



Comprehensive Annual Financial Report For the Year Ended June 30, 2018



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LAKE HAVASU CITY, ARIZONA



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018



Prepared by the Administrative Services Department

Jill Olsen
Administrative Services Director

Trinna Ware, MBA
Finance Division Manager



LAKE HAVASU CITY



LAKE HAVASU CITY

**LAKE HAVASU CITY, ARIZONA
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LAKE HAVASU CITY

INTRODUCTORY SECTION



LAKE HAVASU CITY

December 11, 2018



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, 2018. 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, 2018, 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, 2018 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 54,801. Many of Lake Havasu City's residents are retired. The median age of City residents is 54 years old and has steadily increased over the last 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.

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

Lake Havasu City was founded as a master-planned community with an emphasis on recreation and residential retirement. Robert P. McCulloch captured the world's attention in 1967 when he purchased the London Bridge and relocated it from England to the stunning Colorado River. The bridge structure was dismantled brick by brick in London, transported to Lake Havasu City, and authentically reconstructed over a three-year period. In addition, a mile-long bridge channel was dredged, giving purpose to the transplanted landmark.

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

Government and Organization - Lake Havasu City has operated under the council-manager form of government since 1978. The Mayor and Councilmembers are elected at-large for four-year terms. Their terms are staggered on a two-year basis. The City Council sets policies,

enacts ordinances, and appoints the City Manager. The City Manager administers the daily operations and programs of the City through the department directors, other staff members, and employees.

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

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

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

Local Economy

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

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

Business

The City issued four percent more business licenses in fiscal year 2018 over the prior fiscal year. Small businesses make up the majority of business in Lake Havasu, with over 85 percent of the businesses in the City having nine or fewer employees.

The City is proud to be the home of a shopping mall, The Shops at Lake Havasu, which opened in 2008 with over 720,000 square feet of commercial space available. Additional shopping can be found in the Channel River walk area and the Uptown McCulloch Main Street District. Unique boutiques, salons, night clubs, restaurants, and performing arts facilities can be found throughout the community.

Tourism and Visitation

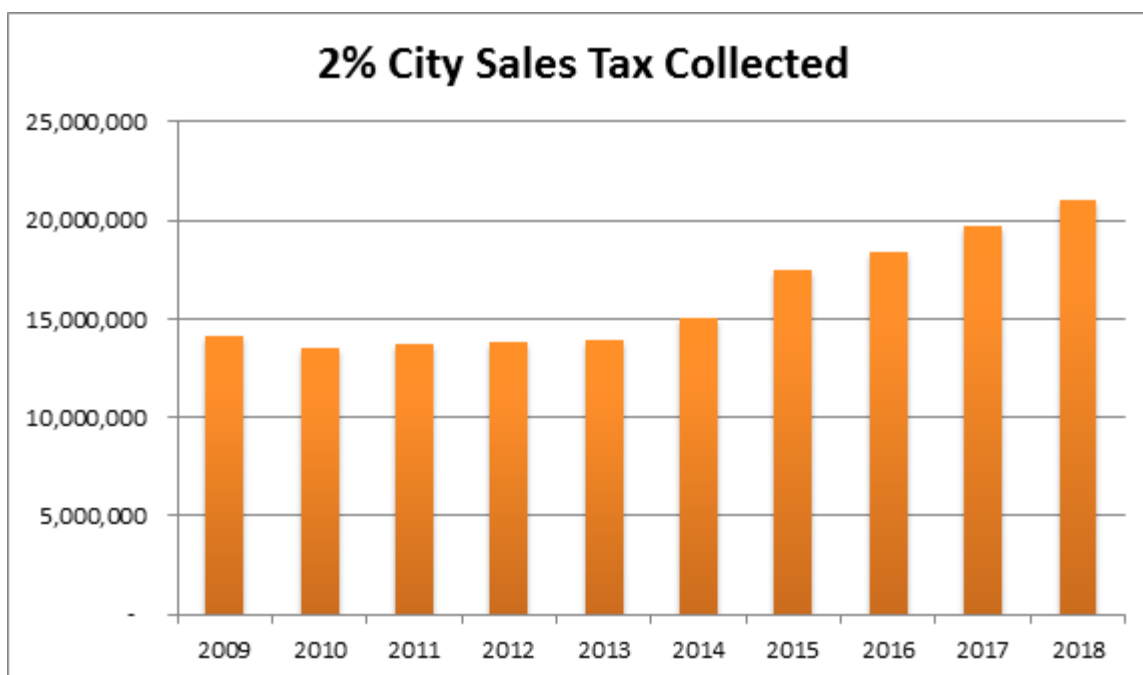
Lake Havasu City sits on the eastern shore of Lake Havasu, along 60 continuous miles of lake and river waterways. The reservoir has an available capacity of 619,400 acre feet of water and over 450 miles of shoreline. Although the lake's primary purpose was to store water for pumping

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 thousands of visitors for vacationing, special events, and other attractions, including the London Bridge. Here, you can explore the desert by foot, mountain bike, or off-road vehicle. You can discover secret lake coves in a kayak or in a high-performance luxury boat, lounge in the Bridgewater Channel, or camp under gazing stars. Lake Havasu City is host to more than 300 annual events, including one of the largest hot air balloon festivals in the nation, a show of more than 500 vintage and remodeled Volkswagen buses, over 800 pyro-technicians showcasing new firework products, several of the largest classic car and boat shows in the southwest, one of the top three high-performance boat races in the nation, an international showcase of the top personal watercraft (PWC) racers in the world, and a holiday boat parade of lights. Lake Havasu also hosts more than 20 fishing tournaments annually.

City Sales Tax Revenues

Local sales tax is the City's largest General Fund revenue source, and is second only to Utility Revenues citywide. Overall Transaction Privilege Tax (TPT) collections increased 6.4 percent from fiscal year 2017 to 2018. This is a continuing trend of recovery for the City, which has experienced steady growth in sales tax revenue since fiscal year 2010. The City's three-cent hotel/motel, or bed tax, increased 13.3 percent and the restaurant and bar one-cent tax increased 9.7 percent from fiscal year 2017. The chart below provides a historical summary by year of the City's two-percent sales tax collections.



Economic Development

The number of new single-family housing permits issued increased by 259, or 18 percent over the prior year. Total value of the new residential housing permits issued increased by 25 percent, from \$86 million in fiscal year 2017 to \$108 million in fiscal year 2018. The number of commercial building permits issued increased by 9 percent, with a total value increase of almost 7 times over the prior year. The overall building permits value was up 57 percent over the prior year.



Current and future new development within the City limits includes infrastructure and grading for 75 residential lots located in Phase 2 of Havasu Foothills, which has been completed, with 97 more lots expected to be completed by the end of 2019. The Window Rock development has been slow moving, but is now expected to start with infrastructure construction midway through 2019. Marine View Phase 1 of Havasu Riviera is expected to start, with infrastructure construction for 75 residential lots to be completed in 2019. Mass grading for Phase 2 of Havasu Riviera has started for 185 residential lots and is expected to start infrastructure construction in 2019. A new Marina, restaurant, and dry boat storage located in the Havasu Riviera project is expected to start construction in 2019, and will be completed in 2020. The 96-room Holiday Inn Express was completed in 2018 and developers are monitoring numbers which could lead to future hotel development. Lake Havasu Views is a four-story retirement complex that is under construction and will be finished in early 2019. Six storage complexes are in various stages of the development process and are expected to be completed in 2019. The Starbucks coffee building will be completed in 2019.

To further tourism, the City committed 75 percent of the proceeds from the additional three percent hotel/motel and one 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 2018 were \$1.7 million.

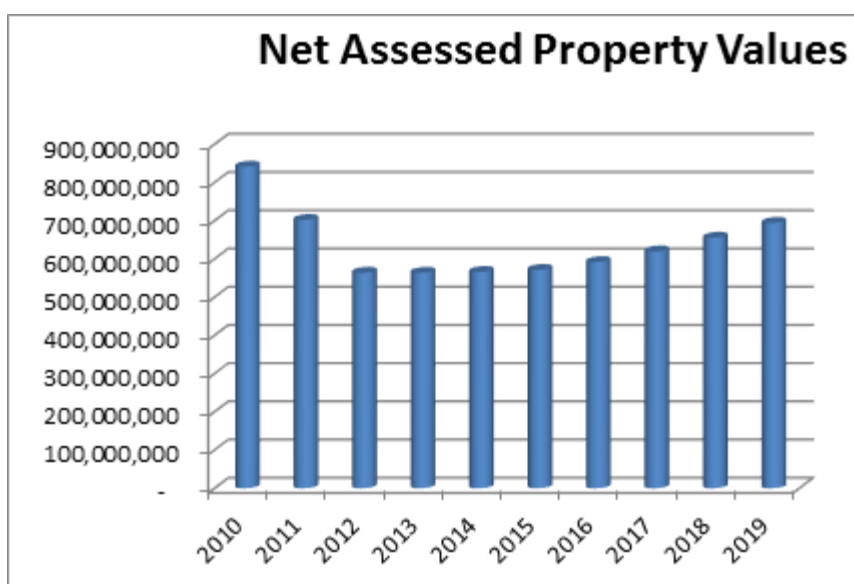
To further economic development in fiscal year 2018, the City contributed \$570,000 to the Partnership for Economic Development (PED), which is funded from the remaining 25 percent

of the additional three percent hotel/motel and one 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.

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 \$656 million in 2018, an increase of 5.7 percent and \$695 million in 2019, an increase of 6.0 percent. The City is statutorily allowed to set the primary property tax rate at a two percent annual growth in revenues plus new construction.

The 2019 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 2019 budget process, financial projections for fiscal year 2019 show continued signs of positive revenue growth, specifically in transaction privilege tax and property tax revenues. Locally, the unemployment rate at June 30, 2018 was 5.7 percent, which represents a slight decrease from the June 2017 rate of 5.9 percent.



Long-term Financial Planning

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

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

Major Initiatives and Accomplishments

The following highlights some of the accomplishments achieved by the City in fiscal year 2018:

Major Capital Projects 2018 Expenditures:

- Cypress Park Complex \$3.0 million – Opening of a new City park that includes multi-use fields, walking paths, seating areas, a restroom, and a playground.
- Wash Stabilization \$4.2 million – Multi-year project for improvement of the City's wash system functionality and safety. Wash stabilization includes expected reduction in maintenance and street clean-up after storms.
- Water Main Replacements \$1.5 million - Multi-year project of water main replacements in areas of main breaks and aged/poor pipes.
- Tank and Booster Replacements \$0.9 million – Multi-year project to update for the enhancement of service reliability, system redundancy, and lowering of operations and maintenance.
- Enterprise Resource Planning Implementation \$0.7 million – Multi-year project for the implementation and replacement of a 20-year-old software system.
- Havasu 280 Riviera and Contact Point State Park Project \$1.7 million – Multi-year project to install roadway to the Havasu Riviera.
- SARA Park Sports Complex \$0.6 million – Design Phase of the Sports Complex.



Cypress Park

2330 McCulloch Boulevard N. • Lake Havasu City, AZ 86403-5950

For the Future

Lake Havasu City's adopted fiscal year 2019 budget supports core services and the priorities and policy direction of the City Council. The combined capital and operating budget for the fiscal year beginning July 1, 2018 totals \$145 million, excluding depreciation. The challenges in balancing the budget include available resources in some of the funds and staying under the state-imposed expenditure limitation. The budget balances modest projected revenue increases with additional expenses in priority areas such as public safety retirement, compensation programs, and employee healthcare, including:

- 5.8 percent or \$260,000 increase in property tax revenue for new construction and holding the tax levy rate.
- 3.2 percent or \$760,000 increase in local sales tax revenue.
- 7.8 percent or \$500,000 increase in public safety retirement expenses, which is part of the pension reform designed to minimize future pension liabilities for sworn personnel hired on or after July 1, 2017.
- 5.9 percent or \$1.6 million to fully staff and continue the citywide merit step increase program.
- 8.2 percent or \$593,000 to address rising employee health care costs.

The 2019 capital budget includes new and/or continuing projects totaling \$26.4 million, including:

- Havasu Riviera Infrastructure - \$3.5 million
- Implementation of Enterprise Resource Planning (ERP) Software - \$1.7 million
- Rotary and London Bridge Park Improvements - \$1.6 million
- Street Improvements - \$4.5 million
- Water Conservation and Reuse Improvements - \$2.5 million
- Continuation of the Water Main Replacement Program and Tank and Booster Station Improvements - \$8.8 million
- Well Site Improvement - \$1.1 million

Fiscal year 2019 capital funding sources include traditional capital revenues, capital reserves, and grants.

The state-imposed 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. A long-term voter approved solution in the form of a Permanent Base Adjustment was placed on the primary election ballot in August 2018 as Proposition 409. The voters of Lake Havasu City voted to implement a \$5 million adjustment to the base, thus adjusting the base from \$4.7 million to \$9.7 million. Beginning in fiscal year 2020, the \$9.7 million will be used to set the City's expenditure limits. This will allow the City Council to set annual expenditures based on revenues.

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, 2017. GFOA recognizes governmental units that issue their CAFR substantially in conformity with Generally Accepted Accounting Principles (GAAP) and legal requirements. The City has received this award for its CAFR since 1986.

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

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

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

Respectfully submitted,



Jill Olsen
Administrative Services Director



Trinna Ware
Finance Division Manager, MBA



Government Finance Officers Association

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

Presented to

**Lake Havasu City
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

ORGANIZATIONAL CHART



CITIZENS OF LAKE HAVASU CITY

MAYOR & CITY COUNCIL

CITY ATTORNEY
KELLY GARRY

CITY MANAGER
JESS KNUDSON

MAGISTRATE
MITCHELL KALAU LI

ADMINISTRATIVE SERVICES
DIRECTOR
JILL OLSEN

CITY CLERK
KELLY WILLIAMS

COMMUNITY INVESTMENT
DIRECTOR
GREG FROSLIE

PARKS AND RECREATION
MANAGER
MIKE KEANE

FIRE CHIEF
BRIAN DAVIS

PUBLIC WORKS MANAGER
MARK CLARK

POLICE CHIEF
DAN DOYLE



CITY COUNCIL

Back row, pictured from left to right:

Cal Sheehy | Vice Mayor

Michele Lin | Councilmember

Gordon Groat | Councilmember

David Lane | Councilmember

Front row, pictured from left to right:

Jeni Coke | Councilmember

Mark S. Nexsen | Mayor

Donna McCoy | Councilmember



LAKE HAVASU CITY



2330 MCCULLOCH BLVD N.
LAKE HAVASU CITY, AZ 86403
(928) 855-2116 | LHCAZ.GOV



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, 2018, 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, 2018, 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.

Emphasis of a Matter

During the fiscal year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of GASBS No. 75, the City reported a restatement for the change in accounting principle (See Note 4.D). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 11, 2018, on our consideration of the Lake Havasu City, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lake Havasu City, Arizona's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Phoenix, Arizona
December 11, 2018

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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.

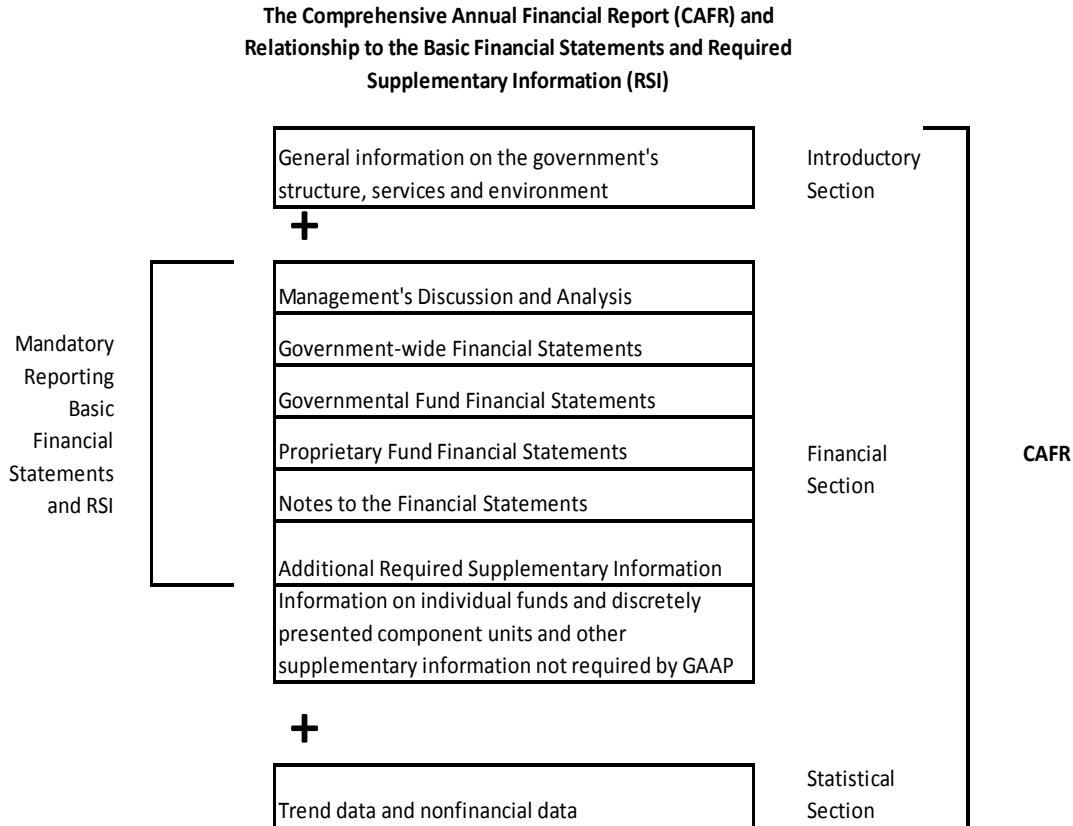
Financial Highlights

- 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 2018 by \$255 million (net position). Of this amount, \$22.4 million represents unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase in unrestricted net position of \$3.2 million from fiscal year 2017.
- As of June 30, 2018, the City's governmental funds had a combined ending fund balance of \$46.2 million, an increase of \$1.4 million (3.1 percent) in comparison with the prior fiscal year. The increase in fund balance was primarily the result of issuance of \$12.6 million excise tax revenue bonds used to finance the Public Safety Personnel Retirement System (PSPRS) pension contribution costs for fiscal year 2018 and 2019. The bond proceeds were a \$1.3 million increase over the previous year's \$11.3 million bond proceeds.
- At the close of the fiscal year, the General Fund had an ending fund balance of \$39.5 million, which represents a \$.6 million increase from the prior fiscal year. Of that amount, unassigned fund balance for the General Fund was \$27.4 million or 46.0 percent of the total General Fund expenditures of \$59.5 million.
- The City's total liabilities increased by \$2.9 million to \$385.0 million during the fiscal year. This increase is the net of an increase of \$6.5 million in the Governmental Activities and a decrease of \$3.6 million in the Business-Type Activities. The increase is due primarily to the increase in the unfunded pension liability of \$7.0 million. The decrease in Business-Type Activities liabilities is primarily from repayment of long-term debt in the amount of \$4.9 million.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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).

LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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.

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), 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.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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.

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 - 93 of this report. The supplemental schedule of changes in long-term debt provides a comprehensive overview of the City's total debt and can be found on pages 73 - 74.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and the progress in funding other postemployment benefits for eligible city employees hired before July 1, 2004. Required supplementary information can be found on pages 94 - 100 of this report.

Combining Statements. The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental and enterprise funds are presented on pages 101 - 109 of this report.

Statistical Information. The statistical section, found on pages 110 - 156, presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information indicates about the City's overall financial health.

Government-wide Financial Analysis

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

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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 \$255 million at the close of fiscal year 2018 and \$252 million at the close of fiscal year 2017, restated.

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, 2018 and 2017
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2018	2017, Restated	2018	2017, Restated	2018	2017, Restated	
Current and Other Assets	\$ 51,333	\$ 49,350	\$ 89,884	\$ 86,815	\$ 141,217	\$ 136,165	3.7 %
Capital Assets							
Non-depreciable	31,229	33,232	15,760	16,778	46,989	50,010	(6.0)
Depreciable	70,256	66,907	366,222	368,122	436,478	435,029	0.3
Total Assets	152,818	149,489	471,866	471,715	624,684	621,204	
Deferred Outflows of Resources	19,295	18,555	1,041	1,117	20,336	19,672	3.4
Other Liabilities	4,763	6,067	9,213	8,084	13,976	14,151	(1.2)
Non-current Liabilities							
Due Within One Year	10,668	5,827	5,328	4,921	15,996	10,748	48.8
Due in More Than One Year	108,527	105,597	246,554	251,707	355,081	357,304	(0.6)
Total Liabilities	123,958	117,491	261,095	264,712	385,053	382,203	
Deferred Inflows of Resources	3,100	4,164	2,057	2,464	5,157	6,628	(22.2)
Net Positions:							
Net Investment in Capital Assets	85,407	88,995	140,976	139,060	226,383	228,055	(0.7)
Restricted	5,990	4,798	21	-	6,011	4,798	25.3
Unrestricted	(46,342)	(47,404)	68,758	66,596	22,416	19,192	16.8
Total Net Positions	\$ 45,055	\$ 46,389	\$ 209,755	\$ 205,656	\$ 254,810	\$ 252,045	

LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The largest portion of the City's net position in fiscal year 2018 and fiscal year 2017, \$226.4 million (88.9 percent) and \$228.1 million (90.5 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 \$6.0 million (2.3 percent) in fiscal year 2018, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$22.4 million (8.8 percent) may be used to meet the government's ongoing obligations to citizens and creditors. In fiscal year 2017, \$4.8 million (1.9 percent) of the City's net position was subject to external restrictions and \$19.2 million (7.6 percent) was available to be used to meet the government's ongoing obligations to citizens and creditors.

Analysis of Changes in Net Position

The City restated fiscal year 2017 net position for both governmental and business type activities due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. More information on these adjustments can be found in Note 1 on page 52 and Note 4.D. on page 76 of this report.

Total revenues exceeded total expenses in the current year, resulting in an increase in the City's total net position of \$2.8 million in fiscal year 2018 compared to a decrease in net position of \$3.5 million during fiscal year 2017. These changes are explained in the government and business-type activities discussion.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

**Statement of Activities
Fiscal Years Ended June 30, 2018 and 2017
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2018	2017	2018	2017	2018	2017	
REVENUES							
Program Revenues:							
Charges for Services	\$ 5,491	\$ 5,142	\$ 41,244	\$ 39,850	\$ 46,735	\$ 44,992	3.9 %
Operating Grants and Contributions	7,163	7,634	-	46	7,163	7,680	(6.7)
Capital Grants and Contributions	223	14	3,704	3,981	3,927	3,995	(1.7)
General Revenues:							
Property Taxes	4,510	4,405	5,702	5,701	10,212	10,106	1.0
Business Taxes	23,510	21,751	8	-	23,518	21,751	8.1
Other Taxes and State Shared Revenues	17,144	16,588	-	-	17,144	16,588	3.3
Investment Earnings	159	114	194	70	353	184	91.8
Gain (Loss) on Disposal of Capital Assets	-	-	(92)	25	(92)	25	(468.2)
Total Revenues	<u>58,200</u>	<u>55,648</u>	<u>50,760</u>	<u>49,673</u>	<u>108,960</u>	<u>105,321</u>	
EXPENSES							
General Government	15,966	16,509	-	-	15,966	16,509	(3.3)
Public Safety	32,535	35,730	-	-	32,535	35,730	(8.9)
Highways and Streets	5,986	6,528	-	-	5,986	6,528	(8.3)
Culture and Recreation	3,395	3,211	-	-	3,395	3,211	5.7
Tourism and Promotion	2,264	2,012	-	-	2,264	2,012	12.5
Transportation	724	650	-	-	724	650	11.4
Interest on Long-term Debt	377	336	-	-	377	336	12.3
Refuse	-	-	5,825	5,580	5,825	5,580	4.4
Irrigation and Drainage	-	-	12,388	10,873	12,388	10,873	13.9
Wastewater	-	-	25,176	26,012	25,176	26,012	(3.2)
Airport	-	-	1,559	1,425	1,559	1,425	9.4
Total Expenses	<u>61,247</u>	<u>64,976</u>	<u>44,948</u>	<u>43,890</u>	<u>106,195</u>	<u>108,866</u>	
CHANGE IN NET POSITIONS BEFORE TRANSFERS	(3,047)	(9,328)	5,812	5,783	2,765	(3,545)	(178.0)
Transfers	1,712	2,044	(1,712)	(2,044)	-	-	
CHANGE IN NET POSITIONS	(1,335)	(7,284)	4,100	3,739	2,765	(3,545)	
Net Positions - Beginning of Year	46,389	60,164	205,656	203,879	252,045	264,043	(4.5)
Net Effect of Restatements	-	(6,491)	-	(1,962)	-	(8,453)	
NET POSITIONS - BEGINNING	<u>46,389</u>	<u>53,673</u>	<u>205,656</u>	<u>201,917</u>	<u>252,045</u>	<u>255,590</u>	
NET POSITIONS - END OF YEAR	<u>\$ 45,055</u>	<u>\$ 46,389</u>	<u>\$ 209,755</u>	<u>\$ 205,656</u>	<u>\$ 254,810</u>	<u>\$ 252,045</u>	

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Governmental Activities. When compared to beginning balance, Governmental activities decreased the City's net position by \$1.3 million (2.9 percent) in fiscal year 2018 and decreased the City's net position by \$7.3 million in fiscal year 2017.

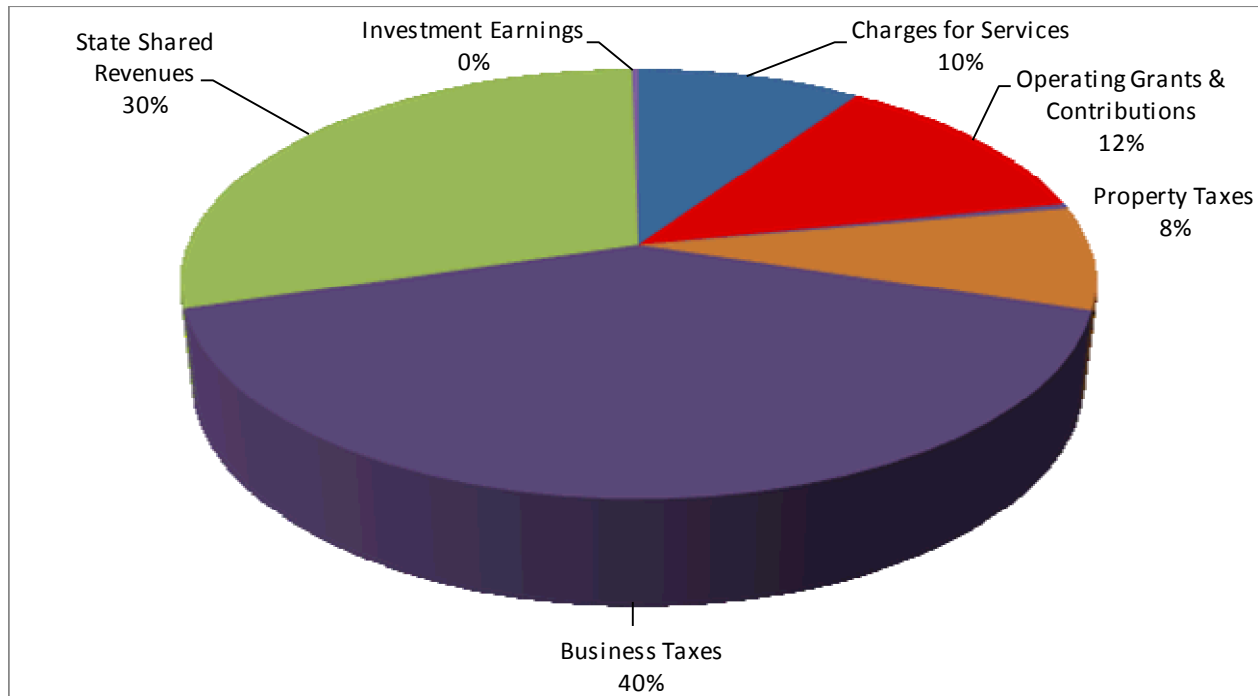
Total revenue for Governmental activities increased \$2.6 million (4.6 percent) over the previous fiscal year. Program revenues represent fees and charges on those who directly benefit from these fee-based programs, such as permit and inspection fees, and charges for recreation and aquatic classes and 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 use taxes. Business tax revenue increased \$1.8 million (8.1 percent) over the previous fiscal year. Retail sales tax increased by 13.0 percent, hotel and other lodging increased 14.0 percent and restaurant and bar sales tax increased 12.2 percent. These increases are attributed to an improving economy and tourism.
- Other taxes and state shared revenues increased by \$555,803 (3.4 percent) from the previous fiscal year. The state shared revenues in this category were up \$658,062 (4.5 percent). Franchise taxes are included in this category and decreased by \$102,259 (5.1 percent).
- Operating grants and contributions revenues decreased \$470,743 (6.2 percent). HURF revenues in this category increased \$114,332 (2.3 percent). Housing grants and public safety grants decreased \$169,178 (39.5 percent) and \$113,382 (15.0 percent), respectively.
- Charges for services including fees and fines increased by \$348,620 (6.8 percent) from the previous fiscal year. This increase is primarily due to building and development fees.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

**Governmental Activities Revenues
Fiscal Year 2017-18**



Total expenses for Governmental activities decreased by \$3.7 million (5.7 percent) over the previous fiscal year to \$61.2 million. Notable changes in expenditures are:

- Public Safety, which is comprised of the Police and Fire Departments, is the largest governmental expense function (53.1 percent). Public Safety operating expenses increased by (2.5 percent) in 2018. In total, Public Safety expenses decreased \$3.2 million (8.9 percent) over the previous year. The decrease is due to adjustments in accounting for pension costs of \$1.1 million and 2017 reflected a one-time payment 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 (26.1 percent). General Government includes Maintenance Services, Municipal Court, Operations, Community Investment (Building and Planning Groups), and the City Administrative Departments. General Government decreased \$542,806 (3.3 percent) over the previous year.
- Highways and Streets decreased \$541,701 (8.3 percent) over the previous fiscal year.
- Tourism and Promotion increased \$251,690 (12.5 percent). This expense is supported and is directly tied to the additional 1% restaurant and bar and 3% accommodation sales tax. The taxes are paid to the Lake Havasu Partnership for Economic Development (PED) and the Lake Havasu Convention and Visitors Bureau (CVB) to support economic growth and tourism.

LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Business-Type Activities. Business-type activities increased the City's net position in fiscal year 2018 by \$4.1 million (2.0 percent) bringing the total net position to \$209.8 million and increased the City's net position in fiscal year 2017 by \$3.7 million.

Total revenue for Business-type activities increased by \$1.1 million (2.2 percent). The increase is from charges for services which increased by \$1.4 million (3.5 percent) this fiscal year.

- Water fees, fines, and charges for services in the Irrigation and Drainage fund increased by \$1.2 million (11.7 percent) over the previous fiscal year, which was driven by higher water consumption.
- Wastewater fees, fines, and charges for services decreased by \$285,118 (1.3 percent). As a general trend, water conservation measures have limited revenue growth in wastewater charges for service. The City uses a winter quarter averaging to calculate sewer charges. Three of the four lowest winter months' sewer consumption is used to establish customer's bills for the year. Residents and businesses have become more aware of the impact of water use during those months on the sewer bill for the rest of the year.
- Refuse charges for services increased by \$419,000 (6.9 percent). This is due to a new contract with a sanitation service provider, which has increased landfill revenues to the City.

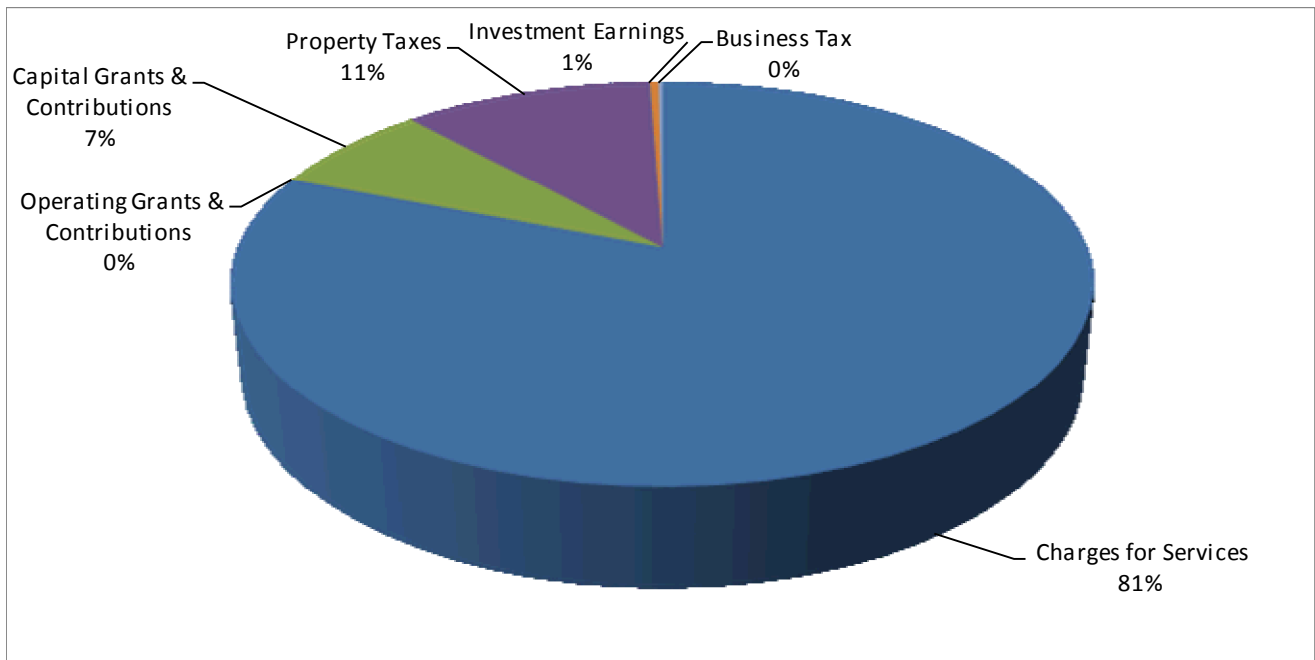
Total expenses for Business-type activities increased by \$1.1 million (2.4 percent) over the previous fiscal year. Significant changes in expenses include:

- Expenses in the Irrigation Drainage Fund increased \$1.5 million (13.9 percent) this fiscal year. The increase was driven by capital infrastructure projects, which includes water main replacements and tank and booster improvements.
- Expenses in the Wastewater Fund decreased by \$836,601 (3.2 percent) this fiscal year. This decrease is the result of a \$1.4 million reduction in transfer to fixed assets.
- Expenses increased in the Refuse Fund by \$245,272 (4.4 percent) over the prior fiscal year. The collection of residential trash is contracted out to a third party based on the number of trash accounts billed by the City. The increase in expense is primarily due to a new contract which increased the amount the City pays to the contractor for the collection of trash.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

As shown in the “Business-type Activities Revenues by Source” chart, charges for services provided the largest share of revenues (81 percent) followed by property taxes (11 percent).

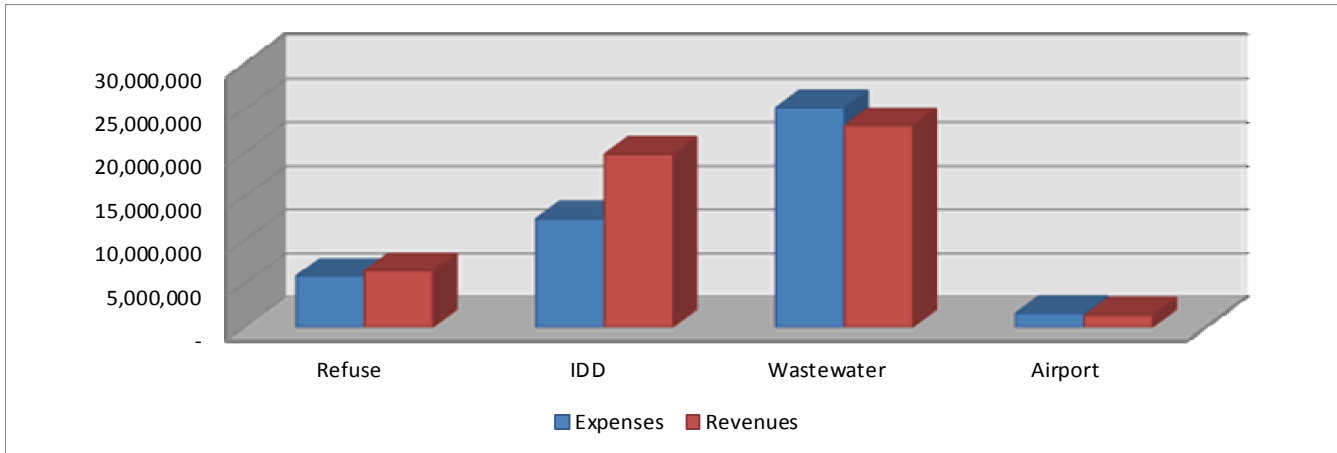
**Business-type Activities Revenues by Source
Fiscal Year 2017-18**



**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

As shown in the “Business-type Activities Program Revenues and Expenses” chart below, the largest of Lake Havasu City’s business-type activities, Wastewater, had program expenses of \$25.2 million in fiscal year 2018, followed by Irrigation and Drainage (IDD) with \$12.4 million.

**Business-type Activities Program Revenues and Expenses
Fiscal Year 2017-18**



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

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

Financial Analysis of Lake Havasu City’s Funds

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

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

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

As of the end of fiscal year 2018, the City's governmental funds reported combined ending fund balances of \$46.2 million, an increase of \$1.4 million (3.1 percent) in comparison with fiscal year 2017 fund balance of \$44.8 million. The majority of the fund balance in the amount of \$27.4 million (59.2 percent) is unassigned fund balance and is available for use at the government's discretion. Approximately \$5.6 million (12.1 percent) is restricted in its use by externally enforceable limitations. Approximately \$3.9 million (8.5 percent) is assigned for use by management for specifically identified uses. The amount of \$28,614 (0.1 percent) is committed by Council action. The remaining of \$9.3 million (20.1 percent) is nonspendable; the portion of net resources that cannot be spent because of their form (inventory, prepaid expenses).

The General Fund is the chief operating fund of the City. At the end of fiscal year 2018 the total fund balance of the General Fund reached \$39.5 million which is a 1.5 percent increase from the prior year. The nonspendable portion of the fund balance is \$9.2 million (23.4 percent), reflecting inventory and prepaid expenses. The restricted portion of the fund balance is \$140,783 (0.4 percent). The committed portion of the fund balance is \$28,614 (0.1 percent). The portion that is assigned is \$2.7 million (6.8 percent), and the unassigned fund balance is \$27.4 million (69.4 percent), which is available for use at the City's discretion. At the end of fiscal year 2017, total fund balance reached \$38.9 million. Of that fund balance, \$227,087 (0.6 percent) was nonspendable, \$108,473 (0.3 percent) was restricted, committed was \$58,712 (0.2 percent), \$7.5 million (19.2 percent) was assigned, and \$31.0 million (79.8 percent) was unassigned.

The fund balance of the City's General Fund increased \$580,777 (1.5 percent) during fiscal year 2018. Key factors for this increase are:

- Overall total revenues in fiscal year 2018 reflected an increase of \$2.7 million (5.5 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 \$1.8 million (8.1 percent) in fiscal year 2018 compared to fiscal year 2017. The increase in sales tax revenue is a result of growth in the economy.
- License and permits increased \$521,910 (24.7 percent) and intergovernmental revenue increased \$582,452 (3.8 percent) in fiscal year 2018 compared to fiscal year 2017.
- All other major revenues only showed slight changes. Property tax, charges for services, rents and royalties, and investment earnings increased while franchise tax, fines and forfeitures, and contributions and donations decreased.
- General Fund expenditures reflected an increase of \$9.3 million (18.4 percent) in fiscal year 2018. General Government increased \$0.6 million (3.6 percent), Public Safety increased \$517,197 (1.9 percent), and Culture and Recreation increased by \$781,642 (23.8 percent). The \$7.0 million increase in debt service in the General Fund is a result of 2017 debt issued. The Public Safety increase is primarily due to personnel increases from annual merit pay increases.

LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The HURF Fund, which accounts for the City's highway and street activities, had a net increase in fund balance of \$761,252 (18.0 percent) in fiscal year 2018. Total revenues increased \$119,331 (2.4 percent) primarily due to an increase in gasoline tax revenues received from the Arizona Department of Revenue. Total expenditures decreased by \$473,035 (9.5 percent). Contracted services decreased by \$428,052 over the prior year. Payroll expenses decreased by \$82,914.

The Capital Projects Fund had an increase in fund balance of \$179,242 (22.8 percent) as compared to fiscal year 2017. 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 2018 and 2017, the unrestricted net position for the Irrigation Drainage District Fund was \$37.1 million and \$37.1 million, respectively; the Wastewater Fund was \$29.8 million and \$29.7 million, respectively; the Refuse Fund was \$2.0 million and \$1.9 million, respectively; the Total Nonmajor was (\$123,404) and (\$165,272), respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. General Fund revenues for fiscal year 2018 were \$1.5 million more than projected. The most significant differences between final estimated revenues and actual revenues were as follows (in thousands):

Revenue Source	Actual Revenues	Estimated Revenues	Difference
Taxes	\$ 29,863	\$ 29,188	\$ 675
Licenses and Permits	2,631	1,978	653
Intergovernmental Revenues	15,812	15,502	310

The increase in taxes was a result of transaction privilege taxes exceeding projection due to the positive local economy. The increased revenue in license and permits was caused by a higher number of building permits issued than projected. Increased intergovernmental revenues was state shared funds higher than projected, also the result of the positive local economy.

Expenditures were \$7.4 million less than revised fiscal year 2018 budget largely due to the following:

- Estimated principal payments on the new debt issued to prepay the 2018 and 2019 public safety pension expense were less than projected. The first debt payment was projected to be in fiscal year 2018, but was not due until fiscal year 2019.
- IT expenses in Administrative Services were less than projected due to the delay of the ERP Implementation, and IT maintenance agreements were less than anticipated.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018 and 2017, totaled to \$483.5 million and \$485.0 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 2018 and 2017 was a decrease of 0.3 percent.

**Capital Assets, Net of Depreciation
June 30, 2018 and 2017
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2018	2017	2018	2017	2018	2017	
Land	\$ 28,805	\$ 28,805	\$ 3,298	\$ 3,298	\$ 32,103	\$ 32,104	(0.0)%
Improvements to Land	14,222	10,574	-	-	14,222	10,574	34.5
Buildings, Structures and Improvements	18,674	19,854	18,166	18,721	36,841	38,576	(4.5)
Other Improvements	-	-	341,369	344,545	341,369	344,545	(0.9)
Equipment, Furniture & Fixtures	8,090	5,679	3,382	2,901	11,472	8,579	33.7
Construction in progress	2,423	4,426	5,054	6,233	7,476	10,660	(29.9)
Infrastructure	29,271	30,800	1,411	-	30,682	30,800	(0.4)
Water Allocation Rights	-	-	9,302	9,200	9,302	9,200	1.1
Total Capital Assets	<u>\$ 101,485</u>	<u>\$ 100,139</u>	<u>\$ 381,982</u>	<u>\$ 384,900</u>	<u>\$ 483,467</u>	<u>\$ 485,039</u>	

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

- The stabilization and critical bank repairs along Havasupai wash totaled \$4.2 million in 2018 with the project continuing from fiscal year 2017. The total project cost was \$5.4 million.
- Park additions: \$3.1 million on a new park. Additional park improvements of \$680,090.
- Installation of police communication system. A multi-year project with \$504,040 in 2018. The total project was \$3.1 million.

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 2018, the City had total bonded debt and loans outstanding of \$252.8 million, a decrease of \$1.2 million (0.5 percent). At the end of fiscal year 2017 the bonded debt totaled \$254.0 million. Of the fiscal year 2018 total bonded debt, \$65.6 million is general obligation bonds backed by the full faith and credit of the government, \$1.3 million is excise tax revenue bonds for the Freedom Bridge, \$12.6 million is excise tax revenue bonds for PSPRS contributions, \$98.3 million is revenue bonds pledging wastewater revenues for repayment, and \$61.9 million is in the form of loans from WIFA for loans associated with the water and wastewater systems.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

State statutes impose debt limitations on the City of 6 percent and 20 percent of the outstanding limited property assessed valuation of the City. The City's available debt margin at June 30, 2018, is \$39.3 million in the 6 percent capacity and \$6.3 million in the 20 percent capacity. In fiscal year 2017, the 6 percent capacity limit was \$39.3 million and \$0 million in the 20 percent capacity limit. Additional information on the debt limitations and capacities may be found in the statistical section of this report.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the City's proportionate share of its unfunded pension liabilities for pension plans in which it participates is also included in its outstanding long-term liabilities. The City's net pension liabilities at the end of fiscal years 2018 and 2017 were \$93.8 million and \$87.0 million, respectively. Additional information on the City's pensions can be found on pages 77 - 89.

In 2018, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, the City must also include other postemployment benefits in which it provides in its outstanding long-term liabilities. The City's other postemployment benefits at the end of fiscal year 2018 was \$14.3 million.

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

**Outstanding Obligations
June 30, 2018 and 2017
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2018	2017	2018	2017	2018	2017	
General Obligation Bonds	\$ -	\$ -	\$ 65,645	\$ 67,625	\$ 65,645	\$ 67,625	(2.9)
Revenue Bonds	12,614	9,038	98,300	99,022	110,914	108,060	2.6
Bond Premium	-	-	13,052	13,655	13,052	13,655	(4.4)
GADA Loan Payable	1,260	1,440	-	-	1,260	1,440	(12.5)
WIFA Loans Payable	-	-	61,969	63,222	61,969	63,222	(2.0)
Capital Leases	3,626	6,706	-	341	3,626	7,047	(48.5)
Compensated Absences	2,713	2,560	317	289	3,030	2,849	6.3
Landfill Closure and Postclosure Costs	-	-	3,343	3,211	3,343	3,211	4.1
Other Postemployment Benefits	10,990	10,780	3,322	3,213	14,312	13,993	2.3
Total Long-term Liabilities	\$ 31,203	\$ 30,524	\$ 245,948	\$ 250,578	\$ 277,151	\$ 281,102	

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Economic Factors and Next Year's Budgets and Rates

As noted in the above discussion and analysis, the financial results for the year ended June 30, 2018 continue to reflect positive trends in the local economy. The improvements in property tax, sales tax and certain growth-related revenues are projected to continue for fiscal year 2019 but at a slower pace, and combined with ongoing diligent management of City expenses, should result in the City again meeting our fund balance goals. Through these budget plans, City management and staff remain committed to providing Lake Havasu City citizens a high quality of service at a reasonable cost.

Highlights of the City's budget for the 2019 fiscal year include the following:

The 2019 combined budgets for operating and capital programs totals \$144.6 million, representing a \$3 million or 2.1 percent increase over the 2018 combined budget.

The primary revenue source, local tax, is budgeted at \$36.6 million, an increase of \$1.7 million, or 4.9 percent over the 2018 budget.

Utility rates remain unchanged, the budget for utilities increased 1.5 percent from \$39.8 million to \$40.4 million for the 2019 budget year. This increase is attributed to growth and water usage.

The 2019 capital budget includes new and/or continuing projects totaling \$26.4 million, including projects for roads, parks, utilities and general public facilities.

All of these factors were considered in preparing the City's budget for the 2018-19 fiscal year.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS



LAKE HAVASU CITY

LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 36,633,915	\$ 66,177,454	\$ 102,811,369
Restricted Cash	2,110,186	14,989,677	17,099,863
Receivables, Net			
Accounts Receivable	583,788	4,437,968	5,021,756
Property Taxes Receivable	54,000	147,456	201,456
Intergovernmental Receivable	2,252,349	2,898,360	5,150,709
Accrued Interest Receivable	79,842	173,567	253,409
Inventories	119,161	-	119,161
Prepaid Items	9,175,423	153,870	9,329,293
Other Assets	-	884,349	884,349
Net Pension OPEB Asset	323,962	20,929	344,891
Capital Assets:			
Non-Depreciable	31,228,508	15,760,019	46,988,527
Depreciable	70,256,427	366,222,358	436,478,785
Total Assets	<u>152,817,561</u>	<u>471,866,007</u>	<u>624,683,568</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension Liability	18,652,583	859,827	19,512,410
Deferred Outflows of Resources - Pension OPEB Liability	94,477	21,413	115,890
Deferred Outflows of Resources - OPEB Liability	547,857	159,618	707,475
Total Deferred Outflows of Resources	<u>19,294,917</u>	<u>1,040,858</u>	<u>20,335,775</u>
LIABILITIES			
Accounts Payable	2,179,087	2,982,843	5,161,930
Accrued Salaries and Fringes	1,554,304	187,739	1,742,043
Accrued Interest Payable	217,433	4,642,533	4,859,966
Intergovernmental Payable	294,394	146,762	441,156
Retainage Payable	216,150	420,235	636,385
Unearned Revenue	27,787	233,953	261,740
Performance Bonds Payable	265,472	-	265,472
Liabilities Payable from Restricted Assets	7,877	598,360	606,237
Noncurrent Liabilities			
Due Within One Year	10,667,942	5,327,996	15,995,938
Due in More Than One Year	108,527,374	246,554,074	355,081,448
Total Liabilities	<u>123,957,820</u>	<u>261,094,495</u>	<u>385,052,315</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Pension Liability	2,472,134	354,559	2,826,693
Deferred Inflows of Resources - Pension OPEB Liability	243,631	25,659	269,290
Deferred Inflows of Resources - OPEB Liability	384,105	57,395	441,500
Deferred Inflows of Resources - Bond Refinancing	-	1,619,387	1,619,387
Total Deferred Inflows of Resources	<u>3,099,870</u>	<u>2,057,000</u>	<u>5,156,870</u>
NET POSITIONS			
Net Investment in Capital Assets	85,407,317	140,976,250	226,383,567
Restricted for:			
Public Safety	274,977	-	274,977
Highways and Streets	5,001,461	-	5,001,461
OPEB Benefits	323,962	20,929	344,891
Other Purposes	389,875	-	389,875
Unrestricted	(46,342,804)	68,758,191	22,415,387
Total Net Positions	<u>\$ 45,054,788</u>	<u>\$ 209,755,370</u>	<u>\$ 254,810,158</u>

See accompanying Notes to Financial Statements.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

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	\$ 15,966,111	\$ 4,109,375	\$ 1,011,568	\$ 223,288
Public Safety	32,534,876	394,571	645,615	-
Highways and Streets	5,986,275	14,847	5,095,411	-
Culture and Recreation	3,394,900	954,783	29,811	-
Tourism and Promotion	2,263,539	-	-	-
Transportation Services	723,931	17,094	381,078	-
Interest on Long-term Debt	377,281	-	-	-
Total Governmental Activities	61,246,913	5,490,670	7,163,483	223,288
Business-Type Activities:				
Refuse	5,824,942	6,451,980	-	-
Irrigation and Drainage	12,388,033	11,941,916	-	2,025,728
Wastewater	25,175,765	22,334,847	-	793,826
Airport	1,558,591	515,049	-	884,157
Total Business-Type Activities	44,947,331	41,243,792	-	3,703,711
Total Primary Government	<u>\$ 106,194,244</u>	<u>\$ 46,734,462</u>	<u>\$ 7,163,483</u>	<u>\$ 3,926,999</u>
General Revenues:				
Taxes				
Sales Taxes				
Property Taxes				
Franchise Taxes				
Unrestricted State Revenue Sharing				
Unrestricted State Sales Tax Revenue Sharing				
Unrestricted Auto Lieu Tax Revenue Sharing				
Investment Earnings				
Loss on Disposal of Capital Assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Positions - Beginning, as Restated				
Net Positions - Ending				

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (10,621,880)	\$ -	\$ (10,621,880)
(31,494,690)	-	(31,494,690)
(876,017)	-	(876,017)
(2,410,306)	-	(2,410,306)
(2,263,539)	-	(2,263,539)
(325,759)	-	(325,759)
(377,281)	-	(377,281)
<u>(48,369,472)</u>	<u>-</u>	<u>(48,369,472)</u>
-	627,038	627,038
-	1,579,611	1,579,611
-	(2,047,092)	(2,047,092)
-	(159,385)	(159,385)
<u>-</u>	<u>172</u>	<u>172</u>
<u>(48,369,472)</u>	<u>172</u>	<u>(48,369,300)</u>
23,510,466	7,918	23,518,384
4,509,789	5,702,082	10,211,871
1,915,660	-	1,915,660
6,656,582	-	6,656,582
5,167,905	-	5,167,905
3,403,444	-	3,403,444
158,966	194,013	352,979
-	(92,046)	(92,046)
1,712,401	(1,712,401)	-
<u>47,035,213</u>	<u>4,099,566</u>	<u>51,134,779</u>
<u>(1,334,259)</u>	<u>4,099,738</u>	<u>2,765,479</u>
<u>46,389,047</u>	<u>205,655,632</u>	<u>252,044,679</u>
<u>\$ 45,054,788</u>	<u>\$ 209,755,370</u>	<u>\$ 254,810,158</u>

**LAKE HAVASU CITY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	HURF	Capital Projects	Nonmajor Funds
Assets				
Cash and Investments	\$ 29,212,635	\$ 4,577,075	\$ 2,148,426	\$ 695,779
Restricted Cash	1,976,522	-	-	133,664
Receivables				
Accounts Receivable	580,169	-	-	3,619
Taxes Receivable	53,442	-	-	558
Intergovernmental Receivable	1,566,278	468,254	-	217,817
Interest Receivable	60,694	9,185	9,180	783
Due from Other Funds	210,354	-	-	-
Inventories	119,161	-	-	-
Prepaid Items	9,105,670	69,753	-	-
Total Assets	<u>\$ 42,884,925</u>	<u>\$ 5,124,267</u>	<u>\$ 2,157,606</u>	<u>\$ 1,052,220</u>
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 1,122,175	\$ 26,458	\$ 1,029,643	\$ 811
Accrued Wages and Benefits	1,504,185	42,649	-	7,470
Interest Payable	217,433	-	-	-
Intergovernmental Payable	294,394	-	-	-
Due to Other Funds	-	-	-	210,354
Unearned Revenue	21,887	-	-	5,900
Retainage Payable	-	53,699	162,451	-
Performance Bonds Payable	265,472	-	-	-
Liabilities Payable from Restricted Assets	7,877	-	-	-
Total Liabilities	<u>3,433,423</u>	<u>122,806</u>	<u>1,192,094</u>	<u>224,535</u>
Fund Balances				
Nonspendable	9,224,831	69,753	-	-
Restricted	140,783	4,931,708	-	524,069
Committed	28,614	-	-	-
Assigned	2,680,187	-	965,512	303,616
Unassigned	27,377,087	-	-	-
Total Fund Balance	<u>39,451,502</u>	<u>5,001,461</u>	<u>965,512</u>	<u>827,685</u>
Total Liabilities and Fund Balance	<u>\$ 42,884,925</u>	<u>\$ 5,124,267</u>	<u>\$ 2,157,606</u>	<u>\$ 1,052,220</u>

See accompanying Notes to Financial Statements.

Totals

\$	36,633,915
	2,110,186
	583,788
	54,000
	2,252,349
	79,842
	210,354
	119,161
	9,175,423
\$	<u>51,219,018</u>

\$	2,179,087
	1,554,304
	217,433
	294,394
	210,354
	27,787
	216,150
	265,472
	7,877
	<u>4,972,858</u>

	9,294,584
	5,596,560
	28,614
	3,949,315
	<u>27,377,087</u>
	<u>46,246,160</u>

\$	<u>51,219,018</u>
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LAKE HAVASU CITY

LAKE HAVASU CITY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balances for Governmental Funds	\$ 46,246,160
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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	211,337,737
Less Accumulated Depreciation	(109,852,802)
Capital Assets Used in Governmental Activities	101,484,935

Net pension OPEB assets are not current financial resources and therefore are not reported in the governmental funds.	323,962
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Deferred outflows relating to deferred amounts on pensions and OPEB are not financial resources; therefore are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	18,652,583
Deferred Outflows of Resources Related to Pension OPEB	94,477
Deferred Outflows of Resources Related to OPEB	547,857

Deferred inflows relating to pensions and OPEB represent a future acquisition of net position that is not reported in the funds.

Deferred Inflows of Resources Related to Pensions	(2,472,134)
Deferred Inflows of Resources Related to Pension OPEB	(243,631)
Deferred Inflows of Resources Related to OPEB	(384,105)

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	(1,260,000)
Revenue Bonds	(12,614,000)
Capital Leases	(3,626,109)
Compensated Absences	(2,713,032)
Other Postemployment Benefits	(10,989,389)
Net Pension OPEB Liability	(78,774)
Net Pension Liability	(87,914,012)

Total Net Position of Governmental Activities	\$ 45,054,788
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LAKE HAVASU CITY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>HURF</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>
Revenue				
Taxes				
Sales Taxes	\$ 23,510,466	\$ -	\$ -	\$ -
Property Taxes	4,436,925	-	-	72,864
Franchise Taxes	1,915,660	-	-	-
Intergovernmental Revenue	15,811,588	5,095,411	-	1,425,271
Fines and Forfeitures	1,233,252	-	-	69,348
Licenses and Permits	2,631,312	-	-	-
Charges for Services	1,257,008	-	-	-
Rents and Royalties	100,130	-	-	-
Contributions and Donations	59,144	-	206,680	-
Investment Earnings	138,987	9,379	10,024	576
Other	182,055	1,353	13,494	2,718
Total Revenue	<u>51,276,527</u>	<u>5,106,143</u>	<u>230,198</u>	<u>1,570,777</u>
Expenditures				
Current				
General Government	15,812,082	-	-	474,429
Public Safety	27,495,972	-	-	652,457
Highways and Streets	-	4,503,401	-	-
Culture and Recreation	4,069,418	-	-	-
Tourism and Promotion	2,263,539	-	-	-
Transportation Services	289,066	-	-	381,126
Debt Service				
Principal Retirement	9,217,626	-	-	-
Interest on Long-Term Debt	266,211	-	-	-
Issuance Costs	111,070	-	-	-
Capital Outlay	-	-	5,565,035	-
Total Expenditures	<u>59,524,984</u>	<u>4,503,401</u>	<u>5,565,035</u>	<u>1,508,012</u>
Excess (Deficiency) of Revenue Over Expenditures	(8,248,457)	602,742	(5,334,837)	62,765
Other Financing Sources (Uses)				
Transfers In	1,675,422	158,510	5,514,079	-
Transfers Out	(5,460,188)	-	-	(175,422)
Issuance of Long-Term Debt	12,614,000	-	-	-
Total Other Financing Sources (Uses)	<u>8,829,234</u>	<u>158,510</u>	<u>5,514,079</u>	<u>(175,422)</u>
Net Change in Fund Balance	580,777	761,252	179,242	(112,657)
Fund Balance				
Beginning of Year	38,870,725	4,240,209	786,270	940,342
End of Year	<u>\$ 39,451,502</u>	<u>\$ 5,001,461</u>	<u>\$ 965,512</u>	<u>\$ 827,685</u>

See accompanying Notes to Financial Statements.

Totals

\$	23,510,466
	4,509,789
	1,915,660
	22,332,270
	1,302,600
	2,631,312
	1,257,008
	100,130
	265,824
	158,966
	199,620
	<u>58,183,645</u>

16,286,511
28,148,429
4,503,401
4,069,418
2,263,539
670,192

9,217,626
266,211
111,070

5,565,035
<u>71,101,432</u>

(12,917,787)

7,348,011
(5,635,610)
<u>12,614,000</u>

<u>14,326,401</u>

1,408,614

44,837,546

<u>\$ 46,246,160</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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 1,408,614
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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	5,763,395
Less Current Year Depreciation	(4,433,395)
Excess Capital Expenditures Over Depreciation	1,330,000

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, and donations) to decrease net position.	16,231
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position.

Principal Payments on Long-term Debt	12,297,125
Proceeds from Debt	(12,614,000)

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	(152,596)
OPEB Expense	(45,331)
OPEB Pension Expense	(75,755)
Decrease in Claims and Judgements Payable (PSPRS)	1,632,591
Pension Expense	(11,064,595)

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	5,838,980
Current Year OPEB Pension Contributions	94,477

Changes in Net Position of Governmental Activities	\$ (1,334,259)
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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, 2018**

	Budgeted Amounts		Actual Amount	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenue				
Taxes	\$ 29,187,892	\$ 29,187,892	\$ 29,863,051	\$ 675,159
Intergovernmental Revenue	15,502,000	15,502,000	15,811,588	309,588
Fines and Forfeitures	1,298,000	1,298,000	1,233,252	(64,748)
Licenses and Permits	1,978,000	1,978,000	2,631,312	653,312
Charges for Services	1,130,700	1,144,200	1,257,008	112,808
Rents and Royalties	92,000	92,000	100,130	8,130
Contributions and Donations	76,500	83,500	59,144	(24,356)
Investment Earnings	376,000	377,225	138,987	(238,238)
Other	122,800	122,800	182,055	59,255
Total Revenue	49,763,892	49,785,617	51,276,527	1,490,910
Expenditures				
Current				
General Government				
City Council	195,825	195,825	191,283	4,542
City Clerk	231,679	231,679	231,109	570
Magistrate Court	1,898,777	1,898,777	1,871,121	27,656
City Manager	346,582	346,582	301,975	44,607
Human Resources	460,248	460,248	420,136	40,112
Community Affairs	95,243	95,243	92,127	3,116
Administrative Services	3,586,482	3,586,482	2,037,013	1,549,469
City Attorney	852,058	852,058	812,298	39,760
Non-Departmental	3,366,296	3,366,296	3,177,246	189,050
Government - Outside Contracts	16,700	16,700	14,200	2,500
Operations	4,528,586	4,536,086	4,351,674	184,412
Vehicle Maintenance	638,020	638,020	571,047	66,973
Community Investment	2,056,486	2,056,486	1,740,853	315,633
Total General Government	18,272,982	18,280,482	15,812,082	2,468,400
Public Safety				
Police	15,809,394	15,824,394	15,348,063	476,331
Fire	12,532,514	12,532,514	12,147,909	384,605
Total Public Safety	28,341,908	28,356,908	27,495,972	860,936
Culture and Recreation				
Recreation Department	4,254,837	4,254,837	4,069,418	185,419
Tourism and Promotion				
Tourism/Economic Development	2,152,000	2,152,000	2,263,539	(111,539)
Transportation Services				
Havasu Mobility	284,269	284,269	289,066	(4,797)
Debt Service				
Principal Retirement	6,152,928	12,852,928	9,217,626	3,635,302
Interest on Long-Term Debt	664,637	664,637	266,211	398,426
Issuance Costs	60,000	60,000	111,070	(51,070)
Total Debt Service	6,877,565	13,577,565	9,594,907	3,982,658
Total Expenditures	60,183,561	66,906,061	59,524,984	7,381,077
Excess (Deficiency) of Revenue Over Expenditures	(10,419,669)	(17,120,444)	(8,248,457)	8,871,987
Other Financing Sources (Uses)				
Transfers In	1,617,452	1,726,551	1,675,422	(51,129)
Transfers Out	(7,102,000)	(7,102,000)	(5,460,188)	1,641,812
Issuance of Long-Term Debt	28,051,000	28,051,000	12,614,000	(15,437,000)
Total Other Financing Sources (Uses)	22,566,452	22,675,551	8,829,234	(13,846,317)
Net Change in Fund Balance	12,146,783	5,555,107	580,777	(4,974,330)
Fund Balance				
Beginning of Year	37,432,919	37,432,919	38,870,725	1,437,806
End of Year	\$ 49,579,702	\$ 42,988,026	\$ 39,451,502	\$ (3,536,524)

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, 2018

	Budget Amounts		
	Original and Final Budget	Actual Amount Budgetary Basis	Variance with Final Budget
Revenues			
Intergovernmental Revenue	\$ 5,273,000	\$ 5,095,411	\$ (177,589)
Investment Earnings	49,600	9,379	(40,221)
Other	2,000	1,353	(647)
Total Revenue	<u>5,324,600</u>	<u>5,106,143</u>	<u>(218,457)</u>
Expenditures			
Current			
Highways and Streets	8,863,910	4,503,401	4,360,509
Principal Retirement	58,421	-	58,421
Interest on Long-Term Debt	3,481	-	3,481
Issuance Costs	-	-	-
Total Expenditures	<u>8,925,812</u>	<u>4,503,401</u>	<u>4,422,411</u>
Excess (Deficiency) of Revenue Over Expenditures	(3,601,212)	602,742	4,203,954
Other Financing Sources (Uses)			
Transfers In	1,350,000	158,510	(1,191,490)
Total Other Financing Sources (Uses)	<u>1,350,000</u>	<u>158,510</u>	<u>(1,191,490)</u>
Net Change in Fund Balance	(2,251,212)	761,252	3,012,464
Fund Balance			
Beginning of Year	3,769,052	4,240,209	471,157
End of Year	<u>\$ 1,517,840</u>	<u>\$ 5,001,461</u>	<u>\$ 3,483,621</u>

LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 40,112,822	\$ 20,719,942	\$ 5,270,334	\$ 74,356
Restricted Cash	653,947	14,311,085	-	24,645
Receivables, Net				
Accounts Receivable	1,226,758	2,599,802	597,527	13,881
Taxes Receivable	147,456	-	-	-
Intergovernmental Receivable	2,128,467	-	-	769,893
Interest Receivable	74,056	84,501	14,589	421
Prepaid Items	88,849	58,940	-	6,081
Other Assets	-	884,349	-	-
Total Current Assets	44,432,355	38,658,619	5,882,450	889,277
Noncurrent Assets				
Net Pension OPEB Asset	11,057	9,203	-	669
Capital Assets				
Non-Depreciable	11,427,116	3,636,569	-	696,334
Depreciable (Net)	70,172,496	281,178,284	-	14,871,578
Total Noncurrent Assets	81,610,669	284,824,056	-	15,568,581
Total Assets	126,043,024	323,482,675	5,882,450	16,457,858
Deferred Outflows of Resources	558,385	451,836	-	30,637
Liabilities				
Current Liabilities				
Accounts Payable	1,329,413	367,478	493,504	792,448
Accrued Wages and Benefits	105,973	75,667	-	6,099
Intergovernmental Payable	142,495	4,267	-	-
Interest Payable	90,200	4,552,333	-	-
Retainage Payable	369,007	11,850	-	39,378
Unearned Revenue	223,873	439	-	9,641
Liabilities Payable from				
Restricted Assets	573,715	-	-	24,645
Compensated Absences	148,800	113,171	-	6,355
Bonds and Notes Payable	442,912	4,616,758	-	-
Total Current Liabilities	3,426,388	9,741,963	493,504	878,566
Noncurrent Liabilities				
Compensated Absences	26,879	20,443	-	1,148
Landfill Closure and Postclosure				
Care Costs	-	-	3,342,447	-
Other Postemployment Benefits	1,901,415	1,420,664	-	-
Net Pension OPEB Liability	7,296	6,073	-	441
Net Pension Liability	3,126,882	2,603,228	-	190,323
Bonds and Notes Payable	5,231,638	228,675,197	-	-
Total Noncurrent Liabilities	10,294,110	232,725,605	3,342,447	191,912
Total Liabilities	13,720,498	242,467,568	3,835,951	1,070,478
Deferred Inflows of Resources	231,722	1,813,060	-	12,218
Net Position				
Net Investment in Capital Assets	75,556,055	49,891,661	-	15,528,534
Restricted for OPEB Benefits	11,057	9,203	-	669
Unrestricted	37,082,077	29,753,019	2,046,499	(123,404)
Total Net Position	\$ 112,649,189	\$ 79,653,883	\$ 2,046,499	\$ 15,405,799

See accompanying Notes to Financial Statements.

Total
Business-Type
Activities

\$ 66,177,454
14,989,677

4,437,968
147,456
2,898,360
173,567
153,870
884,349

89,862,701

20,929

15,760,019

366,222,358

382,003,306

471,866,007

1,040,858

2,982,843

187,739

146,762

4,642,533

420,235

233,953

598,360

268,326

5,059,670

14,540,421

48,470

3,342,447

3,322,079

13,810

5,920,433

233,906,835

246,554,074

261,094,495

2,057,000

140,976,250

20,929

68,758,191

\$ 209,755,370

LAKE HAVASU CITY, ARIZONA
STATEMENT REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
Operating Revenue				
Charges for Services	\$ 11,892,638	\$ 22,271,463	\$ 6,451,980	\$ 480,127
Total Operating Revenue	11,892,638	22,271,463	6,451,980	480,127
Operating Expenses				
Cost of Sales and Services	9,718,349	6,499,074	5,824,942	705,313
Depreciation	2,489,403	10,222,431	-	852,518
Total Operating Expenses	12,207,752	16,721,505	5,824,942	1,557,831
Operating Income (Loss)	(315,114)	5,549,958	627,038	(1,077,704)
Nonoperating Revenue (Expense)				
Taxes	5,702,082	-	-	7,918
Investment Earnings	103,617	72,473	16,950	973
Gain (Loss) on Sale of Capital Assets	43,949	(114,842)	(21,153)	-
Interest Expense	(180,281)	(8,415,324)	-	(760)
Issuance Costs	-	(38,936)	-	-
Other Income	49,278	63,384	-	34,922
Total Nonoperating Revenue (Expenses)	5,718,645	(8,433,245)	(4,203)	43,053
Income (Loss) Before Capital Contributions and Transfers	5,403,531	(2,883,287)	622,835	(1,034,651)
Capital Contributions	2,025,728	793,826	-	884,157
Transfers In	-	1,000,000	-	295,880
Transfers Out	(2,500,633)	(40,633)	(467,015)	-
Change in Net Position	4,928,626	(1,130,094)	155,820	145,386
Net Position				
Beginning of Year, Restated	107,720,563	80,783,977	1,890,679	15,260,413
End of Year	\$ 112,649,189	\$ 79,653,883	\$ 2,046,499	\$ 15,405,799

See accompanying Notes to Financial Statements.

Total Business-Type Activities	
\$	41,096,208
	<u>41,096,208</u>
	22,747,678
	<u>13,564,352</u>
	<u>36,312,030</u>
	4,784,178
	5,710,000
	194,013
	(92,046)
	(8,596,365)
	(38,936)
	<u>147,584</u>
	<u>(2,675,750)</u>
	2,108,428
	3,703,711
	1,295,880
	<u>(3,008,281)</u>
	4,099,738
	<u>205,655,632</u>
\$	<u><u>209,755,370</u></u>

LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities – Enterprise Funds			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
Cash Flows from Operating Activities				
Receipts from Customers	\$ 11,710,763	\$ 22,265,220	\$ 6,308,116	\$ 481,668
Payments to Suppliers	(7,219,686)	(4,112,885)	(5,530,227)	(524,228)
Payments to Employees	(2,692,165)	(2,424,243)	-	(229,678)
Other Nonoperating Receipts	49,278	63,384	-	42,840
Customer Deposits (Payments)	61,030	-	-	858
Net Cash Flows from (Used by) Operating Activities	1,909,220	15,791,476	777,889	(228,540)
Cash Flows from Noncapital Financing Activities				
Transfers In	-	1,000,000	-	295,880
Transfers Out	(2,500,633)	(40,633)	(467,015)	-
Tax Receipts	5,684,831	-	-	-
Net Cash Flows from (Used by) Noncapital Financing Activities	3,184,198	959,367	(467,015)	295,880
Cash Flows from Capital and Related Financing Activities				
Proceeds from Capital Debt	1,235,245	-	-	-
Capital Grants and Contributions	30,556	793,826	-	114,264
Purchases of Capital Assets	(7,411,450)	(2,295,013)	-	(124,268)
Principal Paid on Capital Debt	(146,655)	(5,947,857)	-	(38,651)
Interest Paid on Capital Debt	(91,051)	(8,590,490)	-	(1,006)
Proceeds from Sale of Capital Assets	43,949	-	-	-
Net Cash Flows from (Used by) Capital and Financing Activities	(6,339,406)	(16,039,534)	-	(49,661)
Cash Flows from Investing Activities				
Interest and Dividends	78,551	60,380	13,711	890
Net Change in Cash and Cash Equivalents	(1,167,437)	771,689	324,585	18,569
Cash and Cash Equivalents - Beginning of Year	41,934,206	34,259,338	4,945,749	80,432
Cash and Cash Equivalents - End of Year	<u>\$ 40,766,769</u>	<u>\$ 35,031,027</u>	<u>\$ 5,270,334</u>	<u>\$ 99,001</u>
Reconciliation to Statement of Net Position:				
Cash and Investments	\$ 40,112,822	\$ 20,719,942	\$ 5,270,334	\$ 74,356
Restricted Cash and Investments	653,947	14,311,085	-	24,645
Total Cash and Cash Equivalents	<u>\$ 40,766,769</u>	<u>\$ 35,031,027</u>	<u>\$ 5,270,334</u>	<u>\$ 99,001</u>

See accompanying Notes to Financial Statements.

Total
Business-Type
Activities -
Enterprise Funds

\$ 40,765,767
(17,387,026)
(5,346,086)
155,502
61,888

18,250,045

1,295,880
(3,008,281)
5,684,831

3,972,430

1,235,245
938,646
(9,830,731)
(6,133,163)
(8,682,547)
43,949

(22,428,601)

153,532

(52,594)

81,219,725

\$ 81,167,131

\$ 66,177,454
14,989,677
\$ 81,167,131

LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	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)	\$ (315,114)	\$ 5,549,958	\$ 627,038	\$ (1,077,704)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (Used by) Operating Activities				
Pension and OPEB Expense	(107,315)	(221,434)	-	(44,419)
Depreciation	2,489,403	10,222,431	-	852,518
Other Nonoperating Receipts (Expenses)	49,278	63,384	-	42,840
Change in Assets/Liabilities:				
Receivables, Net	(178,551)	(5,533)	(143,864)	5,946
Prepaid Items	4,502	975	-	(418)
Accounts Payable	(278,634)	134,005	163,503	(4,901)
Intergovernmental Payable	78,395	(4,572)	-	-
Accrued Wages and Benefits	18,050	8,648	-	11
Compensated Absences	28,647	(1,819)	-	1,134
Deferred Revenue	(3,324)	(710)	-	(4,405)
Customer Deposits Payable	61,030	-	-	858
Other Postemployment Benefits	62,853	46,143	-	-
Landfill Closure and Postclosure Care Costs	-	-	131,212	-
Net Cash from (Used by) Operating Activities	<u>1,909,220</u>	<u>\$ 15,791,476</u>	<u>\$ 777,889</u>	<u>\$ (228,540)</u>

Noncash Investing, Capital and Financing Activities

Other costs of \$38,936, deferred amount on refunding of \$95,258 and premiums of \$602,360 were amortized in the Wastewater Fund during the year.

See accompanying Notes to Financial Statements.

Total
Business-Type
Activities -
Enterprise Funds

\$ 4,784,178

(373,168)
13,564,352
155,502

(322,002)
5,059
13,973
73,823
26,709
27,962
(8,439)
61,888
108,996

131,212

\$ 18,250,045



LAKE HAVASU CITY

NOTES TO BASIC FINANCIAL STATEMENTS

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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).

For the year ended June 30, 2018, the City implemented the provisions of GASB Statement Nos. 75 and 89. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, establishes measurement and reporting requirements for postemployment benefit plans that are not pension plans. GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, amends previously established accounting requirements for interest costs incurred before the end of a construction period in which cost is incurred for financial statements prepared using the economic resources measurement focus.

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

A. Reporting Entity

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

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

1. Irrigation and Drainage District (District)

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

2. Improvement Districts No. 2 and 4

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

3. Metropolitan Planning Organization

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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 *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.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018, the governmental fund balance details by classification are listed below:

	General Fund	HURF	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventory	\$ 119,161	\$ -	\$ -	\$ -	\$ 119,161
Prepaid Expenditures	9,105,670	69,753	-	-	9,175,423
Total Nonspendable	9,224,831	69,753	-	-	9,294,584
Restricted:					
Highway User Tax for					
Transportation	-	4,931,708	-	-	4,931,708
Public Safety Special Programs	140,783	-	-	134,194	274,977
Court Enhancement	-	-	-	364,071	364,071
Improvement Districts	-	-	-	25,804	25,804
Total Restricted	140,783	4,931,708	-	524,069	5,596,560
Committed:					
General Government activities	28,614	-	-	-	28,614
Assigned:					
Capital Lease	898,651	-	-	-	898,651
Operating Lease	105,502	-	-	-	105,502
Court Services	37,393	-	-	-	37,393
Debt Service	1,638,641	-	-	-	1,638,641
Public Safety Special Programs	-	-	-	303,616	303,616
Capital Projects	-	-	965,512	-	965,512
Total Assigned	2,680,187	-	965,512	303,616	3,949,315
Unassigned:	27,377,087	-	-	-	27,377,087
Total Fund Balances	<u>\$ 39,451,502</u>	<u>\$ 5,001,461</u>	<u>\$ 965,512</u>	<u>\$ 827,685</u>	<u>\$ 46,246,160</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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 November 14, 2017 and June 26, 2018, the City Council authorized budgetary amendments involving the General, Wastewater, and Special Programs funds.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2018 consist of the following:

Deposits	
Cash on Hand	\$ 8,900
Cash in Bank	2,093,295
Cash on Deposit with County Treasurer	213,896
Investments	
State Treasurer's Investment Pool (LGIP)	20,551,827
U.S. Government Securities	68,026,394
Certificates of Deposit	17,123,183
Money Market	11,893,737
Total Deposits and Investments	119,911,232
Restricted Assets	(17,099,863)
Total Cash and Investments	<u>\$ 102,811,369</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, 2018

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, 2018

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:

	6/30/2018	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	\$ 7,253,515	\$ 7,253,515	\$ -	\$ -
Federal Agency Bonds	60,772,879	-	60,772,879	-
Total Debt Securities	68,026,394	7,253,515	60,772,879	-
Venture Capital Investments				
Certificates of Deposits	17,123,183	-	17,123,183	-
Total Investments by Fair Value Level	85,149,577	<u>\$ 7,253,515</u>	<u>\$ 77,896,062</u>	<u>\$ -</u>
Investments Measured at Fair Value				
State Treasurer's Investment Pool	20,551,827			
Total Investments Measured at Fair Value	105,701,404			
Investments by Amortized Cost				
Money Market Funds	11,893,737			
Total Investments	<u>\$ 117,595,141</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, 2018 consist of the following:

Investment	Amount	Investment Maturities (in Years)		
		Less than 1	1-3	4-5
State Treasurer's Investment Pools	\$ 20,551,827	\$ 20,551,827	\$ -	\$ -
Certificates of Deposit	17,123,183	1,751,396	9,263,621	6,108,166
Money Market	11,893,737	11,893,737	-	-
U.S. Treasury Notes	7,253,515	-	7,253,515	-
U.S. Government Securities	60,772,879	-	44,976,836	15,796,043
Total Investments	<u>\$ 117,595,141</u>	<u>\$ 34,196,960</u>	<u>\$ 61,493,972</u>	<u>\$ 21,904,209</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 for each investment type.

S&P Ratings Investment Type	Total	AAA	AA+	AA-	Not Rated	Investment Percent
State Treasurer's Investment						
Pools	\$ 20,551,827	\$ 17,017,160	\$ -	\$ 3,534,668	\$ -	17 %
Certificates of Deposit	17,123,183	-	-	-	17,123,183	15
Money Market	11,893,737	-	-	-	11,893,737	10
U.S. Treasury Notes	7,253,515		7,253,515	-	-	6
U.S. Government Securities	60,772,879	1,983,820	58,789,059	-	-	52
Total Investments	<u>\$ 117,595,141</u>	<u>\$ 19,000,980</u>	<u>\$ 66,042,574</u>	<u>\$ 3,534,668</u>	<u>\$ 29,016,920</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, 2018, 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, 2018

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, 2018 consisted of the following:

Customer Deposits	\$ 601,037
Performance Bonds Deposits	265,472
Court Bonds	37,393
Capital	1,638,641
Forfeitures and Police Property Evidence	166,002
Future Debt Service	14,391,317
Total	<u><u>\$ 17,099,863</u></u>

3. Capital Assets

Capital assets activity for the year ended June 30, 2018 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	\$ 28,805,342		\$ -	\$ -	\$ 28,805,342
Construction in Progress	4,426,204	5,054,787	(7,057,825)	-	2,423,166
Total Capital Assets, Not Being Depreciated	33,231,546	5,054,787	(7,057,825)	-	31,228,508
Capital Assets, Being Depreciated:					
Buildings and Improvements	37,576,233	3,946	(66,134)	-	37,514,045
Improvements to Land	16,876,751	4,155,964	-	-	21,032,715
Infrastructure	93,184,111	-	-	-	93,184,111
Furniture, Machinery and Equipment	25,485,852	3,623,131	(901,914)	171,289	28,378,358
Total Capital Assets, Being Depreciated	173,122,947	7,783,041	(968,048)	171,289	180,109,229
Accumulated Depreciation for:					
Buildings and Improvements	(17,722,381)	(1,183,807)	65,757	-	(18,840,431)
Improvements to Land	(6,302,658)	(507,641)	-	-	(6,810,299)
Infrastructure	(62,384,176)	(1,529,081)	-	-	(63,913,257)
Furniture, Machinery and Equipment	(19,806,574)	(1,212,866)	901,914	(171,289)	(20,288,815)
Total Accumulated Depreciation	(106,215,789)	(4,433,395)	967,671	(171,289)	(109,852,802)
Total Capital Assets, Being Depreciated, Net	66,907,158	3,349,646	(377)	-	70,256,427
Governmental Activities Capital Assets, Net	<u>\$ 100,138,704</u>	<u>\$ 8,404,433</u>	<u>\$ (7,058,202)</u>	<u>\$ -</u>	<u>\$ 101,484,935</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 3,298,415	\$ -	\$ -	\$ -	\$ 3,298,415
Water Allocation Rights	7,246,349	161,053	-	-	7,407,402
Construction in Progress	6,233,049	8,664,073	(9,842,920)	-	5,054,202
Total Capital Assets, Not Being Depreciated	16,777,813	8,825,126	(9,842,920)	-	15,760,019
Capital Assets, Being Depreciated:					
Buildings and Improvements	28,088,683	189,093	(8,574)	-	28,269,202
Other Improvements	493,171,827	9,114,026	(342,069)	-	501,943,784
Infrastructure	-	1,467,225	-	-	1,467,225
Machinery, Equipment and Vehicles	9,037,702	1,057,958	(319,855)	(171,289)	9,604,516
Water Allocation Rights	2,374,554	-	-	-	2,374,554
Total Capital Assets, Being Depreciated	532,672,766	11,828,302	(670,498)	(171,289)	543,659,281
Accumulated Depreciation for:					
Buildings and Improvements	(9,367,873)	(735,191)	1	-	(10,103,063)
Other Improvements	(148,625,462)	(12,210,524)	260,968	-	(160,575,018)
Infrastructure	-	(56,257)	-	-	(56,257)
Machinery, Equipment and Vehicles	(6,136,653)	(503,016)	245,653	171,289	(6,222,727)
Water Allocation Rights	(420,494)	(59,364)	-	-	(479,858)
Total Accumulated Depreciation	(164,550,482)	(13,564,352)	506,622	171,289	(177,436,923)
Total Capital Assets, Being Depreciated, Net	368,122,284	(1,736,050)	(163,876)	-	366,222,358
Business-Type Activities Capital Assets, Net	<u>\$ 384,900,097</u>	<u>\$ 7,089,076</u>	<u>\$ (10,006,796)</u>	<u>\$ -</u>	<u>\$ 381,982,377</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 1,382,211
Public Safety	1,088,323
Highways and Streets	1,547,390
Culture and Recreation	361,732
Transportation Services	53,739
Total Depreciation Expense	<u>\$ 4,433,395</u>

Business-Type Activities:

Irrigation and Drainage	2,489,403
Wastewater	10,222,431
Airport	852,518
Total Depreciation Expense	<u>\$ 13,564,352</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Construction Commitments

The City had active construction projects at June 30, 2018. The projects include various infrastructure projects, water system upgrades, wastewater system upgrades and airport improvements. At fiscal year end the City's commitments with contractors were as follows:

Governmental Activities		
Project	Spent-to-date	Remaining Commitment
General Government	152,977	252,973
Total Governmental Activities	<u>\$ 152,977</u>	<u>\$ 252,973</u>
Business-Type Activities		
Project	Spent-to-date	Remaining Commitment
Water System	\$ 1,891,728	\$ 5,417,490
Wastewater System	-	205,900
Airport Improvements	403,719	1,819
Total Business-Type Activities	<u>\$ 2,295,447</u>	<u>\$ 5,625,209</u>

B. Interfund Receivables, Payables and Transfers

As of June 30, 2018 interfund receivables and payables were as follows:

	Due From Nonmajor Governmental Funds
Due To General Fund	<u>\$ 210,354</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, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Transfers to	Transfers From					Total
	General Fund	Nonmajor Governmental Funds	Irrigation & Drainage	Wastewater	Refuse	
General Fund	\$ -	\$ 175,422	\$ 1,500,000	\$ -	\$ -	\$ 1,675,422
HURF Fund	157,244	-	633	633	-	158,510
Capital Projects	5,007,064	-	-	40,000	467,015	5,514,079
Wastewater	-	-	1,000,000	-	-	1,000,000
Nonmajor Business-Type Activities	295,880	-	-	-	-	295,880
Total	<u>\$ 5,460,188</u>	<u>\$ 175,422</u>	<u>\$ 2,500,633</u>	<u>\$ 40,633</u>	<u>\$ 467,015</u>	<u>\$ 8,643,891</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.

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	\$ 3,589,895
Less Accumulated Depreciation	(1,407,331)
Total	<u>\$ 2,182,564</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 898,651
2020	755,805
2021	755,805
2022	755,805
2023	523,431
2024	145,529
Total Minimum Lease Payments	3,835,026
Less: Amount Representing Interest	(208,917)
Present Value of Minimum Lease Payments	<u>\$ 3,626,109</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 \$56,625. Principal and interest paid for the current year and total assessed taxes were \$13,313 and \$13,313, 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, 2018

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 \$99,994,625, Series 2015B \$206,233,500, and WIFA \$68,523,747. Principal and interest (excluding amortized premium) paid for the current year and total customer net revenues were \$13,562,512 and \$20,254,468, respectively. Debt coverage on the Senior Lien debt is 1.42.

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 \$6,589,047. Principal and interest paid for the current year and total customer net revenues were \$174,058 and \$2,371,133, 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 13.62.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$1,264,676. Principal and interest paid for the current year and total excise taxes were \$236,657 and \$39,320,608, respectively. Debt coverage of net revenues to current year debt service payments is 166.15.

In fiscal year 2017, the City 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. This debt was paid off early in the current fiscal year. In the current year, total principal and interest paid were \$9,969,554.

For the year ended June 30, 2018, the City has pledged future excise tax revenues, which includes local sales tax, to repay \$12,614,000 in excise tax revenue refunding bonds. Proceeds from the issuance of the Excise Tax Revenue Bonds were used to finance the prepayment of the City's Arizona Public Safety Personnel Retirement System pension expenditures for the fiscal year 2018 and 2019. Total remaining principal and interest required on the bonds is \$12,778,720, payable through 2020. The first principal and interest payment is due in fiscal year 2019. Debt coverage of net revenues to current year debt service payments is 2.34.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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.	\$ 1,260
<u>Revenue Bonds</u>	
Excise Tax Revenue Obligations, Series 2017 (issued November 30, 2017) due in annual installments of \$6,283,000 on 8/1/18 and \$6,331,000 on 8/1/19; interest at 2.23%. Original issue amount \$12,614,000.	12,614
Total General Governmental Activities Long Term Obligations	<u>\$ 13,874</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.	\$ 50
2015 Senior Lien Wastewater Revenue Refunding Bonds, Series 2015 A (issued September 15, 2015) due in annual installments of \$755,000 to \$8,575,000 through July 1, 2037; interest at 4% to 5%. Original issue amount \$71,775,000.	65,595
<u>Revenue Bonds</u>	
Senior Lien Wastewater Revenue Bonds, Series 2015 B (issued September 15, 2015) due in annual installments of \$8,245,000 to \$13,160,000; interest at 4% to 5%. Original issue amount \$98,300,000.	98,300
<u>Water Infrastructure Financing Authority (WIFA) Loans</u>	
2007 SR Drinking Water (issued June 25, 2007) due in annual installments of \$201,475 to \$387,621 through July 1, 2027; interest at 3.504%. Original issue amount \$5,700,000.	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.	2,288
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.	56,345
Total Business-Type Long Term Liabilities	<u>\$ 225,914</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2018 are as follows:

Governmental Activities	July 1, 2017	Increases	Decreases	June 30, 2018	Due Within One Year
Bonds and Loans Payable:					
GADA Loan Payable	\$ 1,440,000	\$ -	\$ (180,000)	\$ 1,260,000	\$ 1,260,000
Revenue Bonds	9,037,626	12,614,000	(9,037,626)	12,614,000	6,283,000
Total Bonds and Loans Payable	10,477,626	12,614,000	(9,217,626)	13,874,000	7,543,000
Other Liabilities:					
Capital Leases	6,705,608	-	(3,079,499)	3,626,109	827,004
Compensated Absences	2,560,436	2,278,094	(2,125,498)	2,713,032	2,297,938
Other Postemployment Benefits	10,780,306	209,083	-	10,989,389	-
Net Pension OPEB Liability	-	78,774	-	78,774	-
Net Pension Liability	80,899,541	7,014,471	-	87,914,012	-
Total Other Liabilities	100,945,891	9,580,422	(5,204,997)	105,321,316	3,124,942
Governmental Activities Long-Term Liabilities	<u>\$ 111,423,517</u>	<u>\$ 22,194,422</u>	<u>\$ (14,422,623)</u>	<u>\$ 119,195,316</u>	<u>\$10,667,942</u>
Business-Type Activities	July 1, 2017	Increases	Decreases	June 30, 2018	Due Within One Year
Bonds, Notes and Loans Payable:					
General Obligation Bonds	\$ 67,625,000	\$ -	\$ (1,980,000)	\$ 65,645,000	\$ 2,080,000
Revenue Bonds	99,022,374	-	(722,374)	98,300,000	-
WIFA Loans Payable	63,221,813	1,235,245	(2,487,846)	61,969,212	2,979,670
Plus Deferred Amount on Premium	13,654,653	-	(602,360)	13,052,293	-
Total Bonds and Notes Payable	243,523,840	1,235,245	(5,792,580)	238,966,505	5,059,670
Other Liabilities:					
Capital Leases	340,583	-	(340,583)	-	-
Compensated Absences	288,834	315,752	(287,790)	316,796	268,326
Other Postemployment Benefits	3,213,083	108,996	-	3,322,079	-
Net Pension OPEB Liability	-	13,810	-	13,810	-
Net Pension Liability	6,050,730	-	(130,297)	5,920,433	-
Landfill Closure and Postclosure	3,211,235	131,212	-	3,342,447	-
Total Other Liabilities	13,104,465	569,770	(758,670)	12,915,565	268,326
Business-Type Activities Long-Term Liabilities	<u>\$ 256,628,305</u>	<u>\$ 1,805,015</u>	<u>\$ (6,551,250)</u>	<u>\$ 251,882,070</u>	<u>\$ 5,327,996</u>

Debt service requirements on long-term debt at June 30, 2018 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 7,543,000	\$ 157,631	\$ 5,059,670	\$ 9,109,824
2020	6,331,000	11,765	5,239,062	8,924,127
2021	-	-	5,420,347	8,731,239
2022	-	-	5,613,573	8,530,609
2023	-	-	5,813,789	8,321,937
2024 - 2028	-	-	32,020,610	38,648,281
2029 - 2033	-	-	35,139,561	32,798,012
2034 - 2038	-	-	41,552,600	25,210,552
2039 - 2043	-	-	52,185,000	13,649,750
2044 - 2046	-	-	37,870,000	1,559,000
Total	<u>\$ 13,874,000</u>	<u>\$ 169,396</u>	<u>\$ 225,914,212</u>	<u>\$ 155,483,330</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$3,342,447 as of June 30, 2018, which is based on 54% usage of the landfill. It is estimated that an additional \$2,886,651 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 (\$6,229,098) 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, 2018. 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, 2018.

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, 2018.

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, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Change in Accounting Principle

During the year ended June 30, 2018, the City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Adoption of the provisions of this statement requires the restatement of June 30, 2017 net position in the governmental activities, Irrigation and Drainage Fund and Wastewater Fund. The net effect of the restatements on net position are as follows:

	Irrigation and Drainage	Wastewater	Refuse	Nonmajor Business-Type Activities	Total Business-Type Activities	Governmental Activities
Net Position, July 1, 2017, as Previously Reported	\$ 108,829,527	\$ 81,637,026	\$ 1,890,679	\$ 15,260,413	\$ 207,617,645	\$ 52,880,216
Restatements:						
Implementation of GASB Statement No. 75 -						
Net OPEB Liability	(1,108,964)	(853,049)	-	-	(1,962,013)	(6,568,481)
Pension OPEB Asset	-	-	-	-	-	77,312
Net Position, July 1, 2017, as Restated	<u>\$ 107,720,563</u>	<u>\$ 80,783,977</u>	<u>\$ 1,890,679</u>	<u>\$ 15,260,413</u>	<u>\$ 205,655,632</u>	<u>\$ 46,389,047</u>

E. Subsequent Events

On July 2, 2018, the City exercised the call provision on the Greater Arizona Development Authority (GADA) Infrastructure Revenue Bonds, Series 2008A and paid the remaining outstanding principal of \$1,260,000 and accrued interest of \$28,056.

On August 21, a long-term voter approved solution in the form of a Permanent Base Adjustment was placed on the primary election ballot as Proposition 409. The state-imposed 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 voters of Lake Havasu City voted to implement a \$5 million adjustment to the base, thus adjusting the base from \$4.7 million to \$9.7 million. Beginning in fiscal year 2020, the \$9.7 million will be used to set the City's expenditure limits.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans

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

At June 30, 2018, 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	\$ 87,914,012	\$ 5,920,433	\$ 93,834,445
Deferred Outflows of Resources	18,652,583	859,827	19,512,410
Deferred Inflows of Resources	2,472,134	354,559	2,826,693
Pension Expense	11,064,595	332,413	11,397,008

The City reported \$5.8 million of pension expenditures in the governmental funds and \$384,995 in enterprise funds related to all pension plans to which it contributes.

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

1. Arizona State Retirement System
Plan Description

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

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

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Benefits Provided

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

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

* With actuarially reduced benefits.

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

Contributions

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

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Contributions (Continued)

For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.5% (11.34% for retirement and 0.16% 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 11.5% (10.9% for retirement, 0.44% for health insurance premium benefit, and 0.16% 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 9.49% (9.26% for retirement, 0.1% for health insurance premium benefits and 0.13% 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, 2018 were \$1.8 million.

During fiscal year 2018, 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, 2018, the City reported a liability of \$27.0 million for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017 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, 2017. The City's proportion measured as of June 30, 2017, was 0.17353%, which was an increase of 0.00684% from its proportion measured as of June 30, 2016.

The net pension liability measured as of June 30, 2018, will reflect changes in 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, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, 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	\$ -	\$ 810,587
Changes of Assumptions or Other Inputs	1,174,087	808,323
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	194,075	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	799,914	-
City Contributions Subsequent to the Measurement Date	1,779,204	-
Total	<u>\$ 3,947,280</u>	<u>\$ 1,618,910</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>
2019	\$ (702,912)
2020	1,473,348
2021	400,562
2022	(621,832)

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

1. Arizona State Retirement System (Continued)

Actuarial Assumptions

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

Actuarial Valuation Date	June 30, 2016
Actuarial Roll Forward Date	June 30, 2017
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, 2016 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 8.7% 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Nominal Return</u>
Equity	58 %	6.73 %	3.87 %
Fixed Income	25	3.70	0.91
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>5.45</u>
Inflation			<u>3.25</u>
Expected Arithmetic Nominal Return			<u>8.70 %</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. 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 8.7%. 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	\$ 34,696,801	\$ 27,032,591	\$ 20,628,488

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 and cost-sharing multiple-employer defined benefit pensions. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

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, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. 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, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the agent pension plan's benefit terms:

	PSPRS Police	PSPRS Fire
Inactive employees or beneficiaries currently receiving benefits	54	46
Inactive employees entitled to but not yet receiving benefits	18	8
Active employees	68	77
Total	140	131

Contributions

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active Members - Pension City	7.65-9.94%	7.65-9.94%
PSPRS Tier 1/2	54.48%	49.37%
PSPRS Tier 3	46.53%	41.28%

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Contributions (Continued)

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

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Pension Contributions Made	\$ 2,354,928	\$ 2,089,843

During fiscal year 2018, the City paid PSPRS pension contributions 100% from the General Fund.

Pension Liability

At June 30, 2018, the City reported the following net pension liabilities:

	<u>Net Pension Liability</u>
PSPRS Police	\$ 33,338,217
PSPRS Fire	33,463,637

The net pension liabilities were measured as of June 30, 2017, 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, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5% to 7.4%, decreasing wage inflation from 4% to 3.5% and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012 and before July 1, 2017, and a court decision that decreased contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the City's PSPRS net pension liabilities as a result of the refunds is not known.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. 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, 2017
Actuarial Cost Method	Individual Entry Age Normal
Investment Rate of Return	7.40%
Wage Inflation	3.5%
Price Inflation	2.5%
Permanent Benefit Increase	Included
Mortality Rates	RP-2014 tables using MP-2016 improvement scale with adjustment to match current experience

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
U.S. Equity	16 %	7.60 %
Non-U.S. Equity	14	8.70
Private Credit	12	6.75
Fixed Income	5	1.25
Credit Opportunities	16	5.83
Absolute Return	2	3.75
GTAA	10	3.96
Real Assets	9	4.52
Real Estate	10	3.75
Risk Parity	4	5.00
Short-Term Investments	2	0.25
Total	<u>100 %</u>	

Pension Discount Rates

At June 30, 2017, the discount rate used to measure PSPRS total pension liabilities was 7.40%, which was a decrease of 0.1 from the discount rate used as of June 30, 2016.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. 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, 2017	\$ 49,466,506	\$ 19,464,536	\$ 30,001,970
Changes for the Year:			
Service Cost	1,234,563	-	1,234,563
Interest on the Total Pension Liability	3,651,211	-	3,651,211
Changes of Benefit Terms	582,417	-	582,417
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	1,482,173	-	1,482,173
Changes of Assumptions or Other Inputs	1,480,171	-	1,480,171
Contributions - Employer	-	2,210,217	(2,210,217)
Contributions - Employee	-	625,344	(625,344)
Net Investment Income	-	2,293,048	(2,293,048)
Benefit Payments, Including Refunds of Employee Contributions	(2,801,935)	(2,801,935)	-
Administrative Expenses	-	(20,690)	20,690
Other Changes	-	(13,631)	13,631
Net Changes	5,628,600	2,292,353	3,336,247
Balances as of June 30, 2018	<u>\$ 55,095,106</u>	<u>\$ 21,756,889</u>	<u>\$ 33,338,217</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Changes in the Agent Plans Net Pension Liability (Continued)

PSPRS Fire

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017	\$ 50,245,909	\$ 20,203,049	\$ 30,042,860
Changes for the Year:			
Service Cost	1,344,599	-	1,344,599
Interest on the Total Pension Liability	3,734,268	-	3,734,268
Changes of Benefit Terms	595,772	-	595,772
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	977,472	-	977,472
Changes of Assumptions or Other Inputs	2,126,762	-	2,126,762
Contributions - Employer	-	2,338,318	(2,338,318)
Contributions - Employee	-	657,879	(657,879)
Net Investment Income	-	2,415,000	(2,415,000)
Benefit Payments, Including Refunds of Employee Contributions	(2,255,936)	(2,255,936)	-
Administrative Expenses	-	(21,769)	21,769
Other Changes	-	(31,332)	31,332
Net Changes	6,522,937	3,102,160	3,420,777
Balances as of June 30, 2018	\$ 56,768,846	\$ 23,305,209	\$ 33,463,637

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	6.40%	7.40%	8.40%
Net Pension Liability	\$ 41,100,715	\$ 33,338,217	\$ 27,059,296
PSPRS Fire			
Rate	6.40%	7.40%	8.40%
Net Pension Liability	\$ 41,495,308	\$ 33,463,637	\$ 26,927,609

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, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

2. Public Safety Personnel Retirement System (Continued)

Pension Expense

For the year ended June 30, 2018, the City recognized the following as pension expense:

	Pension Expense
PSPRS Police	\$ 5,115,512
PSPRS Fire	4,954,016

Pension Deferred Outflows/Inflows of Resources

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Police		
Differences between expected and actual experience	\$ 1,348,146	\$ 928,720
Changes of assumptions or other inputs	3,008,348	-
Net difference between projected and actual earnings on pension plan investments	295,903	-
City contributions subsequent to the measurement date	2,354,928	-
Total	<u>\$ 7,007,325</u>	<u>\$ 928,720</u>
PSPRS - Fire		
Differences between expected and actual experience	\$ 839,698	\$ 279,063
Changes of assumptions or other inputs	5,333,959	-
Net difference between projected and actual earnings on pension plan investments	294,305	-
City contributions subsequent to the measurement date	2,089,843	-
Total	<u>\$ 8,557,805</u>	<u>\$ 279,063</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
2019	\$ 1,661,449	\$ 1,425,152
2020	930,895	1,625,962
2021	790,719	1,463,697
2022	340,614	682,133
2023	-	635,961
Thereafter	-	355,994

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

G. Other Postemployment Benefits – Single Employer Plan

Plan Description and Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries	
Currently Receiving Benefits	71
Active Plan Members	127
Total	<u>198</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

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

Total OPEB Liability

The City's total OPEB liability of \$14,311,467 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions

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

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

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	3.25%
Discount Rate	3.56%
	7.5% decreasing to 5.0% over 5 years
Health Care Trend Rates	

Mortality rates were based on RP 2014 base rates (published RP 2014 rates with MP 2014 projection from 2006 to 2014 backed out) then projected from 2006 forward generationally using MacLeod Watts Scale 2017.

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

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

Changes in Total OPEB Liability

A change in the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The following table shows the changes in OPEB liability as of June 30, 2018.

	Total OPEB Liability
Balances at June 30, 2017, as Restated	\$ 14,669,849
Changes for the Year:	
Service Cost	459,852
Interest	431,911
Change in Assumptions	(573,685)
Contributions	(676,460)
Net Changes	(358,382)
Balances at June 30, 2018	<u>\$ 14,311,467</u>

Sensitivity Results

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

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB Liability	\$ 15,217,602	\$ 14,311,467	\$ 13,459,560

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

	Healthcare Cost		
	1% Decrease (6.5% decreasing to 4.0% over 5 years)	Current Trend Rates (7.5% decreasing to 5.0% over 5 years)	1% Increase (8.5% decreasing to 6.0% over 5 years)
Net OPEB Liability	\$ 12,900,748	\$ 14,311,467	\$ 16,009,662

LAKE HAVASU CITY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

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

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$52,103. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ -	\$ 441,500
Contributions Made subsequent to Measurement Date	707,475	-
Total	<u>\$ 707,475</u>	<u>\$ 441,500</u>

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

<u>Year Ending June 30.</u>	<u>Future Recognition</u>
2019	\$ (132,185)
2020	(132,185)
2021	(132,185)
2022	(44,945)

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REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 459,852
Interest	431,911
Changes of Assumptions	(573,685)
Contributions	<u>(676,460)</u>
Net Change in Total OPEB Liability	(358,382)
Total OPEB Liability - beginning	<u>14,669,849</u>
Total OPEB Liability - ending (a)	<u><u>\$ 14,311,467</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 676,460
Benefit Payments	<u>(676,460)</u>
Plan Fiduciary Net Position - beginning	<u>-</u>
Plan Fiduciary Net Position - ending (b)	<u><u>-</u></u>
 City's Net OPEB Liability - ending (a) - (b)	 \$ 14,311,467
 Covered-employee Payroll	 \$ 11,030,000
 City's Net OPEB Liability as a Percentage of Covered-employee Payroll	 129.75%

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

LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2018

Arizona State Retirement System

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

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

See accompanying Notes to Required Supplementary Information.

**LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
ALL PENSION PLANS
YEAR ENDED JUNE 30, 2018**

Arizona State Retirement System

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

PSPRS Police

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

PSPRS Fire

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

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

LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIO
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM – POLICE AND FIRE
YEAR ENDED JUNE 30, 2018

PSPRS Police

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability				
Service Cost	1,234,563	\$ 922,034	\$ 861,608	\$ 848,865
Interest on the Total Pension Liability	3,651,211	3,464,339	3,399,923	2,915,368
Changes of Benefit Terms	582,417	2,528,560	-	703,355
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	1,482,173	(1,471,071)	(106,367)	893,651
Changes of Assumptions or Other Inputs	1,480,171	1,778,435	-	3,938,245
Benefit Payments, Including Refunds of Employee Contributions	(2,801,935)	(2,852,973)	(3,876,595)	(2,389,772)
Net Change in Total Pension Liability	5,628,600	4,369,324	278,569	6,909,712
Total Pension Liability - Beginning	49,466,506	45,097,182	44,818,613	37,908,901
Total Pension Liability - Ending (a)	55,095,106	49,466,506	45,097,182	44,818,613
Plan Fiduciary Net Position				
Contributions - Employer	2,210,217	2,228,546	1,567,440	1,354,412
Contributions - Employee	625,344	595,760	554,019	549,533
Net Investment Income	2,293,048	113,130	732,631	2,503,686
Benefit Payments, Including Refunds of Employee Contributions	(2,801,935)	(2,852,973)	(3,876,595)	(2,389,772)
Administrative Expenses	(20,690)	(16,679)	(18,256)	-
Other Changes	(13,631)	(61,181)	(2,391)	(1,015,209)
Net Change in Plan Fiduciary Net Position	2,292,353	6,603	(1,043,152)	1,002,650
Plan Fiduciary Net Position - Beginning	19,464,536	19,457,933	20,501,085	19,498,435
Plan Fiduciary Net Position - Ending (b)	21,756,889	19,464,536	19,457,933	20,501,085
City's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 33,338,217</u>	<u>\$ 30,001,970</u>	<u>\$ 25,639,249</u>	<u>\$ 24,317,528</u>

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

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

LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIO
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM – POLICE AND FIRE (CONTINUED)
YEAR ENDED JUNE 30, 2018

PSPRS Fire

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability				
Service Cost	1,344,599	\$ 1,057,474	\$ 959,699	\$ 924,982
Interest on the Total Pension Liability	3,734,268	3,496,748	3,383,165	2,837,439
Changes of Benefit Terms	595,772	1,468,498	-	952,334
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	977,472	(327,782)	(84,341)	14,363
Changes of Assumptions or Other Inputs	2,126,762	1,911,648	-	4,840,056
Benefit Payments, Including Refunds of Employee Contributions	(2,255,936)	(2,753,000)	(2,967,977)	(2,301,260)
Net Change in Total Pension Liability	6,522,937	4,853,586	1,290,546	7,267,914
Total Pension Liability - Beginning	50,245,909	45,392,323	44,101,777	36,833,863
Total Pension Liability - Ending (a)	56,768,846	50,245,909	45,392,323	44,101,777
Plan Fiduciary Net Position				
Contributions - Employer	2,338,318	2,253,104	1,546,439	1,452,150
Contributions - Employee	657,879	628,285	575,092	510,116
Net Investment Income	2,415,000	116,400	721,120	2,435,938
Benefit Payments, Including Refunds of Employee Contributions	(2,255,936)	(2,753,000)	(2,967,977)	(2,301,260)
Administrative Expenses	(21,769)	(17,149)	(17,967)	-
Other Changes	(31,332)	162,933	3,818	(1,110,206)
Net Change in Plan Fiduciary Net Position	3,102,160	390,573	(139,475)	986,738
Plan Fiduciary Net Position - Beginning	20,203,049	19,812,476	19,951,951	18,965,213
Plan Fiduciary Net Position - Ending (b)	23,305,209	20,203,049	19,812,476	19,951,951
City's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 33,463,637</u>	<u>\$ 30,042,860</u>	<u>\$ 25,579,847</u>	<u>\$ 24,149,826</u>

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

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

LAKE HAVASU CITY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent-of-pay, closed
Remaining Amortization Period as of the 2016 Actuarial Valuation	20 years
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%
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.

LAKE HAVASU CITY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 3 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

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

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

**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, 2018**

	Special Revenue		
	Metropolitan Planning Organization	Grants	CDBG/HOME
Assets			
Cash and Investments	\$ -	\$ -	\$ -
Restricted Cash	-	-	-
Receivables			
Accounts Receivable	244	-	-
Taxes Receivable	-	-	-
Intergovernmental Receivable	57,043	104,986	55,585
Interest Receivable	-	-	-
Total Assets	<u>\$ 57,287</u>	<u>\$ 104,986</u>	<u>\$ 55,585</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 34	\$ -	\$ -
Accrued Wages and Benefits	6,457	981	32
Due to Other Funds	50,796	104,005	55,553
Unearned Revenue	-	-	-
Total Liabilities	<u>57,287</u>	<u>104,986</u>	<u>55,585</u>
Fund Balances			
Restricted	-	-	-
Assigned	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 57,287</u>	<u>\$ 104,986</u>	<u>\$ 55,585</u>

Special Revenue		
Improvement Districts	Special Programs	Total Nonmajor Governmental Funds
\$ 25,746	\$ 670,033	\$ 695,779
-	133,664	133,664
-	3,375	3,619
558	-	558
203	-	217,817
47	736	783
<u>\$ 26,554</u>	<u>\$ 807,808</u>	<u>\$ 1,052,220</u>
\$ 750	\$ 27	\$ 811
-	-	7,470
-	-	210,354
-	5,900	5,900
<u>750</u>	<u>5,927</u>	<u>224,535</u>
25,804	498,265	524,069
-	303,616	303,616
<u>25,804</u>	<u>801,881</u>	<u>827,685</u>
<u>\$ 26,554</u>	<u>\$ 807,808</u>	<u>\$ 1,052,220</u>

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Special Revenue		
	Metropolitan Planning Organization	Grants	CDBG/HOME
Revenue			
Taxes			
Property Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue	301,730	517,872	259,471
Fines and Forfeitures	-	-	-
Investment Earnings	-	-	-
Other	48	-	-
Total Revenue	<u>301,778</u>	<u>517,872</u>	<u>259,471</u>
Expenditures			
Current			
General Government	-	142,406	259,471
Public Safety	-	296,118	-
Transportation Services	301,778	79,348	-
Total Expenditures	<u>301,778</u>	<u>517,872</u>	<u>259,471</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
\$ 72,864	\$ -	\$ 72,864
-	346,198	1,425,271
-	69,348	69,348
68	508	576
-	2,670	2,718
<u>72,932</u>	<u>418,724</u>	<u>1,570,777</u>
71,122	1,430	474,429
-	356,339	652,457
-	-	381,126
<u>71,122</u>	<u>357,769</u>	<u>1,508,012</u>
1,810	60,955	62,765
-	(175,422)	(175,422)
-	(175,422)	(175,422)
1,810	(114,467)	(112,657)
23,994	916,348	940,342
<u>\$ 25,804</u>	<u>\$ 801,881</u>	<u>\$ 827,685</u>

**LAKE HAVASU CITY, ARIZONA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Contributions and Donations	-	\$ -	\$ 206,680	\$ 206,680
Investment Earnings	2,550	2,550	10,024	7,474
Other	-	-	13,494	13,494
Total Revenue	2,550	2,550	230,198	227,648
Expenditures				
Capital Outlay	9,392,250	9,392,000	5,565,035	3,826,965
Total Expenditures	9,392,250	9,392,000	5,565,035	3,826,965
Excess (Deficiency) of Revenue Over Expenditures	(9,389,700)	(9,389,450)	(5,334,837)	4,054,613
Other Financing Sources (Uses)				
Transfers In	8,785,750	8,825,750	5,514,079	(3,311,671)
Total Other Financing Sources (Uses)	8,785,750	8,825,750	5,514,079	(3,311,671)
Net Change in Fund Balance	(603,950)	(563,700)	179,242	742,942
Fund Balance				
Beginning of Year	846,093	846,093	786,270	(59,823)
End of Year	\$ 242,143	\$ 282,393	\$ 965,512	\$ 683,119

**LAKE HAVASU CITY, ARIZONA
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Original and Final Budget		
Revenue				
Intergovernmental Revenue	\$ 680,996	\$ 760,344	\$ 517,872	\$ (242,472)
Total Revenue	680,996	760,344	517,872	(242,472)
Expenditures				
Current				
General Government	331,992	331,992	142,406	189,586
Public Safety	349,004	349,004	296,118	52,886
Transportation Services	-	79,348	79,348	-
Total Expenditures	680,996	760,344	517,872	242,472
Excess (Deficiency) of Revenue Over Expenditures	-	-	-	-
Fund Balance				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

**LAKE HAVASU CITY, ARIZONA
CDBG/HOME FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Original and Final Budget		
Revenue				
Intergovernmental Revenue	\$ 771,894	\$ 692,546	\$ 259,471	\$ (433,075)
Total Revenue	<u>771,894</u>	<u>692,546</u>	<u>259,471</u>	<u>(433,075)</u>
Expenditures				
Current				
General Government	771,894	692,546	259,471	433,075
Total Expenditures	<u>771,894</u>	<u>692,546</u>	<u>259,471</u>	<u>433,075</u>
Excess (Deficiency) of Revenue Over Expenditures	-	-	-	-
Fund Balance				
Beginning of Year	-	-	-	-
End of Year	<u>\$ -</u>	<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, 2018**

	<u>Budgeted Amounts</u> Original and Final Budget	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Taxes			
Property Taxes	\$ 73,003	\$ 72,864	\$ (139)
Investment Earnings	346	68	(278)
Total Revenue	<u>73,349</u>	<u>72,932</u>	<u>(417)</u>
Expenditures			
Current			
General Government	72,894	71,122	1,772
Total Expenditures	<u>72,894</u>	<u>71,122</u>	<u>1,772</u>
Excess (Deficiency) of Revenue Over Expenditures	455	1,810	1,355
Fund Balance			
Beginning of Year	22,000	23,994	1,994
End of Year	<u>\$ 22,455</u>	<u>\$ 25,804</u>	<u>\$ 3,349</u>

**LAKE HAVASU CITY, ARIZONA
SPECIAL PROGRAMS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Original and Final Budget		
Revenue				
Intergovernmental Revenue	\$ 465,360	\$ 465,360	\$ 346,198	\$ (119,162)
Fines and Forfeitures	73,000	73,000	69,348	(3,652)
Charges for Services	13,500	-	-	(13,500)
Contributions and Donations	407,000	400,000	-	(407,000)
Investment Earnings	8,360	7,135	508	(7,852)
Other	3,640	3,640	2,670	(970)
Total Revenue	970,860	949,135	418,724	(552,136)
Expenditures				
Current				
General Government	29,500	22,000	1,430	20,570
Public Safety	883,594	868,594	356,339	512,255
Total Expenditures	913,094	890,594	357,769	532,825
Excess (Deficiency) of Revenue Over Expenditures	57,766	58,541	60,955	(19,311)
Other Financing Sources (Uses)				
Transfers Out	(93,452)	(202,551)	(175,422)	(81,970)
Total Other Financing Sources (Uses)	(93,452)	(202,551)	(175,422)	(81,970)
Net Change in Fund Balance	(35,686)	(144,010)	(114,467)	(101,281)
Fund Balance				
Beginning of Year	441,323	441,323	916,348	475,025
End of Year	\$ 405,637	\$ 297,313	\$ 801,881	\$ 373,744

STATISTICAL SECTION

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**LAKE HAVASU CITY, ARIZONA
STATISTICAL SECTION**

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

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

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

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

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

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

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

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

	Fiscal Year			
	2009	2010	2011 (As Restated)	2012 (As Restated)
Governmental Activities				
Net Investment in Capital Assets	\$ 89,771,829	\$ 86,672,300	\$ 87,690,122	\$ 87,049,507
Net Position-Restricted	7,913,264	12,583,976	10,279,119	8,223,996
Net Position-Unrestricted	19,192,814	18,837,995	21,634,832	24,258,422
Total Governmental Activities Net Position	<u>\$ 116,877,907</u>	<u>\$ 118,094,271</u>	<u>\$ 119,604,073</u>	<u>\$ 119,531,925</u>
Business-type Activities				
Net Investment in Capital Assets	\$ 120,519,205	\$ 128,661,852	\$ 113,244,315	\$ 111,325,222
Net Position-Restricted	-	-	-	-
Net Position-Unrestricted	71,808,903	81,173,618	91,498,031	96,661,045
Total Business-Type Activities Net Position	<u>\$ 192,328,108</u>	<u>\$ 209,835,470</u>	<u>\$ 204,742,346</u>	<u>\$ 207,986,267</u>
Primary Government				
Net Investment in Capital Assets	\$ 210,291,034	\$ 215,334,152	\$ 200,934,437	\$ 198,374,729
Net Position-Restricted	7,913,264	12,583,976	10,279,119	8,223,996
Net Position-Unrestricted	91,001,717	100,011,613	113,132,863	120,919,467
Total Primary Government Net Position	<u>\$ 309,206,015</u>	<u>\$ 327,929,741</u>	<u>\$ 324,346,419</u>	<u>\$ 327,518,192</u>

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

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

Fiscal Year					
2013 (1) (As Restated)	2014	2015 (2)	2016	2017 (3) (As Restated)	2018
\$ 87,401,644	\$ 87,718,006	\$ 86,704,197	\$ 88,095,353	\$ 88,995,496	\$ 85,407,317
8,485,744	8,971,642	9,629,813	3,703,586	4,798,406	5,990,275
24,692,309	25,319,806	(30,958,540)	(31,635,385)	(47,404,855)	(46,342,804)
<u>\$ 120,579,697</u>	<u>\$ 122,009,454</u>	<u>\$ 65,375,470</u>	<u>\$ 60,163,554</u>	<u>\$ 46,389,047</u>	<u>\$ 45,054,788</u>
\$ 112,402,345	\$ 112,968,345	\$ 114,768,401	\$ 137,877,796	\$ 139,060,241	\$ 140,976,250
-	-	-	-	-	20,929
92,463,831	92,849,079	83,956,728	66,001,694	66,595,391	68,758,191
<u>\$ 204,866,176</u>	<u>\$ 205,817,424</u>	<u>\$ 198,725,129</u>	<u>\$ 203,879,490</u>	<u>\$ 205,655,632</u>	<u>\$ 209,755,370</u>
\$ 199,803,989	\$ 200,686,351	\$ 201,472,598	\$ 225,973,149	\$ 228,055,737	\$ 226,383,567
8,485,744	8,971,642	9,629,813	3,703,586	4,798,406	6,011,204
117,156,140	118,168,885	52,998,188	34,366,309	19,190,536	22,415,387
<u>\$ 325,445,873</u>	<u>\$ 327,826,878</u>	<u>\$ 264,100,599</u>	<u>\$ 264,043,044</u>	<u>\$ 252,044,679</u>	<u>\$ 254,810,158</u>

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

	Fiscal Year			
	2009	2010	2011 (As Restated)	2012 (As Restated)
Expenses				
Governmental Activities:				
General Government	\$ 11,587,628	\$ 11,523,143	\$ 9,621,283	\$ 8,476,893
Public Safety	24,101,607	22,048,520	22,372,576	21,686,997
Highways and Streets	7,212,143	5,425,314	5,918,563	6,233,637
Transportation Services	2,081,649	1,820,974	1,461,976	1,879,024
Tourism and Promotion	1,357,250	1,357,407	1,390,134	1,496,816
Culture and Recreation	5,560,189	4,590,764	4,722,202	4,073,659
Interest on Long-Term Debt	126,647	115,351	108,188	99,411
Total Governmental Activities	52,027,113	46,881,473	45,594,922	43,946,437
Business-Type Activities:				
Refuse	788,325	1,081,376	1,085,990	5,410,612
Recreation / Aquatic Center	1,238,856	1,079,224	1,079,984	1,246,005
Irrigation and Drainage	11,865,294	10,220,643	10,523,588	10,044,185
Wastewater	14,776,656	15,205,648	24,963,122	25,793,737
Airport	1,638,496	1,391,318	1,356,632	1,364,933
Total Business-Type Activities	30,307,627	28,978,209	39,009,316	43,859,472
Total Primary Government Expenses	<u>\$ 82,334,740</u>	<u>\$ 75,859,682</u>	<u>\$ 84,604,238</u>	<u>\$ 87,805,909</u>
Program Revenues				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 2,714,374	\$ 2,883,613	\$ 2,697,578	\$ 2,496,454
Public Safety	110,643	138,856	131,855	107,777
Highways and Streets	105,763	26,885	22,861	21,023
Culture and Recreation	535,640	639,748	570,009	565,388
Transportation Services	102,469	103,165	106,000	119,262
Interest	3,201	7,308	5,765	2,086
Operating Grants and Contributions	7,093,164	7,656,464	7,755,856	6,522,104
Capital Grants and Contributions	7,088,714	3,672,012	3,264,826	1,525,462
Total Governmental Activities				
Program Revenues	17,753,968	15,128,051	14,554,750	11,359,556
Business-type Activities:				
Charges for Services:				
Refuse	1,180,596	1,193,935	1,198,732	5,589,465
Recreation / Aquatic Center	376,044	349,804	332,304	388,600
Irrigation and Drainage	11,000,962	11,299,977	10,970,391	10,792,533
Wastewater	14,514,990	16,836,789	21,241,682	21,865,171
Airport	534,797	1,125,623	521,022	510,311
Operating Grants and Contributions	46,076	25,000	86,000	88,717
Capital Grants and Contributions	7,112,526	10,373,301	13,547,954	3,161,306
Total Business-Type Activities				
Program Revenues	34,765,991	41,204,429	47,898,085	42,396,103
Total Primary Government Program Revenues	<u>\$ 52,519,959</u>	<u>\$ 56,332,480</u>	<u>\$ 62,452,835</u>	<u>\$ 53,755,659</u>

Fiscal Year					
2013 (As Restated)	2014	2015	2016	2017	2018
\$ 10,853,502	\$ 12,152,114	\$ 13,730,439	\$ 16,565,010	\$ 16,508,917	\$ 15,966,111
24,589,053	25,670,858	29,639,702	27,851,569	35,730,398	32,534,876
6,489,355	6,844,661	7,581,803	5,954,241	6,527,976	5,986,275
2,084,097	1,602,639	590,799	3,524,708	3,211,372	3,394,900
1,485,300	1,651,955	1,614,399	1,866,653	2,011,849	2,263,539
1,818,542	1,860,313	2,069,458	796,465	649,522	723,931
92,090	85,885	79,518	71,419	336,191	377,281
47,411,939	49,868,425	55,306,118	56,630,065	64,976,225	61,246,913
5,368,384	5,267,207	5,376,827	5,462,233	5,579,670	5,824,942
1,329,378	1,518,700	1,675,056	-	-	-
9,845,794	10,173,601	9,961,106	10,695,127	10,873,128	12,388,033
27,266,517	26,965,114	26,687,095	28,630,254	26,012,366	25,175,765
1,332,327	1,358,396	1,361,177	1,401,684	1,425,314	1,558,591
45,142,400	45,283,018	45,061,261	46,189,298	43,890,478	44,947,331
\$ 92,554,339	\$ 95,151,443	\$ 100,367,379	\$ 102,819,363	\$ 108,866,703	\$ 106,194,244
\$ 3,069,608	\$ 3,274,126	\$ 3,820,613	\$ 3,632,889	\$ 3,824,870	\$ 4,109,375
534,871	422,645	264,639	413,385	306,598	394,571
189,775	26,621	9,897	56,878	4,586	14,847
597,730	613,049	717,178	959,528	994,556	954,783
106,528	100,508	10,507	11,193	11,440	17,094
-	-	-	-	-	-
6,837,670	6,419,567	6,486,534	7,398,931	7,634,226	7,163,483
2,930,409	2,263,972	1,501,131	1,500	13,750	223,288
14,266,591	13,120,488	12,810,499	12,474,304	12,790,026	12,877,441
5,725,669	5,645,063	5,762,381	5,900,766	6,032,980	6,451,980
372,160	373,728	424,825	-	-	-
10,490,751	10,586,519	10,320,272	10,690,585	10,694,299	11,941,916
22,047,663	22,408,732	22,529,002	22,592,658	22,619,965	22,334,847
492,185	490,596	487,182	496,145	502,238	515,049
51,853	112,131	96,035	111,029	46,241	-
2,159,379	3,103,082	629,838	2,394,886	3,981,141	3,703,711
41,339,660	42,719,851	40,249,535	42,186,069	43,876,864	44,947,503
\$ 55,606,251	\$ 55,840,339	\$ 53,060,034	\$ 54,660,373	\$ 56,666,890	\$ 57,824,944

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

	Fiscal Year			
	2009	2010	2011 (As Restated)	2012 (As Restated)
Net (Expense)/Revenue				
Governmental Activities	\$ (34,273,145)	\$ (31,753,421)	\$ (31,040,172)	\$ (32,586,881)
Business-Type Activities	4,458,364	12,226,220	8,888,769	(1,463,369)
Total Primary Government Net Expense	<u>\$ (29,814,781)</u>	<u>\$ (19,527,201)</u>	<u>\$ (22,151,403)</u>	<u>\$ (34,050,250)</u>
General Revenues and Other				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 15,366,885	\$ 13,979,108	\$ 14,379,370	\$ 14,400,439
Property Taxes	4,875,880	5,106,364	4,135,595	4,150,569
Franchise Taxes	1,921,624	1,687,909	1,722,878	1,684,173
Impact Fees	97,045	318,232	295,355	-
State Revenue Sharing	7,979,307	6,899,020	5,200,976	4,433,318
State Sales Tax Revenue Sharing	4,251,458	3,921,350	4,081,876	4,104,475
Auto Lieu Tax Revenue Sharing	2,840,324	2,665,669	2,621,452	2,451,516
Investment Earnings (Loss)	467,629	253,403	187,740	(81,420)
Other	12,590	16,124	78,417	119,074
Transfers	(3,900,988)	(1,877,395)	(153,685)	1,252,589
Total Governmental Activities	<u>33,911,754</u>	<u>32,969,784</u>	<u>32,549,974</u>	<u>32,514,733</u>
Business-Type activities:				
Sales Taxes	-	-	-	-
Property Taxes	2,134,068	3,237,149	4,460,402	5,703,105
Investment Earnings (Loss)	715,319	200,593	266,125	256,774
Transfers	3,900,988	1,877,395	153,685	(1,252,589)
Total Business-Type Activities	<u>6,750,375</u>	<u>5,315,137</u>	<u>4,880,212</u>	<u>4,707,290</u>
Total Primary Government	<u>\$ 40,662,129</u>	<u>\$ 38,284,921</u>	<u>\$ 37,430,186</u>	<u>\$ 37,222,023</u>
Change in Net Position				
Governmental Activities	\$ (361,391)	\$ 1,216,364	\$ 1,509,802	\$ (72,148)
Business-type Activities	11,208,739	17,541,357	13,768,981	3,243,921
Total Primary Government	<u>\$ 10,847,348</u>	<u>\$ 18,757,721</u>	<u>\$ 15,278,783</u>	<u>\$ 3,171,773</u>

Fiscal Year					
2013 (As Restated)	2014	2015	2016	2017	2018
\$ (33,145,348)	\$ (36,747,937)	\$ (42,495,619)	\$ (44,155,761)	\$ (52,186,199)	\$ (48,369,472)
(3,802,740)	(2,563,167)	(4,811,726)	(4,003,229)	(13,614)	172
<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>	<u>\$ (48,369,300)</u>
\$ 14,157,677	\$ 15,185,171	\$ 18,442,101	\$ 20,205,820	\$ 21,750,919	\$ 23,510,466
4,194,202	4,231,510	4,237,577	4,378,580	4,404,669	4,509,789
1,705,943	1,795,899	2,300,347	1,971,867	2,017,919	1,915,660
-	-	-	-	-	-
5,365,520	5,854,801	6,358,718	6,324,244	6,551,824	6,656,582
4,299,431	4,572,096	4,800,376	4,961,508	4,903,171	5,167,905
2,423,003	2,506,953	2,666,247	2,871,694	3,114,874	3,403,444
400,393	439,967	355,158	567,614	115,537	158,966
47,499	114,948	58,081	21,866	-	-
1,599,452	3,476,349	1,448,372	(5,800,353)	2,043,948	1,712,401
<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>	<u>47,035,213</u>
-	-	-	-	-	7,918
5,675,383	5,953,459	5,392,116	5,726,275	5,701,272	5,702,082
669,737	1,037,304	772,282	1,071,967	94,445	101,967
<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>(1,712,401)</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>4,099,566</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>	<u>\$ 51,134,779</u>
\$ 1,047,772	\$ 1,429,757	\$ (1,828,642)	\$ (8,652,921)	\$ (7,283,338)	\$ (1,334,259)
942,928	951,248	(95,700)	8,595,366	3,738,155	4,099,738
<u>\$ 1,990,700</u>	<u>\$ 2,381,005</u>	<u>\$ (1,924,342)</u>	<u>\$ (57,555)</u>	<u>\$ (3,545,183)</u>	<u>\$ 2,765,479</u>

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

Function/Program	Fiscal Year			
	2009	2010	2011	2012
Governmental Activities:				
General Government	\$ 4,553,454	\$ 4,369,104	\$ 3,726,647	\$ 3,535,789
Public Safety	545,061	1,033,934	1,155,283	941,184
Highways and Streets	10,370,964	7,734,943	6,984,204	5,084,235
Culture and Recreation	1,188,244	654,545	693,518	707,343
Transportation Services	1,093,044	1,328,218	1,989,333	1,088,919
Interest on Long-Term Debt	3,201	7,308	5,765	2,086
Subtotal Governmental Activities	<u>17,753,968</u>	<u>15,128,052</u>	<u>14,554,750</u>	<u>11,359,556</u>
Business-Type Activities:				
Refuse	1,180,596	1,193,935	1,198,732	5,589,465
Recreation/Aquatic Center	501,550	349,804	332,304	388,600
Irrigation and Drainage	12,469,059	11,750,407	13,875,204	12,496,186
Wastewater	19,416,038	26,728,765	31,611,051	23,241,431
Airport	1,198,748	1,181,518	880,794	680,421
Subtotal Business-Type Activities	<u>34,765,991</u>	<u>41,204,429</u>	<u>47,898,085</u>	<u>42,396,103</u>
Total Primary Government	<u>\$ 52,519,959</u>	<u>\$ 56,332,481</u>	<u>\$ 62,452,835</u>	<u>\$ 53,755,659</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 3,995,491	\$ 3,932,496	\$ 4,574,380	\$ 5,046,899	\$ 4,919,685	\$ 5,344,231
1,538,204	1,045,352	902,861	1,066,458	1,376,751	1,040,186
7,081,241	6,490,956	6,223,620	4,772,852	4,985,665	5,110,258
708,112	668,427	827,472	1,085,432	1,075,382	984,594
943,543	983,257	282,166	502,663	432,543	398,172
-	-	-	-	-	-
14,266,591	13,120,488	12,810,499	12,474,304	12,790,026	12,877,441
5,725,669	5,645,063	5,762,381	5,900,766	6,032,980	6,451,980
372,160	373,728	424,825	-	-	-
11,824,048	13,161,156	10,429,386	12,529,606	12,783,382	13,967,644
22,693,769	23,009,681	23,136,248	23,259,010	23,267,652	23,128,673
724,014	530,223	496,695	496,687	1,792,850	1,399,206
41,339,660	42,719,851	40,249,535	42,186,069	43,876,864	44,947,503
\$ 55,606,251	\$ 55,840,339	\$ 53,060,034	\$ 54,660,373	\$ 56,666,890	\$ 57,824,944

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

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Reserved	\$ 245,625	\$ 510,785	\$ -	\$ -
Unreserved	10,941,973	12,028,929	-	-
Nonspendable	-	-	461,612	349,232
Restricted	-	-	8,663	16,815
Committed	-	-	1,199,646	533,133
Assigned	-	-	2,708,530	-
Unassigned	-	-	8,616,221	14,476,034
Total General Fund	<u>\$ 11,187,598</u>	<u>\$ 12,539,714</u>	<u>\$ 12,994,672</u>	<u>\$ 15,375,214</u>
All Other Governmental Funds				
Reserved	\$ 161,487	\$ 161,447	\$ -	\$ -
Unreserved, Reported in:				
Special Revenue Funds	1,307,293	2,951,892	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	6,444,484	9,470,637	-	-
Total Unreserved	<u>7,913,264</u>	<u>12,583,976</u>	<u>-</u>	<u>-</u>
Nonspendable	-	-	116,394	123,655
Restricted	-	-	10,166,279	8,100,341
Committed	-	-	2,654,787	153,466
Assigned	-	-	496,230	3,028,968
Total All Other Governmental Funds	<u>\$ 7,913,264</u>	<u>\$ 12,583,976</u>	<u>\$ 13,433,690</u>	<u>\$ 11,406,430</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					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
280,021	285,386	244,483	244,483	227,087	9,224,831
43,053	68,775	79,848	79,848	108,473	140,783
73,885	398,755	95,764	95,764	58,712	28,614
1,705,874	2,122,957	1,413,446	1,413,446	7,468,453	2,680,187
17,920,187	23,222,099	25,280,515	25,280,515	31,008,000	27,377,087
<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>	<u>\$ 39,451,502</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
126,163	130,823	128,761	74,285	74,255	69,753
8,359,581	8,840,988	9,549,965	3,602,063	4,689,933	5,455,777
1,228,334	277,375	219,487	-	-	-
2,010,336	2,531,132	2,659,010	3,212,360	1,202,633	1,269,128
<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>	<u>\$ 6,794,658</u>

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Taxes	\$ 22,251,293	\$ 20,752,317	\$ 20,303,864	\$ 20,226,164
Intergovernmental	26,413,424	24,711,004	22,707,886	18,727,568
Fines and Forfeitures	1,369,529	1,486,805	1,368,057	1,309,072
Licenses and Permits	992,742	1,193,690	1,033,320	1,072,635
Charges for Services	711,345	931,886	817,168	803,069
Rents and Royalties	58,785	51,889	46,494	64,824
Contributions and Donations	11,018	6,939	142,715	112,576
Impact Fees	97,045	318,232	295,355	137,207
Special Assessments	131,602	68,996	66,283	65,357
Investment Earnings (Loss)	325,534	212,547	169,181	(53,402)
Other	436,488	224,576	337,648	119,827
Total Revenues	<u>52,798,805</u>	<u>49,958,881</u>	<u>47,287,971</u>	<u>42,584,897</u>
Expenditures				
General Government	10,778,205	9,320,011	9,511,503	9,806,857
Public Safety	24,280,422	20,448,619	21,230,032	20,867,623
Highways and Streets	5,203,661	3,821,793	4,418,689	4,522,249
Culture and Recreation	5,307,096	4,038,440	3,835,394	3,707,822
Transportation Services	1,919,213	1,605,268	1,847,708	1,649,359
Tourism and Promotion	1,356,589	1,356,746	1,389,473	1,496,155
Capital Outlay	4,147,830	1,187,425	3,345,613	2,288,782
Debt Service				
Principal Retirement	240,000	165,000	200,000	200,000
Interest on Long-Term Debt	126,647	115,351	108,188	99,411
Total Expenditures	<u>53,359,663</u>	<u>42,058,653</u>	<u>45,886,600</u>	<u>44,638,258</u>
Excess of Revenues Over (Under)				
Expenditures	(560,858)	7,900,228	1,401,371	(2,053,361)
Other Financing Sources (Uses)				
Transfers In	2,107,983	2,395,347	2,210,751	4,160,552
Transfers Out	(6,008,971)	(4,272,742)	(2,364,436)	(2,907,963)
Issuance of Debt	-	-	56,986	1,154,054
Total Other Financing Sources (Uses)	<u>(3,900,988)</u>	<u>(1,877,395)</u>	<u>(96,699)</u>	<u>2,406,643</u>
Net Change in Fund Balance	<u>\$ (4,461,846)</u>	<u>\$ 6,022,833</u>	<u>\$ 1,304,672</u>	<u>\$ 353,282</u>
Debt Service as a Percentage of Noncapital Expenditures	0.8%	0.7%	0.7%	0.7%

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 20,058,886	\$ 21,169,738	\$ 25,075,151	\$ 26,556,267	\$ 28,173,507	\$ 29,935,915
21,694,328	21,368,041	21,639,174	21,331,956	21,815,664	22,332,270
1,344,452	1,405,615	1,343,136	1,271,265	1,399,042	1,302,600
1,434,927	1,645,593	1,850,142	2,058,628	2,109,402	2,631,312
1,233,163	1,122,442	991,026	1,289,882	1,243,056	1,257,008
88,445	89,409	106,506	160,822	85,969	100,130
117,678	206,306	113,472	225,921	388,431	265,824
-	-	-	-	-	-
-	-	-	-	-	-
346,455	347,167	331,702	536,861	115,537	158,966
426,502	237,210	602,595	293,276	304,581	199,620
46,744,836	47,591,521	52,052,904	53,724,878	55,635,189	58,183,645
10,971,201	11,552,268	13,842,743	15,342,933	15,975,867	16,397,581
23,587,259	27,492,419	25,466,301	26,472,416	27,609,870	28,148,429
4,721,183	5,130,647	5,331,664	4,418,578	5,007,050	4,503,401
1,703,534	1,835,350	1,943,385	3,290,143	3,287,776	4,069,418
1,570,998	1,427,796	479,373	1,866,653	2,011,849	2,263,539
1,484,639	1,651,955	1,628,426	726,537	598,367	670,192
3,278,455	3,638,147	259,668	3,244,793	5,485,194	5,565,035
145,000	150,000	160,000	165,000	2,416,813	9,217,626
92,090	85,885	79,518	71,419	168,588	266,211
47,554,359	52,964,467	49,191,078	55,598,472	62,561,374	71,101,432
(809,523)	(5,372,946)	2,861,826	(1,873,594)	(6,926,185)	(12,917,787)
6,837,490	10,589,871	3,443,746	2,467,823	5,856,721	\$ 7,348,011
(2,738,038)	(2,961,494)	(4,512,583)	(6,994,555)	(1,897,778)	(5,635,610)
1,675,861	3,875,428	-	3,046,010	11,279,439	12,614,000
5,775,313	11,503,805	(1,068,837)	(1,480,722)	15,238,382	14,326,401
\$ 4,965,790	\$ 6,130,859	\$ 1,792,989	\$ (3,354,316)	\$ 8,312,197	\$ 1,408,614
0.5%	0.5%	0.5%	0.5%	4.6%	14.5%



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>
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
2018	21,024,525	4,509,788	1,915,660	965,208	1,307,809	29,722,991
Change, 2009-2018	48.9%	(9.1%)	(0.3%)	68.0%	71.6%	33.1%

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			
	2009	2010	2011	2012
Mining	\$ 1,502,091	\$ 957,338	\$ 679,224	\$ 947,593
Communications & Utilities	45,438,961	43,187,392	44,157,693	43,354,901
Transportation & Warehousing	825,406	610,037	476,664	287,021
Construction	104,429,178	59,267,145	69,777,264	60,465,951
Manufacturing	27,051,299	25,263,121	22,203,330	25,536,642
Wholesale Trade	12,097,298	10,438,461	10,563,544	14,791,777
Retail Trade	368,990,071	368,767,470	367,590,435	384,360,559
Finance & Insurance	1,563,165	1,295,523	868,042	958,820
Real Estate, Rental & Leasing	18,474,750	13,903,727	15,116,990	13,944,336
Restaurant & Bars	53,496,452	55,204,958	57,201,379	59,414,264
Hotels & Other Lodging (1)	27,752,236	28,709,923	26,843,295	28,080,440
Public Administration	493,218	318,627	(185,615)	83,740
Services	27,984,637	23,674,619	22,870,852	26,771,435
Arts & Entertainment	7,334,109	7,783,062	7,176,416	6,590,677
All Others	12,616,449	11,544,005	16,950,308	16,782,553
Total	<u>\$ 710,049,320</u>	<u>\$ 650,925,408</u>	<u>\$ 662,289,821</u>	<u>\$ 682,370,709</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 2008-2011.
- (2) The activity for FY 2013 was restated due to the 3% collections for Transient Occupancy Tax initiated and processed by the Arizona Department of Revenue were corrected.

Source: Arizona Department of Revenue

Fiscal Year					
2013	2014	2015	2016	2017	2018
Restated ⁽²⁾					
\$ 1,114,700	\$ 1,112,000	\$ 1,539,450	\$ 1,708,250	\$ 2,351,089	\$ 2,274,357
32,645,950	42,705,200	41,628,700	41,243,550	36,642,489	33,101,742
425,100	660,650	407,250	372,950	408,394	488,668
69,294,750	81,212,300	81,495,650	85,126,250	93,900,227	108,450,217
26,772,800	21,970,500	26,450,800	29,052,200	32,292,489	39,004,853
16,101,650	16,867,550	21,172,150	23,939,750	27,145,541	33,772,249
407,590,250	452,488,100	489,855,200	526,714,900	554,328,385	603,875,999
1,267,800	1,654,700	2,187,300	2,864,863	3,485,585	4,495,740
16,928,100	18,065,200	17,439,600	20,921,894	24,994,406	24,913,322
62,593,716	68,661,174	75,714,800	77,120,226	86,047,388	94,102,759
26,672,157	24,140,964	32,229,300	34,435,303	30,474,980	31,429,781
(32,000)	30,250	(55,850)	24,200	43,335	61,107
29,469,450	33,204,800	34,146,000	38,102,900	44,536,621	50,494,285
7,156,600	6,481,000	6,178,200	7,010,700	6,558,631	4,576,606
13,789,750	15,735,850	19,215,750	14,640,350	31,837,182	19,713,969
<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>	<u>\$ 1,050,755,654</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, 2018**

<u>Fiscal Year</u>	<u>City Sales Tax</u>	<u>City Restaurant and Bar Tax</u>	<u>(2) City Transient Occupancy Tax</u>	<u>(1) Mohave County</u>	<u>(1) State of Arizona</u>
2009	2.00	1.00	3.00	0.25	5.60
2010	2.00	1.00	3.00	0.25	5.60
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	6.60
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
2018	2.00	1.00	3.00	0.25	5.60

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

The state Tax rate increased on 6/1/2010 and decreased 6/1/2013 due to approval from the voters in the May 2010 election.

(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
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
2018	P	644,785,568	5,713,125,000	10,822,569	68,018,116
	S	795,548,110	7,037,744,217	13,002,829	81,282,567

Source: Mohave County Assessor

Under Arizona law, there are two primary valuation bases: Primary (P) and Secondary (S).

Note: This section does not include valuations on property owned by the State of Arizona, the United States Government, the City, and other entities not subject to taxation.

Total			
Net Assessed Value	Estimated Actual Value	Direct Tax Rate	Ratio of Total Assessed Value to Total Estimated Actual Value
\$ 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
655,608,137	5,781,143,116	0.6718	11.34
808,550,939	7,119,026,784	-	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
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
2018	P	0.6718	-	0.6718	-	-	-	-
	S	-	-	-	\$268.85/acre	-	-	0.8349

Special Districts			Overlapping Rates				
Improvement District #3	Improvement District #4	Improvement District #5	Total County Rate	Total School Rate	Total State Rate	Rate Total	
-	-	-	1.3309	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	7.2376	
-	0.6762	-	0.9936	0.7297	-	3.0009	plus \$268.85/acre
-	-	-	1.9696	4.0121	0.5054	7.2106	
-	0.6941	-	0.7436	0.0000	-	2.2879	plus \$268.85/acre
-	-	-	1.9696	3.9873	0.5010	7.1579	
-	0.7158	-	0.7436	0.0000	-	2.3179	plus \$268.85/acre
-	-	-	1.9696	3.6727	-	6.3141	
-	0.5456	-	0.7916	0.8660	0.4875	3.5256	plus \$268.85/acre

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

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Unisource Energy Corporation	\$ 10,704,818	1	1.63%	\$ 9,673,433	1	1.24%
PHC Lake Havasu Inc	4,512,495	2	0.69%	8,649,010	2	1.11%
Citizens Utilities Inc	2,419,649	3	0.37%	6,067,439	3	0.78%
SFT Havasu LLC Etal	2,292,097	4	0.35%			
Walmart Stores Inc	2,043,471	5	0.31%	1,887,532	9	0.24%
Island Development Group LLC	1,487,780	6	0.23%			
Lowes HIW Inc	1,471,145	7	0.22%	1,768,314	10	0.23%
Grace Investment Co	1,098,186	8	0.17%			
SDI-Havasu LLC	1,086,752	9	0.17%			
Home Depot USA Inc.	977,756	10	0.15%			
Shops at Lake Havasu City LLC			0.00%	4,229,937	4	0.54%
Sterilite Corporation			0.00%	2,527,762	5	0.33%
KKO Development			0.00%	2,446,129	6	0.31%
Eagle Storage & Development LLC			0.00%	2,141,521	7	0.28%
Dillard Store Services Inc.			0.00%	1,891,301	8	0.24%
Totals	<u>\$ 28,094,149</u>		<u>4.29%</u>	<u>\$ 41,282,378</u>		<u>5.30%</u>
Net Assessed Value	\$ 655,608,137			\$ 777,376,532		

Source: Mohave County Assessor.

Note: Above taxable assessed valuations are as of 1/1/2017 and 2008, respectively, and the associated tax levies were due in fiscal years ended June 30, 2018 and 2009, 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
2009	\$ 4,674,255	\$ 4,510,022	96.49 %	\$ 164,217	\$ 4,674,239	100.00 %
2010	4,883,826	4,701,200	96.26	182,560	4,883,760	100.00
2011	4,076,711	3,952,993	96.97	123,326	4,076,319	99.99
2012	4,076,846	3,965,111	97.26	111,249	4,076,360	99.99
2013	4,124,313	4,011,502	97.26	112,472	4,123,974	99.99
2014	4,151,317	4,032,532	97.14	118,436	4,150,968	99.99
2015	4,227,640	4,135,746	97.83	91,751	4,227,497	100.00
2016	4,281,108	4,194,139	97.97	86,820	4,280,959	100.00
2017	4,337,881	4,255,053	98.09	82,412	4,337,465	99.99
2018	4,404,195	4,320,370	98.10	-	4,320,370	98.10

(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
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	139,845	3,307,271	99.98
2011	4,488,568	4,330,276	96.47	156,590	4,486,866	99.96
2012	5,671,440	5,408,979	95.37	260,176	5,669,155	99.96
2013	5,666,126	5,409,765	95.48	253,807	5,663,572	99.95
2014	5,665,838	5,442,107	96.05	221,042	5,663,149	99.95
2015	5,665,834	5,517,668	97.38	145,477	5,663,145	99.95
2016	5,665,696	5,521,460	97.45	141,413	5,662,873	99.95
2017	5,701,323	5,572,372	97.74	125,775	5,698,147	99.94
2018	5,702,398	5,573,862	97.75	-	5,573,862	97.75

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

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

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 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
2009	\$ 109,744	\$ 107,041	97.54 %	\$ 2,703	\$ 109,744	100.00 %
2010	149,612	145,722	97.40	3,890	149,612	100.00
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-

(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
2009	\$ 16,810	\$ 14,902	88.65 %	\$ 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	8,001	7,419	92.73	582	8,001	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	201	15,470	100.00
2018	16,002	15,851	99.06	-	15,851	99.06

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

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

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

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy			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	
2009	\$ 55,702	\$ 55,053	98.83 %	\$ 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	96.75	2,210	67,980	100.00	
2014	74,937	73,649	98.28	1,288	74,937	100.00	
2015	71,253	69,229	97.16	2,024	71,253	100.00	
2016	69,020	67,571	97.90	1,449	69,020	100.00	
2017	71,664	69,292	96.69	2,372	71,664	100.00	
2018	57,032	54,400	95.39	-	54,400	95.39	

(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 Assessment Bonds	Revenue Bonds	Capital Leases	Irrigation and Drainage District			General Obligation Bonds	Capital Leases	
				Sewer Bonds		Airport			
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	5,064,524	276,299,222	(1)	5,436,978	-	80,000	1,581,455
2016	-	1,615,000	8,115,676	244,601,444	(1)	5,398,622	-	70,000	369,352
2017	-	10,477,626	6,705,608	239,070,575	(1)	4,389,305	3,960	60,000	340,583
2018	-	13,874,000	3,626,109	233,291,955	(1)	5,624,550	-	50,000	-

(1) Net of related premium

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

Total Primary Government	Percentage of Personal Income	Per Capita
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
290,242,179	N/A	5,456
245,913,082	19.01	4,589
261,047,657	18.91	4,599
256,466,614	17.12	4,442



LAKE HAVASU CITY

LAKE HAVASU CITY, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2018

<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	\$ 14,190,000	91%	12,857,559
City Direct Debt			
Lake Havasu City Freedom Bridge Land Acquisition	1,260,000	100%	\$ 1,260,000
Lake Havasu City Excise Tax - Series 2017	12,614,000	100%	12,614,000
Lake Havasu City Capital Leases	3,626,109	100%	3,626,109
Lake Havasu City, Arizona Direct Debt			<u>17,500,109</u>
Total Direct and Overlapping Debt			<u><u>\$ 30,357,668</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>20% Limitation (1)</u>				
Debt Limit	\$ 207,685,270	\$ 185,465,760	\$ 142,473,705	\$ 113,548,424
Total Net Debt Applicable to 20% Limit (Restated to Account for Amount Set Aside for Repayment of Debt)	<u>182,493,498</u>	<u>155,003,212</u>	<u>146,343,638</u>	<u>140,427,574</u>
Legal Debt Margin (Available Borrowing Capacity)	<u>\$ 25,191,772</u>	<u>\$ 30,462,548</u>	<u>\$ (3,869,933)</u>	<u>\$ (26,879,150)</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	87.87%	83.58%	102.72%	123.67%
<u>6% Limitation (2)</u>				
Debt Limit	\$ 62,305,581	\$ 55,639,728	\$ 42,742,111	\$ 34,064,527
Total Net Debt Applicable to 6% Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin (Available Borrowing Capacity)	<u>\$ 62,305,581</u>	<u>\$ 55,639,728</u>	<u>\$ 42,742,111</u>	<u>\$ 34,064,527</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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016 (3)</u>	<u>2017</u>	<u>2018</u>
\$ 114,778,903	\$ 114,963,683	\$ 115,628,939	\$ 118,382,799	\$ 123,962,603	\$ 131,121,627
<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>124,822,644</u>
<u>\$ (21,322,494)</u>	<u>\$ (11,722,566)</u>	<u>\$ (5,090,957)</u>	<u>\$ 19,447,633</u>	<u>\$ -</u>	<u>\$ 6,298,983</u>
118.58%	110.20%	104.40%	83.57%	100.00%	95.20%
\$ 34,433,671	\$ 34,489,105	\$ 34,688,682	\$ 35,514,840	\$ 37,188,781	\$ 39,336,488
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,661,633</u>	<u>874,481</u>	<u>-</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>	<u>\$ 39,336,488</u>
-	-	-	-	-	-



LAKE HAVASU CITY

**LAKE HAVASU CITY, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2018**

Net Secondary Assessed Valuation (1)		<u><u>\$ 655,608,137</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		131,121,627
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ 121,989,662	
Plus: Excess Premium (2)	7,627,107	
Less Amount Set Aside for Repayment of Debt	<u>(4,794,125)</u>	
Net Debt Applicable to Limit		<u>124,822,644</u>
20% Legal Debt Margin		<u>6,298,983</u>
<div style="text-align: center;"> <u>All Other General Obligation Bonds</u> </div>		
Debt Limit - 6% of Secondary Net Assessed Valuation		39,336,488
Debt Applicable to Limit		
General Obligation Bonds Outstanding	<u>-</u>	
Less Amount Set Aside for Repayment of Debt	<u>-</u>	
Net Debt Applicable to Limit		<u>-</u>
All Other General Obligation Bonds Debt Margin		<u>39,336,488</u>
Total Legal Debt Margin		<u><u>\$ 45,635,471</u></u>

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

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

**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
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	147.26	-	-	-	-
2017	36,640,972	175,000	63,896	153.38	-	-	-	-
2018	39,320,608	180,000	56,657	166.15	-	-	-	-

(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. Principal and interest on the 2016 Excise Tax Bonds includes \$722,374 of principal and \$4,691 of interest included in the Wastewater and Airport Enterprise Funds.

(4) Excise Tax revenues are pledged for the 2017 Excise Tax Bonds and include the City's sales and transaction privilege taxes.

Excise Tax Revenue Bonds (3) (4)

<u>Excise Tax (3)</u>	<u>Debt Service Principal</u>	<u>Debt Service Interest</u>	<u>Coverage</u>
\$ -	\$ -	\$ -	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
21,750,889	2,596,000	179,418	7.84
23,297,543	9,760,000	209,554	2.34

**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
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
2018	22,292,478	4,500,000	6,538,010	20,254,468	4,457,846	9,104,667

	Water Revenue Bonds					
	(1) Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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
2018	12,089,482	9,718,349	2,371,133	-	174,058	13.62

(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
\$ 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	11,399,710	5,182,509	2,727,094	7,909,603	1.44
14,908,094	1.32	4,780,921	-	-	-	n/a
13,562,513	1.49	6,691,955	-	-	-	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
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
2018	54,801	1,422,141,000	25,951	54.0	5,404	4.9

(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	2018			2009		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (1)
Havasu Regional Medical Center	715	1	2.90%	600	3	2.40%
Lake Havasu City	619	2	2.51%	672	1	2.69%
Lake Havasu School District	559	3	2.27%	660	2	2.64%
Sterilite Corporation	388	4	1.57%	425	4	1.70%
Shugrue's Restaurants	325	5	1.32%	231	8	0.92%
Walmart	289	6	1.17%	360	5	1.44%
London Bridge Resort	250	7	1.01%	315	6	1.26%
Anderson Auto Group	250	8	1.01%			
Bashas' (2 locations)	225	9	0.91%	235	7	0.94%
River Medical	112	10	0.45%			
Mission of Nevada, Inc.				165	9	0.66%
Kmart				145	10	0.58%
Total	<u>3,732</u>		<u>15.12%</u>	<u>3,808</u>		<u>15.23%</u>
Total Employees in Lake Havasu City	24,636 (1)			25,024 (1)		

(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					
	2009	2010	2011	2012	2013	2014
General Government	83.0	70.0	62.0	59.0	67.0	71.0
Community Investment (4)	29.0	25.0	22.0	21.0	19.0	13.0
Public Safety						
Police	127.0	123.0	123.0	116.0	117.0	121.0
Fire	95.0	85.0	93.0	86.0	85.0	85.0
Operations						
Administration/Engineering (3)	26.0	22.0	17.0	18.0	19.0	4.0
Airport	5.0	5.0	5.0	5.0	2.0	2.0
Maintenance Services (2)	N/A	N/A	N/A	N/A	N/A	54.0
Transportation	19.0	15.0	15.0	14.0	12.0	11.0
Street Maintenance	32.0	29.5	31.0	30.0	25.0	N/A
Buildings and Grounds (1)	N/A	N/A	N/A	N/A	28.0	N/A
Vehicle Maintenance	12.0	8.5	8.0	9.0	7.0	8.0
Wastewater	26.0	26.0	26.0	26.0	24.0	28.0
Water	40.0	39.0	43.0	42.0	38.0	39.0
Culture and Recreation (1)	45.0	39.0	39.0	34.0	6.0	9.0
Total	<u>539.0</u>	<u>487.0</u>	<u>484.0</u>	<u>460.0</u>	<u>449.0</u>	<u>445.0</u>

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

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

(3) Operations- Engineering moved to Community Investment in 2014

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

Authorized Position as of Fiscal Year Ended			
2015	2016	2017	2018
71.0	74.0	74.0	75.0
16.0	16.0	26.0	27.0
121.0	121.0	121.0	122.0
85.0	85.0	85.0	85.0
3.0	3.0	2.0	3.0
2.0	2.0	2.0	2.0
54.0	53.0	53.0	53.0
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
9.0	9.0	9.0	9.0
29.0	30.0	30.0	30.0
39.0	37.0	35.0	36.0
9.0	10.0	12.0	11.0
<u>438.0</u>	<u>440.0</u>	<u>449.0</u>	<u>453.0</u>

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

Function	Fiscal Years				
	2009	2010	2011	2012	2013
<u>Police</u>					
Number of Sworn Officers	92	91	91	83	83
Number of Incidents Handled	77,014	67,189	64,024	58,652	60,940
Number of Report Numbers Issued	8,637	7,441	8,242	7,001	7,788
Number of 911 Calls Processed	16,321	17,113	16,691	19,787	19,754
Response Time, Priority 1 Calls (Minutes)	5:17	5:32	5:51	5:56	6:23
<u>Fire</u>					
Number of Field Suppression Personnel	72	69	85	72	75
Number of Structural Fires	41	36	35	37	57
Number of Emergency Responses	6,996	7,311	7,487	7,542	8,358
Response Time (Minutes)	5:26	5:24	5:25	5:27	5:29
Inspections	5,443	4,418	4,055	3,102	1,880
<u>Highways and Streets</u>					
Street Resurfacing (Miles)	11.50	5.00	11.00	15.00	37.00
Utility Patches	468	269	219	380	224
Skin Patches	178	98	39	211	52
Crackfilling (Miles)	18.00	13.00	26.20	40.50	15.00
<u>Wastewater</u>					
Total Active Sewer Connections (1)	16,759	20,192	24,750	25,673	25,826
Average Daily Flowage (mg)	3.03	3.38	3.64	3.69	3.60
<u>Municipal Parks</u>					
Park Uses	3,684	2,587	2,410	2,311	2,418
<u>Water</u>					
Total Active Water Meters (2)	28,913	28,864	29,300	29,329	29,508
New Connections	216	245	127	130	230
Main Breaks	57	60	44	55	71
Service Line Leaks	510	366	280	225	239
Average Daily Consumption (Gallons) per Capita	250	250	199	199	199
<u>Transit</u>					
Total Ridership (3)	115,070	122,500	123,999	114,548	110,414
Miles Driven	443,900	438,003	404,497	347,841	342,391
<u>General</u>					
Building Permits Issued	894	908	871	895	1,573
Building Inspections Conducted	10,849	7,486	5,812	5,432	7,605
Land Use Actions	229	210	202	75	65

(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				
2014	2015	2016	2017	2018
77	83	83	83	81
54,843	53,897	46,906	44,635	48,828
7,126	7,100	8,095	8,307	8,643
18,969	20,294	20,173	19,626	21,239
6:39	7:02	7:49	7:46	8:01
76	75	77	77	77
35	25	31	19	31
7,811	8,154	8,510	8,654	8,445
6:16	6:06	5:54	6:06	6:06
1,280	2,751	1,615	1,977	2,149
96.00	40.00	58.00	74.00	44.50
211	174	36	194	188
35	97	13	26	14
63.00	27.00	39.00	54.50	147.00
26,129	26,351	32,117	28,802	25,227
3.71	3.73	3.84	3.95	3.80
3,238	3,238	3,355	3,090	3,604
29,737	30,072	30,358	31,701	31,947
277	298	361	356	389
69	51	60	43	48
205	194	205	175	169
183	182	178	177	202
87,884	8,348	8,031	9,050	13,665
257,190	41,932	46,367	47,278	52,290
1,907	2,210	2,478	3,001	1,804
9,574	11,078	12,767	13,454	13,993
102	206	189	233	243

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

Function	Fiscal Year				
	2009	2010	2011	2012	2013
<u>Public Safety</u>					
Police:					
Stations	1	1	1	1	1
Patrol Units					
Cars	37	37	37	40	34
Boats	4	4	5	3	3
UTV/Motors	7	7	5	5	5
Fire:					
Stations	6	6	6	6	6
Apparatus					
Fire Trucks	11	11	11	11	11
Vehicles	27	24	23	23	23
Boats	1	1	1	1	1
<u>Highways and Streets</u>					
Streets (Miles)	428.0	428.0	435.0	435.0	435.0
Streetlights	84	84	84	84	84
Traffic Signals	12	12	13	13	13
<u>Culture and Recreation</u>					
Parks Acreage	125.0	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	2,695	2,708	2,708	2,708	2,676
Available Acre Feet	27,319	21,271	28,318	28,318	28,318
<u>Sewer</u>					
Sanitary Sewers (Miles)	267.0	292.4	352.9	352.9	352.9
<u>Transportation</u>					
Transit Buses (1)	18	19	19	23	21
<u>Airport</u>					
Enclosed Hangars	78	78	78	78	78
Shade Ports	16	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				
2014	2015	2016	2017	2018
1	1	1	1	1
42	44	33	33	33
3	3	3	4	4
5	5	9	9	9
6	6	6	6	6
16	11	11	11	11
23	36	34	36	36
1	1	1	1	1
435.0	435.0	435.0	435.0	435.0
84	84	84	84	84
13	13	14	14	14
130.0	130.0	130.0	201.0	201.0
1,082	1,082	1,082	1,082	1,082
15	15	16	16	17
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
500.0	500.0	456.0	452.0	486.0
2,676	2,676	2,512	2,512	2,739
28,318	28,582	25,460	28,582	28,582
352.9	352.9	353.0	352.0	350.0
17	5	5	5	6
78	78	78	103	106
16	16	16	23	25

**LAKE HAVASU CITY, ARIZONA
MISCELLANEOUS STATISTICS
JUNE 30, 2018**

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	5,404
Alternative	130
Private	242
Charter	672
Community College (MCC)	2,513
State University (NAU/ASU)	349
Employees as of June 30, 2018	
Full-Time	416
Part-Time	204
Elected Officials	7
Total Payroll Wages for Fiscal Year 2018	\$ 29,060,113
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	5,228
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, 2018**

Population

Census Population Count (Calendar Year)

2017***	54,801
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

Based on an average for 2012-2016 from American Community
5-yr Estimates

Age Distribution of Population

1-4 Years	1,844	3.5%
5-19 Years	8,256	15.6%
20-29 Years	6,974	13.1%
30-44 Years	4,933	9.3%
45-64 Years	14,450	27.2%
65+ Years	16,601	31.3%
	<u>53,058</u>	<u>100%</u>

Median Age 54.0

Median Household Income \$ 48,159

2010 Census information available at the following websites: <http://factfinder2.census.gov>
Median Age / Median Household Income : Mohave County Economic Development



LAKE HAVASU CITY