

# LAKE HAVASU CITY, ARIZONA

## 2015/2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2016

Lake Havasu City Finalist Congratulations

### AMERICA'S BEST COMMUNITIES



LAKE HAVASU CITY







Lake Havasu City  
ARIZONA

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

Prepared by the Administrative Services Department  
Tabatha Miller, CPA  
Administrative Services Director





LAKE HAVASU CITY

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LAKE HAVASU CITY



## **INTRODUCTORY SECTION**



LAKE HAVASU CITY

December 20, 2016



## 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 of the Lake Havasu City, Arizona for the fiscal year ended June 30, 2016. 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 Comprehensive Annual Financial Report 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.

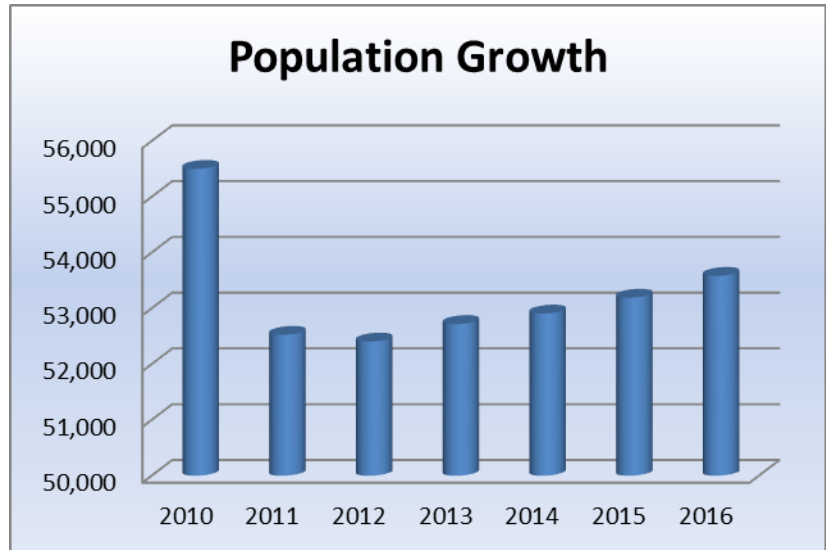
The City's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016, are free of material misstatement. The independent auditor concluded, based upon their audit, that the City's financial statements for the fiscal year ended June 30, 2016 are fairly presented in accordance with accounting principles generally accepted in the United States of America. 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

Lake Havasu City is situated in the western part of Arizona in Mohave County on the Colorado River, three hours driving time west of Phoenix, two and a half hours south of Las Vegas. The City, the largest in Mohave County, covers 46 square miles and has an estimated population of 53,583. The area attracts 835,000 visitors a year thanks to its beautiful beaches, and mild weather with more than 320 sunny days a year.

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



Lake Havasu City was founded as a master-planned community with an emphasis on recreation and residential retirement. It was the purchase of the London Bridge in 1968 which gave worldwide exposure to Lake Havasu City. The bridge structure was dismantled brick by brick in London, transported to Lake Havasu City, and authentically reconstructed over a three-year period. In addition, a mile-long bridge channel was dredged, giving purpose to the transplanted landmark.

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

Lake Havasu City has operated under the council-manager form of government since 1978. The Mayor and Council Members 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 the 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 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.

The Annual Budget serves as the foundation of the City's financial planning and control. The City Council is required to hold public hearings on the proposed budget and to adopt the final budget no later than the third Monday of July.

## Economic Conditions and Outlook

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

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 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.

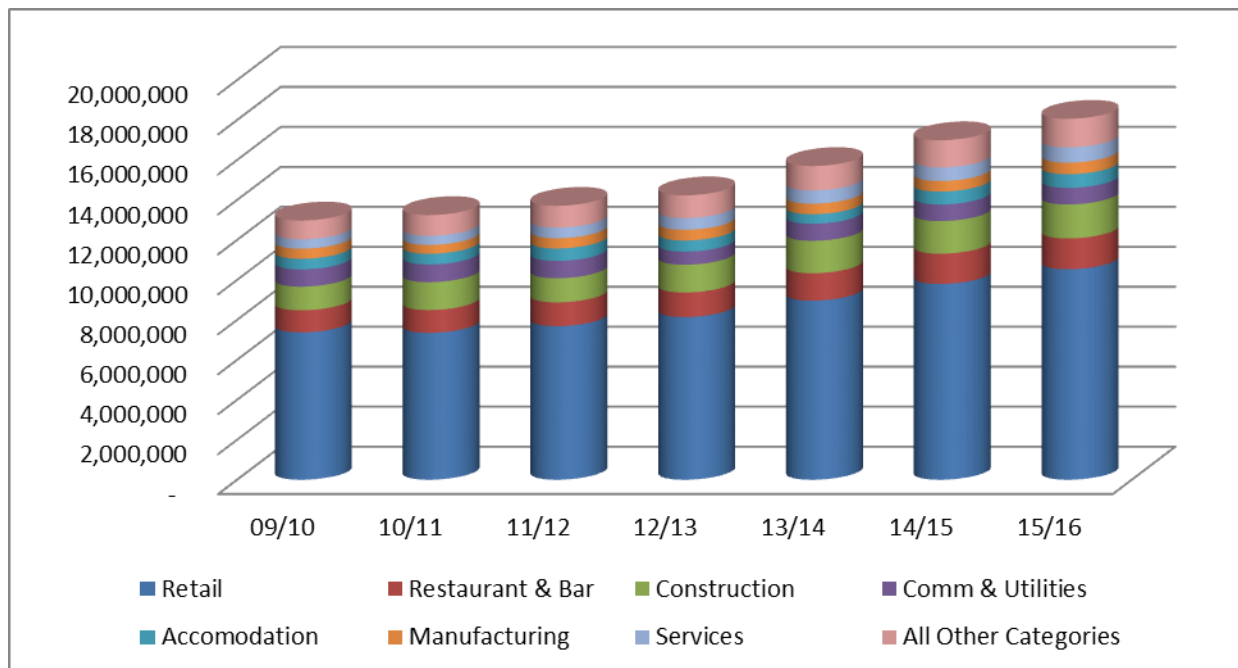
### **Tourism and Visitation**

Tourism is one of the City's largest contributors to the local economy. Lake Havasu annually attracts 835 thousand visitors for vacationing, special events, and other attractions, including the London Bridge. Special events include an annual balloon festival, Rockabilly Reunion, Western Winter Blast Pyrotechnics Show, IJSBA (Jet Ski) World Finals, and Relics and Rods Run to the Sun Car Show. To further tourism the City committed 75 percent of the proceeds from the additional 3 percent hotel/motel and 1 percent restaurant and bar sales tax to the Convention and Visitors Bureau (CVB) to facilitate promotion of the City as "Arizona's Playground". Contributions to the CVB in fiscal year 2016 were \$1.4 million.

Many of Lake Havasu City's residents are retired. The median age of City residents is 52.2 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 and the world. This influx of winter visitors increases the population of the City by approximately 28 percent. The City's top industries include retail, healthcare and social services, accommodations and food service.

### **City Sales Tax Revenues**

Local sales tax is the City's largest General Fund revenue source, and is only second to Utility Revenues city-wide. Overall Transaction Privilege Tax (TPT) collections have increased by 6.3 percent from fiscal year 2015 to 2016. This is a continuing trend of recovery for the City, which has experienced steady growth in sales tax revenue since fiscal year 2010. The City's 3 cent hotel/motel or bed taxes increased 6.4 percent and the restaurant and bar 1 cent tax increased 5.3 percent over fiscal year 2015. The chart below provides a historical summary by industry of the City's 2 percent sales tax collections.



### **Economic Development**

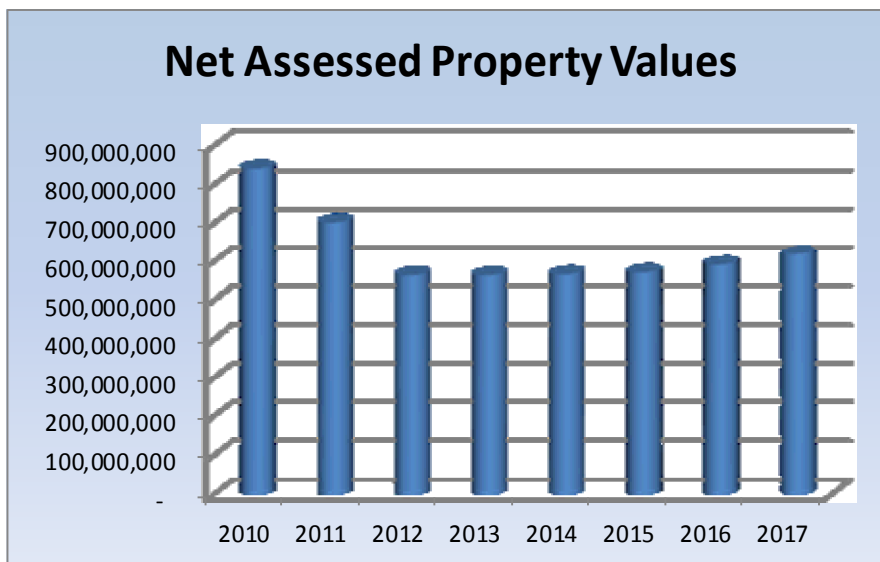
To further economic development in fiscal year 2016 the City contributed \$466 thousand to the Partnership for Economic Development (PED), this is funded from the remaining 25 percent of the additional 3 percent hotel/motel and 1 percent restaurant and bar sales tax. The PED's mission is to foster growth of local and existing businesses and attract new businesses to the region.

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

## **Property Values**

Total net assessed property values in the City have not yet reached the level of values prior to the Recession but have been increasing since 2012. Total primary property values are \$592 million in 2016, an increase of 3.6 percent and \$620 million in 2017, an increase of 4.7 percent. The City is statutorily allowed to set the primary property tax rate at a 2 percent annual growth in revenues plus new construction. As a policy the City Council has kept property tax revenues flat for existing properties. The City is able to bank or accumulate the 2 percent growth for possible future levy increases. The City could increase the levy by more than 40 percent for fiscal year 2016-17, although there is no plan for such an increase.

New construction is partially responsible for the increase in property values. The number of new single-family housing permits issued increased 16 percent over the prior year. The total value of the new single-family housing permits issued increased by 20 percent to \$60.3 million over fiscal year 2014-15 values. The number of commercial permits issued increased by 15 percent and the value increased by 30 percent over the prior year. The City anticipates that this trend will continue into the fiscal year 2016-17.



Future new development within City limits includes the Havasu Foothills with 373 residential lots at the beginning of 2017. The Lizards Trail development will start infrastructure improvements in 2017 and 97 residential lots in 2018. The Window Rock development will start construction of infrastructure in 2017 and 118 residential lots in 2018. The Havasu Riviera residential development will start in 2018. A new El Pollo Loco restaurant is anticipated to open in January, 2017 and a Mexican restaurant in February, 2017. A

96-room Holiday Inn Express is anticipated second quarter of 2017 and a 124-room Homewood Suites is also in the pipeline. A continuing care retirement community with 79 independent senior-living units is to begin construction in 2017, followed by 50 assisted-living units and 13 memory care units in fiscal year 2018-19.

The 2016-17 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 2016-17 budget process, financial projections for fiscal year 2016-17 show continued signs of positive revenue growth, specifically in transaction privilege tax and property tax revenues. Locally, the unemployment rate at June 30, 2016 was 7.0 percent, which represents a decrease from June 2015 rate of 7.6 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 of capital needs with long-term debt. The City recently converted to a biennial budget and continued with the two-year budget for 2015-16 and 2016-17. This allows the City to look at a longer time frame and weigh the impact of decisions farther into the future.

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

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

## Major Initiatives and Accomplishments

### America's Best Communities Finalist

This year, Lake Havasu City was recognized as a finalist in Frontier Communication's America's Best Communities Contest. The America's Best Communities is a contest that focuses on the communities coming together to build an economic-development plan, a road map for community accomplishments and sustainable growth. The plan and implementation must have community engagement, long-term vision and strategy, short-term tactics and measurable achievement of such and sustainable community revitalization. The first place community is set to receive \$3 million.



Community leaders, including City officials, are focused on economic momentum that will strengthen and protect Lake Havasu City's quality of life, natural resources, and economic security. Leaders have created, budgeted and are implementing Vision 20/20, an economic revitalization call-to-action plan for this community. The plan is an initiative to transform Lake Havasu City by focusing on a common mission to reverse the current economic trend and to begin cycling back to net gains for a healthy diverse City economy. The Five Pillars of Change identified in the plan are economic development and job creation; education and competent workforces; tourism and hospitality excellence; water research and environmental science; and community engagement.

### **Havasu Riviera and Contact Point State Park Project**

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

### **Wastewater Debt Restructuring**

In fiscal year 2016 the City restructured \$245 million in wastewater utility debt. This extended the repayment of its wastewater debt from an average life of 11.8 years to an average life of 18.1 years. The City reduced its annual debt service payments by an average of \$4 million over the next ten years. This annual savings stabilizes wastewater rates and significantly reduces the need for any near term rate increases.

## **For the Future**

The fiscal year 2016-17 Annual Budget was adopted by the City Council on June 28, 2016. The combined capital and operating budget for the fiscal year beginning July 1, 2016 totals \$145 million. The fiscal year 2016-17 budget reflects a projected 1.3 percent increase in property tax revenue over projected fiscal year 2016 results, and in development revenues of 4.5 percent due to increasing permits and economic development activities, as well as a 6.9 percent increase in sales tax over fiscal year 2016 projections.

The 2016-17 capital budget includes new and /or continuing projects totaling \$31 million. Fiscal year 2016-17 capital funding sources include traditional capital revenues capital reserves, and grants. In addition the City plans to borrow \$12 million in a private placement transaction to finance certain street improvements, wastewater projects, parks and recreational facilities and improvements, airport improvements and general projects and capital acquisitions.

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

## Awards and Acknowledgments

The City has participated in and was awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program for fiscal year ended June 30, 2015. GFOA recognizes governmental units that issue their comprehensive annual financial report (CAFR) substantially in conformity with GAAP and legal requirements. The City has received this award for its comprehensive annual financial report since 1986.

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

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

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

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

Respectfully submitted,



Tabatha Miller

Administrative Services Director



Trinna Ware

Finance Division Manager



Government Finance Officers Association

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

Presented to

**Lake Havasu City  
Arizona**

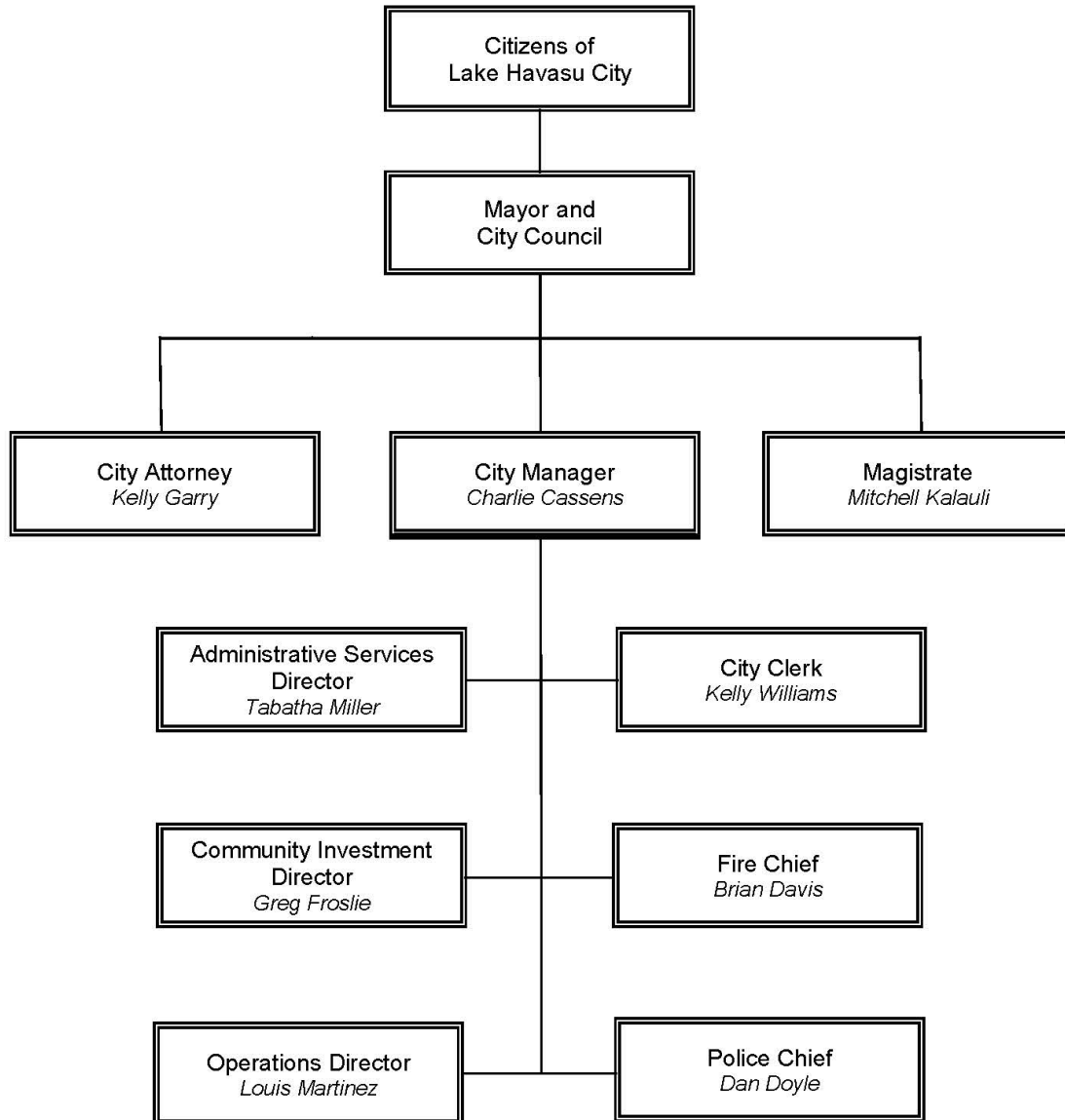
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

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

Executive Director/CEO

## ORGANIZATIONAL CHART



## Lake Havasu City Council 2015-2016



**Clockwise from the top:** Vice Mayor Don Callahan, Cal Sheehy, Dean Barlow, Jeni Coke, Michele Lin, Donna Brister-McCoy  
**Center:** Mayor Mark Nexsen

## City Administration

**Charlie Cassens**  
City Manager

**Tabatha Miller, CPA**  
Administrative Services Director

**Trinna Ware, MBA**  
Finance Division Manager



LAKE HAVASU CITY

## **FINANCIAL SECTION**



LAKE HAVASU CITY



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake Havasu City, Arizona (City) as of and for the year ended June 30, 2016, 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, 2016, 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, 2016, the City changed the accounting method for the Recreation/Aquatics Center Enterprise Fund and ceased accounting for it as an Enterprise Fund and began accounting for this activity within the General Fund. As a result, the beginning balances of the General Fund, Recreation/Aquatics Center Fund, Governmental Activities and Business-Type Activities were restated. See Note 3.F. for further information on the restatement. 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 Other Post Employment Benefit Plan's Funding Progress, the Schedule of the City's Proportionate Share of Net Pension Liability, Schedule of City Pension Contributions, Schedule of Agent Other Post-Employment Benefits Plan's Funding Progress and Schedule of Changes in the City's Net Pension Liability and Related Ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 20, 2016

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

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.

**Key Reporting Implementations**

For the year ended June 30, 2016, the City implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statements No. 73 and 82 amended GASB Statement No. 68 requirements related to note disclosures for pension related required supplementary information and payables to defined benefit pension plans. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles.

**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 2015-16 by \$264 million (net position). Of this amount, \$34.4 million represents unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease in unrestricted net position of \$18.6 million from fiscal year 2014-15.
- As of June 30, 2016, the City's governmental funds had a combined ending fund balance of \$36.5 million, a decrease of \$3.4 million (8.4 percent) in comparison with the prior fiscal year. The decrease in fund balance was primarily the result of a planned use of resources to fund capital improvement projects for the City.
- At the close of the fiscal year, the General Fund had an ending fund balance of \$29.6 million, which represents a \$2.3 million increase from the prior fiscal year. Of that amount, unassigned fund balance for the General Fund was \$27.6 million or 63.0 percent of the total General Fund expenditures of \$43.8 million.
- The City's total liabilities decreased by \$26.6 million to \$358.9 million during the fiscal year. This decrease is due primarily to the restructuring of the Wastewater Fund debt at the beginning of fiscal year 2015-16. As a part of the restructuring, the City paid \$20.8 million for the outstanding principal in full on four Water Infrastructure Financing Authority (WIFA) loans and refinanced the remaining \$245.2 million Wastewater Utility Debt.

**LAKE HAVASU CITY, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

**Overview of the Financial Statements**

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

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

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

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

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

The government-wide financial statements include not only the City itself but other separate legal entities in its report. The Improvement Districts, the IDD Fund (water) and the Metropolitan Planning Organization (MPO) represent legally separate, "component units". These are important to note because the City is financially accountable for these component units. A description of these units is available in Note 1 A. on page 49. Separate financial statements are not prepared for these component units.

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

**LAKE HAVASU CITY, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City does not currently report any fiduciary funds.

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

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

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

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

The basic governmental fund financial statements can be found on pages 36-41 of this report.

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

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

**LAKE HAVASU CITY, ARIZONA**  
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*Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the vehicle and equipment replacement program. The City also uses an internal service fund for facilities maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the Proprietary Fund financial statements.

The basic proprietary fund financial statements can be found on pages 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.

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

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental and enterprise funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 101-116 of this report.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Government-wide Financial Analysis**

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

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$264.0 million at the close of fiscal year 2015-16 and \$264.1 million at the close of fiscal year 2014-15.

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, 2016 and 2015  
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2015		2015		2015		
	2016	(Restated)	2016	(Restated)	2016	(Restated)	
Current and Other Assets	\$ 41,537	\$ 46,304	\$ 84,063	\$ 102,412	\$ 125,600	\$ 148,716	(15.5)%
Capital Assets							
Non-depreciable	29,961	27,708	16,413	11,389	46,374	39,097	18.6
Depreciable	67,865	70,578	374,008	383,643	441,873	454,221	(2.7)
Total Assets	<u>139,363</u>	<u>144,590</u>	<u>474,484</u>	<u>497,444</u>	<u>613,847</u>	<u>642,034</u>	
Deferred Outflows of Resources	<u>14,237</u>	<u>13,238</u>	<u>614</u>	<u>694</u>	<u>14,851</u>	<u>13,932</u>	6.6
Other Liabilities	3,097	2,946	7,550	7,273	10,647	10,219	4.2
Non-current Liabilities							
Due Within One Year	3,732	3,310	6,404	11,181	10,136	14,491	(30.1)
Due in More Than One Year	<u>83,368</u>	<u>77,593</u>	<u>254,783</u>	<u>283,254</u>	<u>338,151</u>	<u>360,847</u>	(6.3)
Total Liabilities	<u>90,197</u>	<u>83,849</u>	<u>268,737</u>	<u>301,708</u>	<u>358,934</u>	<u>385,557</u>	
Deferred Inflows of Resources	<u>3,240</u>	<u>5,163</u>	<u>2,482</u>	<u>1,146</u>	<u>5,721</u>	<u>6,309</u>	(9.3)
Net Positions:							
Invested in Capital Assets, Net of Related Debt	88,095	90,558	137,878	110,914	225,973	201,472	12.2
Restricted	3,704	9,630	-	-	3,704	9,630	(61.5)
Unrestricted	<u>(31,635)</u>	<u>(31,372)</u>	<u>66,001</u>	<u>84,370</u>	<u>34,366</u>	<u>52,998</u>	(35.2)
Total Net Positions	<u>\$ 60,164</u>	<u>\$ 68,816</u>	<u>\$ 203,879</u>	<u>\$ 195,284</u>	<u>\$ 264,043</u>	<u>\$ 264,100</u>	



**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Analysis of Changes in Net Position**

The largest portion of the City's net position in fiscal year 2015-16 and fiscal year 2014-15, \$226.0 million (85.6 percent) and \$201.5 million (76.3 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 \$3.7 million (1.4 percent) in fiscal year 2015-16, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$34.4 million (13.0 percent) may be used to meet the government's ongoing obligations to citizens and creditors. In fiscal year 2014-15, \$9.6 million (3.6 percent) of the City's net position was subject to external restrictions and \$53.0 million (20.1 percent) was available to be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net position decreased by approximately \$57,000 in fiscal year 2015-16 and decreased by \$1.9 million from the restated beginning net position during fiscal year 2014-15. These changes are explained in the government and business-type activities discussion.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole. The implementation of GASB 68 in fiscal year 2014-15 and resulting increase in net pension liability resulted in negative unrestricted net position of \$31.4 million in the governmental activities that year. Net unrestricted position in Governmental Funds remains negative in fiscal year 2015-16.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Statement of Activities  
Fiscal Years Ended June 30, 2016 and 2015  
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2016	2015 (Restated)	2016	2015 (Restated)	2016	2015 (Restated)	
<b>REVENUES</b>							
Program Revenues:							
Charges for Services	\$ 5,074	\$ 4,823	\$ 39,680	\$ 39,524	\$ 44,754	\$ 44,347	0.9 %
Operating Grants and Contributions	7,399	6,486	111	95	7,510	6,581	14.1
Capital Grants and Contributions	2	1,501	2,395	630	2,397	2,131	12.5
General Revenues:							
Property Taxes	4,379	4,238	5,726	5,392	10,105	9,630	4.9
Business Taxes	20,206	18,442	-	-	20,206	18,442	9.6
Other Taxes and State Shared Revenues	16,128	16,125	-	-	16,128	16,125	0.0
Investment Earnings	568	355	1,004	772	1,571	1,127	39.4
Gain (Loss) on Disposal of Capital Assets	21	-	68	-	90	-	N/A
Other	-	59	-	-	-	59	(100.0)
Total Revenues	<u>53,777</u>	<u>52,029</u>	<u>48,984</u>	<u>46,413</u>	<u>102,761</u>	<u>98,442</u>	
<b>EXPENSES</b>							
General Government	16,565	13,730	-	-	16,565	13,730	20.6
Public Safety	27,851	29,640	-	-	27,851	29,640	(6.0)
Highways and Streets	5,954	7,582	-	-	5,954	7,582	(21.5)
Culture and Recreation	3,525	2,069	-	-	3,525	2,069	70.4
Tourism and Promotion	1,867	1,614	-	-	1,867	1,614	15.7
Transportation	796	591	-	-	796	591	34.8
Interest on Long-term Debt	71	79	-	-	71	79	(9.6)
Refuse	-	-	5,462	5,377	5,462	5,377	1.6
Recreation/Aquatic Center	-	-	-	1,675	-	1,675	(100.0)
Irrigation and Drainage	-	-	10,695	9,961	10,695	9,961	7.4
Wastewater	-	-	28,630	26,687	28,630	26,687	7.3
Airport	-	-	1,402	1,361	1,402	1,361	3.0
Total Expenses	<u>56,629</u>	<u>55,305</u>	<u>46,189</u>	<u>45,061</u>	<u>102,818</u>	<u>100,366</u>	
<b>CHANGE IN NET POSITIONS BEFORE TRANSFERS</b>	(2,852)	(3,276)	2,795	1,352	(57)	(1,924)	(97.0)
Transfers	(5,800)	1,448	5,800	(1,448)	-	-	
<b>CHANGE IN NET POSITIONS</b>	(8,652)	(1,828)	8,595	(96)	(57)	(1,924)	
Net Postions - Beginning of Year	65,375	122,009	198,725	205,817	264,100	327,826	(19.4)
Net Effect of Restatements/ Prior Period Adjustments	3,441	(51,365)	(3,441)	(10,437)	-	(61,802)	
<b>NET POSITIONS - BEGINNING RESTATED</b>	68,816	70,644	195,284	195,380	264,100	266,024	
<b>NET POSITIONS - END OF YEAR</b>	<u>\$ 60,164</u>	<u>\$ 68,816</u>	<u>\$ 203,879</u>	<u>\$ 195,284</u>	<u>\$ 264,043</u>	<u>\$ 264,100</u>	

**LAKE HAVASU CITY, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Governmental Activities.** When compared to beginning balance, Governmental activities decreased the City's net position by \$8.7 million (12.6 percent) in fiscal year 2015-16 and decreased the City's net position by \$1.8 million in fiscal year 2014-15. Governmental activities accounted for the total reduction in the net position of the City for fiscal year 2015-16, as business-type activities net position increased for the fiscal year.

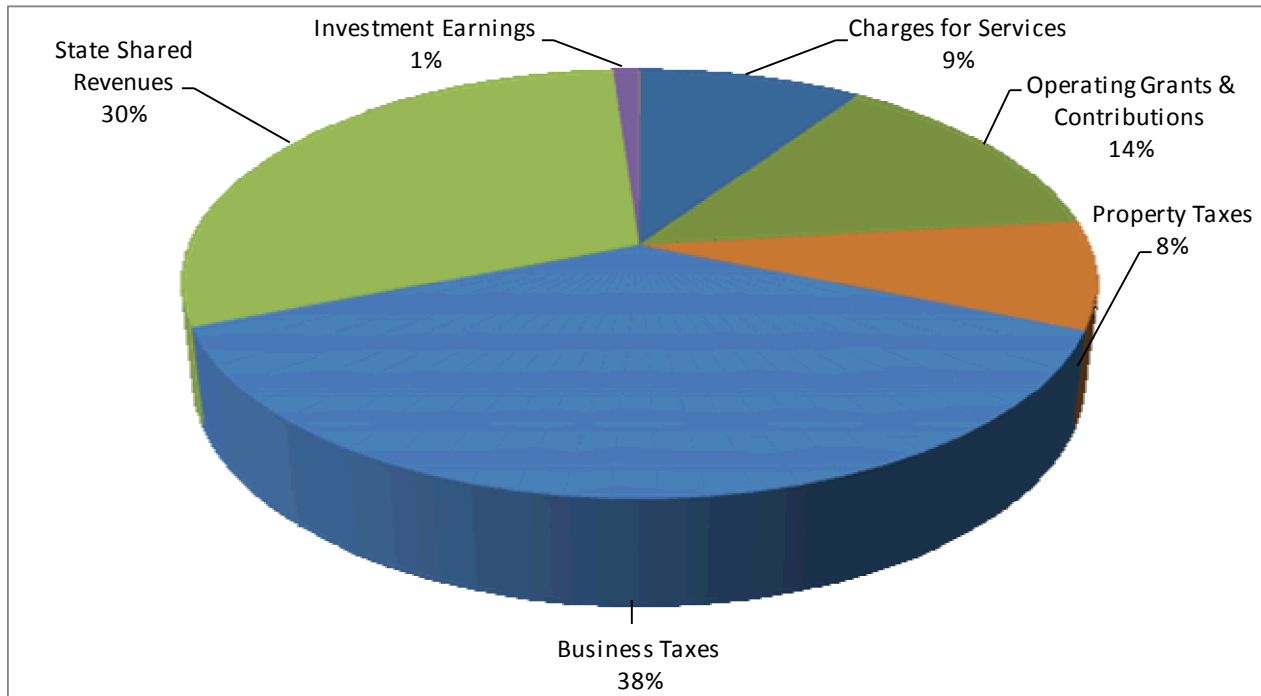
Total revenue for Governmental activities increased \$1.7 million (3.3 percent) over the previous fiscal year. Program revenues represent fees and charges on those who directly benefit from these fee-based programs, such as permit and inspection fees, and charges for recreation and aquatic classes and programs. General revenues are used to fund cost of services not covered by program revenues. General revenues consist mostly of tax revenues such as sales taxes (also referred to as transaction privilege taxes), property taxes, and state shared taxes. The significant changes in revenues are:

- Business tax revenue, which is the single largest source of general government revenue, includes sales and uses taxes. Business tax revenue increased \$1.8 million (9.6 percent) over the previous fiscal year. Retail sales tax increased by 7.5 percent, hotel and other lodging increased 6.8 percent and restaurant and bar sales tax increased 1.9 percent. These increases are attributed to an improving economy and tourism.
- Other taxes and state shared revenues increased nominally by \$3,625 (.02 percent) from the previous fiscal year. The state shared revenues in this category were up \$332,105 (2.4 percent). Franchise taxes are included in this category and decreased by \$328,480 (14.3 percent), but this difference was due to an additional quarterly payment included in fiscal year 2014-15 resulting from a change in accounting practice.
- Capital grants and contributions decreased \$1.5 million from the previous fiscal year. The decrease is attributed to moving funds from Mohave County for flood control to the Irrigation Drainage District (IDD) Fund in fiscal year 2015-16.
- Charges for services increased by approximately \$251,000 (5.2 percent) from the previous fiscal year. This increase is primarily due to transitioning the Recreation/Aquatic Center Enterprise Fund to the General Fund in fiscal year 2015-16. Those revenues and expenditures are now included in the General Fund.

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

**Governmental Activities Revenues  
Fiscal Year 2015-16**



Total expenditures for Governmental activities increased by \$1.3 million (2.4 percent) over the previous fiscal year to \$56.6 million. Notable changes in expenditures are:

- Public Safety, which is comprised of the Police and Fire Departments, is the largest governmental expense function (49 percent). Public Safety expenses decreased \$1.8 million (6.0 percent) over the previous year. The decrease is primarily due to a reduction in pension expenditures of \$1.4 million.
- General Government is the second largest governmental expense function (29.3 percent). General Government includes Maintenance Services, Municipal Court, Operations, Community Investment (Building and Planning Groups), and the City Administrative Departments. General Government expenses increased by \$ 2.8 million (20.6 percent) over the previous year.
- Highways and Streets decreased \$1.6 million (21.5 percent) over the previous fiscal year. A portion of the change is due to the change in accounting for indirect costs.
- Culture and Recreation expenses increased by \$1.5 million (70.4 percent) over the previous fiscal year. This increase was primarily the result of closing out the Recreation/Aquatics Center Enterprise fund to the General Fund. The fund was closed because user fees and charges only covered a small portion of the total expenses and transfers from the General Fund had been used for many years to make up the difference.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Business-Type Activities.** Business-type activities increased the City's net position in fiscal year 2015-16 by \$8.6 million (4.4 percent) bringing the total net position to \$203.9 million and decreased the City's net position in fiscal year 2014-15 by \$95,700.

Total revenue for Business-type activities increased by \$2.6 million (5.5 percent). The majority of the increase was from Capital Grants and contributions which increased by \$1.8 million (280.2 percent) this fiscal year. Charges for services increased only slightly from \$39.5 million to \$39.7 million (.4 percent) this fiscal year. One reason that the growth was limited was due to closing the Recreation/Aquatic Center Enterprise Fund out to the General Fund. In fiscal year 2014-15 the Recreation/Aquatic Center Enterprise Fund had total revenues of \$427,681. Other changes in revenues include:

- Capital grants and contributions increased in the Irrigation and Drainage Fund by \$1.7 million this fiscal year due to transferring flood control funds received from Mohave County from the Capital Projects Fund to the Irrigation and Drainage Fund. These dollars are used to build capital projects that protect and manage drainage throughout the City.
- Wastewater fees, fines and charges for service increase slightly by \$63,656 (.3 percent). This increase is likely due to growth in new accounts. As a general trend, successful water conservation measures have limited revenue growth in wastewater charges for service. The City uses a winter quarter averaging to calculate sewer charges. Three of the four lowest winter months' sewer consumption is used to establish customer's bills for the year. Residents and businesses have been educated and become more aware of the impact of water and sewer use during those months on the sewer bill for the rest of the year. The City has kept both water and wastewater rates flat since 2011.
- Water fees, fines and charges for service increased by \$370,313 (3.6 percent) over the previous fiscal year.

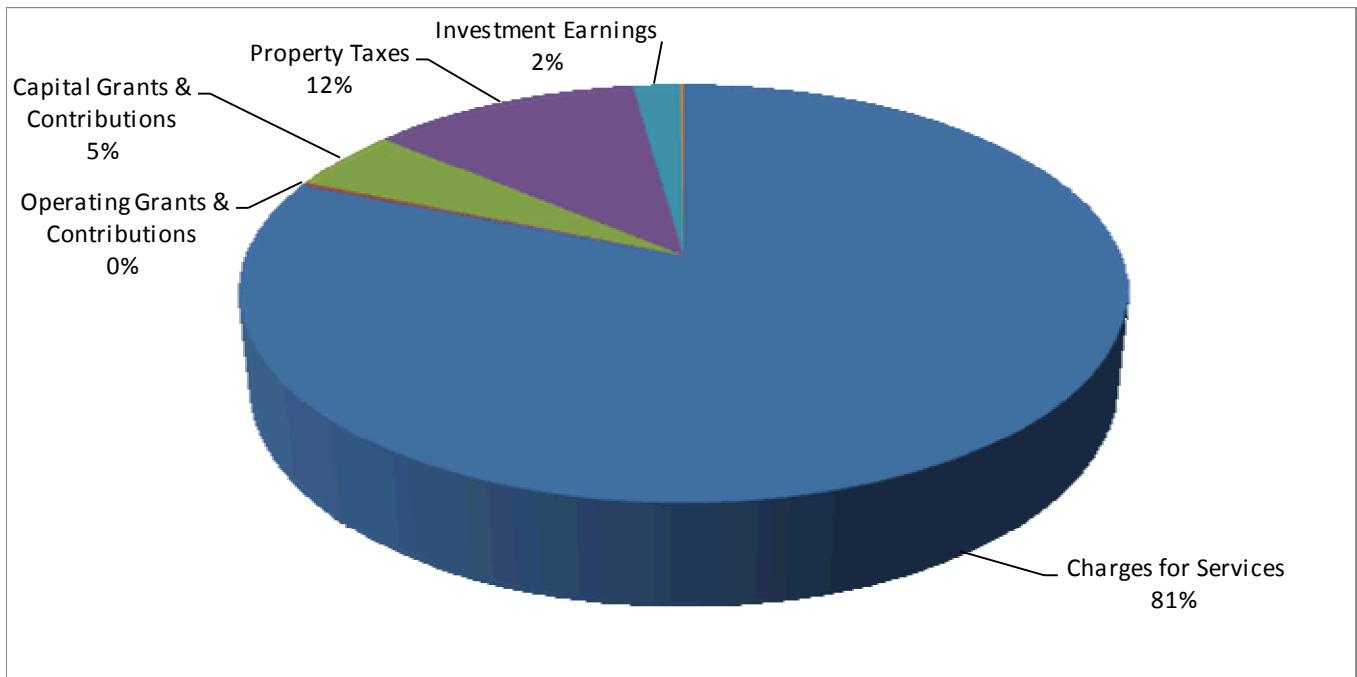
Total expenses for Business-type activities increased by \$1.1 million (2.5 percent) over the previous fiscal year. If not for the transfer of the Recreation/Aquatic Center Enterprise Fund to the General Fund this increase would likely have been higher. In fiscal year 2014-15 expenses for the Recreation/Aquatic Enterprise Fund were \$1.7 million. Other significant changes in expenses include:

- Expenses in the Irrigation Drainage Fund increased by approximately \$734,021 (7.4 percent) this fiscal year. The increase was driven by higher administrative personnel costs and the transfer of flood control expenses to the fund.
- Expenses in the Wastewater Fund increased by \$1.9 million (7.3 percent) this fiscal year. This increase is the result of \$2.6 million in debt issuance costs stemming from the restructuring of the Wastewater Fund debt in September, 2015.
- Expenses increased slightly in the Refuse Fund by \$85,406 (1.6 percent) over the prior fiscal year. This increase was primarily due to growth in demand for residential services. The collection of residential trash is contracted out to a third party based on the number of trash accounts billed by the City.

**LAKE HAVASU CITY, ARIZONA  
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As shown in the "Business-type Activities Revenue by Source" chart, charges for services provided the largest share of revenues (81 percent) followed by property taxes (12 percent).

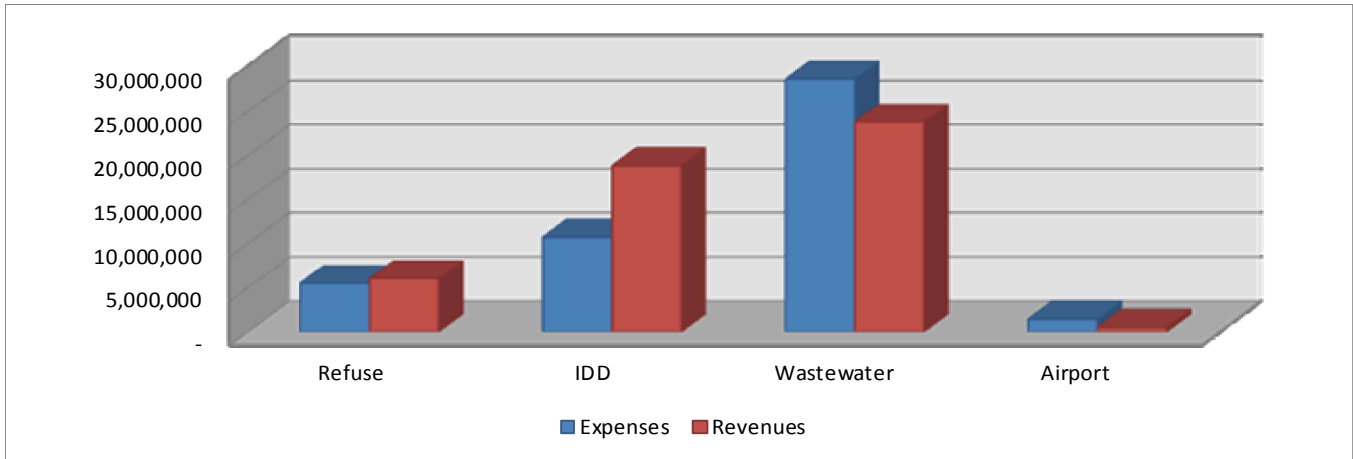
**Business-type Activities Revenues by Source  
Fiscal Year 2015-16**



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As shown in the "Business-Type Program Revenue and Expenses" chart below, the largest of Lake Havasu City's business-type activities, Wastewater, had program expenses of \$28.6 million in fiscal year 2015-16, followed by Irrigation and Drainage with \$10.7 million.

**Business-type Activities Program Revenues and Expenses  
Fiscal Year 2015-16**



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

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

**Financial Analysis of Lake Havasu City's Funds**

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

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

As of the end of fiscal year 2015-16, the City's governmental funds reported combined ending fund balances of \$36.5 million, a decrease of \$3.4 million (8.4 percent) in comparison with fiscal year 2014-15 fund balance of \$39.9 million, as restated. The majority of the fund balance in the amount of \$27.6 million (75.5 percent) is unassigned fund balance and is available for use at the government's discretion. Approximately \$3.7 million (10.1 percent) is restricted in its use by externally enforceable limitations. Approximately \$4.9 million (13.4 percent) is assigned for use by management for specifically identified uses. The remaining of \$340,007 (0.9 percent) is nonspendable, the portion of net resources that cannot be spent because of their form (inventory, prepaid expenses).

**LAKE HAVASU CITY, ARIZONA  
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The General Fund is the chief operating fund of the City. At the end of fiscal year 2015-16 the total fund balance of the General Fund reached \$29.6 million which is an 8.5 percent increase from the prior year. The nonspendable portion of the fund balance is \$265,722 (0.9 percent), reflecting inventory and prepaid expenses. The restricted portion of the fund balance is \$101,523 (0.3 percent). The portion that is assigned is \$1.7 million (5.7 percent), and the unassigned fund balance is \$27.6 million (93.0 percent), which is available for use at the City's discretion. At the end of fiscal year 2014-15, total fund balance reached \$27.1 million. Of that fund balance, \$244,483 (0.9 percent) was nonspendable, \$79,848 (0.3 percent) was restricted, \$1.4 million (5.2 percent) was assigned, and \$25.3 million (93.2 percent) was unassigned.

The fund balance of the City's General Fund increased \$2.3 million (8.5 percent) during fiscal year 2015-16. Key factors for this increase are:

- Overall total revenues in fiscal year 2015-16 reflected an increase of \$2.4 million (5.5 percent). Revenues went up mainly due to an increase in transaction privilege tax or sales tax revenue. Transaction privilege tax revenue in the General Fund increased by \$1.5 million (9.1 percent) in fiscal year 2015-16 compared to fiscal year 2014-15.
- All other major revenues only showed slight change. Fines and forfeitures, and franchise taxes decreased while property tax, intergovernmental, licenses and permits, charges for services, rents and royalties, contributions and donations, and investment earnings increased.
- General Fund expenditures reflected an increase of \$3.8 million (9.4 percent) in fiscal year 2015-16. General Government increased by \$1.4 million (10.5 percent), Public Safety increased \$1.0 million (4.1 percent), and Culture and Recreation increased \$1.3 million (69.3 percent). The increases in General Government and Public Safety are primarily due to personnel increases from annual merit pay increases. During the years following the recession, the City stopped its regular practice of annual merit increases. The merit increases were reinstated in fiscal year 2014-15, so that the City would remain competitive in attracting and retaining employees. The large increase in Culture and Recreation is due to closing the Recreation/Aquatic Center Enterprise Fund to the General Fund.

The HURF Fund, which accounts for the City's highway and street activities, had a net increase in fund balance of \$411,221 (15.5 percent) in fiscal year 2015-16. Total revenues increased \$202,735 (4.4 percent) primarily due to an increase in gasoline tax revenues received from the Arizona Department of Revenue. Total expenditures decreased by \$733,300 (14.2 percent). The decrease in expenditures is mainly due to an accounting change which moves indirect costs to the Irrigation Drainage Fund.

The City's Debt Service Fund has a total fund balance of \$184,996, an increase of \$11,465 (6.6 percent). The Debt Service Fund is restricted for the payment of debt service and only receives annual transfers from other funds relating to capital projects for which bonds were issued to cover costs. Transfer amounts are made according to the current fiscal year payment requirements. The only debt remaining is the Greater Arizona Development Authority (GADA) loan for the land purchase for the second bridge to the Island.

The Capital Projects Fund had a decrease to fund balance of \$6.1 million (66.3 percent) as compared to fiscal year 2014-15. This is due to planned transfers out to fund capital project spending.



**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**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 2015-16 and 2014-15, the unrestricted net position for the Irrigation Drainage District Fund was \$35.5 million and \$24.2 million, respectively; the Wastewater Fund was \$28.1 million and \$57.9 million, respectively; the Refuse Fund was \$2.7 million and \$2.4 million, respectively; the Total Non-Major was -\$204,723 (negative) and -\$575,272 (negative), respectively. The reduction of debt in the Wastewater Fund as part of the sewer debt restructuring is the primary reason for the decrease in unrestricted net position in the Wastewater Fund.

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**

During fiscal year 2015-16, the General Fund appropriations were increased by just over \$1 million. A net increase of \$652,582, involving several departments' budgets was completed to create the Community Investment Department. The Community Investment Department centralized Engineering, Procurement, Planning, Building and the Asset Management functions within the new department. Additionally, an increase of \$250,000 was necessary to allow for the annual payment of principal and interest on the radio Dispatch Equipment Lease and a transfer from the Miscellaneous Grant Funds for Fire of \$115,500 accommodated an unanticipated equipment donation received from another jurisdiction.

Total actual revenues reflect a positive variance to budget in the amount of \$2.5 million (5.8 percent) for fiscal year 2015-16, attributed primarily to an increase to transaction privilege tax revenues.

Total actual expenditures reflect a favorable variance to final budget in the amount of \$4.2 million, which is 8.7 percent less than final total appropriations. This was due to a conscious effort on the part of staff and management to adhere to budget restrictions and seek cost saving measures and efficiencies.

The actual change in fund balance reflects an additional \$8.0 million from the favorable variances in revenues and expenditures, and the decrease in transfers out. Similar to this fiscal year in fiscal year 2014-15, the actual change to fund balance reflected an additional \$7.9 million over projected.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**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, 2016 and 2015, totaled to \$488.2 million and \$493.3 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 2016 and 2015 was a decrease of 1.0 percent.

**Capital Assets, Net of Depreciation  
June 30, 2016 and 2015  
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2016	2015 (Restated)	2016	2015 (Restated)	2016	2015 (Restated)	
Land	\$ 26,753	\$ 26,753	\$ 3,298	\$ 3,298	\$ 30,051	\$ 30,051	0.0 %
Improvements to Land	11,076	11,456	-	-	11,076	11,456	(3.3)
Buildings, Structures and Improvements	18,751	19,765	19,494	20,252	38,246	40,017	(4.4)
Other Improvements	-	-	349,869	359,558	349,869	359,558	(2.7)
Equipment, Furniture & Fixtures	5,709	6,179	2,631	1,760	8,340	7,939	5.1
Construction in progress	3,208	955	5,973	1,150	9,180	2,105	336.1
Infrastructure	32,329	33,178	-	-	32,329	33,178	(2.6)
Water Allocation Rights	-	-	9,156	9,014	9,156	9,014	1.6
Total Capital Assets	<u>\$ 97,826</u>	<u>\$ 98,286</u>	<u>\$ 390,421</u>	<u>\$ 395,032</u>	<u>\$ 488,247</u>	<u>\$ 493,318</u>	

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

- The major upgrade to the Wastewater supervisory control and data acquisition (SCADA) system. Expenditures totaled \$986,401 respectively against a budget of \$1,000,000.
- The replacement of Vadose Zone Well #2 and #4 with new Vadose Wells #6 and #7. Expenditures totaled \$671,185 respectively against a budget of \$745,000.
- The Chesapeake Blvd Drainage Improvements to protect the street and private properties from ongoing storm damage. Expenditures totaled \$877,796 respectively against a budget of \$1,190,000.

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 2015-16, the City had total bonded debt outstanding of \$251.7 million (net of related premium), a decrease of \$33.8 million (11.8 percent). At the end of fiscal year 2014-15 the bonded debt totaled \$285.5 million. Of the fiscal year 2015-16 total bonded debt, \$71.8 million is general obligation bonds backed by the full faith and credit of the government, \$1.6 million is excise tax revenue bonds for the Freedom Bridge, \$98.3 million is Revenue Bonds pledging Wastewater Revenues for repayment, and \$65.7 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, 2016**

During fiscal year 2015-16, the City retired \$10,000 in general obligation bonds of the IDD, \$165,000 on the GADA excise tax bonds for the Freedom Bridge and \$403,288 in WIFA loans for the Irrigation Drainage District.

On July 1, 2015, the City retired \$20.7 million of outstanding principal on four Wastewater WIFA loans as part of a complete restructuring of the Wastewater Outstanding debt. On September 15, 2015, the City refinanced the remaining WIFA Wastewater Loans and the Greater Arizona Development Authority (GADA) Bonds totaling \$245.2 million by issuing \$71.2 million in general obligation bonds, \$98.3 million of Wastewater revenue debt and \$60.3 million in as a general obligation loan. As a result of the restructuring, the City reduced its average annual debt service requirement for Wastewater by \$4 million and extended the average life from 11.8 years to 18.1 years. The Wastewater debt restructuring alleviates pressure on rate increase for future years.

State statutes impose certain debt limitations on the City of 6 percent and 20 percent of the outstanding limited property assessed valuation of the City. The City's available debt margin at June 30, 2016, is \$21.9 million in the 6 percent capacity and \$19.4 million in the 20 percent capacity. In fiscal year 2014-15, the 6 percent capacity limit was \$34.7 million and a deficit of \$5.1 million in the 20 percent capacity limit. Additional information on the debt limitations and capacities may be found in the statistical section of this report. See Note 3 C and D to the financial statements for further information regarding capital leases and long-term bonds and loans.

**Outstanding Obligations**  
**June 30, 2016 and 2015**  
**(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2015		2015		2015		
	2016	(Restated)	2016	(Restated)	2016	(Restated)	
General Obligation Bonds	\$ -	\$ -	\$ 71,845	\$ 80	\$ 71,845	\$ 80	89706.3
Revenue Bonds	-	-	98,300	-	98,300	-	N/A
Bond Premium	-	-	14,257	1,905	14,257	1,905	648.3
GADA Loan Payable	1,615	1,780	-	58,070	1,615	59,850	(97.3)
WIFA Loans Payable	-	-	65,668	223,666	65,668	223,666	(70.6)
Capital Leases	8,116	6,249	370	397	8,486	6,646	27.7
Compensated Absences	2,448	2,511	355	347	2,803	2,858	(1.9)
Landfill Closure and Postclosure Costs	-	-	3,084	2,959	3,084	2,959	4.2
Other Postemployment Benefits	3,903	3,576	1,172	1,067	5,075	4,643	9.3
<b>Total Long-term Liabilities</b>	<b>\$ 16,082</b>	<b>\$ 14,116</b>	<b>\$ 255,051</b>	<b>\$ 288,491</b>	<b>\$ 271,133</b>	<b>\$ 302,607</b>	

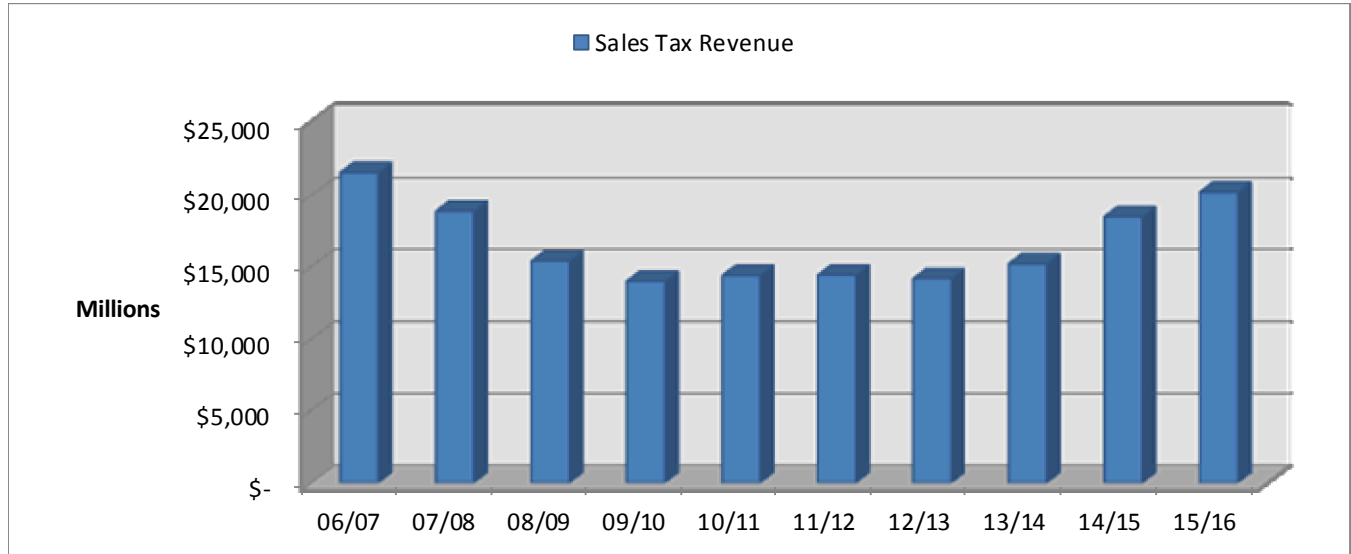
**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Economic Factors and Next Year's Budgets and Rates**

Transaction Privilege Tax

The City's most reliable indicator of economic condition is transaction privilege tax. The City's collection of transaction privilege tax revenue comprised 40.1 percent (\$18.3 million) of the total General Fund revenues in fiscal year 2015-16. This represents an increase of \$1.5 million (9.1 percent) from fiscal year 2014-15.

The City's transaction privilege tax rate is currently 2 percent. An additional 1 percent for restaurant/bar activity and 3 percent for transient occupancy is collected for the Tourism/Economic Development Fund. Collections for the 1 percent restaurant/bar and 3 percent transient occupancy tax increased by \$238,227 (14.6 percent) in fiscal year 2015-16. The City anticipates the transaction privilege tax revenue to reach pre-recession levels in fiscal year 2016-17.



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

The City assessed a property tax levy rate of \$0.7235 per \$100 assessed value in fiscal year 2015-16. This was a decrease from the prior fiscal year in which the assessment was \$0.7408 per \$100 assessed value. In fiscal year 2016-17 the property tax levy rates will be decreased to \$0.7000, due to the incline in the assessed value of property, in an attempt to maintain a steady level of collections to fund current operating needs. The overall levy increase is estimated to be \$56,251 due to new construction valuations.

**LAKE HAVASU CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

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

All of these factors were considered in preparing the City's budget for the 2016-17 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](http://www.lhcaz.gov)



LAKE HAVASU CITY

## **BASIC FINANCIAL STATEMENTS**



LAKE HAVASU CITY



**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 37,459,406	\$ 60,483,587	\$ 97,942,993
Restricted Cash	668,698	15,798,338	16,467,036
Receivables, Net			
Accounts Receivable	713,166	5,695,136	6,408,302
Property Taxes Receivable	44,904	161,323	206,227
Intergovernmental Receivable	2,258,441	696,033	2,954,474
Accrued Interest Receivable	52,639	103,801	156,440
Inventories	115,939	-	115,939
Prepaid Items	224,068	162,765	386,833
Other Assets	-	962,220	962,220
Capital Assets:			
Non-Depreciable	29,960,919	16,413,213	46,374,132
Depreciable	67,865,110	374,008,180	441,873,290
Total Assets	<u>139,363,290</u>	<u>474,484,596</u>	<u>613,847,886</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	14,237,013	613,917	14,850,930
<b>LIABILITIES</b>			
Accounts Payable	1,382,878	1,544,774	2,927,652
Accrued Salaries and Fringes	1,186,214	147,762	1,333,976
Accrued Interest Payable	89,834	4,825,671	4,915,505
Deposits	-	409	409
Intergovernmental Payable	273,512	134,864	408,376
Retainage Payable	-	199,015	199,015
Unearned Revenue	22,909	200,101	223,010
Developer Agreements	12,724	-	12,724
Performance Bonds Payable	128,846	-	128,846
Liabilities Payable from Restricted Assets	-	497,352	497,352
Noncurrent Liabilities			
Due Within One Year	3,732,105	6,404,127	10,136,232
Due in More Than One Year	83,368,120	254,783,129	338,151,249
Total Liabilities	<u>90,197,142</u>	<u>268,737,204</u>	<u>358,934,346</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	3,239,607	2,481,819	5,721,426
<b>NET POSITIONS</b>			
Invested in Capital Assets, Net of Related Debt	88,095,353	137,877,796	225,973,149
Restricted for:			
Public Safety	186,218	-	186,218
Highways and Streets	2,988,013	-	2,988,013
Debt Service	184,996	-	184,996
Other Purposes	344,359	-	344,359
Unrestricted	(31,635,385)	66,001,694	34,366,309
Total Net Positions	<u>\$ 60,163,554</u>	<u>\$ 203,879,490</u>	<u>\$ 264,043,044</u>

See accompanying Notes to Financial Statements.

**LAKE HAVASU CITY, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 16,565,010	\$ 3,632,889	\$ 1,414,010	\$ -	
Public Safety	27,851,569	413,385	653,073	-	
Highways and Streets	5,954,241	56,878	4,715,974	-	
Culture and Recreation	3,524,708	959,528	124,404	1,500	
Tourism and Promotion	1,866,653	-	-	-	
Transportation Services	796,465	11,193	491,470	-	
Interest on Long-term Debt	71,419	-	-	-	
Total Governmental Activities	56,630,065	5,073,873	7,398,931	1,500	
Business-Type Activities:					
Refuse	5,462,233	5,900,766	-	-	
Irrigation and Drainage	10,695,127	10,690,585	79,066	1,759,955	
Wastewater	28,630,254	22,592,658	31,963	634,389	
Airport	1,401,684	496,145	-	542	
Total Business-Type Activities	46,189,298	39,680,154	111,029	2,394,886	
Total Primary Government	\$ 102,819,363	\$ 44,754,027	\$ 7,509,960	\$ 2,396,386	

General Revenues:

Taxes

    Sales Taxes

    Property Taxes

    Franchise Taxes

Unrestricted State Revenue Sharing

Unrestricted State Sales Tax Revenue Sharing

Unrestricted Auto Lieu Tax Revenue Sharing

Investment Earnings

Gain (Loss) on Disposal of Capital Assets

Other

Transfers

    Total General Revenues and Transfers

Change in Net Assets

Net Positions - Beginning, as Restated

Net Positions - Ending

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (11,518,111)	\$ -	\$ (11,518,111)
(26,785,111)	-	(26,785,111)
(1,181,389)	-	(1,181,389)
(2,439,276)	-	(2,439,276)
(1,866,653)	-	(1,866,653)
(293,802)	-	(293,802)
(71,419)	-	(71,419)
(44,155,761)	-	(44,155,761)
-	438,533	438,533
-	1,834,479	1,834,479
-	(5,371,244)	(5,371,244)
-	(904,997)	(904,997)
-	(4,003,229)	(4,003,229)
(44,155,761)	(4,003,229)	(48,158,990)
20,205,820	-	20,205,820
4,378,580	5,726,275	10,104,855
1,971,867	-	1,971,867
6,324,244	-	6,324,244
4,961,508	-	4,961,508
2,871,694	-	2,871,694
567,614	1,003,514	1,571,128
21,400	68,453	89,853
466	-	466
(5,800,353)	5,800,353	-
35,502,840	12,598,595	48,101,435
(8,652,921)	8,595,366	(57,555)
68,816,475	195,284,124	264,100,599
\$ 60,163,554	\$ 203,879,490	\$ 264,043,044

**LAKE HAVASU CITY, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	General	HURF	Debt Service	Capital Projects
<b>Assets</b>				
Cash and Investments	\$ 29,476,262	\$ 2,695,519	\$ 214,202	\$ 2,615,954
Restricted Cash	128,846	-	-	539,852
Receivables				
Accounts Receivable	712,695	471	-	-
Taxes Receivable	43,998	-	-	-
Intergovernmental Receivable	1,613,215	432,407	-	-
Interest Receivable	36,597	4,618	91	5,798
Due from Other Funds	160,655	-	-	-
Inventories	115,939	-	-	-
Prepaid Items	149,783	74,285	-	-
Total Assets	<u>\$ 32,437,990</u>	<u>\$ 3,207,300</u>	<u>\$ 214,293</u>	<u>\$ 3,161,604</u>
<b>Liabilities and Fund Balance</b>				
Liabilities				
Accounts Payable	\$ 1,176,996	\$ 95,451	\$ -	\$ 31,787
Accrued Wages and Benefits	1,143,088	38,056	-	-
Interest Payable	60,171	366	29,297	-
Intergovernmental Payable	269,339	3,090	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	22,909	-	-	-
Performance Bonds Payable	128,846	-	-	-
Developer Agreements	-	-	-	12,724
Total Liabilities	<u>2,801,349</u>	<u>136,963</u>	<u>29,297</u>	<u>44,511</u>
Fund Balances				
Nonspendable	265,722	74,285	-	-
Restricted	101,523	2,988,013	184,996	-
Assigned	1,703,600	8,039	-	3,117,093
Unassigned	27,565,796	-	-	-
Total Fund Balance	<u>29,636,641</u>	<u>3,070,337</u>	<u>184,996</u>	<u>3,117,093</u>
Total Liabilities and Fund Balance	<u>\$ 32,437,990</u>	<u>\$ 3,207,300</u>	<u>\$ 214,293</u>	<u>\$ 3,161,604</u>

See accompanying Notes to Financial Statements.

Nonmajor Funds	Totals
\$ 547,314	\$ 35,549,251
-	668,698
-	713,166
906	44,904
212,819	2,258,441
695	47,799
-	160,655
-	115,939
-	224,068
<u>\$ 761,734</u>	<u>\$ 39,782,921</u>

\$ 78,644	\$ 1,382,878
5,070	1,186,214
-	89,834
1,083	273,512
160,655	160,655
-	22,909
-	128,846
-	12,724
<u>245,452</u>	<u>3,257,572</u>

-	340,007
429,054	3,703,586
87,228	4,915,960
-	27,565,796
<u>516,282</u>	<u>36,525,349</u>
<u>\$ 761,734</u>	<u>\$ 39,782,921</u>



LAKE HAVASU CITY

**LAKE HAVASU CITY, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

Total Fund Balances for Governmental Funds	\$ 36,525,349
--------------------------------------------	---------------

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	196,795,937
Less Accumulated Depreciation	(100,162,374)
Capital Assets Used in Governmental Activities	96,633,563

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

Deferred Outflows of Resources Related to Pensions	14,237,013
----------------------------------------------------	------------

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

Deferred Inflows of Resources Related to Pensions	(3,239,607)
---------------------------------------------------	-------------

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	(1,615,000)
Capital Leases	(8,115,676)
Compensated Absences	(2,448,314)
Other Postemployment Benefits	(3,902,940)
Net Pension Liability	(71,018,295)

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

	3,107,461
Total Net Position of Governmental Activities	\$ 60,163,554

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>HURF</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenue				
Taxes				
Sales Taxes	\$ 18,339,167	\$ -	\$ -	\$ -
Property Taxes	4,305,522	-	-	-
Franchise Taxes	1,971,867	-	-	-
Intergovernmental Revenue	14,741,734	4,715,974	-	1,500
Fines and Forfeitures	1,201,874	-	-	-
Licenses and Permits	2,058,628	-	-	-
Charges for Services	1,275,932	-	-	-
Rents and Royalties	160,822	-	-	-
Contributions and Donations	217,278	-	-	-
Investment Earnings	432,391	57,435	1,869	37,767
Other	233,907	56,390	15	488
Total Revenue	<u>44,939,122</u>	<u>4,829,799</u>	<u>1,884</u>	<u>39,755</u>
Expenditures				
Current				
General Government	14,362,573	-	-	-
Public Safety	25,945,440	-	-	-
Highways and Streets	-	4,418,578	-	-
Culture and Recreation	3,290,143	-	-	-
Tourism and Promotion	-	-	-	-
Transportation Services	235,029	-	-	-
Debt Service				
Principal Retirement	-	-	165,000	-
Interest on Long-Term Debt	-	-	71,419	-
Capital Outlay	-	-	-	3,244,793
Total Expenditures	<u>43,833,185</u>	<u>4,418,578</u>	<u>236,419</u>	<u>3,244,793</u>
Excess (Deficiency) of Revenue Over Expenditures	1,105,937	411,221	(234,535)	(3,205,038)
Other Financing Sources (Uses)				
Transfers In	1,785,996	-	246,000	435,827
Transfers Out	(577,734)	-	-	(6,404,821)
Issuance of Capital Lease	-	-	-	3,046,010
Total Other Financing Sources (Uses)	<u>1,208,262</u>	<u>-</u>	<u>246,000</u>	<u>(2,922,984)</u>
Net Change in Fund Balance	2,314,199	411,221	11,465	(6,128,022)
Fund Balance				
Beginning of Year, as Restated	27,322,442	2,659,116	173,531	9,245,115
End of Year	<u>\$ 29,636,641</u>	<u>\$ 3,070,337</u>	<u>\$ 184,996</u>	<u>\$ 3,117,093</u>

See accompanying Notes to Financial Statements.



<u>Nonmajor Funds</u>	<u>Totals</u>
\$ 1,866,653	\$ 20,205,820
73,058	4,378,580
-	1,971,867
1,872,748	21,331,956
69,391	1,271,265
-	2,058,628
13,950	1,289,882
-	160,822
8,643	225,921
7,399	536,861
2,476	293,276
<u>3,914,318</u>	<u>53,724,878</u>
980,360	15,342,933
526,976	26,472,416
-	4,418,578
-	3,290,143
1,866,653	1,866,653
491,508	726,537
-	165,000
-	71,419
-	3,244,793
<u>3,865,497</u>	<u>55,598,472</u>
48,821	(1,873,594)
-	2,467,823
(12,000)	(6,994,555)
-	3,046,010
<u>(12,000)</u>	<u>(1,480,722)</u>
36,821	(3,354,316)
479,461	39,879,665
<u>\$ 516,282</u>	<u>\$ 36,525,349</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, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ (3,354,316)

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	3,748,928
Less Current Year Depreciation	(4,037,458)
Excess Capital Expenditures Over Depreciation	(288,530)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, and donations) to decrease net position. (81,097)

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	1,344,789
Proceeds from Debt	(3,046,010)

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 Decrease in Compensated Absences	62,175
Net Increase in Other Postemployment Benefits	(326,541)
Pension expense	(6,092,152)

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	4,783,978
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

The net changes in net position of the internal service fund is reported with governmental activities.	(1,655,217)
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Changes in Net Position of Governmental Activities	\$ (8,652,921)
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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, 2016**

	Budgeted Amounts		Actual Amount	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenue				
Taxes	\$ 23,144,078	\$ 23,144,078	\$ 24,616,556	\$ 1,472,478
Intergovernmental Revenue	14,647,552	14,647,552	14,741,734	94,182
Fines and Forfeitures	1,197,499	1,197,499	1,201,874	4,375
Licenses and Permits	1,729,659	1,729,659	2,058,628	328,969
Charges for Services	1,261,367	1,261,367	1,275,932	14,565
Rents and Royalties	82,006	82,006	160,822	78,816
Contributions and Donations	77,391	77,391	217,278	139,887
Investment Earnings	220,697	220,697	432,391	211,694
Other	121,009	121,009	233,907	112,898
Total Revenue	42,481,258	42,481,258	44,939,122	2,457,864
Expenditures				
Current				
General Government				
City Council	142,834	142,834	129,089	13,745
City Clerk	181,649	181,649	158,777	22,872
Magistrate Court	1,828,400	1,828,400	1,606,714	221,686
City Manager	361,991	238,928	173,920	65,008
Human Resources	410,149	410,149	326,165	83,984
Community Affairs	255,754	255,754	75,765	179,989
Administrative Services	2,091,083	2,031,280	1,724,180	307,100
City Attorney	893,571	893,571	617,458	276,113
Non-Departmental	3,733,262	3,733,262	3,532,836	200,426
Government - Outside Contracts	194,000	194,000	194,000	-
Operations	4,154,409	4,142,420	3,741,202	401,218
Vehicle Maintenance	637,956	637,956	556,354	81,602
Community Investment	1,115,216	1,907,472	1,526,113	381,359
Total General Government	16,000,274	16,597,675	14,362,573	2,235,102
Public Safety				
Police	14,763,334	15,013,334	14,129,736	883,598
Fire	12,250,827	12,366,327	11,815,704	550,623
Total Public Safety	27,014,161	27,379,661	25,945,440	1,434,221
Culture and Recreation				
Recreation Department	3,609,654	3,664,835	3,290,143	374,692
Total Culture and Recreation	3,609,654	3,664,835	3,290,143	374,692
Transportation Services				
Havasu Mobility	340,904	340,904	235,029	105,875
Total Transportation Services	340,904	340,904	235,029	105,875
Total Expenditures	46,964,993	47,983,075	43,833,185	4,149,890
Excess (Deficiency) of Revenue Over Expenditures	(4,483,735)	(5,501,817)	1,105,937	6,607,754
Other Financing Sources (Uses)				
Transfers In	689,000	1,858,934	1,785,996	(72,938)
Transfers Out	(2,164,733)	(2,039,733)	(577,734)	1,461,999
Total Other Financing Sources (Uses)	(1,475,733)	(180,799)	1,208,262	1,389,061
Net Change in Fund Balance	(5,959,468)	(5,682,616)	2,314,199	7,996,815
Fund Balance				
Beginning of Year, Restated	24,871,403	24,871,403	27,322,442	2,451,039
End of Year	\$ 18,911,935	\$ 19,188,787	\$ 29,636,641	\$ 10,447,854

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, 2016**

	Budget Amounts		Actual Amount	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Intergovernmental Revenue	\$ 4,616,380	\$ 4,616,380	\$ 4,715,974	\$ 99,594
Investment Earnings	26,000	26,000	57,435	31,435
Other	10,550	10,550	56,390	45,840
Total Revenue	4,652,930	4,652,930	4,829,799	176,869
Expenditures				
Current				
Highways and Streets	5,433,309	5,582,727	4,418,578	1,164,149
Total Expenditures	5,433,309	5,582,727	4,418,578	1,164,149
Excess (Deficiency) of Revenue Over Expenditures	(780,379)	(929,797)	411,221	1,341,018
Other Financing Sources (Uses)				
Transfers In	550,000	550,000	-	(550,000)
Total Other Financing Sources (Uses)	550,000	550,000	-	(550,000)
Net Change in Fund Balance	(230,379)	(379,797)	411,221	791,018
Fund Balance				
Beginning of Year	2,106,162	2,106,162	2,659,116	552,954
End of Year	\$ 1,875,783	\$ 1,726,365	\$ 3,070,337	\$ 1,343,972

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Business-Type Activities			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
<b>Assets</b>				
Current Assets				
Cash and Cash Equivalents	\$ 39,060,352	\$ 15,820,091	\$ 5,580,750	\$ 22,394
Restricted Cash	580,957	15,193,430	-	23,951
Receivables, Net				
Accounts Receivable	1,236,061	3,880,113	559,775	19,187
Taxes Receivable	161,323	-	-	-
Intergovernmental Receivable	349,764	345,947	-	322
Interest Receivable	30,121	65,216	8,410	54
Prepaid Items	93,381	63,719	-	5,665
Other Assets	-	962,220	-	-
Total Current Assets	41,511,959	36,330,736	6,148,935	71,573
Noncurrent Assets				
Capital Assets				
Non-Depreciable	12,159,861	3,557,018	-	696,334
Depreciable (Net)	61,289,260	298,442,169	22,328	14,254,423
Total Noncurrent Assets	73,449,121	301,999,187	22,328	14,950,757
Total Assets	114,961,080	338,329,923	6,171,263	15,022,330
<b>Deferred Outflows of Resources</b>	320,747	270,312	-	22,858
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	928,664	225,249	390,149	712
Accrued Wages and Benefits	77,058	64,830	-	5,874
Intergovernmental Payable	126,574	8,290	-	-
Interest Payable	86,151	4,739,253	-	267
Retainage Payable	75,647	123,368	-	-
Deferred Revenue	190,007	1,266	-	8,828
Liabilities Payable from Restricted Assets	473,810	-	-	23,542
Customer Deposits Payable	-	-	-	409
Compensated Absences	145,662	154,337	-	12,363
Capital Leases Payable	11,543	14,296	-	2,930
Bonds and Notes Payable	416,071	5,646,925	-	-
Total Current Liabilities	2,531,187	10,977,814	390,149	54,925
Noncurrent Liabilities				
Compensated Absences	20,440	21,657	-	1,734
Landfill Closure and Postclosure Care Costs	-	-	3,084,081	-
Capital Leases Payable	136,655	169,237	-	34,691
Other Postemployment Benefits	694,644	476,526	-	-
Net Pension Liability	3,309,086	2,602,962	-	224,343
Bonds and Notes Payable	5,052,552	238,954,521	-	-
Total Noncurrent Liabilities	9,213,377	242,224,903	3,084,081	260,768
Total Liabilities	11,744,564	253,202,717	3,474,230	315,693
<b>Deferred Inflows of Resources</b>	310,967	2,149,770	-	21,082
<b>Net Position</b>				
Net Investment in Capital Assets	67,756,653	55,185,679	22,328	14,913,136
Unrestricted	35,469,643	28,062,069	2,674,705	(204,723)
Total Net Position	\$ 103,226,296	\$ 83,247,748	\$ 2,697,033	\$ 14,708,413

See accompanying Notes to Financial Statements.

Total Business-Type Activities	Governmental Activities - Internal Service Funds
\$ 60,483,587	\$ 1,910,155
15,798,338	-
5,695,136	-
161,323	-
696,033	-
103,801	4,840
162,765	-
962,220	-
84,063,203	1,914,995
16,413,213	-
374,008,180	1,192,466
390,421,393	1,192,466
474,484,596	3,107,461
613,917	-
1,544,774	-
147,762	-
134,864	-
4,825,671	-
199,015	-
200,101	-
497,352	-
409	-
312,362	-
28,769	-
6,062,996	-
13,954,075	-
43,831	-
3,084,081	-
340,583	-
1,171,170	-
6,136,391	-
244,007,073	-
254,783,129	-
268,737,204	-
2,481,819	-
137,877,796	1,192,466
66,001,694	1,914,995
\$ 203,879,490	\$ 3,107,461

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Business-Type Activities			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
Operating Revenue				
Charges for Services	\$ 10,626,559	\$ 22,504,602	\$ 5,900,766	\$ 467,557
Total Operating Revenue	10,626,559	22,504,602	5,900,766	467,557
Operating Expenses				
Cost of Sales and Services	8,281,913	7,167,020	5,461,058	698,602
Administration	-	-	-	-
Depreciation	2,313,304	10,075,633	1,175	700,846
Total Operating Expenses	10,595,217	17,242,653	5,462,233	1,399,448
Operating Income (Loss)	31,342	5,261,949	438,533	(931,891)
Nonoperating Revenue (Expense)				
Taxes	5,726,275	-	-	-
Intergovernmental	79,066	31,963	-	-
Investment Earnings	544,430	371,133	80,146	7,805
Gain on Sale of Capital Assets	27,752	40,701	-	-
Interest Expense	(99,910)	(8,807,454)	-	(2,236)
Issuance Costs	-	(2,580,147)	-	-
Other Income	64,026	88,056	-	28,588
Total Nonoperating Revenue (Expenses)	6,341,639	(10,855,748)	80,146	34,157
Income (Loss) Before Capital Contributions and Transfers	6,372,981	(5,593,799)	518,679	(897,734)
Capital Contributions	1,759,955	738,076	-	542
Transfers In	6,300,759	1,000,000	-	156,390
Transfers Out	(1,500,000)	-	(260,483)	-
Change in Net Position	12,933,695	(3,855,723)	258,196	(740,802)
Net Position				
Beginning of Year, Restated	90,292,601	87,103,471	2,438,837	15,449,215
End of Year	\$ 103,226,296	\$ 83,247,748	\$ 2,697,033	\$ 14,708,413

See accompanying Notes to Financial Statements.



Total Business-Type Activities	Governmental Activities - Internal Service Funds
<u>\$ 39,499,484</u>	<u>\$ -</u>
39,499,484	-
21,608,593	-
-	27,864
<u>13,090,958</u>	<u>406,351</u>
<u>34,699,551</u>	<u>434,215</u>
4,799,933	(434,215)
5,726,275	-
111,029	-
1,003,514	30,753
68,453	-
(8,909,600)	-
(2,580,147)	(82,287)
<u>180,670</u>	<u>466</u>
<u>(4,399,806)</u>	<u>(51,068)</u>
400,127	(485,283)
2,498,573	-
7,457,149	-
<u>(1,760,483)</u>	<u>(1,169,934)</u>
8,595,366	(1,655,217)
<u>195,284,124</u>	<u>4,762,678</u>
<u>\$ 203,879,490</u>	<u>\$ 3,107,461</u>

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Business-Type Activities – Enterprise Funds			Total Nonmajor Business-Type Activities
	Irrigation and Drainage	Wastewater	Refuse	
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers	\$ 10,495,327	\$ 23,138,142	\$ 5,853,195	\$ 464,096
Payments to Suppliers	(5,334,847)	(4,936,509)	(5,346,366)	(516,968)
Payments to Employees	(2,843,709)	(2,401,071)	-	(187,563)
Other Nonoperating Receipts	143,092	120,019	-	28,588
Customer Deposits (Payments)	-	-	-	409
Net Cash Flows from (Used by) Operating Activities	2,459,863	15,920,581	506,829	(211,438)
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In	6,300,759	1,000,000	-	156,390
Transfers Out	(1,500,000)	-	(260,483)	-
Tax Receipts	5,742,095	-	-	-
Net Cash Flows from (Used by) Noncapital Financing Activities	10,542,854	1,000,000	(260,483)	156,390
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from Capital Debt	7,026	244,891,908	-	-
Capital Grants and Contributions	1,759,955	738,076	-	542
Purchases of Capital Assets	(3,941,097)	(4,324,208)	-	-
Principal Paid on Capital Debt	(414,190)	(276,312,725)	-	(2,768)
Interest Paid on Capital Debt	(190,099)	(9,322,041)	-	(2,236)
Loan Issuance Costs	-	(3,542,367)	-	-
Proceeds from Sale of Capital Assets	27,752	40,701	-	-
Net Cash Flows from (Used by) Capital and Financing Activities	(2,750,653)	(47,830,656)	-	(4,462)
<b>Cash Flows from Investing Activities</b>				
Interest and Dividends	530,128	362,648	78,364	7,805
<b>Net Change in Cash and Cash Equivalents</b>	10,782,192	(30,547,427)	324,710	(51,705)
<b>Cash and Cash Equivalents - Beginning of Year</b>	28,859,117	61,560,948	5,256,040	98,050
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 39,641,309</u>	<u>\$ 31,013,521</u>	<u>\$ 5,580,750</u>	<u>\$ 46,345</u>
<b>Reconciliation to Statement of Net Position:</b>				
Cash and Investments	\$ 39,060,352	\$ 15,820,091	\$ 5,580,750	\$ 22,394
Restricted Cash and Investments	580,957	15,193,430	-	23,951
<b>Total Cash and Cash Equivalents</b>	<u>\$ 39,641,309</u>	<u>\$ 31,013,521</u>	<u>\$ 5,580,750</u>	<u>\$ 46,345</u>

See accompanying Notes to Financial Statements.

Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 39,950,760	\$ -
(16,134,690)	(99,537)
(5,432,343)	-
291,699	466
409	-
18,675,835	(99,071)
7,457,149	-
(1,760,483)	(1,169,934)
5,742,095	-
11,438,761	(1,169,934)
244,898,934	-
2,498,573	-
(8,265,305)	(419,883)
(276,729,683)	-
(9,514,376)	-
(3,542,367)	-
68,453	21,400
(50,585,771)	(398,483)
978,945	29,949
(19,492,230)	(1,637,539)
95,774,155	3,547,694
<u>\$ 76,281,925</u>	<u>\$ 1,910,155</u>
\$ 60,483,587	\$ 1,910,155
15,798,338	-
<u>\$ 76,281,925</u>	<u>\$ 1,910,155</u>

**LAKE HAVASU CITY, ARIZONA**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	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)	\$ 31,342	\$ 5,261,949	\$ 438,533	\$ (931,891)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (Used by) Operating Activities				
Pension Expense	(206,805)	(87,690)	-	(2,758)
Depreciation	2,313,304	10,075,633	1,175	700,846
Other Nonoperating Receipts (Expenses)	143,092	120,019	-	28,588
Change in Assets/Liabilities:				
Receivables, Net	(126,140)	635,428	(47,571)	(2,420)
Prepaid Items	45,362	(17,544)	-	(60)
Accounts Payable	444,360	(259,055)	(9,925)	(1,349)
Retainage Payable	(242,997)	89,708	-	-
Intergovernmental Payable	15,365	3,930	-	-
Accrued Wages and Benefits	15,958	15,332	-	1,455
Compensated Absences	(4,489)	16,735	-	(3,217)
Deferred Revenue	(5,092)	(1,888)	-	(1,041)
Customer Deposits Payable	-	-	-	409
Other Postemployment Benefits	36,603	68,024	-	-
Landfill Closure and Postclosure Care Costs	-	-	124,617	-
Net Cash from (Used by) Operating Activities	<u>2,459,863</u>	<u>\$ 15,920,581</u>	<u>\$ 506,829</u>	<u>\$ (211,438)</u>

**Noncash Investing, Capital and Financing Activities**

Other costs of \$38,937 and premiums of \$563,424 were amortized in the Wastewater Fund during the year.  
Capital assets totaling \$103,687 were transferred from the Vehicle Replacement Internal Service Fund  
to the Wastewater Fund.

<u>Total Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 4,799,933	\$ (434,215)
(297,253)	-
13,090,958	406,351
291,699	466
459,297	-
27,758	-
174,031	(71,673)
(153,289)	-
19,295	-
32,745	-
9,029	-
(8,021)	-
409	-
104,627	-
<u>124,617</u>	<u>-</u>
<u>\$ 18,675,835</u>	<u>\$ (99,071)</u>



LAKE HAVASU CITY

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016, the City implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statements No. 73 and 82 amended GASB Statement No. 68 requirements related to note disclosures for pension related required supplementary information and payables to defined benefit pension plans. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles.

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.



**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**A. Reporting Entity (Continued)**

**2. Improvement Districts No. 2 and 4**

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

**3. Metropolitan Planning Organization**

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

**B. Government-Wide and Fund Financial Statements**

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

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

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

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

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

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

The *Internal Service Funds* account for the City's vehicle replacement program and the City's facilities maintenance program, which was eliminated on July 1, 2015.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016**

**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 \$5,000 and an estimated useful life in excess of one year.

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

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

	<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 420 hours or 588 hours for Fire employees working 24-hour shifts. Hours accrued in excess of the maximum will be forfeited if not used by January 1 of each calendar year. The value of the forfeited hours, to a maximum of 48 hours annually for regular employees and 72 hours annually for Fire shift employees, will be automatically contributed to a retiree health savings account annually in January.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016**

**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 adoption of City Ordinance. Assigned fund balance represents limitations imposed by City Council, City Manager, or designee, through approval for contract execution.

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

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

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016, the governmental fund balance details by classification are listed below:

	General Fund	HURF	Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Inventory	\$ 115,939	\$ -	\$ -	\$ -	\$ -	\$ 115,939
Prepaid Expenditures	149,783	74,285	-	-	-	224,068
Total Nonspendable	265,722	74,285	-	-	-	340,007
Restricted:						
Debt Service for Land Acquisition	-	-	184,996	-	-	184,996
Highway User Tax for Transportation	-	2,988,013	-	-	-	2,988,013
Public Safety Special Programs	101,523	-	-	-	84,695	186,218
Court Enhancement	-	-	-	-	325,457	325,457
Improvement Districts	-	-	-	-	18,902	18,902
Total Restricted	101,523	2,988,013	184,996	-	429,054	3,703,586
Assigned:						
Capital Lease	1,640,715	8,039	-	-	-	1,648,754
Operating Lease	26,246	-	-	-	-	26,246
Court Services	36,639	-	-	-	-	36,639
Memorial Tree Special Program	-	-	-	-	25,107	25,107
Public Safety Special Programs	-	-	-	-	62,121	62,121
Capital Projects	-	-	-	3,117,093	-	3,117,093
Total Assigned	1,703,600	8,039	-	3,117,093	87,228	4,915,960
Unassigned:	27,565,796	-	-	-	-	27,565,796
Total Fund Balances	<u>\$ 29,636,641</u>	<u>\$ 3,070,337</u>	<u>\$ 184,996</u>	<u>\$ 3,117,093</u>	<u>\$ 516,282</u>	<u>\$ 36,525,349</u>



**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. State law requires that, prior to April 1, the Economic Estimates Commission provide the City with a final expenditure limit for the coming fiscal year. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation described above of all fund types as a whole. The City adopts a budget by department for the General Fund and in total by fund for other funds, which is the legal level of budgetary control for these funds. The 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 January 12, 2016 and June 28, 2016, the City Council authorized budgetary amendments involving the General Fund, HURF Fund, Capital Projects Fund, Metropolitan Planning Organization Fund, Grants Fund, CDBG/HOME Fund, Refuse Fund and IDD Fund, and operating transfers between the General Fund, Capital Projects Fund, IDD Fund, Refuse Fund, Wastewater Fund and Facilities Maintenance Fund.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**A. Budgetary Information (Continued)**

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2016 consist of the following:

Deposits	
Cash on Hand	\$ 8,900
Cash in Bank	7,167,726
Cash on Deposit with County Treasurer	107,147
Investments	
State Treasurer's Investment Pool (LGIP)	14,951,367
U.S. Government Securities	72,453,992
Certificates of Deposit	8,369,792
Money Market	11,351,105
Total Deposits and Investments	<u>114,410,029</u>
Restricted Assets	<u>(16,467,036)</u>
Total Cash and Investments	<u><u>\$ 97,942,993</u></u>

**Investments**

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

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

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016**

**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:

	6/30/2016	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	\$ 7,594,305	\$ 7,594,305	\$ -	\$ -
Federal Agency Bonds	64,859,687	-	64,859,687	-
Total Debt Securities	72,453,992	7,594,305	64,859,687	-
Venture Capital Investments				
Certificates of Deposits	8,369,792	-	8,369,792	-
Total Investments by Fair Value Level	80,823,784	\$ 7,594,305	\$ 73,229,479	\$ -
Investments Measured at Fair Value				
State Treasurer's Investment Pool	14,951,367			
Total Investments Measured at Fair Value	95,775,151			
Investments by Amortized Cost				
Money Market Funds	11,351,105			
Total Investments	\$ 107,126,256			

**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, 2016 consist of the following:

Investment	Amount	Investment Maturities (in Years)		
		Less than 1	1-3	4-5
State Treasurer's Investment Pools	\$ 14,951,367	\$ 14,951,367	\$ -	\$ -
Certificates of Deposit	8,369,792	1,002,219	4,044,525	3,323,048
Money Market	11,351,105	11,351,105	-	-
U.S. Treasury Notes	7,594,305	-	-	7,594,305
U.S. Government Securities	64,859,687	-	36,184,680	28,675,007
Total Investments	\$ 107,126,256	\$ 27,304,691	\$ 40,229,205	\$ 39,592,360

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016 for each investment type.

S&P Ratings Investment Type	Total	AAA	AA+	Not Rated	Investment %
State Treasurer's Investment					
Pools	\$ 14,951,367	\$ 14,951,367	\$ -	\$ -	14 %
Certificates of Deposit	8,369,792	-	-	8,369,792	8
Money Market	11,351,105	-	-	11,351,105	11
U.S. Treasury Notes	7,594,305	-	7,594,305	-	7
U.S. Government Securities	64,859,687	-	64,859,687	-	60
Total Investments	<u>\$ 107,126,256</u>	<u>\$ 14,951,367</u>	<u>\$ 72,453,992</u>	<u>\$ 19,720,897</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, 2016, 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, 2016**

**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, 2016 consisted of the following:

Customer Deposits	\$ 604,908
Performance Bonds Deposits	128,846
Future Debt Service	15,733,282
	<u>\$ 16,467,036</u>

**3. Capital Assets**

Capital assets activity for the year ended June 30, 2016 was as follows:

<u>Governmental Activities:</u>	Restated Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 26,752,918	\$ -	\$ -	\$ 90	\$ 26,753,008
Construction in Progress	954,689	3,088,093	(834,871)	-	3,207,911
Total Capital Assets, Not Being Depreciated	27,707,607	3,088,093	(834,871)	90	29,960,919
Capital Assets, Being Depreciated:					
Buildings and Improvements	35,230,476	130,874	-	-	35,361,350
Improvements to Land	16,826,145	86,666	(35,970)	(90)	16,876,751
Infrastructure	92,646,511	609,347	(254,518)	182,771	93,184,111
Furniture, Machinery and Equipment	26,954,399	1,088,702	(2,666,437)	(778,248)	24,598,416
Total Capital Assets, Being Depreciated	171,657,531	1,915,589	(2,956,925)	(595,567)	170,020,628
Accumulated Depreciation for:					
Buildings and Improvements	(15,465,738)	(1,144,314)	-	-	(16,610,052)
Improvements to Land	(5,369,865)	(462,204)	31,717	-	(5,800,352)
Infrastructure	(59,468,798)	(1,586,684)	199,491	-	(60,855,991)
Furniture, Machinery and Equipment	(20,774,926)	(1,250,607)	2,644,620	491,790	(18,889,123)
Total Accumulated Depreciation	(101,079,327)	(4,443,809)	2,875,828	491,790	(102,155,518)
Total Capital Assets, Being Depreciated, Net	70,578,204	(2,528,220)	(81,097)	(103,777)	67,865,110
Governmental Activities Capital Assets, Net	<u>\$ 98,285,811</u>	<u>\$ 559,873</u>	<u>\$ (915,968)</u>	<u>\$ (103,687)</u>	<u>\$ 97,826,029</u>

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**A. Assets (Continued)**

**3. Capital Assets (Continued)**

<u>Business-Type Activities</u>	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 3,298,415	\$ -	\$ -	\$ -	\$ 3,298,415
Water Allocation Rights	6,940,823	201,416	-	-	7,142,239
Construction in Progress	1,149,572	6,900,291	(2,077,304)	-	5,972,559
Total Capital Assets, Not Being Depreciated	11,388,810	7,101,707	(2,077,304)	-	16,413,213
Capital Assets, Being Depreciated:					
Buildings and Improvements	28,087,856	-	-	-	28,087,856
Other Improvements	484,325,906	2,320,964	(162,143)	-	486,484,727
Machinery, Equipment and Vehicles	7,325,856	1,193,433	(223,473)	595,477	8,891,293
Water Allocation Rights	2,374,554	-	-	-	2,374,554
Total Capital Assets, Being Depreciated	522,114,172	3,514,397	(385,616)	595,477	525,838,430
Accumulated Depreciation for:					
Buildings and Improvements	(7,836,352)	(757,144)	-	-	(8,593,496)
Other Improvements	(124,767,361)	(11,848,019)	-	-	(136,615,380)
Machinery, Equipment and Vehicles	(5,565,496)	(426,431)	223,473	(491,790)	(6,260,244)
Water Allocation Rights	(301,766)	(59,364)	-	-	(361,130)
Total Accumulated Depreciation	(138,470,975)	(13,090,958)	223,473	(491,790)	(151,830,250)
Total Capital Assets, Being Depreciated, Net	383,643,197	(9,576,561)	(162,143)	103,687	374,008,180
Business-Type Activities Capital Assets, Net	<u>\$ 395,032,007</u>	<u>\$ (2,474,854)</u>	<u>\$ (2,239,447)</u>	<u>\$ 103,687</u>	<u>\$ 390,421,393</u>

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General Government	\$ 1,221,734
Public Safety	874,805
Highways and Streets	1,566,222
Culture and Recreation	308,570
Transportation Services	66,127
Capital Assets Held by the City's Internal Service	
Funds are Charged to the Various Functions	
Based on their Usage of the Assets	406,351
Total Depreciation Expense	<u>\$ 4,443,809</u>

**Business-Type Activities:**

Refuse	\$ 1,175
Irrigation and Drainage	2,313,304
Wastewater	10,075,633
Airport	700,846
Total Depreciation Expense	<u>\$ 13,090,958</u>

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**A. Assets (Continued)**

**4. Construction Commitments**

The City had active construction projects at June 30, 2016. The projects include various street projects, water system upgrades, and wastewater system upgrades. At fiscal year end the City's commitments with contractors were as follows:

Governmental Activities		
Project	Spent-to-date	Remaining Commitment
General Government	\$ 151,298	\$ 12,943
Municipal Facilities	11,526	33,475
Highways and Streets	38,557	38,557
Culture and Recreation	73,577	41,366
Total Governmental Activities	<u>\$ 274,958</u>	<u>\$ 126,341</u>
Business-Type Activities		
Project	Spent-to-date	Remaining Commitment
Water System	\$ 2,289,289	\$ 2,332,502
Wastewater System	167,307	15,100
Total Business-Type Activities	<u>\$ 2,456,596</u>	<u>\$ 2,347,602</u>

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

As of June 30, 2016 interfund receivables and payables were as follows:

	Due From Nonmajor Governmental Funds
Due To General Fund	<u>\$ 160,655</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, 2016**

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

**B. Interfund Receivables, Payables and Transfers (Continued)**

Interfund transfers for the year ended June 30, 2016 consisted of the following:

Transfers to	Transfers From						Total
	General Fund	Capital Projects	Nonmajor Governmental Funds	Irrigation & Drainage	Refuse	Internal Service Funds	
General Fund	\$ -	\$ 104,062	\$ 12,000	\$ 500,000	\$ -	\$ 1,169,934	\$ 1,785,996
Debt Service	246,000	-	-	-	-	-	246,000
Capital Projects	175,344	-	-	-	260,483	-	435,827
Irrigation and Drainage	-	6,300,759	-	-	-	-	6,300,759
Wastewater	-	-	-	1,000,000	-	-	1,000,000
Nonmajor Business-Type Activities	156,390	-	-	-	-	-	156,390
Total	<u>\$ 577,734</u>	<u>\$ 6,404,821</u>	<u>\$ 12,000</u>	<u>\$ 1,500,000</u>	<u>\$ 260,483</u>	<u>\$ 1,169,934</u>	<u>\$ 9,924,972</u>

Transfers were made for general operating purposes and to fund capital projects. In addition, the City transferred \$103,687 of capital assets from the Vehicle Replacement Internal Service Fund to the Wastewater Enterprise Fund.

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

- From the Irrigation & Drainage District Fund to the Wastewater Fund: \$1,000,000 as a matter of City policy for the purpose of having all citizens of the City who benefit from the Wastewater project, also share in its costs.
- From the Internal Service Fund to the General Fund: \$1,169,934 to close the Facilities Maintenance Fund.
- From the Capital Projects Fund to the Irrigation and Drainage Fund: \$6,300,759 to move Flood Control from the Capital Projects Fund to the Irrigation and Drainage Fund.

**C. Obligations Under Leases**

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Vehicles, Equipment, and Facility Improvements	\$ 6,261,979	\$ 715,769
Less Accumulated Depreciation	(3,088,346)	(715,769)
Total	<u>\$ 3,173,633</u>	<u>\$ -</u>

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016 were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	\$ 1,648,754	\$ 49,348
2018	1,458,343	49,429
2019	1,189,324	49,415
2020	1,045,811	49,301
2021	1,044,586	49,093
2022-2026	2,846,912	241,767
Total Minimum Lease Payments	9,233,729	488,353
Less: Amount Representing Interest	(1,118,053)	(119,001)
Present Value of Minimum Lease Payments	<u>\$ 8,115,676</u>	<u>\$ 369,352</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 2023. The total principal and interest remaining to be paid on the bonds is \$83,913. Principal and interest paid for the current year and total assessed taxes were \$14,638 and \$14,638, 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 percent 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. Proceeds of the bonds, along with the \$98.3 million Series 2015B proceeds and the proceeds of the 2015 Water Infrastructure Financing Authority (WIFA) loan were used for a current refunding of all remaining Wastewater debt, totaling \$245.2 million.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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 \$98.3 million plus interest at 4.0 - 5.0 percent through 2045 for refunding bonds issued September 2015. Proceeds of the bonds, along with the \$71,775,000 Series 2015B proceeds and the proceeds of the \$60,269,432 2015 WIFA loan were used for a current refunding of all remaining Wastewater debt, totaling \$245.2 million.

The City has pledged future revenues of the wastewater system, net of operation expenses to repay \$60,269,432 plus interest at 2.368 percent in refunding bonds issued September 2015 plus new money of \$1.3 million 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 \$98.3 million Series 2015B were used for a current refunding of all remaining Wastewater debt, totaling \$245.2 million.

Loan covenants on the Wastewater debt (Series 2015A, 2015B and the WIFA loan) require the City to maintain 120 percent 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 \$4.5 million to ensure loan covenant requirements are met. Debt coverage on the Senior Lien debt is 2.21.

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 \$8,389,357. Principal and interest paid for the current year and total customer net revenues were \$562,996 and \$2,344,646, respectively. Loan covenants require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. Debt coverage to current year debt service payments is 4.06.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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 \$1,916,644. Principal and interest paid for the current year and total excise taxes were \$235,997 and \$34,752,074, respectively. Debt coverage of net revenues to current year debt service payments is 147.26.

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.	\$ 1,615
Total General Governmental Activities Long Term Obligations	<u>\$ 1,615</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.	\$ 70
2015 Senior Lien Wastewater Revenue Refunding Bonds, Series 2015 A (issued September 15, 2015) due in annual installments of \$755,000 to \$4,210,000 through July 1, 2037; interest at 4% to 5%. Original issue amount \$71,775,000.	71,775
<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.	3,876
2010 SR Drinking Water (issued July 11, 2010) due in annual installments of \$122,690 to \$206,382 through July 1, 2030; interest at 2.775%. Original issue amount \$3,222,300.	1,523
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.	60,269
Total Business-Type Long Term Liabilities	<u>\$ 235,813</u>

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

Changes in long-term obligations for the year ended June 30, 2016 are as follows:

Governmental Activities	July 1, 2015 Restated	Increases	Decreases	June 30, 2016	Due Within One Year
Bonds and Loans Payable:					
GADA Loan Payable	\$ 1,780,000	\$ -	\$ (165,000)	\$ 1,615,000	\$ 175,000
Other Liabilities:					
Capital Leases	6,249,455	3,046,010	(1,179,789)	8,115,676	1,410,068
Compensated Absences	2,510,489	2,125,040	(2,187,215)	2,448,314	2,147,037
Other Postemployment Benefits	3,576,399	950,180	(623,639)	3,902,940	-
Net Pension Liability	66,788,014	4,230,281	-	71,018,295	-
Total Other Liabilities	79,124,357	10,351,511	(3,990,643)	85,485,225	3,557,105
Governmental Activities Long-Term Liabilities	<u>\$ 80,904,357</u>	<u>\$ 10,351,511</u>	<u>\$ (4,155,643)</u>	<u>\$ 87,100,225</u>	<u>\$ 3,732,105</u>
Business-Type Activities	July 1, 2015 Restated	Increases	Decreases	June 30, 2016	Due Within One Year
Bonds, Notes and Loans Payable:					
General Obligation Bonds	\$ 80,000	\$ 71,775,000	\$ (10,000)	\$ 71,845,000	\$ 4,220,000
Revenue Bonds	-	98,300,000	-	98,300,000	-
GADA Loan Payable	58,070,000	-	(58,070,000)	-	-
WIFA Loans Payable	223,666,205	60,624,364	(218,622,512)	65,668,057	1,842,996
Plus Deferred Amount on Premium	1,905,161	14,859,371	(2,507,520)	14,257,012	-
Total Bonds and Notes Payable	<u>283,721,366</u>	<u>245,558,735</u>	<u>(279,210,032)</u>	<u>250,070,069</u>	<u>6,062,996</u>
Other Liabilities:					
Capital Leases	396,525	-	(27,173)	369,352	28,769
Compensated Absences	347,163	327,820	(318,790)	356,193	312,362
Other Postemployment Benefits	1,066,545	188,585	(83,960)	1,171,170	-
Net Pension Liability	5,943,225	193,166	-	6,136,391	-
Landfill Closure and Postclosure	2,959,464	124,617	-	3,084,081	-
Total Other Liabilities	<u>10,712,922</u>	<u>834,188</u>	<u>(429,923)</u>	<u>11,117,187</u>	<u>341,131</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 294,434,288</u>	<u>\$ 246,392,923</u>	<u>\$ (279,639,955)</u>	<u>\$ 261,187,256</u>	<u>\$ 6,404,127</u>

Debt service requirements on long-term debt at June 30, 2016 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 175,000	\$ 63,896	\$ 6,062,996	\$ 9,392,343
2018	180,000	56,713	4,887,120	9,220,630
2019	185,000	47,633	5,059,668	9,042,074
2020	195,000	39,489	5,239,062	8,856,378
2021	205,000	30,832	5,420,347	8,663,489
2022 - 2026	675,000	33,784	30,065,728	40,317,276
2027 - 2031	-	-	33,950,223	35,126,104
2032 - 2036	-	-	38,549,183	28,478,410
2037 - 2041	-	-	47,345,000	18,736,700
2042 - 2046	-	-	60,285,000	5,403,700
Total	<u>\$ 1,615,000</u>	<u>\$ 272,347</u>	<u>\$ 236,864,327</u>	<u>\$ 173,237,104</u>

The \$236,864,327 principal amount above includes \$1,051,270 of authorized WIFA loan proceeds not drawn down by the City as of June 30, 2016.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

For the year ended June 30, 2016 the City issued \$245,203,804 of Senior Lien Wastewater Revenue Refunding General Obligation Bonds, Senior Lien Wastewater Revenue Bonds and a Senior Lien Wastewater Water Infrastructure Financing Authority loan for the advance refunding of \$245,164,587 of Water Infrastructure Financing Authority loans and Greater Arizona Development Authority bonds. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the loans and bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The current refunding was undertaken to extend the maturity of the Wastewater debt and reduce the annual debt service payments, in order to ease the need to increase wastewater rates and service charges. The refunding extends the life of the Wastewater debt by six years to 2045 and reduces the annual debt service requirement for the next ten years by an average of \$4,010,278. The weighted average maturity of the refunded bonds was 11.8 years as compared to 18.0 years for the refunding bonds. The refunding resulted in an economic loss of \$7,839,638.

**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 \$3,084,081 as of June 30, 2016, which is based on 51% usage of the landfill. It is estimated that an additional \$2,990,822 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 (\$6,074,903) 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, 2016. 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, 2016.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**F. Restatement**

As of July 1, 2015, the City changed its accounting policy in regards to its Recreation/Aquatics Center Fund and ceased accounting for it as an Enterprise Fund and began accounting for this activity within the General Fund. As a result, the beginning balances of the General Fund, Recreation/Aquatics Center Fund, Governmental Activities and Business-Type Activities were restated as follows:

	General Fund	Recreation/ Aquatics Center Fund	Governmental Activities	Business- Type Activities
Beginning Fund Balance/Net Position	\$ 27,114,056	\$ 3,441,005	\$ 65,375,470	\$ 198,725,129
Adjustments:				
Current Assets Minus Current Liabilities	208,386	(208,386)	208,386	(208,386)
Capital Assets (Net)	-	(5,039,210)	5,039,210	(5,039,210)
Pension Liability (Net)	-	546,714	(546,714)	546,714
Compensated Absences	-	20,925	(20,925)	20,925
Capital Leases	-	1,184,931	(1,184,931)	1,184,931
OPEB	-	54,021	(54,021)	54,021
Adjusted Beginning Fund Balance/Net Position	<u>\$ 27,322,442</u>	<u>\$ -</u>	<u>\$ 68,816,475</u>	<u>\$ 195,284,124</u>

**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, 2016.

**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, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Subsequent Events**

On October 11, 2016, the City Council adopted a resolution authorizing the City to borrow up to \$12,225,000 from an Arizona Bank in a private placement transaction to finance certain street improvements, wastewater projects, parks and recreational facilities and improvements, airport improvements and general projects and capital acquisitions. The loan for \$12,181,000 closed on November 3, 2016.

**E. Retirement Plans**

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

At June 30, 2016, 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	\$ 71,018,295	\$ 6,136,391	77,154,686
Deferred Outflows of Resources	14,237,013	613,917	14,850,930
Deferred Inflows of Resources	3,239,607	576,658	3,816,265
Pension Expense	6,092,152	296,393	6,388,545

The City reported \$5.8 million of pension expenditures in the governmental funds and \$378,689 in enterprise funds related to all pension plans to which it contributes.

**1. Arizona State Retirement System**

**Plan Description**

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



**LAKE HAVASU CITY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. 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.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**1. Arizona State Retirement System (Continued)**

**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. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47% (11.35% for retirement and 0.12% 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 11.47% (10.85% for retirement, 0.50% for health insurance premium benefit, and 0.12% for long-term disability) of the members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2016 were \$1.7 million.

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.36% (9.17 for retirement, 0.13% for health insurance premium benefits and 0.06% 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 contributions for the current and two preceding years for the Arizona State Retirement System OPEB, all of which were equal to the required contributions, were as follows:

<u>Year Ended June 30,</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2016	\$ 77,599	\$ 18,931
2015	88,174	17,986
2014	86,053	35,067

**Pension Liability**

At June 30, 2016, the City reported a liability of \$25.9 million for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportion was 0.16651%, which was an increase of \$1.7 million from its proportion measured as of June 30, 2015.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**1. Arizona State Retirement System (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources**

For the year ended June 30, 2016, 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	\$ 707,726	\$ 1,359,051
Changes of Assumptions or Other Inputs	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	831,178
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	286,467	247,027
City Contributions Subsequent to the Measurement Date	1,683,896	-
Total	<u>\$ 2,678,089</u>	<u>\$ 2,437,256</u>

The 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, 2017. 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>
2017	\$ (610,216)
2018	(858,284)
2019	(574,569)
2020	600,006

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**1. Arizona State Retirement System (Continued)**

**Actuarial Assumptions**

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

Actuarial Valuation Date	June 30, 2014
Actuarial Roll Forward Date	June 30, 2015
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, 2014 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 8.79% 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>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58 %	6.79 %	3.94 %
Fixed Income	25	3.70	0.93
Commodities	2	3.93	0.08
Real Estate	10	4.25	0.42
Multi-Asset Class	5	3.41	0.17
Total	<u>100 %</u>		<u>5.54</u>
Inflation			<u>3.25</u>
Expected Arithmetic Nominal Return			<u>8.79 %</u>

**LAKE HAVASU CITY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**1. Arizona State Retirement System (Continued)**

**Discount Rate**

The discount rate used to measure the ASRS total pension liability was 8.0%, which is less than the long-term expected rate of return of 8.79%. 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	\$ 33,984,486	\$ 25,935,590	\$ 20,419,549

**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](http://www.azasrs.gov).

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**2. Public Safety Personnel Retirement System**

**Plan Descriptions**

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

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**Benefits Provided**

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

Retirement and Disability	Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
age required to receive benefit	20 years any age 15 years, age 62	25 years, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percentage		
Normal Retirement	50% less 4.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	62.5% less 4% for each year of credited service less than 25 years OR plus 2.5% for each year of credited service over 25 years, 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	

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**2. Public Safety Personnel Retirement System (Continued)**

**Benefits Provided (Continued)**

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, 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.

**Employees Covered by Benefit Terms**

At June 30, 2016, the following employees were covered by the agent pension plan's benefit terms:

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Inactive employees or beneficiaries currently receiving benefits	47	44
Inactive employees entitled to but not yet receiving benefits	18	11
Active employees	<u>69</u>	<u>74</u>
Total	<u><u>134</u></u>	<u><u>129</u></u>

**Contributions and Annual OPEB Cost**

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Active Members - Pension	11.65%	11.65%
City		
Pension	45.60%	41.98%
Health Insurance Premium Benefit	0.35%	0.00%

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**2. Public Safety Personnel Retirement System (Continued)**

**Contributions and Annual OPEB Cost (Continued)**

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

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Pension		
Contributions Made	\$ 2,235,501	\$ 2,240,313
Health Insurance Premium Benefit		
Annual OPEB Cost	17,155	-
Contributions Made	17,155	-

**Pension Liability**

At June 30, 2016, the City reported the following net pension liabilities:

	<u>Net Pension Liability</u>
PSPRS Police	\$ 25,639,249
PSPRS Fire	\$ 25,579,847

The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the City's net pension liability as a result of the statutory adjustments is not known.

**Actuarial Assumptions**

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

Actuarial Valuation Date	June 30, 2015
Actuarial Cost Method	Individual Entry Age Normal
Investment Rate of Return	7.85%
Projected Salary Increases	4.0% - 8.0%
Inflation	4.0%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)



**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**2. Public Safety Personnel Retirement System (Continued)**

**Actuarial Assumptions (Continued)**

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85% 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%	6.23%
Non-U.S. Equity	14%	8.25%
Credit Opportunities	13%	7.08%
Private Equity	11%	9.50%
Real Estate	10%	4.48%
GTAA	10%	4.38%
Real Assets	8%	4.77%
Fixed Income	7%	2.92%
Absolute Return	5%	4.11%
Risk Parity	4%	5.13%
Short-Term Investments	2%	0.75%
Total	<u>100%</u>	

**Pension Discount Rates**

The discount rate of 7.85% was used to measure the total pension liability.

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

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**2. Public Safety Personnel Retirement System (Continued)**

**Changes in the Agent Plans Net Pension Liability**

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

**PSPRS Police**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 44,818,613	\$ 20,501,085	24,317,528
Changes for the Year:			
Service Cost	861,608	-	861,608
Interest on the Total Pension Liability	3,399,923	-	3,399,923
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(106,367)	-	(106,367)
Contributions - Employer	-	1,567,440	(1,567,440)
Contributions - Employee	-	554,019	(554,019)
Net Investment Income	-	732,631	(732,631)
Benefit Payments, Including Refunds of Employee Contributions	(3,876,595)	(3,876,595)	-
Administrative Expenses	-	(18,256)	18,256
Other Changes	-	(2,391)	2,391
Net Changes	278,569	(1,043,152)	1,321,721
Balances as of June 30, 2015	<u>\$ 45,097,182</u>	<u>\$ 19,457,933</u>	<u>\$ 25,639,249</u>

**PSPRS Fire**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 44,101,777	\$ 19,951,951	\$ 24,149,826
Changes for the Year:			
Service Cost	959,699	-	959,699
Interest on the Total Pension Liability	3,383,165	-	3,383,165
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(84,341)	-	(84,341)
Contributions - Employer	-	1,546,439	(1,546,439)
Contributions - Employee	-	575,092	(575,092)
Net Investment Income	-	721,120	(721,120)
Benefit Payments, Including Refunds of Employee Contributions	(2,967,977)	(2,967,977)	-
Administrative Expenses	-	(17,967)	17,967
Other Changes	-	3,818	(3,818)
Net Changes	1,290,546	(139,475)	1,430,021
Balances as of June 30, 2015	<u>\$ 45,392,323</u>	<u>\$ 19,812,476</u>	<u>\$ 25,579,847</u>

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**2. Public Safety Personnel Retirement System (Continued)**

**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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
PSPRS Police			
Rate	6.85%	7.85%	8.85%
Net Pension Liability	\$ 31,005,023	\$ 25,639,249	\$ 21,177,492
PSPRS Fire			
Rate	6.85%	7.85%	8.85%
Net Pension Liability	\$ 31,182,287	\$ 25,579,847	\$ 20,911,607

**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](http://www.psprs.com).

**Pension Expense**

For the year ended June 30, 2016, the City recognized the following as pension expense:

	<u>Pension Expense</u>
PSPRS Police	\$ 3,095,964
PSPRS Fire	2,867,156

**Pension Deferred Outflows/Inflows of Resources**

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PSPRS - Police</b>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 533,475	\$ 85,081
Changes of assumptions or other inputs	2,350,979	-
Net difference between projected and actual earnings on pension plan investments	645,604	619,185
City contributions subsequent to the measurement date	2,235,501	-
Total	<u>\$ 5,765,559</u>	<u>\$ 704,266</u>

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**2. Public Safety Personnel Retirement System (Continued)**

**Pension Deferred Outflows/Inflows of Resources (Continued)**

<b>PSPRS - Fire</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 10,409	\$ 72,313
Changes of assumptions or other inputs	3,507,496	-
Net difference between projected and actual earnings on pension plan investments	649,064	602,430
City contributions subsequent to the measurement date	2,240,313	-
Total	<u>\$ 6,407,282</u>	<u>\$ 674,743</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, 2017. 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
2017	\$ 907,441	\$ 617,685
2018	907,441	617,685
2019	870,731	617,685
2020	140,178	818,495
2021	-	656,229
Thereafter	-	164,447

**Agent Plan OPEB Actuarial Assumptions**

The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**2. Public Safety Personnel Retirement System (Continued)**

**Agent Plan OPEB Actuarial Assumptions (Continued)**

Projections of benefits are based on (1) the plan as understood by the City and plan's members and include the types of benefits inforce at the valuation date, and (2) the pattern of sharing benefit costs between the City and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2016 contribution requirements are as follows:

**PSPRS - OPEB Contribution Requirements**

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.0%

**Agent Plan OPEB Trend Information**

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2016	\$ 17,155	100%	\$ -
2015	77,658	100%	-
2014	77,576	100%	-
PSPRS Fire			
2016	\$ -	100%	\$ -
2015	79,838	100%	-
2014	79,287	100%	-

**LAKE HAVASU CITY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**E. Retirement Plans (Continued)**

**Agent Plan OPEB Funded Status**

The following table presents the funded status of the health insurance premium benefit plan as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used.

<b>Agent OPEB Plan Funded Status</b>	<b>PSPRS Police</b>	<b>PSPRS Fire</b>
Actuarial Value of Assets (a)	\$ 1,060,978	\$ 1,471,262
Actuarial Accrued Liability (b)	1,049,338	1,174,032
Unfunded Actuarial Accrued Liability (Funding Excess) (b) - (a)	(11,640)	(297,230)
Funded Ratio (a) / (b)	101.11%	125.32%
Annual Covered Payroll (c)	4,876,023	5,162,923
Unfunded Actuarial Accrued Liability (Funding Excess) as a Percentage of Covered Payroll (b) - (a) / (c)	-0.24%	-5.76%

The funded status of the PSPRS health insurance premium benefit plan in the June 30, 2015, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

**PSPRS - OPEB Funded Status**

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

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Other Postemployment Benefits – Single Employer Plan**

During the fiscal year ended June 30, 2016, the City complied with Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pensions as of June 30, 2016. The plan does not issue a separate financial report.

**Plan Description**

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

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

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

As of July 1, 2016, there were approximately 157 active participants and 75 retired participants receiving benefits from the City's health plans.

Other eligible active employees, who started on or after July 1, 2004, will be covered under a defined contribution Health Retirement Savings Plan adopted by Council on November 24, 2009. This plan will not generate any GASB 45 liability.

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

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

**Funding Policy**

The City funds its other postemployment benefits (OPEB) obligation on a pay as you go basis. For fiscal year 2016, the City contributed \$707,599 to the plan, funded primarily by the General Fund.

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual Required Contribution	\$ 1,265,559
Interest on Net OPEB Obligation	185,718
Adjustment to Annual Required Contribution	<u>(312,512)</u>
Annual OPEB Cost (Expense)	1,138,765
Contributions Made	<u>(707,599)</u>
Increase in Net OPEB Obligation	431,166
Net OPEB Obligation-Beginning of Year	4,642,944
Net OPEB Obligation-End of Year	<u><u>\$ 5,074,110</u></u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015 and 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 1,332,381	46.7 %	\$ 4,136,664
2015	1,186,219	57.3	4,642,944
2016	1,138,765	62.1	5,074,110

**Funding Status and Funding Progress**

As of June 30, 2016, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAL) was \$12.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$15.6 million and the ratio of the UAL to the covered payroll was 79.8%.



**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

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

**Funding Status and Funding Progress (Continued)**

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

**Actuarial Methods and Assumptions**

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

In the June 30, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 9.0%, reduced by decrements to an ultimate rate of 5% after eight years. Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll. The UAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2016, was 23 years.



LAKE HAVASU CITY

## **REQUIRED SUPPLEMENTARY INFORMATION**

**LAKE HAVASU CITY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2016**

Lake Havasu City Other Postemployment Benefits						
Valuation Date July 1,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2012	-	\$ 12,595,322	-	\$ (12,595,322)	\$ 14,077,743	(89.5)%
2014	-	13,174,513	-	(13,174,513)	12,133,203	(108.6)
2016	-	12,466,969	-	(12,466,969)	12,133,203	(102.8)

Schedule of Employer Contribution			
Fiscal Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2014	\$ 621,567	\$ 1,332,381	46.7 %
2015	679,939	1,186,218	57.3
2016	707,599	1,138,765	62.1

See accompanying Notes to Required Supplementary Information.

**LAKE HAVASU CITY, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**ARIZONA STATE RETIREMENT SYSTEM**  
**YEAR ENDED JUNE 30, 2016**

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

*See accompanying Notes to Required Supplementary Information.*

**LAKE HAVASU CITY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
ALL PENSION PLANS  
YEAR ENDED JUNE 30, 2016**

**Schedule of Pension Contributions**

	Reporting Fiscal Year	
	2016	2015
Arizona State Retirement System		
Satutorily Required Contribution	\$ 1,683,898	\$ 1,627,479
City's Contribution in Relation to the Statutorily Required Contribution	1,683,898	1,627,479
City's Contribution Deficiency (Excess)	\$ -	\$ -
City's Covered Payroll	15,616,058	15,030,122
City's Contributions as a Percentage of Covered Payroll	10.78%	10.83%

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

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

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

**Other Post Employment Benefit (Health Insurance Subsidy)**

**PSPRS - Police**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2013	\$ -	\$ 994,005	- %	\$ (994,005)	\$ 4,423,351	(22.5)%
2014	978,025	1,012,795	96.6	(34,770)	4,534,608	(0.77)
2015	1,060,978	1,049,338	101.1	11,640	4,876,023	0.24

**PSPRS - Fire**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2013	\$ -	\$ 1,076,350	- %	\$ (1,076,350)	\$ 4,751,588	(22.7)%
2014	1,399,991	1,184,375	118.2	215,616	5,018,226	4.30
2015	1,471,262	1,174,032	125.3	297,230	5,162,923	5.76

See accompanying Notes to Required Supplementary Information.

**LAKE HAVASU CITY, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIO**  
**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM – POLICE AND FIRE**  
**YEAR ENDED JUNE 30, 2016**

**PSPRS Police**

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

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

See accompanying Notes to Required Supplementary Information.



**LAKE HAVASU CITY, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIO**  
**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM – POLICE AND FIRE (CONTINUED)**  
**YEAR ENDED JUNE 30, 2016**

**PSPRS Fire**

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

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

**LAKE HAVASU CITY, ARIZONA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2016**

**NOTE 1    ACTUARIALLY DETERMINED CONTRIBUTION RATES**

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

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period as of the 2014 Actuarial Valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions: Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected Salary Increases	In the 2014 actuarial valuation, projected salary increases were 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.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



LAKE HAVASU CITY

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

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

**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  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
JUNE 30, 2016**

	Special Revenue			
	Tourism/ Economic Development	Metropolitan Planning Organization	Grants	CDBG/HOME
<b>Assets</b>				
Cash and Investments	\$ 26,097	\$ -	\$ -	\$ -
Receivables				
Taxes Receivable	-	-	-	-
Intergovernmental Receivable	-	96,520	45,133	69,083
Interest Receivable	-	-	-	-
Total Assets	<u>\$ 26,097</u>	<u>\$ 96,520</u>	<u>\$ 45,133</u>	<u>\$ 69,083</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 26,097	\$ 24,776	\$ -	\$ 20,235
Accrued Wages and Benefits	-	5,070	-	-
Intergovernmental Payable	-	-	-	-
Due to Other Funds	-	66,674	45,133	48,848
Total Liabilities	<u>26,097</u>	<u>96,520</u>	<u>45,133</u>	<u>69,083</u>
<b>Fund Balances</b>				
Restricted	-	-	-	-
Assigned	-	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 26,097</u>	<u>\$ 96,520</u>	<u>\$ 45,133</u>	<u>\$ 69,083</u>

Special Revenue		
Improvement Districts	Special Programs	Total Nonmajor Governmental Funds
\$ 16,614	\$ 504,603	\$ 547,314
906	-	906
2,083	-	212,819
49	646	695
<u>\$ 19,652</u>	<u>\$ 505,249</u>	<u>\$ 761,734</u>
\$ 750	\$ 6,786	\$ 78,644
-	-	5,070
-	1,083	1,083
-	-	160,655
<u>750</u>	<u>7,869</u>	<u>245,452</u>
18,902	410,152	429,054
-	87,228	87,228
<u>18,902</u>	<u>497,380</u>	<u>516,282</u>
<u>\$ 19,652</u>	<u>\$ 505,249</u>	<u>\$ 761,734</u>

**LAKE HAVASU CITY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Special Revenue			
	Tourism/ Economic Development	Metropolitan Planning Organization	Grants	CDBG/HOME
Revenue				
Taxes				
Sales Taxes	\$ 1,866,653	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-
Intergovernmental Revenue	-	491,470	244,377	828,432
Fines and Forfeitures	-	-	-	-
Charges for Services	-	-	-	-
Contributions and Donations	-	-	-	-
Investment Earnings	-	-	-	-
Other	-	38	-	-
Total Revenue	<u>1,866,653</u>	<u>491,508</u>	<u>244,377</u>	<u>828,432</u>
Expenditures				
Current				
General Government	-	-	15,392	828,432
Public Safety	-	-	228,985	-
Tourism and Promotion	1,866,653	-	-	-
Transportation Services	-	491,508	-	-
Total Expenditures	<u>1,866,653</u>	<u>491,508</u>	<u>244,377</u>	<u>828,432</u>
Excess (Deficiency) of Revenue Over Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<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>	<u>\$ -</u>



Special Revenue		
Improvement Districts	Special Programs	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,866,653
73,058	-	73,058
-	308,469	1,872,748
-	69,391	69,391
-	13,950	13,950
-	8,643	8,643
187	7,212	7,399
1	2,437	2,476
<u>73,246</u>	<u>410,102</u>	<u>3,914,318</u>
82,836	53,700	980,360
-	297,991	526,976
-	-	1,866,653
-	-	491,508
<u>82,836</u>	<u>351,691</u>	<u>3,865,497</u>
(9,590)	58,411	48,821
-	(12,000)	(12,000)
-	(12,000)	(12,000)
(9,590)	46,411	36,821
28,492	450,969	479,461
<u>\$ 18,902</u>	<u>\$ 497,380</u>	<u>\$ 516,282</u>

**LAKE HAVASU CITY, ARIZONA**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Investment Earnings	\$ 680	\$ 1,869	\$ 1,189
Other	-	15	15
Total Revenue	<u>680</u>	<u>1,884</u>	<u>1,204</u>
Expenditures			
Debt Service			
Principal Retirement	165,000	165,000	-
Interest on Long-Term Debt	71,750	71,419	331
Total Expenditures	<u>236,750</u>	<u>236,419</u>	<u>331</u>
Excess (Deficiency) of Revenue Over Expenditures	(236,070)	(234,535)	1,535
Other Financing Sources (Uses)			
Transfers In	246,000	246,000	-
Total Other Financing Sources (Uses)	<u>246,000</u>	<u>246,000</u>	<u>-</u>
Net Change in Fund Balance	9,930	11,465	1,535
Fund Balance			
Beginning of Year	172,910	173,531	621
End of Year	<u>\$ 182,840</u>	<u>\$ 184,996</u>	<u>\$ 2,156</u>

**LAKE HAVASU CITY, ARIZONA  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenue				
Intergovernmental Revenue	\$ 1,753,143	\$ 1,753,143	\$ 1,500	\$ (1,751,643)
Contributions and Donations	81,767	81,767	-	(81,767)
Investment Earnings	76,990	76,990	37,767	(39,223)
Other	-	-	488	488
Total Revenue	<u>1,911,900</u>	<u>1,911,900</u>	<u>39,755</u>	<u>(1,872,145)</u>
Expenditures				
Capital Outlay	<u>10,487,546</u>	<u>6,547,446</u>	<u>3,244,793</u>	<u>3,302,653</u>
Total Expenditures	<u>10,487,546</u>	<u>6,547,446</u>	<u>3,244,793</u>	<u>3,302,653</u>
Excess (Deficiency) of Revenue Over Expenditures	(8,575,646)	(4,635,546)	(3,205,038)	1,430,508
Other Financing Sources (Uses)				
Transfers In	2,608,733	2,953,733	435,827	(2,517,906)
Transfers Out	(839,000)	(6,639,759)	(6,404,821)	234,938
Issuance of Capital Lease	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,046,010</u>	<u>(453,990)</u>
Total Other Financing Sources (Uses)	<u>5,269,733</u>	<u>(186,026)</u>	<u>(2,922,984)</u>	<u>(2,736,958)</u>
Net Change in Fund Balance	(3,305,913)	(4,821,572)	(6,128,022)	(1,306,450)
Fund Balance				
Beginning of Year	<u>9,150,130</u>	<u>9,150,130</u>	<u>9,245,115</u>	<u>94,985</u>
End of Year	<u>\$ 5,844,217</u>	<u>\$ 4,328,558</u>	<u>\$ 3,117,093</u>	<u>\$ (1,211,465)</u>

**LAKE HAVASU CITY, ARIZONA**  
**TOURISM/ECONOMIC DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u> Original and Final Budget	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Taxes			
Sales Taxes	\$ 1,875,000	\$ 1,866,653	\$ (8,347)
Total Revenue	<u>1,875,000</u>	<u>1,866,653</u>	<u>(8,347)</u>
Expenditures			
Current			
Tourism and Promotion	1,875,000	1,866,653	8,347
Total Expenditures	<u>1,875,000</u>	<u>1,866,653</u>	<u>8,347</u>
Excess (Deficiency) of Revenue Over Expenditures	-	-	-
Fund Balance			
Beginning of Year	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LAKE HAVASU CITY, ARIZONA  
METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental Revenue	\$ 457,801	\$ 457,801	\$ 491,470	\$ 33,669
Other	-	-	38	38
Total Revenue	457,801	457,801	491,508	33,707
Expenditures				
Current				
Transportation Services	457,801	757,801	491,508	266,293
Total Expenditures	457,801	757,801	491,508	266,293
Excess (Deficiency) of Revenue Over Expenditures	-	(300,000)	-	300,000
Fund Balance				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ (300,000)	\$ -	\$ 300,000

**LAKE HAVASU CITY, ARIZONA  
GRANTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental Revenue	\$ 1,816,006	\$ 1,816,006	\$ 244,377	\$ (1,571,629)
Total Revenue	1,816,006	1,816,006	244,377	(1,571,629)
Expenditures				
Current				
General Government	16,851	16,851	15,392	1,459
Public Safety	1,033,033	572,533	228,985	343,548
Highways and Streets	723,657	423,657	-	423,657
Transportation Services	42,465	42,465	-	42,465
Total Expenditures	1,816,006	1,055,506	244,377	811,129
Excess (Deficiency) of Revenue Over Expenditures	-	760,500	-	(760,500)
Fund Balance				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ 760,500	\$ -	\$ (760,500)

**LAKE HAVASU CITY, ARIZONA  
CDBG/HOME FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental Revenue	\$ 1,427,612	\$ 1,427,612	\$ 828,432	\$ (599,180)
Total Revenue	<u>1,427,612</u>	<u>1,427,612</u>	<u>828,432</u>	<u>(599,180)</u>
Expenditures				
Current				
General Government	1,427,612	1,227,612	828,432	399,180
Total Expenditures	<u>1,427,612</u>	<u>1,227,612</u>	<u>828,432</u>	<u>399,180</u>
Excess (Deficiency) of Revenue Over Expenditures	-	200,000	-	(200,000)
Fund Balance				
Beginning of Year	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>

**LAKE HAVASU CITY, ARIZONA  
IMPROVEMENT DISTRICTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u> Original and Final Budget	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Taxes			
Property Taxes	\$ 86,700	\$ 73,058	\$ (13,642)
Investment Earnings	70	187	117
Other	-	1	1
Total Revenue	<u>86,770</u>	<u>73,246</u>	<u>(13,524)</u>
Expenditures			
Current			
General Government	<u>87,079</u>	<u>82,836</u>	<u>4,243</u>
Total Expenditures	<u>87,079</u>	<u>82,836</u>	<u>4,243</u>
Excess (Deficiency) of Revenue Over Expenditures	(309)	(9,590)	(9,281)
Fund Balance			
Beginning of Year	14,099	28,492	14,393
End of Year	<u>\$ 13,790</u>	<u>\$ 18,902</u>	<u>\$ 5,112</u>



**LAKE HAVASU CITY, ARIZONA  
SPECIAL PROGRAMS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 483,240	\$ 308,469	\$ (174,771)
Fines and Forfeitures	67,015	69,391	2,376
Charges for Services	13,500	13,950	450
Contributions and Donations	4,000	8,643	4,643
Investment Earnings	3,520	7,212	3,692
Other	4,420	2,437	(1,983)
Total Revenue	<u>575,695</u>	<u>410,102</u>	<u>(165,593)</u>
Expenditures			
Current			
General Government	61,321	53,700	7,621
Public Safety	479,752	297,991	181,761
Culture and Recreation	10,000	-	10,000
Total Expenditures	<u>551,073</u>	<u>351,691</u>	<u>199,382</u>
Excess (Deficiency) of Revenue Over Expenditures	24,622	58,411	33,789
Other Financing Sources (Uses)			
Transfers Out	(84,000)	(12,000)	72,000
Total Other Financing Sources (Uses)	<u>(84,000)</u>	<u>(12,000)</u>	<u>72,000</u>
Net Change in Fund Balance	(59,378)	46,411	105,789
Fund Balance			
Beginning of Year	435,021	450,969	15,948
End of Year	<u>\$ 375,643</u>	<u>\$ 497,380</u>	<u>\$ 121,737</u>



LAKE HAVASU CITY

## **INTERNAL SERVICE FUNDS**

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

**Facilities Maintenance Fund** – To account for the City's facilities maintenance program.

**LAKE HAVASU CITY**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2016**

	<u>Vehicle Replacement</u>	<u>Facilities Maintenance</u>	<u>Totals</u>
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ 1,910,155	\$ -	\$ 1,910,155
Receivables, Net			
Interest Receivable	4,840	-	4,840
Total Current Assets	<u>1,914,995</u>	<u>-</u>	<u>1,914,995</u>
Noncurrent Assets			
Capital Assets			
Depreciable (net)	1,192,466	-	1,192,466
Total Noncurrent Assets	<u>1,192,466</u>	<u>-</u>	<u>1,192,466</u>
Total Assets	3,107,461	-	3,107,461
<b>Net Position</b>			
Invested in Capital Assets	1,192,466	-	1,192,466
Unrestricted	1,914,995	-	1,914,995
Total Net Position	<u>\$ 3,107,461</u>	<u>\$ -</u>	<u>\$ 3,107,461</u>

**LAKE HAVASU CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2016**

	Vehicle Replacement	Facilities Maintenance	Totals
Operating Expenses			
Administration	\$ 27,864	\$ -	\$ 27,864
Depreciation	406,351	-	406,351
Total Operating Expenses	<u>434,215</u>	<u>-</u>	<u>434,215</u>
Operating Income (Loss)	(434,215)	-	(434,215)
Nonoperating Revenue (Expense)			
Investment Earnings	30,753	-	30,753
Gain/Loss on Disposal of Assets	(82,287)	-	(82,287)
Other Income	466	-	466
Total Nonoperating Revenue (Expenses)	<u>(51,068)</u>	<u>-</u>	<u>(51,068)</u>
Income Before Capital Contributions and Transfers	(485,283)	-	(485,283)
Transfers Out	<u>-</u>	<u>(1,169,934)</u>	<u>(1,169,934)</u>
Change in Net Position	(485,283)	(1,169,934)	(1,655,217)
Net Position			
Beginning of Year	3,592,744	1,169,934	4,762,678
End of Year	<u>\$ 3,107,461</u>	<u>\$ -</u>	<u>\$ 3,107,461</u>

**LAKE HAVASU CITY**  
**COMBINING STATEMENT OF CASHFLOWS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2016**

	Vehicle Replacement	Facilities Maintenance	Totals
Cash Flows from Operating Activities			
Payments to Suppliers	\$ (70,015)	\$ (29,522)	\$ (99,537)
Other Nonoperating Receipts	466	-	466
Net Cash Flows from (used by) Operating Activities	(69,549)	(29,522)	(99,071)
Cash Flows from Noncapital Financing Activities			
Transfers Out	-	(1,169,934)	(1,169,934)
Cash Flows from Capital and Financing Activities			
Financing Activities			
Purchases of Capital Assets	(419,883)	-	(419,883)
Proceeds from Sale of Capital Assets	21,400	-	21,400
Net Cash Flows from (used by) Capital and Financing Activities	(398,483)	-	(398,483)
Cash Flows from Investing Activities			
Interest and Dividends	29,949	-	29,949
Net Cash Flows from Investing Activities	29,949	-	29,949
Net Change in Cash and Cash Equivalents	(438,083)	(1,199,456)	(1,637,539)
Cash and Cash Equivalents, Beginning of Year	2,348,238	1,199,456	3,547,694
Cash and Cash Equivalents, End of Year	\$ 1,910,155	\$ -	\$ 1,910,155
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (434,215)	\$ -	\$ (434,215)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (used by) Operating Activities			
Depreciation	406,351	-	406,351
Other Nonoperating Receipts (Expenses)	466	-	466
Change in Assets/Liabilities:			
Accounts Payable	(42,151)	(29,522)	(71,673)
Net Cash from (used by) Operating Activities	\$ (69,549)	\$ (29,522)	\$ (99,071)

## **STATISTICAL SECTION**



LAKE HAVASU CITY



**LAKE HAVASU CITY, ARIZONA  
STATISTICAL SECTION**

This part of the Lake Havasu City, Arizona's, Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. Financial Trends – These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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

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

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

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

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

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities				
Net Investment in Capital Assets	\$ 69,549,691	\$ 84,717,176	\$ 89,771,829	\$ 86,672,300
Net Position-Restricted	9,473,106	7,502,504	7,913,264	12,583,976
Net Position-Unrestricted	30,241,127	25,019,618	19,192,814	18,837,995
Total Governmental Activities Net Position	<u>\$ 109,263,924</u>	<u>\$ 117,239,298</u>	<u>\$ 116,877,907</u>	<u>\$ 118,094,271</u>
Business-type Activities				
Net Investment in Capital Assets	\$ 135,934,350	\$ 147,265,013	\$ 120,519,205	\$ 128,661,852
Net Position-Restricted	-	-	-	-
Net Position-Unrestricted	32,101,132	33,854,356	71,808,903	81,173,618
Total Business-Type Activities Net Position	<u>\$ 168,035,482</u>	<u>\$ 181,119,369</u>	<u>\$ 192,328,108</u>	<u>\$ 209,835,470</u>
Primary Government				
Net Investment in Capital Assets	\$ 205,484,041	\$ 231,982,189	\$ 210,291,034	\$ 215,334,152
Net Position-Restricted	9,473,106	7,502,504	7,913,264	12,583,976
Net Position-Unrestricted	62,342,259	58,873,974	91,001,717	100,011,613
Total Primary Government Net Position	<u>\$ 277,299,406</u>	<u>\$ 298,358,667</u>	<u>\$ 309,206,015</u>	<u>\$ 327,929,741</u>

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

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

Fiscal Year					
2011 (As Restated)	2012 (As Restated)	2013 (As Restated)	2014	2015 (2)	2016
\$ 87,690,122	\$ 87,049,507	\$ 87,401,644	\$ 87,718,006	\$ 86,704,197	\$ 88,095,353
10,279,119	8,223,996	8,485,744	8,971,642	9,629,813	3,703,586
21,634,832	24,258,422	24,692,309	25,319,806	(30,958,540)	(31,635,385)
<u>\$ 119,604,073</u>	<u>\$ 119,531,925</u>	<u>\$ 120,579,697</u>	<u>\$ 122,009,454</u>	<u>\$ 65,375,470</u>	<u>\$ 60,163,554</u>
\$ 113,244,315	\$ 111,325,222	\$ 112,402,345	\$ 112,968,345	\$ 114,768,401	\$ 137,877,796
-	-	-	-	-	-
91,498,031	96,661,045	92,463,831	92,849,079	83,956,728	66,001,694
<u>\$ 204,742,346</u>	<u>\$ 207,986,267</u>	<u>\$ 204,866,176</u>	<u>\$ 205,817,424</u>	<u>\$ 198,725,129</u>	<u>\$ 203,879,490</u>
\$ 200,934,437	\$ 198,374,729	\$ 199,803,989	\$ 200,686,351	\$ 201,472,598	\$ 225,973,149
10,279,119	8,223,996	8,485,744	8,971,642	9,629,813	3,703,586
113,132,863	120,919,467	117,156,140	118,168,885	52,998,188	34,366,309
<u>\$ 324,346,419</u>	<u>\$ 327,518,192</u>	<u>\$ 325,445,873</u>	<u>\$ 327,826,878</u>	<u>\$ 264,100,599</u>	<u>\$ 264,043,044</u>

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

	Fiscal Year			
	2007	2008	2009	2010
<b>Expenses</b>				
Governmental Activities:				
General Government	\$ 8,939,846	\$ 11,443,459	\$ 11,587,628	\$ 11,523,143
Public Safety	21,061,456	24,929,038	24,101,607	22,048,520
Highways and Streets	8,150,105	7,785,062	7,212,143	5,425,314
Transportation Services	1,841,324	2,236,456	2,081,649	1,820,974
Tourism and Promotion	1,577,687	1,582,985	1,357,250	1,357,407
Culture and Recreation	5,005,653	5,708,732	5,560,189	4,590,764
Interest on Long-Term Debt	314,557	192,875	126,647	115,351
Total Governmental Activities	46,890,628	53,878,607	52,027,113	46,881,473
Business-Type Activities:				
Refuse	432,118	796,755	788,325	1,081,376
Recreation / Aquatic Center	1,293,160	1,421,768	1,238,856	1,079,224
Irrigation and Drainage	10,545,850	12,082,578	11,865,294	10,220,643
Wastewater	9,824,124	12,244,284	14,776,656	15,205,648
Airport	1,578,872	1,569,121	1,638,496	1,391,318
Total Business-Type Activities	23,674,124	28,114,506	30,307,627	28,978,209
Total Primary Government Expenses	<u>\$ 70,564,752</u>	<u>\$ 81,993,113</u>	<u>\$ 82,334,740</u>	<u>\$ 75,859,682</u>
<b>Program Revenues</b>				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 4,591,229	\$ 3,803,583	\$ 2,714,374	\$ 2,883,613
Public Safety	131,148	161,717	110,643	138,856
Highways and Streets	105,697	7,880	105,763	26,885
Culture and Recreation	654,523	670,950	535,640	639,748
Transportation Services	171,779	91,617	102,469	103,165
Interest	16,040	29,091	3,201	7,308
Operating Grants and Contributions	8,737,113	9,255,906	7,093,164	7,656,464
Capital Grants and Contributions	17,022,840	6,215,355	7,088,714	3,672,012
Total Governmental Activities Program Revenues	31,430,369	20,236,099	17,753,968	15,128,051
Business-type Activities:				
Charges for Services:				
Refuse	\$ 1,042,200	\$ 1,269,783	\$ 1,180,596	\$ 1,193,935
Recreation / Aquatic Center	497,842	433,782	376,044	349,804
Irrigation and Drainage	12,690,337	11,590,238	11,000,962	11,299,977
Wastewater	11,071,344	13,331,015	14,514,990	16,836,789
Airport	557,926	581,215	534,797	1,125,623
Operating Grants and Contributions	85,129	1,000	46,076	25,000
Capital Grants and Contributions	6,569,117	9,196,982	7,112,526	10,373,301
Total Business-Type Activities Program Revenues	32,513,895	36,404,015	34,765,991	41,204,429
Total Primary Government Program Revenues	<u>\$ 63,944,264</u>	<u>\$ 56,640,114</u>	<u>\$ 52,519,959</u>	<u>\$ 56,332,480</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
(As Restated)	(As Restated)	(As Restated)			
\$ 9,621,283	\$ 8,476,893	\$ 10,853,502	\$ 12,152,114	\$ 13,730,439	\$ 16,565,010
22,372,576	21,686,997	24,589,053	25,670,858	29,639,702	27,851,569
5,918,563	6,233,637	6,489,355	6,844,661	7,581,803	5,954,241
1,461,976	1,879,024	2,084,097	1,602,639	590,799	3,524,708
1,390,134	1,496,816	1,485,300	1,651,955	1,614,399	1,866,653
4,722,202	4,073,659	1,818,542	1,860,313	2,069,458	796,465
108,188	99,411	92,090	85,885	79,518	71,419
45,594,922	43,946,437	47,411,939	49,868,425	55,306,118	56,630,065
1,085,990	5,410,612	5,368,384	5,267,207	5,376,827	5,462,233
1,079,984	1,246,005	1,329,378	1,518,700	1,675,056	-
10,523,588	10,044,185	9,845,794	10,173,601	9,961,106	10,695,127
24,963,122	25,793,737	27,266,517	26,965,114	26,687,095	28,630,254
1,356,632	1,364,933	1,332,327	1,358,396	1,361,177	1,401,684
39,009,316	43,859,472	45,142,400	45,283,018	45,061,261	46,189,298
\$ 84,604,238	\$ 87,805,909	\$ 92,554,339	\$ 95,151,443	\$ 100,367,379	\$ 102,819,363
\$ 2,697,578	\$ 2,496,454	\$ 3,069,608	\$ 3,274,126	\$ 3,820,613	\$ 3,632,889
131,855	107,777	534,871	422,645	264,639	413,385
22,861	21,023	189,775	26,621	9,897	56,878
570,009	565,388	597,730	613,049	717,178	959,528
106,000	119,262	106,528	100,508	10,507	11,193
5,765	2,086	-	-	-	-
7,755,856	6,522,104	6,837,670	6,419,567	6,486,534	7,398,931
3,264,826	1,525,462	2,930,409	2,263,972	1,501,131	1,500
14,554,750	11,359,556	14,266,591	13,120,488	12,810,499	12,474,304
\$ 1,198,732	\$ 5,589,465	\$ 5,725,669	\$ 5,645,063	\$ 5,762,381	\$ 5,900,766
332,304	388,600	372,160	373,728	424,825	-
10,970,391	10,792,533	10,490,751	10,586,519	10,320,272	10,690,585
21,241,682	21,865,171	22,047,663	22,408,732	22,529,002	22,592,658
521,022	510,311	492,185	490,596	487,182	496,145
86,000	88,717	51,853	112,131	96,035	111,029
13,547,954	3,161,306	2,159,379	3,103,082	629,838	2,394,886
47,898,085	42,396,103	41,339,660	42,719,851	40,249,535	42,186,069
\$ 62,452,835	\$ 53,755,659	\$ 55,606,251	\$ 55,840,339	\$ 53,060,034	\$ 54,660,373

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

	Fiscal Year			
	2007	2008	2009	2010
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (15,460,259)	\$ (33,642,508)	\$ (34,273,145)	\$ (31,753,421)
Business-Type Activities	8,839,771	8,289,509	4,458,364	12,226,220
Total Primary Government Net Expense	<u>\$ (6,620,488)</u>	<u>\$ (25,352,999)</u>	<u>\$ (29,814,781)</u>	<u>\$ (19,527,201)</u>
<b>General Revenues and Other</b>				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 21,552,577	\$ 18,825,309	\$ 15,366,885	\$ 13,979,108
Property Taxes	4,442,505	4,659,276	4,875,880	5,106,364
Franchise Taxes	746,815	1,733,704	1,921,624	1,687,909
Impact Fees	185,562	10,674	97,045	318,232
State Revenue Sharing	6,066,778	7,519,909	7,979,307	6,899,020
State Sales Tax Revenue Sharing	5,078,851	4,910,888	4,251,458	3,921,350
Auto Lieu Tax Revenue Sharing	3,244,184	3,102,207	2,840,324	2,665,669
Investment Earnings (Loss)	1,198,654	1,193,238	467,629	253,403
Other	18,705	14,912	12,590	16,124
Transfers	(1,746,031)	561,289	(3,900,988)	(1,877,395)
Total Governmental Activities	<u>40,788,600</u>	<u>42,531,406</u>	<u>33,911,754</u>	<u>32,969,784</u>
Business-Type activities:				
Property Taxes	2,111,867	2,156,284	2,134,068	3,237,149
Investment Earnings (Loss)	3,757,572	2,285,859	715,319	200,593
Transfers	1,746,031	(561,289)	3,900,988	1,877,395
Total Business-Type Activities	<u>7,615,470</u>	<u>3,880,854</u>	<u>6,750,375</u>	<u>5,315,137</u>
Total Primary Government	<u>\$ 48,404,070</u>	<u>\$ 46,412,260</u>	<u>\$ 40,662,129</u>	<u>\$ 38,284,921</u>
<b>Change in Net Position</b>				
Governmental Activities	\$ 25,328,341	\$ 8,888,898	\$ (361,391)	\$ 1,216,364
Business-type Activities	16,455,241	12,170,363	11,208,739	17,541,357
Total Primary Government	<u>\$ 41,783,582</u>	<u>\$ 21,059,261</u>	<u>\$ 10,847,348</u>	<u>\$ 18,757,721</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
(As Restated)	(As Restated)	(As Restated)			
\$ (31,040,172)	\$ (32,586,881)	\$ (33,145,348)	\$ (36,747,937)	\$ (42,495,619)	\$ (44,155,761)
8,888,769	(1,463,369)	(3,802,740)	(2,563,167)	(4,811,726)	(4,003,229)
<u>\$ (22,151,403)</u>	<u>\$ (34,050,250)</u>	<u>\$ (36,948,088)</u>	<u>\$ (39,311,104)</u>	<u>\$ (47,307,345)</u>	<u>\$ (48,158,990)</u>
\$ 14,379,370	\$ 14,400,439	\$ 14,157,677	\$ 15,185,171	\$ 18,442,101	\$ 20,205,820
4,135,595	4,150,569	4,194,202	4,231,510	4,237,577	4,378,580
1,722,878	1,684,173	1,705,943	1,795,899	2,300,347	1,971,867
295,355	-	-	-	-	-
5,200,976	4,433,318	5,365,520	5,854,801	6,358,718	6,324,244
4,081,876	4,104,475	4,299,431	4,572,096	4,800,376	4,961,508
2,621,452	2,451,516	2,423,003	2,506,953	2,666,247	2,871,694
187,740	(81,420)	400,393	439,967	355,158	567,614
78,417	119,074	47,499	114,948	58,081	21,866
(153,685)	1,252,589	1,599,452	3,476,349	1,448,372	(5,800,353)
<u>32,549,974</u>	<u>32,514,733</u>	<u>34,193,120</u>	<u>38,177,694</u>	<u>40,666,977</u>	<u>35,502,840</u>
4,460,402	5,703,105	5,675,383	5,953,459	5,392,116	5,726,275
266,125	256,774	669,737	1,037,304	772,282	1,071,967
153,685	(1,252,589)	(1,599,452)	(3,476,349)	(1,448,372)	5,800,353
<u>4,880,212</u>	<u>4,707,290</u>	<u>4,745,668</u>	<u>3,514,414</u>	<u>4,716,026</u>	<u>12,598,595</u>
<u>\$ 37,430,186</u>	<u>\$ 37,222,023</u>	<u>\$ 38,938,788</u>	<u>\$ 41,692,108</u>	<u>\$ 45,383,003</u>	<u>\$ 48,101,435</u>
\$ 1,509,802	\$ (72,148)	\$ 1,047,772	\$ 1,429,757	\$ (1,828,642)	\$ (8,652,921)
13,768,981	3,243,921	942,928	951,248	(95,700)	8,595,366
<u>\$ 15,278,783</u>	<u>\$ 3,171,773</u>	<u>\$ 1,990,700</u>	<u>\$ 2,381,005</u>	<u>\$ (1,924,342)</u>	<u>\$ (57,555)</u>

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

Function/Program	Fiscal Year			
	2007	2008	2009	2010
<b>Governmental Activities:</b>				
General Government	\$ 5,442,971	\$ 6,070,080	\$ 4,553,454	\$ 4,369,104
Public Safety	1,467,555	667,438	545,061	1,033,934
Highways and Streets	22,362,852	10,788,458	10,370,964	7,734,943
Culture and Recreation	1,057,891	697,866	1,188,244	654,545
Transportation Services	1,083,060	1,983,166	1,093,044	1,328,218
Interest on Long-Term Debt	16,040	29,091	3,201	7,308
Subtotal Governmental Activities	<u>31,430,369</u>	<u>20,236,099</u>	<u>17,753,968</u>	<u>15,128,052</u>
<b>Business-Type Activities:</b>				
Refuse	1,064,929	1,269,783	1,180,596	1,193,935
Recreation/Aquatic Center	497,842	433,782	501,550	349,804
Irrigation and Drainage	12,752,737	11,591,238	12,469,059	11,750,407
Wastewater	17,636,027	22,055,956	19,416,038	26,728,765
Airport	562,360	1,053,256	1,198,748	1,181,518
Subtotal Business-Type Activities	<u>32,513,895</u>	<u>36,404,015</u>	<u>34,765,991</u>	<u>41,204,429</u>
Total Primary Government	<u>\$ 63,944,264</u>	<u>\$ 56,640,114</u>	<u>\$ 52,519,959</u>	<u>\$ 56,332,481</u>

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



Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 3,726,647	\$ 3,535,789	\$ 3,995,491	\$ 3,932,496	\$ 4,574,380	\$ 5,046,899
1,155,283	941,184	1,538,204	1,045,352	902,861	1,066,458
6,984,204	5,084,235	7,081,241	6,490,956	6,223,620	4,772,852
693,518	707,343	708,112	668,427	827,472	1,085,432
1,989,333	1,088,919	943,543	983,257	282,166	502,663
5,765	2,086	-	-	-	-
14,554,750	11,359,556	14,266,591	13,120,488	12,810,499	12,474,304
1,198,732	5,589,465	5,725,669	5,645,063	5,762,381	5,900,766
332,304	388,600	372,160	373,728	424,825	-
13,875,204	12,496,186	11,824,048	13,161,156	10,429,386	12,529,606
31,611,051	23,241,431	22,693,769	23,009,681	23,136,248	23,259,010
880,794	680,421	724,014	530,223	496,695	496,687
47,898,085	42,396,103	41,339,660	42,719,851	40,249,535	42,186,069
\$ 62,452,835	\$ 53,755,659	\$ 55,606,251	\$ 55,840,339	\$ 53,060,034	\$ 54,660,373

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

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved	\$ 239,771	\$ 289,716	\$ 245,625	\$ 510,785
Unreserved	22,381,025	15,770,483	10,941,973	12,028,929
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 22,620,796</u>	<u>\$ 16,060,199</u>	<u>\$ 11,187,598</u>	<u>\$ 12,539,714</u>
 All Other Governmental Funds				
Reserved	\$ 777,537	\$ 260,745	\$ 161,487	\$ 161,447
Unreserved, Reported in:				
Special Revenue Funds	2,023,123	1,337,693	1,307,293	2,951,892
Debt Service Funds	-	-	-	-
Capital Projects Funds	6,883,115	5,904,066	6,444,484	9,470,637
Total Unreserved	<u>8,906,238</u>	<u>7,241,759</u>	<u>7,751,777</u>	<u>12,422,529</u>
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 9,683,775</u>	<u>\$ 7,502,504</u>	<u>\$ 7,913,264</u>	<u>\$ 12,583,976</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					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
461,612	349,232	280,021	285,386	244,483	265,722
8,663	16,815	43,053	68,775	79,848	101,523
1,199,646	533,133	73,885	398,755	95,764	-
2,708,530	-	1,705,874	2,122,957	1,413,446	1,703,600
8,616,221	14,476,034	17,920,187	23,222,099	25,280,515	27,565,796
<u>\$ 12,994,672</u>	<u>\$ 15,375,214</u>	<u>\$ 20,023,020</u>	<u>\$ 26,097,972</u>	<u>\$ 27,114,056</u>	<u>\$ 29,636,641</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
116,394	123,655	126,163	130,823	128,761	74,285
10,166,279	8,100,341	8,359,581	8,840,988	9,549,965	3,602,063
2,654,787	153,466	1,228,334	277,375	219,487	-
496,230	3,028,968	2,010,336	2,531,132	2,659,010	3,212,360
-	-	-	-	-	-
<u>\$ 13,433,690</u>	<u>\$ 11,406,430</u>	<u>\$ 11,724,414</u>	<u>\$ 11,780,318</u>	<u>\$ 12,557,223</u>	<u>\$ 6,888,708</u>

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

	Fiscal Year			
	2007	2008	2009	2010
<b>Revenues</b>				
Taxes	\$ 26,745,506	\$ 25,069,101	\$ 22,251,293	\$ 20,752,317
Intergovernmental	25,771,964	28,683,671	26,413,424	24,711,004
Fines and Forfeitures	1,501,738	1,491,271	1,369,529	1,486,805
Licenses and Permits	2,913,384	1,961,920	992,742	1,193,690
Charges for Services	970,168	836,573	711,345	931,886
Rents and Royalties	22,958	27,732	58,785	51,889
Contributions and Donations	11,921	6,910	11,018	6,939
Impact Fees	185,562	10,674	97,045	318,232
Special Assessments	106,040	124,318	131,602	68,996
Investment Earnings (Loss)	960,145	801,582	325,534	212,547
Other	246,128	418,251	436,488	224,576
Total Revenues	<u>59,435,514</u>	<u>59,432,003</u>	<u>52,798,805</u>	<u>49,958,881</u>
<b>Expenditures</b>				
General Government	10,184,269	12,752,567	10,778,205	9,320,011
Public Safety	22,896,305	24,966,721	24,280,422	20,448,619
Highways and Streets	6,936,589	6,668,408	5,203,661	3,821,793
Culture and Recreation	5,490,982	6,075,524	5,307,096	4,038,440
Transportation Services	1,865,392	2,951,865	1,919,213	1,605,268
Tourism and Promotion	1,577,026	1,582,324	1,356,589	1,356,746
Capital Outlay	5,935,886	11,727,752	4,147,830	1,187,425
Debt Service				
Principal Retirement	3,480,000	3,605,000	240,000	165,000
Interest on Long-Term Debt	314,557	192,875	126,647	115,351
Total Expenditures	<u>58,681,006</u>	<u>70,523,036</u>	<u>53,359,663</u>	<u>42,058,653</u>
Excess of Revenues Over (Under)				
Expenditures	754,508	(11,091,033)	(560,858)	7,900,228
<b>Other Financing Sources (Uses)</b>				
Transfers In	\$ 8,227,998	\$ 9,977,784	\$ 2,107,983	\$ 2,395,347
Transfers Out	(10,060,429)	(9,416,495)	(6,008,971)	(4,272,742)
Issuance of Debt	3,582,747	2,615,000	-	-
Total Other Financing Sources (Uses)	<u>1,750,316</u>	<u>3,176,289</u>	<u>(3,900,988)</u>	<u>(1,877,395)</u>
Net Change in Fund Balance	<u>\$ 2,504,824</u>	<u>\$ (7,914,744)</u>	<u>\$ (4,461,846)</u>	<u>\$ 6,022,833</u>
Debt Service as a Percentage of Noncapital Expenditures	7.2%	6.5%	0.8%	0.7%

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 20,303,864	\$ 20,226,164	\$ 20,058,886	\$ 21,169,738	\$ 25,075,151	\$ 26,556,267
22,707,886	18,727,568	21,694,328	21,368,041	21,639,174	21,331,956
1,368,057	1,309,072	1,344,452	1,405,615	1,343,136	1,271,265
1,033,320	1,072,635	1,434,927	1,645,593	1,850,142	2,058,628
817,168	803,069	1,233,163	1,122,442	991,026	1,289,882
46,494	64,824	88,445	89,409	106,506	160,822
142,715	112,576	117,678	206,306	113,472	225,921
295,355	137,207	-	-	-	-
66,283	65,357	-	-	-	-
169,181	(53,402)	346,455	347,167	331,702	536,861
337,648	119,827	426,502	237,210	602,595	293,276
<u>47,287,971</u>	<u>42,584,897</u>	<u>46,744,836</u>	<u>47,591,521</u>	<u>52,052,904</u>	<u>53,724,878</u>
9,511,503	9,806,857	10,971,201	11,552,268	13,842,743	15,342,933
21,230,032	20,867,623	23,587,259	27,492,419	25,466,301	26,472,416
4,418,689	4,522,249	4,721,183	5,130,647	5,331,664	4,418,578
3,835,394	3,707,822	1,703,534	1,835,350	1,943,385	3,290,143
1,847,708	1,649,359	1,570,998	1,427,796	479,373	1,866,653
1,389,473	1,496,155	1,484,639	1,651,955	1,628,426	726,537
3,345,613	2,288,782	3,278,455	3,638,147	259,668	3,244,793
200,000	200,000	145,000	150,000	160,000	165,000
108,188	99,411	92,090	85,885	79,518	71,419
<u>45,886,600</u>	<u>44,638,258</u>	<u>47,554,359</u>	<u>52,964,467</u>	<u>49,191,078</u>	<u>55,598,472</u>
1,401,371	(2,053,361)	(809,523)	(5,372,946)	2,861,826	(1,873,594)
\$ 2,210,751	\$ 4,160,552	\$ 6,837,490	\$ 10,589,871	\$ 3,443,746	\$ 2,467,823
(2,364,436)	(2,907,963)	(2,738,038)	(2,961,494)	(4,512,583)	\$ (6,994,555)
56,986	1,154,054	1,675,861	3,875,428	-	3,046,010
(96,699)	2,406,643	5,775,313	11,503,805	(1,068,837)	(1,480,722)
<u>\$ 1,304,672</u>	<u>\$ 353,282</u>	<u>\$ 4,965,790</u>	<u>\$ 6,130,859</u>	<u>\$ 1,792,989</u>	<u>\$ (3,354,316)</u>
0.7%	0.7%	0.5%	0.5%	0.5%	0.5%



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>
2007	\$ 19,945,157	\$ 4,446,114	\$ 746,815	\$ 751,122	\$ 856,298	\$ 26,745,506
2008	17,305,120	4,510,088	1,733,704	645,782	874,407	25,069,101
2009	14,117,370	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	13,945,783	4,195,266	1,705,943	626,398	812,347	21,285,737
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	4,378,580	1,971,867	769,672	1,096,982	26,556,267
Change, 2007-2016	(8.1%)	(1.5%)	164.0%	2.5%	28.1%	(0.7%)

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

Years 2009 - 2016 were adjusted to include Sales Tax paid in Development Agreements.

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

Sales Category	Fiscal Year			
	2007	2008	2009	2010
Mining	\$ 1,637,109	\$ 2,238,146	\$ 1,502,091	\$ 957,338
Communications & Utilities	85,848,353	43,192,822	45,438,961	43,187,392
Transportation & Warehousing	1,719,521	1,370,195	825,406	610,037
Construction	203,114,606	174,759,818	104,429,178	59,267,145
Manufacturing	38,529,152	32,292,739	27,051,299	25,263,121
Wholesale Trade	16,468,758	18,348,808	12,097,298	10,438,461
Retail Trade	461,287,506	416,971,743	368,990,071	368,767,470
Finance & Insurance	1,967,267	2,213,297	1,563,165	1,295,523
Real Estate, Rental & Leasing	19,808,226	21,511,506	18,474,750	13,903,727
Restaurant & Bars	109,166,457	66,018,944	53,496,452	55,204,958
Hotels & Other Lodging (1)	24,080,294	26,786,943	27,752,236	28,709,923
Public Administration	146,659	310,450	493,218	318,627
Services	35,897,971	32,340,521	27,984,637	23,674,619
Arts & Entertainment	15,650,494	12,128,912	7,334,109	7,783,062
All Others	27,361,014	18,575,934	12,616,449	11,544,005
Transportation, Communications & Utilities	N/A	N/A	N/A	N/A
Fire, Insurance & Real Estate	N/A	N/A	N/A	N/A
Total	<u>\$ 1,042,683,387</u>	<u>\$ 869,060,778</u>	<u>\$ 710,049,320</u>	<u>\$ 650,925,408</u>
City Sales Tax Rate	2.00%	2.00%	2.00%	2.00%

- (1) In fiscal year 2011-12 the Arizona Department of Revenue took over collections of Transient Occupancy Tax. This was previously collected in-house by Lake Havasu City and is not reflected in fiscal years 2003-2011.
- (2) The activity for FY 2012/2013 was restated due to the 3% collections for Transient Occupancy Tax initiated and processed by the Arizona Department of Revenue were corrected.

Source: Arizona Department of Revenue



Fiscal Year					
2011	2012	2013	2014	2015	2016
		Restated <sup>(2)</sup>			
\$ 679,224	\$ 947,593	\$ 1,114,700	\$ 1,112,000	\$ 1,539,450	\$ 1,708,250
44,157,693	43,354,901	32,645,950	42,705,200	41,628,700	41,243,550
476,664	287,021	425,100	660,650	407,250	372,950
69,777,264	60,465,951	69,294,750	81,212,300	81,495,650	85,126,250
22,203,330	25,536,642	26,772,800	21,970,500	26,450,800	29,052,200
10,563,544	14,791,777	16,101,650	16,867,550	21,172,150	23,939,750
367,590,435	384,360,559	407,590,250	452,488,100	489,855,200	526,714,900
868,042	958,820	1,267,800	1,654,700	2,187,300	2,864,863
15,116,990	13,944,336	16,928,100	18,065,200	17,439,600	20,921,894
57,201,379	59,414,264	62,593,716	68,661,174	75,714,800	77,120,226
26,843,295	28,080,440	26,672,157	24,140,964	32,229,300	34,435,303
(185,615)	83,740	(32,000)	30,250	(55,850)	24,200
22,870,852	26,771,435	29,469,450	33,204,800	34,146,000	38,102,900
7,176,416	6,590,677	7,156,600	6,481,000	6,178,200	7,010,700
16,950,308	16,782,553	13,789,750	15,735,850	19,215,750	14,640,350
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
<u>\$ 662,289,821</u>	<u>\$ 682,370,709</u>	<u>\$ 711,790,773</u>	<u>\$ 784,990,238</u>	<u>\$ 849,604,300</u>	<u>\$ 903,278,286</u>
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, 2016**

<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>
2007	2.00	1.00	3.00	0.25	5.60
2008	2.00	1.00	3.00	0.25	5.60
2009	2.00	1.00	3.00	0.25	5.60
2010	2.00	1.00	3.00	0.25	6.60
2011	2.00	1.00	3.00	0.25	6.60
2012	2.00	1.00	3.00	0.25	6.60
2013	2.00	1.00	3.00	0.25	5.60
2014	2.00	1.00	3.00	0.25	5.60
2015	2.00	1.00	3.00	0.25	5.60
2016	2.00	1.00	3.00	0.25	5.60

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

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

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

Source: Arizona Department of Revenue ([www.azdor.gov](http://www.azdor.gov)) and Arizona Secretary of State ([www.azsos.gov](http://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
2007	P	554,952,080	4,489,089,206	15,071,124	72,940,245
	S	735,930,709	5,989,310,731	15,071,124	72,940,245
2008	P	658,147,759	5,340,068,133	11,375,884	57,452,096
	S	918,338,959	7,419,032,491	11,375,884	57,452,096
2009	P	760,861,319	6,233,527,611	16,515,213	86,520,314
	S	1,021,911,138	8,397,863,760	16,515,213	86,520,314
2010	P	825,515,085	6,795,625,244	16,137,850	85,087,121
	S	911,190,948	7,429,703,446	16,137,850	85,087,121
2011	P	687,352,145	5,655,648,551	14,778,091	80,768,628
	S	697,590,433	5,725,231,881	14,778,091	80,768,628
2012	P	553,723,386	4,632,576,319	10,215,877	58,066,238
	S	557,526,241	4,660,114,966	10,215,877	58,066,238
2013	P	549,921,360	4,642,019,040	13,932,103	79,171,973
	S	559,962,410	4,720,897,913	13,932,103	79,171,973
2014	P	552,871,353	4,686,326,717	13,209,135	77,033,222
	S	561,609,279	4,754,265,718	13,209,135	77,033,222
2015	P	558,881,781	4,801,310,125	12,490,419	74,105,983
	S	565,654,277	4,853,951,631	12,490,419	74,105,983
2016	P/S	580,657,463	5,029,672,075	11,256,533	68,368,831

Source: Mohave County Assessor

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

Total			Ratio of Total Assessed Value to Total Estimated Actual Value
Net Assessed Value	Estimated Actual Value	Direct Tax Rate	
570,023,204	4,562,029,451	0.7310	12.49
751,001,833	6,062,250,976	-	plus \$ 100.74 per acre
669,523,643	5,397,520,229	0.6704	12.40
929,714,843	7,476,484,587	-	plus \$ 100.74 per acre
777,376,532	6,320,047,925	0.6038	12.30
1,038,426,351	8,484,384,074	-	plus \$ 100.74 per acre
841,652,935	6,880,712,365	0.5834	12.23
927,328,798	7,514,790,567	-	plus \$ 156.78 per acre
702,130,236	5,736,417,179	0.5834	12.24
712,368,524	5,806,000,509	-	plus \$ 212.75 per acre
563,939,263	4,690,642,557	0.7264	12.02
567,742,118	4,718,181,204	-	plus \$ 268.85 per acre
563,853,463	4,721,191,013	0.7332	11.94
573,894,513	4,800,069,886	-	plus \$ 268.85 per acre
566,080,488	4,763,359,939	0.7381	11.88
574,818,414	4,831,298,940	-	plus \$ 268.85 per acre
571,372,200	4,875,416,108	0.7408	11.72
578,144,696	4,928,057,614	-	plus \$ 268.85 per acre
591,913,996	5,098,040,906	0.7235	11.61
			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
2007	P	0.7310	-	0.7310	-	-	-	-
	S	-	-	-	\$ 100.74/acre	-	0.5360	1.1091
2008	P	0.6704	-	0.6704	-	-	-	-
	S	-	-	-	\$ 100.74/acre	-	0.3216	0.4672
2009	P	0.6038	-	0.6038	-	-	-	-
	S	-	-	-	\$ 100.74/acre	-	0.3113	0.5425
2010	P	0.5834	-	0.5834	-	-	-	-
	S	-	-	-	\$ 156.78/acre	-	0.4769	0.4661
2011	P	0.5834	-	0.5834	-	-	-	-
	S	-	-	-	\$ 212.75/acre	-	-	0.2719
2012	P	0.7264	-	0.7264	-	-	-	-
	S	-	-	-	\$ 268.85/acre	-	-	0.1905
2013	P	0.7332	-	0.7332	-	-	-	-
	S	-	-	-	\$ 268.85/acre	-	-	0.1942
2014	P	0.7381	-	0.7381	-	-	-	-
	S	-	-	-	\$ 268.85/acre	-	-	0.4059
2015	P	0.7408	-	0.7408	-	-	-	-
	S	-	-	-	\$268.85/acre	-	-	0.6014
2016	P	0.7235	-	0.7235	-	-	-	-
	S	-	-	-	\$268.85/acre	-	-	0.8502

Special Districts			Overlapping Rates			
Improvement District #3	Improvement District #4	Improvement District #5	Total County Rate	Total School Rate	Total State Rate	Rate Total
-	-	-	2.5759	3.3079	-	6.6148
1.9907	0.3538	-	1.0103	0.8625	-	5.8624 plus \$ 100.74/acre
-	-	-	2.3519	3.0141	-	6.0364
-	0.2788	-	1.0103	0.8567	-	2.9346 plus \$ 100.74/acre
-	-	-	1.3309	2.8005	-	4.7352
-	0.2840	-	1.0103	0.7547	-	2.9028 plus \$ 100.74/acre
-	-	-	1.2637	2.7367	0.3306	4.9144
-	0.3153	-	1.0103	0.8410	-	3.1096 plus \$ 156.78/acre
-	-	-	1.4637	2.7462	0.3564	5.1497
-	0.4925	-	1.0103	0.8978	-	2.6725 plus \$ 212.75/acre
-	-	-	1.8196	3.3785	0.4259	6.3504
-	0.6095	-	1.0103	0.9888	-	2.7991 plus \$ 268.85/acre
-	-	-	1.8196	3.2644	0.4717	6.2889
-	0.5872	-	1.0103	0.7828	-	2.5745 plus \$ 268.85/acre
-	-	-	1.8196	3.1962	0.5123	6.2662
-	0.6458	-	1.0103	0.7828	-	2.8448 plus \$ 268.85/acre
-	-	-	1.8196	4.1683	0.5089	7.9784
-	0.6762	-	0.9936	0.7297	-	3.0009 plus \$268.85/acre
-	-	-	1.9696	4.0121	0.5054	7.9341
-	0.6941	-	0.7436	0.0000	-	2.2879 plus \$268.85/acre



LAKE HAVASU CITY



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

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Unisource Energy Corporation	\$ 9,873,239	1	1.57%	\$ 7,879,193	2	1.38%
PHC Lake Havasu Inc	4,092,966	2	0.65%	11,457,662	1	2.01%
Citizens Utilities Inc	2,820,756	3	0.45%	4,635,602	3	0.81%
SFT Havasu LLC Etal	2,182,949	4	0.35%			
Walmart Stores Inc	1,853,489	5	0.29%	1,550,210	9	0.27%
Island Development Group LLC	1,349,460	6	0.21%			
Lowes HIW Inc	1,334,372	7	0.21%			
Grace Investment Co	996,087	8	0.16%	2,099,796	6	0.37%
SDI-Havasu LLC	985,716	9	0.16%			
Havasu Regional Medica Center LLC	984,059	10	0.16%			
London Bridge Resort				2,200,487	5	0.39%
Sterilite Corporation				2,515,965	4	0.44%
Lake Havasu City Hotel Partners LLC				1,716,837	7	0.30%
Palo Verde Investments LLC				1,554,637	8	0.27%
Home Depot USA Inc.				1,429,259	10	0.25%
Totals	<u>\$ 26,473,093</u>		<u>4.21 %</u>	<u>\$ 37,039,648</u>		<u>6.49 %</u>
Net Assessed Value	\$ 628,631,888			\$ 570,023,204		

Source: Abstract for the County of Mohave.

**LAKE HAVASU CITY, ARIZONA  
PROPERTY TAX LEVIES AND COLLECTIONS<sup>(1)</sup>  
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
2007	\$ 4,152,633	\$ 4,031,318	97.08 %	\$ 121,296	\$ 4,152,614	100.00 %
2008	4,505,493	4,302,624	95.50	202,823	4,505,447	100.00
2009	4,674,836	4,510,022	96.47	164,798	4,674,820	100.00
2010	4,885,663	4,701,200	96.22	184,395	4,885,595	100.00
2011	4,078,121	3,952,993	96.93	124,583	4,077,576	99.99
2012	4,080,039	3,965,111	97.18	114,353	4,079,464	99.99
2013	4,126,230	4,011,502	97.22	114,206	4,125,708	99.99
2014	4,153,208	4,032,532	97.09	119,698	4,152,230	99.98
2015	4,228,687	4,135,746	97.80	91,931	4,227,677	99.98
2016	4,281,369	4,194,139	97.96	-	4,194,139	97.96

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

**LAKE HAVASU CITY, ARIZONA  
IRRIGATION AND DRAINAGE DISTRICT<sup>(1)</sup>  
PROPERTY TAX LEVIES AND COLLECTIONS<sup>(2)</sup>  
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
2007	\$ 2,071,502	\$ 2,027,101	97.86 %	\$ 44,238	\$ 2,071,339	99.99 %
2008	2,091,005	1,993,102	95.32	97,641	2,090,743	99.99
2009	2,092,838	2,037,986	97.38	54,147	2,092,133	99.97
2010	3,259,052	3,167,426	97.19	89,499	3,256,925	99.93
2011	4,423,441	4,330,276	97.89	90,342	4,420,618	99.94
2012	5,589,949	5,408,979	96.76	177,878	5,586,857	99.94
2013	5,582,326	5,409,765	96.91	169,129	5,578,894	99.94
2014	5,650,203	5,442,107	96.32	203,665	5,645,772	99.92
2015	5,666,100	5,517,668	97.38	144,001	5,661,669	99.92
2016	5,665,696	5,521,460	97.45	-	5,521,460	97.45

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

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

**LAKE HAVASU CITY, ARIZONA  
IMPROVEMENT DISTRICT NO. 1 – SPECIAL ASSESSMENT<sup>(1)</sup>  
PROPERTY TAX LEVIES AND COLLECTIONS<sup>(2)</sup>  
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
2007	\$ 148,688	\$ 145,447	97.82 %	\$ 3,241	\$ 148,688	100.00 %
2008	109,984	105,526	95.95	4,458	109,984	100.00
2009	109,688	107,041	97.59	2,647	109,688	100.00
2010	149,544	145,722	97.44	3,822	149,544	100.00
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-

(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<sup>(1)</sup>  
PROPERTY TAX LEVIES AND COLLECTIONS<sup>(2)</sup>  
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	
2007	\$ 36,939	\$ 33,293	90.13 %	\$ 3,646	\$ 36,939	100.00 %	
2008	18,035	16,472	91.33	1,563	18,035	100.00	
2009	16,710	14,902	89.18	1,808	16,710	100.00	
2010	15,006	14,057	93.67	949	15,006	100.00	
2011	8,066	7,275	90.19	791	8,066	100.00	
2012	3,826	3,647	95.33	179	3,826	100.00	
2013	3,966	3,589	90.49	377	3,966	100.00	
2014	8,000	7,419	92.74	581	8,000	100.00	
2015	10,771	10,035	93.16	736	10,035	93.16	
2016	15,115	14,721	97.39	-	14,721	97.39	

(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. 2 maintains and operates the parking lot, utilities, landscaping and related capital improvements in the London Bridge Shopping Center.

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

**LAKE HAVASU CITY, ARIZONA  
IMPROVEMENT DISTRICT NO. 3 – SPECIAL ASSESSMENT<sup>(1)</sup>  
PROPERTY TAX LEVIES AND COLLECTIONS<sup>(2)</sup>  
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	
2007	\$ 27,935	\$ 26,511	94.90 %	\$ 1,424	\$ 27,935	100.00 %	
2008	-	-	-	-	-	-	
2009	-	-	-	-	-	-	
2010	-	-	-	-	-	-	
2011	-	-	-	-	-	-	
2012	-	-	-	-	-	-	
2013	-	-	-	-	-	-	
2014	-	-	-	-	-	-	
2015	-	-	-	-	-	-	
2016							

(1) On July 1, 1998, the operation and maintenance of the Improvement Districts became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 3 was established for the purpose of maintaining and operating the gas lights and landscape strips in the Lakeview Mobile Home Park. This improvement District was dissolved on January 8, 2008.

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

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

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy			Total Collections to Date	
		Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2007	\$ 64,323	\$ 63,878	99.31 %	\$ 445	\$ 64,323	100.00
2008	55,294	53,644	97.02	1,650	55,294	100.00
2009	55,600	55,053	99.02	547	55,600	100.00
2010	54,981	54,003	98.22	959	54,962	99.97
2011	68,435	67,831	99.12	604	68,435	100.00
2012	68,649	68,007	99.06	642	68,649	100.00
2013	68,267	65,770	96.34	2,497	68,267	100.00
2014	74,937	73,649	98.28	1,288	74,937	100.00
2015	71,350	69,229	97.03	2,071	69,229	97.03
2016	69,092	67,571	97.80		67,571	97.80

(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	Sewer Bonds		Irrigation and Drainage District	General Obligation Bonds	Capital Leases
2007	\$ 520,000	\$ 3,510,000	\$ 6,032,598	\$ 169,865,746	(1)	\$ 1,103,163	\$ 175,000	\$ 1,995,812
2008	425,000	2,615,000	4,485,455	218,411,503	(1)	3,462,247	155,000	1,669,632
2009	185,000	2,615,000	3,009,616	243,266,488	(1)	4,582,821	145,000	1,236,248
2010	125,000	2,510,000	1,951,828	276,829,369	(1)	5,253,043	135,000	812,444
2011	60,000	2,375,000	1,181,330	306,508,389	(1)	5,074,148	125,000	422,469
2012	-	2,235,000	1,610,207	306,394,210	(1)	4,728,052	115,000	1,432,240
2013	-	2,090,000	2,786,873	296,762,325	(1)	4,496,819	105,000	1,795,066
2014	-	1,940,000	5,931,270	288,268,940	(1)	4,131,389	95,000	1,683,448
2015	-	1,780,000	4,171,192	276,299,222	(1)	5,570,168	80,000	1,581,455
2016	-	1,615,000	8,115,676	244,601,446	(1)	5,398,623	70,000	369,353

(1) Net of related premium

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

Note: Balances reflect reduction for principal payment made on July 1, 2016.



Total Primary Government	Percentage of Personal Income	Per Capita
\$ 183,202,319	15.68%	\$ 3,355
231,223,837	19.36	4,184
255,040,173	17.55	4,601
287,616,684	24.11	5,182
315,746,336	22.65	6,011
316,514,709	23.94	6,040
308,036,083	21.15	5,843
302,050,047	21.26	5,709
289,482,037	N/A	5,442
245,913,082	19.01	4,589



LAKE HAVASU CITY

**LAKE HAVASU CITY, ARIZONA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**JUNE 30, 2016**

<u>Governmental Unit</u>	<u>Outstanding Debt</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
<b>City Direct Debt</b>			
Lake Havasu City Direct Debt	\$ 1,615,000	100.00 %	\$ 1,615,000
Lake Havasu City Capital Leases	8,115,676	100.00	8,115,676
Lake Havasu City, Arizona Direct Debt			<u>9,730,676</u>
Total Direct and Overlapping Debt			<u>\$ 9,730,676</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b><u>20% Limitation (1)</u></b>				
Debt Limit	\$ 150,200,367	\$ 185,942,969	\$ 207,685,270	\$ 185,465,760
Total Net Debt Applicable to 20% Limit (Restated to Account for Amount Set Aside for Repayment of Debt)	<u>141,365,953</u>	<u>140,113,909</u>	<u>182,493,498</u>	<u>155,003,212</u>
Legal Debt Margin (Available Borrowing Capacity)	<u>\$ 8,834,414</u>	<u>\$ 45,829,060</u>	<u>\$ 25,191,772</u>	<u>\$ 30,462,548</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	94.12%	75.35%	87.87%	83.58%
<b><u>6% Limitation (2)</u></b>				
Debt Limit	\$ 45,060,110	\$ 55,782,891	\$ 62,305,581	\$ 55,639,728
Total Net Debt Applicable to 6% Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin (Available Borrowing Capacity)	<u>\$ 45,060,110</u>	<u>\$ 55,782,891</u>	<u>\$ 62,305,581</u>	<u>\$ 55,639,728</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.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 142,473,705	\$ 113,548,424	\$ 114,778,903	\$ 114,963,683	\$ 115,628,939	\$ 118,382,799
<u>146,343,638</u>	<u>140,427,574</u>	<u>136,101,397</u>	<u>126,686,249</u>	<u>120,719,896</u>	<u>98,935,166</u>
<u>\$ (3,869,933)</u>	<u>\$ (26,879,150)</u>	<u>\$ (21,322,494)</u>	<u>\$ (11,722,566)</u>	<u>\$ (5,090,957)</u>	<u>\$ 19,447,633</u>
102.72%	123.67%	118.58%	110.20%	104.40%	83.57%
\$ 42,742,111	\$ 34,064,527	\$ 34,433,671	\$ 34,489,105	\$ 34,688,682	\$ 35,514,840
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,661,633</u>
<u>\$ 42,742,111</u>	<u>\$ 34,064,527</u>	<u>\$ 34,433,671</u>	<u>\$ 34,489,105</u>	<u>\$ 34,688,682</u>	<u>\$ 21,853,207</u>
-	-	-	-	-	38.47%

**LAKE HAVASU CITY, ARIZONA  
CALCULATION OF LEGAL DEBT MARGIN  
JUNE 30, 2016**

Net Secondary Assessed Valuation (1)		<u><u>\$ 591,913,996</u></u>
<p style="text-align: center;">Water, Sewer, Light, Parks, Open Space Preserves, Playgrounds, Recreational Facilities, Public Safety, Law Enforcement, Fire and Emergency Facilities, and Streets and Transportation Facilities</p> <hr/>		
Debt Limit - 20% of Secondary Net Assessed Valuation		118,382,799
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ 118,382,799	
Less Amount Set Aside for Repayment of Debt	<u>(19,447,633)</u>	
Net Debt Applicable to Limit		<u>98,935,166</u>
20% Legal Debt Margin		<u>19,447,633</u>
<p style="text-align: center;"><hr/>All Other General Obligation Bonds<hr/></p>		
Debt Limit - 6% of Secondary Net Assessed Valuation		35,514,840
Debt Applicable to Limit		
General Obligation Bonds Outstanding	13,661,633	
Less Amount Set Aside for Repayment of Debt	<u>-</u>	
Net Debt Applicable to Limit		<u>13,661,633</u>
All Other General Obligation Bonds Debt Margin		<u>21,853,207</u>
Total Legal Debt Margin		<u><u>\$ 41,300,840</u></u>

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

**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
2007	\$ 37,021,321	\$ 3,390,000	\$ 282,900	10.08	\$ 106,040	\$ 90,000	\$ 28,956	0.89
2008	34,612,756	3,510,000	143,910	9.47	124,319	95,000	24,216	1.04
2009	29,875,827	-	110,005	271.59	131,602	240,000	15,631	0.51
2010	27,395,795	105,000	106,675	129.42	68,996	60,000	7,944	1.02
2011	25,979,260	135,000	102,700	109.29	66,283	65,000	4,741	0.95
2012	25,248,684	140,000	97,229	106.43	65,357	60,000	1,538	1.06
2013	26,526,205	145,000	91,446	112.19	-	-	-	-
2014	27,854,065	150,000	85,463	118.30	-	-	-	-
2015	32,724,861	160,000	79,096	136.87	-	-	-	-
2016	34,752,074	165,000	70,997	-	-	-	-	-

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

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

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

Fiscal Year	Sewer Revenue Bonds					
	(1) Operating Revenue	(2) Plus: (3) Rate Stabilization	Less: Operating Expenses	Net Available Revenue for SR Debt	Senior Debt Principal	Senior Debt Interest
2007	\$ 20,593,753	\$ -	\$ 4,028,938	\$ 16,564,815	\$ 1,293,449	\$ 1,034,328
2008	23,703,017	5,000,000	6,955,929	21,747,088	1,334,925	1,292,596
2009	19,916,120	5,000,000	7,272,649	17,643,471	1,887,732	2,384,482
2010	26,810,286	5,000,000	6,710,135	25,100,151	5,083,762	2,683,741
2011	31,765,529	6,500,000	7,409,668	30,855,861	3,244,183	3,557,825
2012	23,380,304	6,500,000	6,303,028	23,577,276	5,249,416	4,226,331
2013	23,072,178	6,500,000	6,705,193	22,866,985	5,404,372	4,220,890
2014	23,635,466	6,500,000	7,134,366	23,001,100	5,572,168	4,839,966
2015	23,722,951	6,500,000	7,034,913	23,188,038	5,046,707	3,957,947
2016	22,504,602	4,500,000	7,167,020	19,837,582	5,172,561	3,797,164

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

(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.



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) Junior Debt Coverage
\$ 2,327,777	7.12	\$ 14,237,038	\$ 4,429,119	\$ 4,209,600	\$ 8,638,719	1.65
2,627,521	8.28	19,119,567	6,205,823	5,016,735	11,222,558	1.70
4,272,214	4.13	13,371,257	8,277,899	5,346,758	13,624,657	0.98
7,767,503	3.23	17,332,648	2,285,358	5,993,530	8,278,888	2.09
6,802,008	4.54	24,053,853	3,308,953	6,210,561	9,519,514	2.53
9,475,747	2.49	14,101,529	3,120,546	6,117,489	9,238,035	1.53
9,625,262	2.38	13,241,723	4,566,798	5,980,474	10,547,272	1.26
10,412,134	2.21	12,588,966	4,694,038	5,839,593	10,533,631	1.20
9,004,654	2.58	14,183,384	4,922,593	5,691,546	10,614,139	1.34
8,969,725	2.21	12,867,857	5,182,509	2,727,094	7,909,603	1.63

**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
2007	54,610	\$ 1,168,053,000	\$ 21,389	47.9	6,463	4.3 %
2008	55,263	1,194,068,000	21,607	48.0	6,227	6.6
2009	55,429	1,453,293,000	26,219	47.7	6,175	9.8
2010	55,502	1,192,960,000	21,494	47.8	6,163	8.1
2011	52,527	1,394,014,000	26,539	51.4	5,833	8.3
2012	52,406	1,321,889,000	25,224	50.2	5,677	10.3
2013	52,720	1,456,548,000	27,628	50.7	5,622	10.7
2014	52,908	1,420,686,000	26,852	51.0	5,561	9.4
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

(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](http://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	2016			2007		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (1)
Havasu Regional Medical Center	700	1	3.04	605	3	2.48
Lake Havasu City	636	2	2.76	736	1	3.02
Lake Havasu School District	533	3	2.31	699	2	2.87
Sterilite Corporation	425	4	1.84	437	4	1.79
Walmart	367	5	1.59	240	7	0.98
Shugrue's Restaurants	325	6	1.41	230	8	0.94
London Bridge Resort	250	7	1.08	315	5	1.29
Bashas' (2 locations) / (3 locations 2007)	200	8	0.87	314	6	1.29
Anderson Auto Group	191	9	0.83			
River Medical	130	10	0.56			
Mohave Community College			-	183	9	0.75
Mission of Nevada, Inc.			-	175	10	0.72
Total	<u>3,757</u>		<u>16.29 %</u>	<u>3,934</u>		<u>16.13 %</u>

Total Employees in Lake  
Havasu City

23,047 (1)

24,375 (2)

(1) Arizona Department of Administration-Office of Employment and Population Statistics [www.azstats.gov](http://www.azstats.gov).

(2) Arizona Workforce Infomer.

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

Source: Lake Havasu Partnership for Economic Development.

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

Function	Authorized Position as of Fiscal Year Ended					
	2007	2008	2009	2010	2011	2012
General Government	81.0	83.0	83.0	70.0	62.0	59.0
Community Investment (4)	29.0	29.0	29.0	25.0	22.0	21.0
Public Safety						
Police	123.0	127.0	127.0	123.0	123.0	116.0
Fire	95.0	95.0	95.0	85.0	93.0	86.0
Operations						
Administration/Engineering (3)	22.0	26.0	26.0	22.0	17.0	18.0
Airport	5.0	5.0	5.0	5.0	5.0	5.0
Maintenance Services (2)	N/A	N/A	N/A	N/A	N/A	N/A
Transportation	19.0	19.0	19.0	15.0	15.0	14.0
Street Maintenance	32.0	32.0	32.0	29.5	31.0	30.0
Buildings and Grounds (1)	N/A	N/A	N/A	N/A	N/A	N/A
Vehicle Maintenance	12.0	12.0	12.0	8.5	8.0	9.0
Wastewater	25.5	25.5	26.0	26.0	26.0	26.0
Water	42.5	40.5	40.0	39.0	43.0	42.0
Culture and Recreation (1)	44.0	45.0	45.0	39.0	39.0	34.0
Total	<u>530.0</u>	<u>539.0</u>	<u>539.0</u>	<u>487.0</u>	<u>484.0</u>	<u>460.0</u>

- (1) Parks Division moved from Culture and Recreation to Operations-Building and Grounds  
(2) Street Maintenance and Buildings and Grounds moved to Operations-Maintenance Services  
(3) Operations- Engineering moved to Maintenance Services, Water and Wastewater  
(4) Community Development is now Community Investment FY 15/16

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

Authorized Position as of Fiscal Year Ended			
2013	2014	2015	2016
67.0	71.0	71.0	75.0
19.0	13.0	16.0	26.0
117.0	121.0	121.0	121.0
85.0	85.0	85.0	85.0
19.0	4.0	3.0	2.0
2.0	2.0	2.0	2.0
N/A	54.0	54.0	53.0
12.0	11.0	N/A	N/A
25.0	N/A	N/A	N/A
28.0	N/A	N/A	N/A
7.0	8.0	9.0	9.0
24.0	28.0	29.0	30.0
38.0	39.0	39.0	35.0
6.0	9.0	9.0	12.0
<u>449.0</u>	<u>445.0</u>	<u>438.0</u>	<u>450.0</u>

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

Function	Fiscal Years				
	2007	2008	2009	2010	2011
<u>Police</u>					
Number of Sworn Officers	96	96	92	91	91
Number of Incidents Handled	59,951	76,759	77,014	67,189	64,024
Number of Report Numbers Issued	9,612	8,740	8,637	7,441	8,242
Response Time, Priority 1 Calls (Minutes)	5:54	5:26	5:17	5:32	5:51
<u>Fire</u>					
Number of Field Suppression Personnel	72	78	72	69	85
Number of Structural Fires	43	53	41	36	35
Number of Emergency Responses	6,113	6,457	6,996	7,311	7,487
Response Time (Minutes)	5:14	5:34	5:26	5:24	5:25
Inspections	4,496	4,924	5,443	4,418	4,055
<u>Highways and Streets</u>					
Street Resurfacing (Miles)	51.50	31.50	11.50	5.00	11.00
Utility Patches	645	494	468	269	219
Skin Patches	187	270	178	98	39
Crackfilling (Miles)	30.00	35.50	18.00	13.00	26.20
<u>Wastewater</u>					
Total Active Sewer Connections (1)	11,983	14,901	16,759	20,192	24,750
Average Daily Flowage (mg)		3.08	3.03	3.38	3.64
<u>Municipal Parks</u>					
Park Uses	3,025	3,969	3,684	2,587	2,410
<u>Water</u>					
Miles of Line	500	500	500	500	500
New Connections	308	388	216	245	127
Main Breaks	47	52	57	60	44
Service Line Leaks	723	612	510	366	280
Average Daily Consumption (Gallons) per Capita	230	250	250	250	199
<u>Airport</u>					
Based Aircraft	240	234	180	180	159
Operations	55,844	51,900	60,000	60,000	60,000
Fuel Flowage	502,137	536,175	627,628	704,175	659,121
<u>Transit</u>					
Total Ridership	82,803	82,955	115,070	122,500	123,999
Miles Driven	448,267	412,270	443,900	438,003	404,497
<u>General</u>					
Building Permits Issued	2,124	1,485	894	908	871
Building Inspections Conducted	19,513	15,687	10,849	7,486	5,812
Land Use Actions	333	370	229	210	202

(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) "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				
2012	2013	2014	2015	2016
83	83	77	83	83
58,652	60,940	54,843	53,897	46,906
7,001	7,788	7,126	7,100	8,095
5:56	6:23	6:39	7:02	7:49
72	75	76	75	77
37	57	35	25	31
7,542	8,358	7,811	8,154	8,510
5:27	5:29	6:16	6:06	5:54
3,102	1,880	1,280	2,751	1,615
15.00	37.00	96.00	40.00	58.00
380	224	211	174	36
211	52	35	97	13
40.50	15.00	63.00	27.00	39.00
25,673	25,826	26,129	26,351	32,117
3.69	3.60	3.71	3.73	3.84
2,311	2,418	3,238	3238	3355
500	500	500	500	456
130	230	277	298	361
55	71	69	51	60
225	239	205	194	205
199	199	183	182	178
153	138	120	110	162
60,000	55,000	40,000	40,000	45,000
522,144	447,599	302,690	491,262	686,733
114,548	110,414	87,884	8,348	8,031
347,841	342,391	257,190	41,932	46,367
895	1,573	1,907	2,210	2,478
5,432	7,605	9,574	11,078	12,767
75	65	102	206	189

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

Function	Fiscal Year				
	2007	2008	2009	2010	2011
<u>Public Safety</u>					
Police:					
Stations	1	1	1	1	1
Patrol Units					
Cars	38	34	37	37	37
Boats	4	4	4	4	5
UTV/Motors	6	6	7	7	5
Fire:					
Stations	6	6	6	6	6
Apparatus					
Fire Trucks	12	10	11	11	11
Vehicles	21	21	27	24	23
Boats	2	2	1	1	1
<u>Highways and Streets</u>					
Streets (Miles)	426.0	428.0	428.0	428.0	435.0
Streetlights	84	84	84	84	84
Traffic Signals	12	12	12	12	13
<u>Culture and Recreation</u>					
Parks Acreage	108.7	123.7	125.0	125.0	125.0
Parks Acreage - Sara Park		1,082	1,082	1,082	1,082
Parks	14	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
Total Active Water Meters (1)	28,889	28,913	28,864	29,300	29,329
Fire Hydrants	2,684	2,684	2,695	2,708	2,708
Available Acre Feet	25,180	25,180	27,319	21,271	28,318
<u>Sewer</u>					
Sanitary Sewers (Miles)	203.4	237.8	267.0	292.4	352.9
<u>Transportation</u>					
Transit Buses (2)	15	16	18	19	19
<u>Airport</u>					
Enclosed Hangars	78	101	78	78	78
Shade Ports	27	25	16	16	16

(1) Figures for "Total Active Water Meters" were previously estimated. Figures from 2006 to 2014 were amended to show true total active water meters as of June 30 of the respective year.

(2) 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				
2012	2013	2014	2015	2016
1	1	1	1	1
40	34	42	44	33
3	3	3	3	3
5	5	5	5	9
6	6	6	6	6
11	11	16	11	11
23	23	23	36	34
1	1	1	1	1
435.0	435.0	435.0	435.0	435.0
84	84	84	84	84
13	13	13	13	14
125.0	125.0	130.0	130.0	130.0
1,082	1,082	1,082	1,082	1,082
15	15	15	15	16
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
500.0	500.0	500.0	500.0	456.0
29,508	29,737	30,072	30,358	31,701
2,708	2,676	2,676	2,676	2,512
28,318	28,318	28,318	28,582	25,460
352.9	352.9	352.9	352.9	353.0
23	21	17	5	5
78	78	78	78	78
16	16	16	16	16

**LAKE HAVASU CITY, ARIZONA  
MISCELLANEOUS STATISTICS  
JUNE 30, 2016**

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	5,488
Alternative	50
Private	187
Charter	735
Community College (MCC)	2,082
State University (NAU/ASU)	278
Employees as of June 30, 2016	
Full-Time	412
Part-Time	224
Elected Officials	7
Total Payroll Wages for Fiscal Year 2016	\$ 27,893,832
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	4,624
Economy:	
Number of Annual Visitors (Estimate by the Convention and Visitors Bureau)	835,000
Lake Havasu City Municipal Airport (2013 Arizona Airport of the Year)	
Fixed Based Operators	3
Runway Length (in Feet)	8,001

**LAKE HAVASU CITY, ARIZONA  
MISCELLANEOUS STATISTICS (CONTINUED)  
JUNE 30, 2016**

Population

Census Population Count (Calendar Year)

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

\*Arizona Department of Economic Security

\*\*United States Census

\*\*\*Arizona Office of Employment and Population Statistics

2010 Census Information:

Age Distribution of Population

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

Median Age 52.2

Median Household Income \$ 43,942

2010 Census information available at the following websites:

<http://factfinder2.census.gov>

Median Age / Median Household Income :

Mohave County Economic Development



LAKE HAVASU CITY