



Lake Havasu City, Arizona

# Popular Annual Financial Report

Fiscal Year Ending June 30, 2014



# 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



*Lake Havasu City Hall*



*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, 2014. For any questions related to this report, please review our CAFR online at [www.lhcaz.gov](http://www.lhcaz.gov).



# Message from the City Manager

Dear Citizens:

It is our pleasure to present to you the second edition of the City's *Popular Annual Financial Report*. This report provides an overview of the City's financial results for the last fiscal year in an easy-to-understand format so Lake Havasu City citizens can better understand where their tax dollars go and what was accomplished with those tax dollars. This quality report is a product of the skilled staff of the City's Administrative Services Department.

As the City's economy continues to improve, we are pleased to report that even while facing the ongoing challenges of a recovering economy, the economic base of the City remains strong. Under the leadership and oversight of our City Council, the City's Executive Team remains committed to prudent management of the City's operations and assets through continuous evaluation of service delivery efficiencies and improvement of work flows.

We are proud to provide transparent and outstanding local government and we look forward to sharing the proof with our fellow citizens through documents such as this.

Thank you for your interest in Lake Havasu City and for being a part of this fine community.

## 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](mailto:blakeys@lhcaz.gov), by phone at 928-453-4147, or by mail at Administrative Services, 2330 McCulloch Blvd N., Lake Havasu City, AZ 86403.

<i>City Council Mail to:</i>	<i>City Manager Mail to:</i>
<i>Lake Havasu City Municipal Offices</i>	<i>City Manager's Office</i>
<i>2330 McCulloch Blvd N.</i>	<i>2330 McCulloch Blvd N.</i>
<i>Lake Havasu City, AZ 86403</i>	<i>Lake Havasu City, AZ 86403</i>



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

(Center): Mayor Mark Nexsen



*Run to the Sun event in Lake Havasu.*

The **Popular Annual Financial Report (PAFR)** is a summary of the financial activities of the City’s funds as reported in the 2014 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](http://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.

**2014 Quick Facts about Lake Havasu**

Population.....	52,908
Median Age.....	51
Unemployment Rate.....	9.4%
Sales and Use Tax.....	2.0 %

**2014 Major Industries of Employment**

Educational and Health Services, Service Providers, and Trades

**2014 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

- ◆ The 36th Annual Run to the Sun event was held in October, 2013 with 800 entries; many coming from all over the U.S. to showcase their vehicles.
- ◆ The 42nd Annual London Bridge Days parade was held in October, 2013 with over 20,000 people in attendance.
- ◆ The 25th Annual Western Pyrotechnic Association was held in February, 2014 and completely sold out. All lodging was also sold out as it is one of the biggest events in town. This is the City's largest revenue generating event.
- ◆ The 16th Annual Desert Storm Boat race was held in April, 2014 with over 5,000 people in attendance.
- ◆ Tractor Supply Co.– A large retail chain store that offers a number of products for home improvement, agriculture, lawn and garden maintenance, and livestock, equine and pet care, opened in June, 2014.



*London Bridge Days Parade*



*Western Pyrotechnic Association Firework Display.*



*Lake Havasu City Balloon Fest*

## Operating Indicators and Statistics

### Planning and Development Services

Single Family Housing Permits.....	243
Commercial Addition Permits.....	73
Commercial Building Permits.....	5

### Airport

Based Aircraft.....	120
Operations.....	40,000
Fuel Flowage.....	302,690

### Transit

Total Ridership.....	87,884
Miles Driven.....	257,190

\* Additional performance measures are available in the FY 2014 and 2015 Biennial Budget Document and FY 2013-14 Comprehensive Annual Financial Report.

# Community Information



Fire Protection	
Number of Stations	6
Number of Authorized Positions	76
Avg. Response Time (mins)	6:16
Number of Emergency Responses	7,811
Fire Inspections	1,280

Police Protection	
Number of Positions (Sworn)	77
Number of Positions (Civilian)	38
Avg. Response Time-Priority 1 (mins)	6:39
Number of Reports Issued	7,126
Number of Incidents Handled	54,843



# Community Contact Information

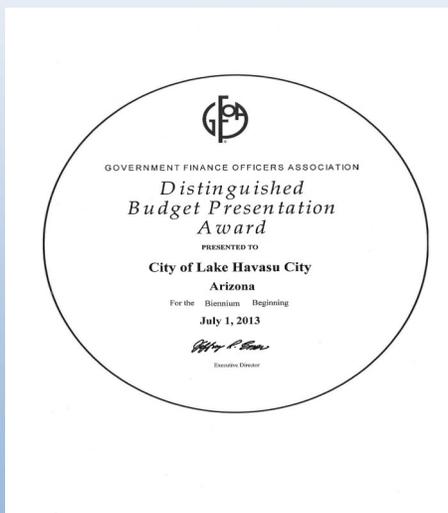
City Clerk	453-2687	Hospital	855-1141
Non-Emergency Police	855-4111	Municipal Court	453-0705
Non-Emergency Fire	855-1141	Justice Court	453-0701
Western Arizona Humane Society	855-7479	Aquatics & Recreation	453-8686
City Council	453-4140	Community Services	453-6660
Mohave County Library	453-0718	Business 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 overview of the London Bridge Resort and Bridge.*

## 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, 2013 from the Government Finance Officers Association of the United States and Canada.
- ◆ Received the Distinguished Budget Presentation Award for the two fiscal years beginning July 1, 2013 from the Government Finance Officers Association of the United States and Canada.

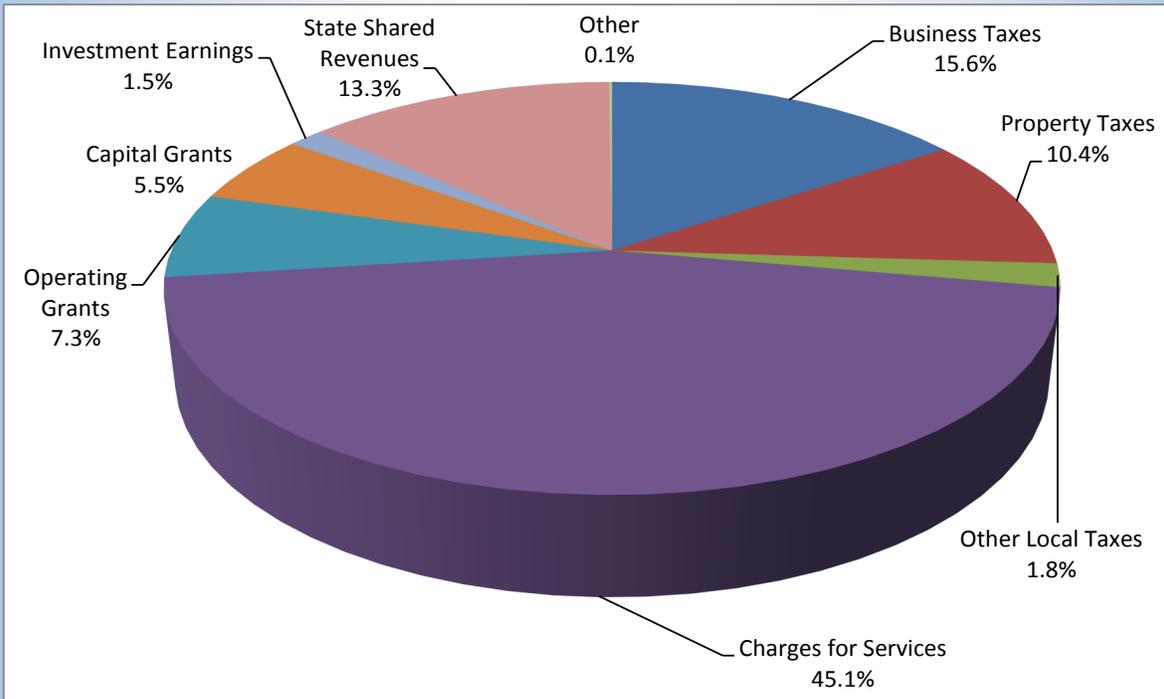


## Financial Statements

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 2014, sales tax collections totaled \$15,185,171; an increase from the \$14,157,677 in 2013. The top five industry sales tax generators for the City are retail, utilities/telecommunications, rental/leasing properties, construction, and food service.

## Property Taxes

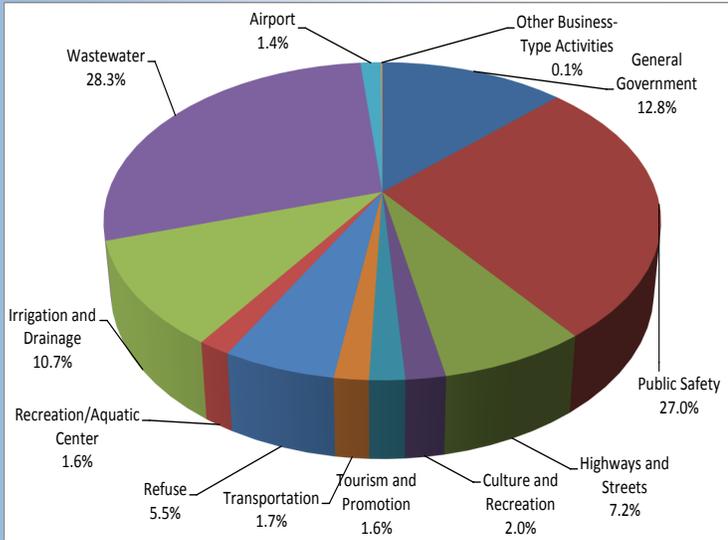
The levy adopted for Fiscal Year 2013-14 reflected a rate of \$0.7381 per \$100 of assessed value which results in an increase over the prior fiscal year in which the assessment was \$0.7332.



Every time you shop in Lake Havasu City, 2 cents of every dollar goes to keep our City running. When you spend your dollars elsewhere, your money pays for someone else's services.

Revenues by Source	2014 (in 000's)	2013 (in 000's)
Business Taxes	\$ 15,185	\$ 14,158
Property Taxes	10,185	9,869
Other Local Taxes	1,796	1,706
Charges for Services	43,942	43,627
Operating Grants	6,531	6,890
Capital Grants	5,367	5,089
Investment Earnings	1,477	1,070
State Shared Revenues	12,934	12,088
Other	115	48
<b>Total Revenues by Source</b>	<b>\$ 97,532</b>	<b>\$ 94,545</b>

# Where the Money Goes...



Expenses by Source	2014 (in 000's)	2013 (in 000's)
General Government	\$ 12,152	\$ 10,854
Public Safety	25,671	24,589
Highways and Streets	6,845	6,489
Culture and Recreation	1,860	2,084
Tourism and Promotion	1,652	1,485
Transportation	1,603	1,819
Refuse	5,267	5,369
Recreation/Aquatic Center	1,519	1,329
Irrigation and Drainage	10,174	9,846
Wastewater	26,965	27,267
Airport	1,358	1,332
Other Business-Type Activities	85	92
<b>Total Expenses by Source</b>	<b>\$ 95,151</b>	<b>\$ 92,555</b>

## 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.



# Capital Projects



- 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.
- The addition of Tinnell Memorial Skate in Rotary Community Park recognizing Lake Havasu City’s first fallen soldier in Iraq. Expenditures totaled \$1.1 million against a budget of \$1.1 million. The project was completed in October 2013.
- The Rotary Community Park Expansion consisted of improvements to accommodate park growth and the new Tinnell Memorial Skate Park. Improvements include additional parking and lighting to the southern portion of Rotary Park, a secondary roadway entrance/exit, sanding of the beach, construction of a new entrance, sign, and wall/fence replacement. Expenditures totaled \$1.3 million against a budget of \$1.4 million. The project was completed in October 2013.
- The Fire Department purchased four new pumper trucks and one quint ladder truck in 2013-14. Expenditures totaled \$2.5 million against a budget of \$2.5 million.
- The Booster Station 4 Replacement & Additional Storage project consists of a tank replacement, temporary relocation of the upgraded Foot Hills Estates Booster Station, new piping, controls and site improvements to allow for Phase 2-Future Booster Station Replacement. Expenditures to date total \$1.5 million against a project budget of \$2.3 million. The project is anticipated to be completed in fiscal year 2014-15
- The Booster Station 5A Replacement & Additional Storage project consists of construction to increase storage with a new tank, new piping and site improvements to allow for Phase 2-Future Booster Station and transmission main construction. Expenditures to date total \$589,000 against a project budget of \$2.3 million. The project is anticipated to be completed in fiscal year 2014-15.
- The McCulloch & El Dorado Transmission Mains project consisted of a 20 inch water main constructed from the intersection of McCulloch Blvd & Swordfish Drive up to Booster Station 4 for the purpose of providing a dedicated transmission main to the booster station. A 12 inch transmission main was constructed along McCulloch, Jamaica, Hiawatha and Opossum. Expenditures totaled \$405,341 against a budget of \$405,341. The project was completed in October of 2013.

Capital Assets (net of accumulated depreciation)	2014 (in 000's)	2013 (in 000's)
Land	\$ 30,043	\$ 30,043
Improvements to land	11,969	9,619
Buildings	41,363	42,493
Improvements other than buildings	364,303	373,221
Infrastructure	33,427	33,119
Water Allocation	8,298	8,357
Machinery, equipment and vehicles	7,064	4,489
Construction in progress	5,370	5,368
<b>Total Capital Assets</b>	<b>\$ 501,837</b>	<b>\$ 506,709</b>



London Bridge Beach. Photo Courtesy of Jody Diehl.



Patrick Tinnell Memorial Skate Park.



A view of the Desert Storm Boat Race.

## 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.

	2014 (in 000's)	2013 (in 000's)
<b>Net Position</b>		
<b>Assets</b>		
Current & Other Assets	\$ 148,145	\$ 147,232
Capital Assets	501,837	506,709
<b>Total Assets</b>	<b>\$ 649,982</b>	<b>\$ 653,941</b>
<b>Liabilities</b>		
Current Liabilities	\$ 10,219	\$ 11,854
Long-term Liabilities	311,936	316,641
<b>Total Liabilities</b>	<b>\$ 322,155</b>	<b>\$ 328,495</b>
<b>Net Position</b>		
Invested in Capital Assets	\$ 200,686	\$ 199,804
Restricted	8,972	8,486
Unrestricted	118,169	117,156
<b>Total Net Position</b>	<b>\$ 327,827</b>	<b>\$ 325,446</b>



The London Bridge



A view from the center of town.

# 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

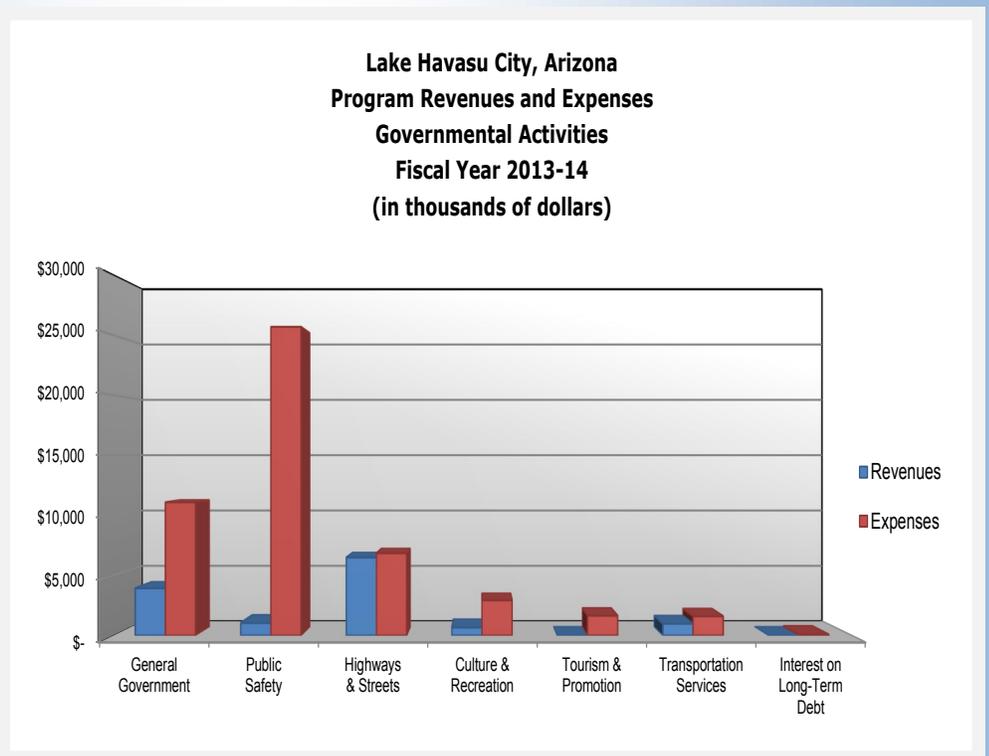
Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.



*Light house on the island*



*London Bridge Beach*



## 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 2014 conformed to the City's adopted Investment Policy.

As of June 30, 2014, Lake Havasu City's fair market value of its pooled cash and investments totaled \$119,211,007. Fiscal year 2013-14 investment earnings totaled \$1,477,271 which was a \$407,141 increase over prior year earnings.

## Bonded Debt

At the end of fiscal year 2013-14, the City had total bonded debt outstanding of \$292.4 million (net of related premium), a decrease of \$10.9 million (3.6 percent). At the end of fiscal year 2012-13 the bonded debt totaled \$303.3 million.



<b>Outstanding Obligations</b>	<b>2014 (in 000's)</b>	<b>2013 (in 000's)</b>
General Obligations Bonds	\$ 95	\$ 105
GADA Loan	1,940	2,090
GADA Loan (net of related premium) G/O Loan	58,070	60,166
LHC WIFA 2002 Jr. Lien Revenue, G/O Loan	4,847	5,307
LHC WIFA 2002 Sr. Lien Revenue	4,847	5,307
LHC WIFA 2004 Sr. Lien Revenue	3,852	4,142
LHC WIFA 2004A Jr. Construction, G/O Loan	25,140	26,215
LHC WIFA 2004A Sr. Construction	11,579	12,443
LHC WIFA 2006 Jr. Construction, G/O Loan	39,575	42,095
LHC WIFA 2006 Sr. Construction	9,155	9,735
LHC WIFA 2007 Drinking Water	4,380	4,620
LHC WIFA 2007 Sr. Construction	46,658	47,941
LHC WIFA 2008 Jr. Construction, G/O Loan	26,717	27,356
LHC WIFA 2009 Sr. Construction	2,650	2,714
LHC WIFA 2009A Sr. Construction	53,178	53,341
LHC WIFA 2010 Sr. Drinking Water (1)	(213)	(249)
<b>Total Bonds Payable</b>	<b>\$ 292,470</b>	<b>\$ 303,328</b>
Capital Leases	7,614	4,582
Compensated Absences	2,875	2,584
Other Postemployment Benefits	4,137	3,426
Landfill Closure and Post-Closure Costs	2,839	2,721
<b>Total Long-Term Liabilities</b>	<b>\$ 309,935</b>	<b>\$ 316,641</b>

(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, 2014.



LAKE HAVASU CITY

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

## Popular Annual Financial Report 2014