



Lake Havasu City, Arizona

Popular Annual Financial Report

Fiscal Year Ending June 30, 2013



Table of Contents:

Message from the City Manager.....	Page 3
Introduction to PAFR.....	Page 4
Significant Events and Operating Statistics.....	Page 5
Community Information.....	Page 6
Awards and Recognition.....	Page 7
Where the Money Comes From.....	Page 8
Where the Money Goes.....	Page 9
Capital Projects.....	Page 10
Net Position.....	Page 11
Governmental Fund Highlights.....	Page 12
Cash and Investments.....	Page 13



The Founder of Lake Havasu City, Robert McCulloch and Architect C.V. Wood.

The information in this report is drawn from the Lake Havasu City Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. For any questions related to this report, please review our CAFR online at www.lhcaz.gov.



Message from the City Manager

To My Fellow Lake Havasu City Residents:

We are very pleased to present for your information, Lake Havasu City's first ever Popular Annual Financial Report. This achievement represents the quality work of the Administrative Services Department staff. It was prepared to help simplify the governmental financial reporting process so citizens may have a clear understanding of where their tax dollars go, and what is being accomplished with those investments.

This report helps illustrate that even with the lingering challenges of a strained economy, your City remains financially strong. The City's managers and staff are committed to the efficient management of the City's overall operations and assets by continuously improving the services we provide, and constantly analyzing how well we provide them.

Thank you for looking over this inaugural report and I invite you to contact me with any suggestions on how we can make the next issue even better. Please contact me at 928-453-4141 or by e-mail to: CassensC@lhcaz.gov

Thanks again and I hope to see you around town!

Lake Havasu City Council

Lake Havasu City operates under the council-manager form of government. The Mayor and six members of the City Council are elected at large to overlapping terms of four years. The City Council is the legislative body responsible for the overall policies and direction of the City. The City operates under general law and the constitution and laws of the State of Arizona.

If you have questions about this report, or need additional financial information, please contact the Administrative Services Department of Lake Havasu City by email to blakeys@lhcaz.gov, by phone at 928-453-4147, or by mail at Administrative Services, 2330 McCulloch Blvd N., Lake Havasu City, AZ 86403.

City Council Mail to:

Lake Havasu City Municipal Offices

2330 McCulloch Blvd N.

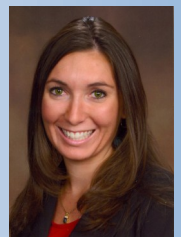
Lake Havasu City, AZ 86403

City Manager Mail to:

City Manager's Office

2330 McCulloch Blvd N.

Lake Havasu City, AZ 86403



Above pictured (Clockwise): Don Callahan, Crystal Alger, Dean Barlow, Jeni Coke, David McAtlin, Donna Brister.

(Center): Mayor Mark Nexsen



An inside look at the Aquatic Center

The **Popular Annual Financial Report (PAFR)** is a summary of the financial activities of the City's funds as reported in the 2013 Comprehensive Annual Financial Report (CAFR). The CAFR is an audited document and is prepared in conformance with generally accepted accounting principles (GAAP). To conform with GAAP, the CAFR must include the City's component units and the presentation of individual funds, in much more detail, as well as full disclosure of all material events, financial and non-financial.

Unlike the CAFR, the PAFR is not an audited document and it does not include details by fund nor does it include the other disclosures required by GAAP. Therefore, the PAFR is not intended to present a complete financial picture of the City in accordance with GAAP. This report is a reflection of our effort to keep citizens informed about how tax dollars are being spent in a simple, non-technical format.

For more information, the **CAFR** is available online at **www.lhcaz.gov** under quick links "Departments", Administrative Services Department. The **PAFR** is also available online at the same location.

The City website also includes information about:

- ◆ Budget
- ◆ Career Opportunities
- ◆ Community Events
- ◆ Council Members, Agendas, and Meetings
- ◆ Forms, Applications & Permits
- ◆ Publications and Brochures
- ◆ News and Information
- ◆ Bids, RFP's & RFQ's

Brief History of Lake Havasu:

In 1958, Robert P. McCulloch purchased 3,353 acres of property on the east side of Lake Havasu. After four years of planning, McCulloch Properties acquired another 13,000 acres of federal land. Lake Havasu City was established on September 30, 1963 by a resolution of the Mohave County Board of Supervisors as the Lake Havasu Irrigation and Drainage District, making it a legal entity.

2013 Quick Facts about Lake Havasu

Population.....	52,720
Median Age.....	51
Unemployment Rate.....	10.7%
Sales and Use Tax.....	2.0 %

2013 Major Industries of Employment

Educational and Health Services, Service Providers, and Trades

2013 Top 8 Lake Havasu City Employers

Havasu Regional Medical Center, Lake Havasu City,
Sterilite, Walmart, London Bridge Resort, Shugrue's Restaurants,
Bashas, River Medical.

Significant Events

- ◆ Patrick A. Tinnell Memorial Park was completed and opened on October 19, 2013. It is the largest skate park in Arizona.
- ◆ The Fourth Annual Balloon Festival was held with approximately 40,000 people in attendance.
- ◆ The Arizona Board of Regents (ABOR), Lake Havasu City, Lake Havasu City Unified School District and the Lake Havasu Foundation for Higher Education partnered together in a collaborative effort to bring a satellite campus to Lake Havasu City. The school continues to expand classes to draw additional students and make improvements to the site.
- ◆ The City completed the final adjustments and close-out of the sewer expansion project, which voters approved in November 2001 and has been ongoing since the start of the project in October 2002. The project called for expanding the existing collection system by contracting and installing 390 miles of gravity sewer lines, 400 miles of gravity sewer laterals, 9,700 sewer manholes, 17 miles of sewer force main, 75 pumping stations, decommissioning over 24,000 individual onsite septic systems (90 percent of the residential units), building a new treatment plant with capacity of 14 million gallons per day, upgrading two existing treatment plants to treat an additional 1.1 million gallons per day or 4.7 million gallons per day total, and developing reuse/disposal facilities.

Operating Indicators and Statistics

Planning and Development Services

Commercial Addition Permits.....	103
Commercial Building Permits.....	5
Single Family Housing Permits.....	190

Public Safety

Number of Police Officers.....	83
Number of Incidents Handled.....	60,940
Average Police Response Time (mins).....	6:23
Number of Firefighters.....	75
Number of Emergency Responses.....	8,358
Average Fire Response Time (mins).....	5:29

* Additional performance measures are available in the FY 2012-13 Budget Document and the FY 2012-13 Comprehensive Annual Financial Report.



Lake Havasu City Balloon Fest Night Glow event

Community Information



Fire Protection	
Number of Stations	6
Number of Authorized Positions	86
Avg. Response Time (mins)	5:29
Number of Emergency Responses	8,358
Fire Inspections	1,880

Police Protection	
Number of Authorized Positions (Sworn)	83
Number of Authorized Positions (Civilian)	32
Avg. Response Time-Priority 1 (mins)	6:23
Number of Reports Issued	7,788
Number of Incidents Handled	60,940



Community Contact Information

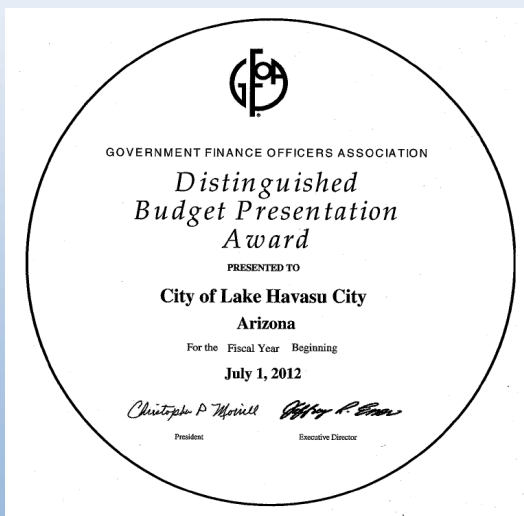
City Clerk	453-2687	Hospital	855-1141
Non-Emergency Police	855-4111	Municipal Court	453-0705
Non-Emergency Fire	855-1141	Justice Court	453-0701
Western Arizona Humane Society	855-7479	Aquatics & Recreation	453-8686
City Council	453-4140	Community Services	453-6660
Mohave County Library	453-0718	Business License	453-4153
City Manager's Office	453-4141	Senior Center	453-0715
Administrative Services	453-4147	Water	453-4146
Mayor's Office	453-4152	Health Dept.	453-0703
Chamber of Commerce	854-4115	Operations	453-5479
Tourism Bureau	453-3444	Partnership for Economic Dev.	505-7333



A Beautiful Lighthouse along the island overlooking the lake

Awards and Recognition

- ◆ Awarded the Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2012 from the Government Finance Officers Association of the United States and Canada.
- ◆ Received the Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2012 from the Government Finance Officers Association of the United States and Canada.

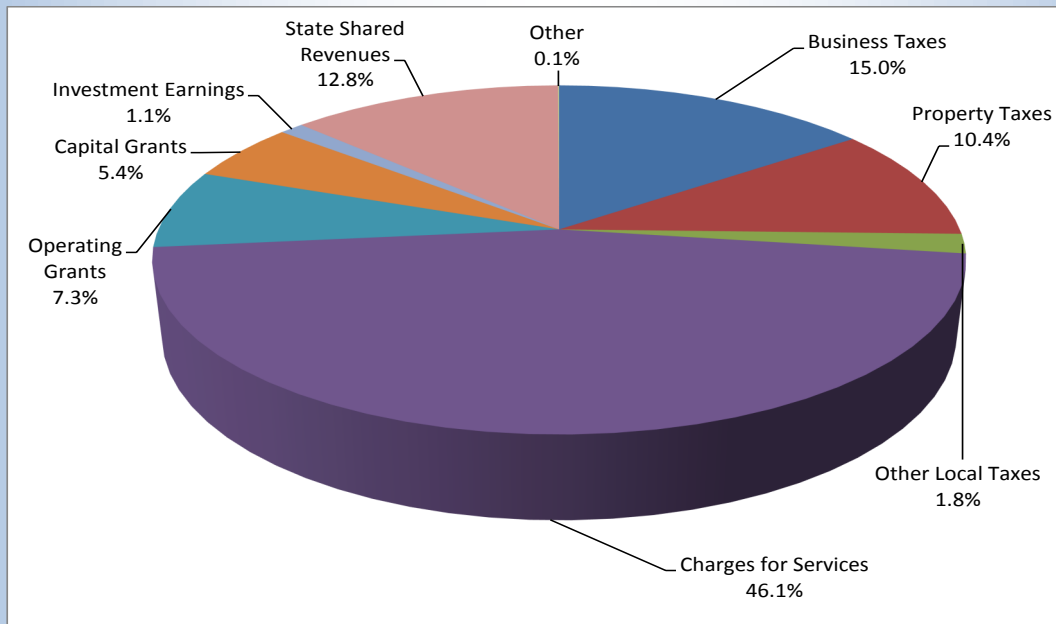


Financial Statements

Within the CAFR, the City presents two different types of statements:

1. The **government-wide statements** are designed to provide readers with a broad overview of the City's finances. These statements include the Statement of Net Position and the Statement of Activities. 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. The business-type activities of the City include: water, wastewater, refuse, airport and aquatic center.
2. The **fund statements** which provide a broad perspective of individual funds.

Where the Money Comes From...



Local Sales Taxes

In 2013, sales tax collections totaled \$14,157,677; a slight decline from the \$14,400,439 in 2012. The top five industry sales tax generators for the City are retail, utilities/telecommunications, rental/leasing properties, construction, and food service.

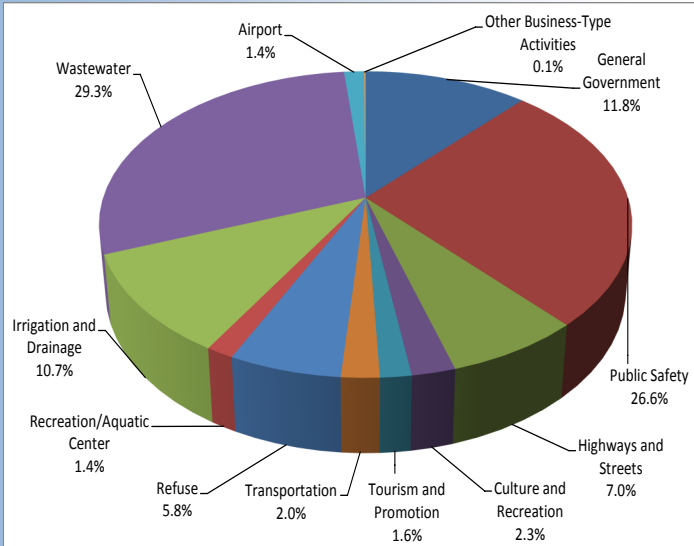
Property Taxes

The City opted to hold the prior year primary tax levy of \$4.1 million, resulting in a rate of \$0.7264 per \$100 of assessed value. The levy adopted for Fiscal Year 2013 reflects an increase in the tax rate for new construction only. A rate of \$0.7332 per \$100 of assessed value results in a levy amount of approximately \$4.1 million.



Revenues by Source	2013 (in 000's)	2012 (in 000's)
Business Taxes	\$ 14,158	\$ 14,400
Property Taxes	9,869	9,854
Other Local Taxes	1,706	1,684
Charges for Services	43,627	42,458
Operating Grants	6,890	6,611
Capital Grants	5,089	4,686
Investment Earnings	1,070	176
State Shared Revenues	12,088	10,989
Other	48	119
Total Revenues by Source	\$ 94,545	\$ 90,977

Where the Money Goes...



Expenses by Source	2013 (in 000's)	2012 (in 000's)
General Government	\$ 10,854	\$ 8,477
Public Safety	24,589	21,687
Highways and Streets	6,489	6,233
Culture and Recreation	2,084	4,074
Tourism and Promotion	1,485	1,497
Transportation	1,819	1,879
Refuse	5,369	5,410
Recreation/Aquatic Center	1,329	1,246
Irrigation and Drainage	9,841	10,044
Wastewater	27,050	25,794
Airport	1,332	1,365
Other Business-Type Activities	92	99
Total Expenses by Source	\$ 92,333	\$ 87,805

Community Services

General Government



Public Safety

Community Investment

Operations

Community Services reflects expenditures related to services that enhance the culture of the community including: recreational activities, and planning and zoning.

General Government includes expenditures for administrative services including: City Council, Human Resources, City Clerk, Administrative Services, Information Technology, and maintenance of government facilities.

Public Safety reflects expenditures associated with providing police and fire protection.

Operations reflects expenditures associated with services such as water, wastewater, airport and refuse, and includes maintenance of parks and streets.

Community Investment is a ten-year plan identifying capital projects to be funded during the planning period.



A beautiful sunny day in Rotary Park!

Capital Projects

During fiscal year 2012-13 the City completed the final adjustments and closeout of the sewer expansion project, which voters approved in November of 2001 and has been ongoing since the start of the project in 2002.

The City continues with major water infrastructure projects that are funded with financing secured through the Water Infrastructure Financing Authority (WIFA). The original loan from WIFA for the water projects was for \$5.7 million. The second loan from WIFA was for \$11.4 million with \$8.2 million forgivable principal as a pass-through grant from the federal government.



Capital Assets (net of accumulated depreciation)	2013 (in 000's)	2012 (in 000's)
Land	\$ 30,043	\$ 30,043
Improvements to land	9,619	10,048
Buildings	42,493	40,855
Improvements other than buildings	373,221	381,634
Infrastructure	33,119	33,240
Water Allocation	8,357	8,417
Machinery, equipment and vehicles	4,489	5,223
Construction in progress	5,367	5,430
Total Capital Assests	\$ 506,708	\$ 514,890



Pictured Above and Below: Sewer Project Highlights



Net Position

Assets:

Current and other assets are economic resources held with the expectation of sale, conversion to cash or use within the near future, usually twelve months.

Capital assets are the City's investments in land, building, equipment, improvements and infrastructure. These assets are long-term in nature and therefore not available for future spending.

Liabilities:

Long-term liabilities outstanding are mainly debt obligations incurred by the City to finance major projects or large purchases.

Net Position:

Net investment in capital assets represents the City's investment in capital assets less any related outstanding debt used to acquire those assets.



Balloon Fest over the London Bridge

	2013 (in 000's)	2012 (in 000's)
Net Position		
Assets		
Current & Other Assets	\$ 151,516	\$ 148,573
Capital Assets	506,709	549,905
Total Assets	\$ 658,225	\$ 698,478
Liabilities		
Current Liabilities	\$ 11,854	\$ 11,599
Long-term Liabilities	316,641	324,345
Total Liabilities	\$ 328,495	\$ 335,944
Net Position		
Invested in Capital Assets	\$ 199,804	\$ 233,390
Restricted	8,485	8,224
Unrestricted	121,441	120,920
Total Net Position	\$ 329,730	\$ 362,534



Fountain in the English Village



Outdoor Dining

Governmental Fund Highlights

Most City functions are financed through what are called governmental funds. The City has four types of governmental funds: the General Fund, Capital Projects Funds, Debt Service Fund, and Special Revenue Funds.

General Fund

The General Fund is the primary operating fund of the City. It exists to account for the resources devoted to finance the services traditionally associated with local government. Included in these services are police and fire protection, culture and recreation, community services, general City administration and any other activity for which a special fund has not been created.

Capital Projects Funds

Capital Projects Funds are used to account for and report financial resources that are restricted, committed,

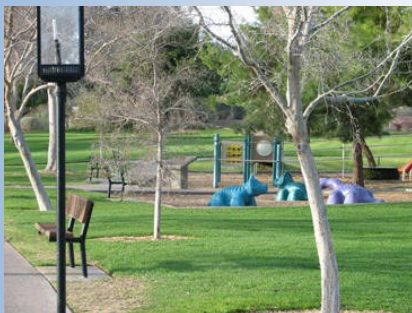
or assigned to expenditures for capital outlay including the acquisition or replacement of capital assets and activities such as land, buildings, streets, and equipment.

Debt Service Fund

A fund established to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

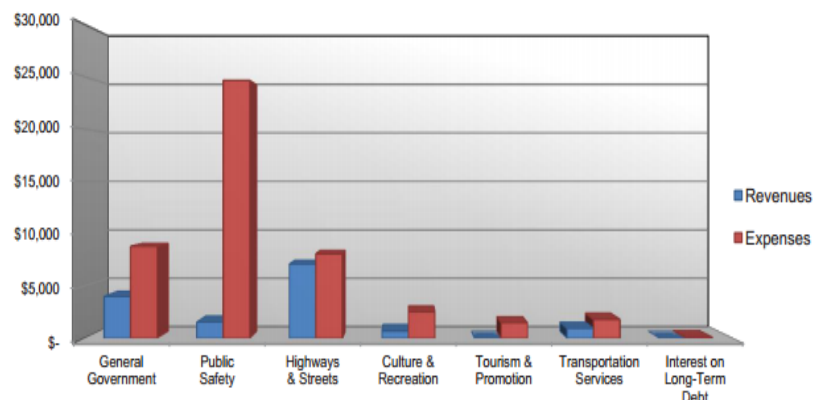


Rotary Park



London Bridge Beach

**Lake Havasu City, Arizona
Program Revenues and Expenses
Governmental Activities
Fiscal Year 2012-13
(in thousands of dollars)**



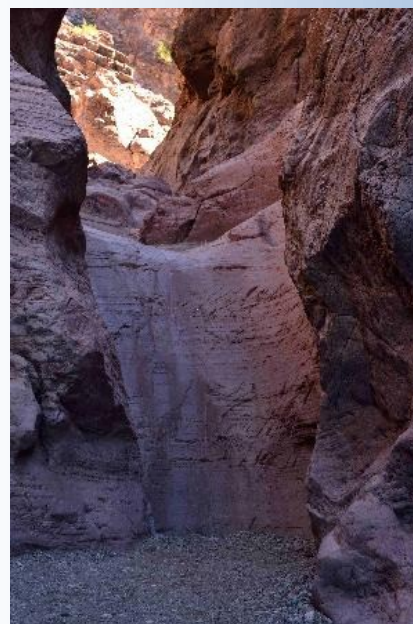
Cash and Investments

The primary objective of the City's cash and investment strategy is the safety of investments, including preservation and protection of principal. All investments held in 2013 conformed to the City's adopted Investment Policy.

As of June 30, 2013, Lake Havasu City's fair market value of its pooled cash and investments totaled \$116,260,386. Fiscal year 2012-13 investment earnings totaled \$1,070,130 which was a \$894,776 increase over prior year earnings.

Bonded Debt

At the end of fiscal year 2012-13, the City had total bonded debt outstanding of \$303.3 million (net of related premium), a decrease of \$10.2 million (3.2 percent). At the end of fiscal year 2011-12 the bonded debt totaled \$313.5 million.



Outstanding Obligations	2013 (in 000's)	2012 (in 000's)
General Obligation Bonds	\$ 105	\$ 115
GADA Loan	2,090	2,235
GADA Loan (net of related premium) G/O Loan	60,166	60,261
LHC WIFA 2002 Jr. Lien Revenue, G/O Loan	5,307	5,752
LHC WIFA 2002 Sr. Lien Revenue	5,307	5,752
LHC WIFA 2004 Sr. Lien Revenue	4,142	4,423
LHC WIFA 2004A Jr. Construction, G/O Loan	26,215	27,265
LHC WIFA 2004A Sr. Construction	12,443	13,279
LHC WIFA 2006 Jr. Construction, G/O Loan	42,095	44,550
LHC WIFA 2006 Sr. Construction	9,735	10,300
LHC WIFA 2007 Drinking Water	4,620	4,851
LHC WIFA 2007 Sr. Construction	47,941	49,185
LHC WIFA 2008 Jr. Construction, G/O Loan	27,356	27,973
LHC WIFA 2009 Sr. Construction	2,714	2,777
LHC WIFA 2009A Sr. Construction	53,341	54,877
LHC WIFA 2010 Sr. Drinking Water (1)	(249)	(123)
Total Bonds Payable	303,328	313,472
Capital Leases	4,582	3,042
Compensated Absences	2,584	2,505
Other Postemployment Benefits	3,426	2,718
Landfill Closure and Post- Closure Costs	2,721	2,608
Total Long-Term Liabilities	\$ 316,641	\$ 324,345

(1) The WIFA 2010 Sr. Drinking Water loan is for \$11.4 million with forgivable principal of \$8.2 million from a pass through ARRA federal grant. The net obligations to the City is \$3.2 million. Principal payments are now due in accordance with the WIFA loan documents of the debt obligation of 3.2 million. The City has not received the full \$8.2 million from the ARRA grant causing negative balance owed on this WIFA loan as of June 30, 2013.



LAKE HAVASU CITY

www.lhcaz.gov

Popular Annual Financial Report 2013