802
3.60	3.71	3.73	3.84	3.95
2,418	3,238	3238	3355	3090
29,508	29,737	30,072	30,358	31,701
230	277	298	361	356
71	69	51	60	43
239	205	194	205	175
199	183	182	178	177
110,414	87,884	8,348	8,031	9,050
342,391	257,190	41,932	46,367	47,278
1,573	1,907	2,210	2,478	3,001
7,605	9,574	11,078	12,767	13,454
65	102	206	189	233

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

Function	Fiscal Year				
	2008	2009	2010	2011	2012
<u>Public Safety</u>					
Police:					
Stations	1	1	1	1	1
Patrol Units					
Cars	34	37	37	37	40
Boats	4	4	4	5	3
UTV/Motors	6	7	7	5	5
Fire:					
Stations	6	6	6	6	6
Apparatus					
Fire Trucks	10	11	11	11	11
Vehicles	21	27	24	23	23
Boats	2	1	1	1	1
<u>Highways and Streets</u>					
Streets (Miles)	428.0	428.0	428.0	435.0	435.0
Streetlights	84	84	84	84	84
Traffic Signals	12	12	12	13	13
<u>Culture and Recreation</u>					
Parks Acreage	123.7	125.0	125.0	125.0	125.0
Parks Acreage - Sara Park	1,082	1,082	1,082	1,082	1,082
Parks	15	15	15	15	15
Swimming Pools	1	1	1	1	1
Water Launching Facility	1	1	1	1	1
Community Centers	1	1	1	1	1
<u>Water</u>					
Water Mains (Miles)	500.0	500.0	500.0	500.0	500.0
Fire Hydrants	2,684	2,695	2,708	2,708	2,708
Available Acre Feet	25,180	27,319	21,271	28,318	28,318
<u>Sewer</u>					
Sanitary Sewers (Miles)	237.8	267.0	292.4	352.9	352.9
<u>Transportation</u>					
Transit Buses (1)	16	18	19	19	23
<u>Airport</u>					
Enclosed Hangars	101	78	78	78	78
Shade Ports	25	16	16	16	16

(1) Total number of transit buses decreased significantly in 2015 due to transition from traditional bus services to Havasu Mobility services.

Source: Lake Havasu City, Arizona departments.

Fiscal Year				
2013	2014	2015	2016	2017
1	1	1	1	1
34	42	44	33	33
3	3	3	3	4
5	5	5	9	9
6	6	6	6	6
11	16	11	11	11
23	23	36	34	36
1	1	1	1	1
435.0	435.0	435.0	435.0	435.0
84	84	84	84	84
13	13	13	14	14
125.0	130.0	130.0	130.0	201.0
1,082	1,082	1,082	1,082	1,082
15	15	15	16	16
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
500.0	500.0	500.0	456.0	452.0
2,676	2,676	2,676	2,512	2,512
28,318	28,318	28,582	25,460	28,582
352.9	352.9	352.9	353.0	352
21	17	5	5	5
78	78	78	78	103
16	16	16	16	23

**LAKE HAVASU CITY, ARIZONA
MISCELLANEOUS STATISTICS
JUNE 30, 2017**

Date of Incorporation	October 2, 1978
Form of Government	Council-Manager
Area	46 square miles
Education	
Number of Schools:	
Public Elementary	6
Public Middle School	1
Public High School	1
Alternative Schools	1
Private	1
Charter Schools	2
Community College (Mohave)	1
State University (NAU)	1
State University (ASU)	1
Number of Students	
L.H.C. Unified School District	5,360
Alternative	150
Private	196
Charter	694
Community College (MCC)	2,566
State University (NAU/ASU)	237
Employees as of June 30, 2017	
Full-Time	415
Part-Time	223
Elected Officials	7
Total Payroll Wages for Fiscal Year 2017	\$ 29,009,437
Elections	
Last Municipal General Election - November 2016	
Number of Registered Voters	33,726
Number of Votes Cast	25,950
Percentage of Registered Voters	76.94%
Last Municipal Primary Election - August 2014	
Number of Registered Voters	32,127
Number of Votes Cast	10,942
Percentage of Registered Voters	34.06%
At the time of incorporation	
Number of Registered Voters	6,053
Active Business Licenses	5,054
Economy:	
Number of Annual Visitors (Estimate by the Convention and Visitors Bureau)	835,000
Lake Havasu City Municipal Airport (2013 Arizona Airport of the Year)	
Fixed Based Operators	3
Runway Length (in Feet)	8,001

**LAKE HAVASU CITY, ARIZONA
MISCELLANEOUS STATISTICS (CONTINUED)
JUNE 30, 2017**

Population

Census Population Count (Calendar Year)

2016***	53,796
2015***	53,583
2014***	53,193
2013***	52,908
2012***	52,720
2011***	52,406
2010**	52,527
2009*	55,502
2008*	55,429
2007*	55,263
2006*	54,610
2005*	53,435
2004*	51,700
1990**	24,363
1980**	15,926

*Arizona Department of Economic Security

**United States Census

***Arizona Office of Employment and Population Statistics

2010 Census Information:

Age Distribution of Population

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

Median Age 53.0

Median Household Income \$ 46,166

2010 Census information available at the following websites: <http://factfinder2.census.gov>

Median Age / Median Household Income : Mohave County Economic Development



LAKE HAVASU CITY