



Lake Havasu City, AZ

POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

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Report Overview

The Popular Annual Financial Report (PAFR) is a summary of the financial activities of the City's funds as reported in the 2019 Comprehensive Annual Financial Report (CAFR). The CAFR is an audited document and is prepared in conformance with Generally Accepted Accounting Principles (GAAP). To conform to 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. Complete financial information can be found at www.lhcaz.gov/budget-and-finance.

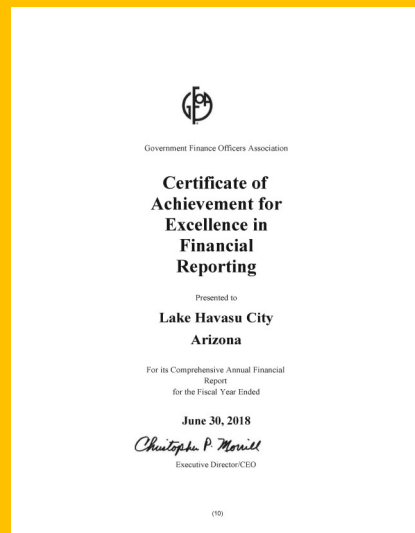
About the Theme

The theme of the Fiscal Year 2019 Lake Havasu City Popular Annual Financial Report focuses on the importance of community involvement. Please refer to the Spotlight article featuring Lake Havasu City's leaders and employees getting involved with the community on page 15 for more information.

GFOA Award

Awarded the Certificate of Achievement for Excellence in Financial Reporting for the CAFR for fiscal year ended June 30, 2018 from the Government Finance Officers Association of the United States and Canada (GFOA).

The City has received this award for its CAFR since 1986.





Lake Havasu City Council 2019

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.

Pictured from left to right:

Jeni Coke | Councilmember | Term Expires November 2022

Jim Dolan | Councilmember | Term Expires November 2022

Donna McCoy | Councilmember | Term Expires November 2020

Cal Sheehy | Mayor | Term Expires November 2022

Michele Lin | Councilmember | Term Expires November 2022

Gordon Groat | Councilmember | Term Expires November 2020

David Lane | Vice Mayor | Term Expires November 2020



Administrative Services

Dear Readers:

The publishing of this Popular Annual Financial Report (PAFR) is important because one of the department's goals is to be accountable and transparent to our citizens. We want you to understand how the City spends your taxes and fees and what services you receive. Some of the City's services are transparent to you each day. If you visit the City's Aquatic Center to swim, take your children to the playground at Cypress Park, or play pickle ball at Dick Samp Park, you see the City's amenities.

We are so fortunate to live in a City that values community and puts an emphasis on enriching the quality of life for our residents and visitors. Throughout the year, the City focus on cultivating a tight-knit community through community involvement. Giving back to our community is our way of saying thank you .

As a City government, we also have a duty to provide our citizens financial information in a condensed, user-friendly format. This 20-page PAFR highlights and summarizes financial information derived in large part from the City's 2019 Comprehensive Annual Financial Report (CAFR). That 157-page document is audited by an independent Certified Public Accounting firm each year. The City's 2019 CAFR received an unmodified or "clean" opinion – the most favorable result available.

Thank you for your support and continued engagement in the community.

Sincerely,

Jill Olsen | Administrative Services Director



From the *City Manager*

Dear Citizens:

Lake Havasu City was founded with a focus on recreation, quality of life, and tourism. With direction from the citizens and the City Council, the City provides vital services that meet fundamental needs, such as clean water, sewer services, quality roads, and public safety, but we also place emphasis on providing high quality recreational programs for our residents and visitors.

On pages 15 to 17 of this year's report, we highlight the importance of community involvement. We are proud of our community and strive to get involved in anyway possible to ensure that Lake Havasu City is the best it can be. Community involvement fosters lasting relationships with citizens and promotes growth opportunities to all stakeholders.

Citizens decide at what level City services are funded, including public safety, roads, water and sewer, and community recreation programs. We will continue to listen to our residents and do our best to meet the needs of the community.

It is an honor to serve you and our community.

Jess Knudson | City Manager

Layout of the CAFR



The **Introductory Section** provides background and context to the CAFR not included in the scope of the audit. It provides general information on the government's structure, services and environment.

The **Financial Section** provides information regarding the financial condition of the City through the presentation of financial statements and schedules, note disclosures, and narratives. All statements conform to generally accepted accounting principles.

The **Statistical Section** provides interesting historical, financial, economic and demographic information. This section contains trend and nonfinancial data.





Everyone's Household

The City applies the same financial fundamentals to the management of the City's finances that apply to individual households. Lake Havasu City is the level of government that touches your daily lives the most, including providing police and fire protection, paving roads, ensuring high quality utilities such as water and sanitary sewer services, maintaining parks and other recreational facilities, providing recreation and cultural activities, and a variety of other traditional support services. Highlighted below are some of the ways the City's financial management practices ensure a strong financial position.

BUDGET AND PLANNING

The Annual Budget serves as the foundation of the City's financial planning and control. Much like the average citizen, the City uses a balanced budget to ensure that it maintains a healthy financial position. The City Council is required to hold public hearings on the Proposed Budget and the tax levy in order to provide taxpayers an opportunity for comment. A Tentative Budget must be adopted by the City Council by the third Monday in July, but the City makes every effort to have the final budget adopted prior to the start of the new fiscal year.

FINANCIAL STANDARDS

Comparable to a household's needs to borrow for a house or automobile, the City may use debt in order to fund its Capital Improvement Plan to provide necessary infrastructure impacting citizen's daily lives, such as water and wastewater facilities and equipment. The City seeks consistently to maintain a strong financial position as evidenced by its AA-/Aa3 credit ratings from Standard & Poor's Rating Group and Moody's Investors Services.

SAVING AND INVESTING FOR THE FUTURE

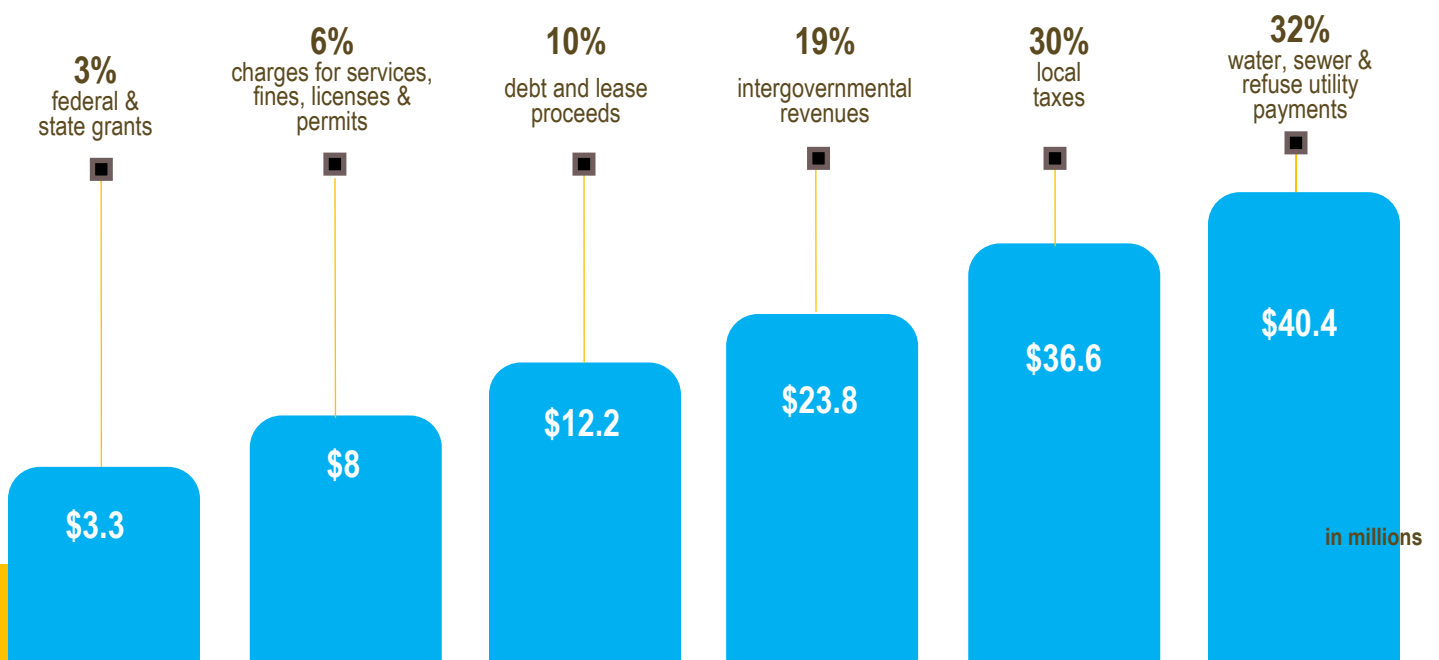
Similar to your personal budget, ensuring savings for the future is an important aspect of our financial stewardship. As a part of the City's efforts to provide sustainable services that improve the Community and create a sustainable government, the City maintains a "savings" in its General Fund of 25% of the average actual General Fund revenues for the preceding five fiscal years.

The City's largest budgeted revenue sources are the service fees for the City provided utilities—Water, Sewer and Refuse (trash service). The City's utility rates support the costs of providing the services and are collected from those who use and benefit from the services. Local taxes are the City's second largest category of revenue and consist of local sales taxes, property taxes and franchise fees. These taxes predominately fund basic government services such as Public Safety, Public Works, Recreation and Aquatics programs and General Government.

Intergovernmental revenues is a state-shared revenue program which distributes funds to Arizona municipalities from: vehicle license tax, state sales tax, state income tax, and highway user revenues. Charges for services, fines, licenses and permits include the fees collected for Recreation and Aquatic programs, permits and business license fees, fines and other charges. Federal and state grants support transportation planning, transportation projects, housing rehabilitation, aviation, and supplemental public safety needs.

FISCAL YEAR 2019 (FY19) ADOPTED BUDGET

FY19 City-wide Adopted Operating and Capital budgets total \$144.6 Million. The categories shown highlight the sources (revenues) and uses (expenditures) as a percentage of the total for ease of understanding.



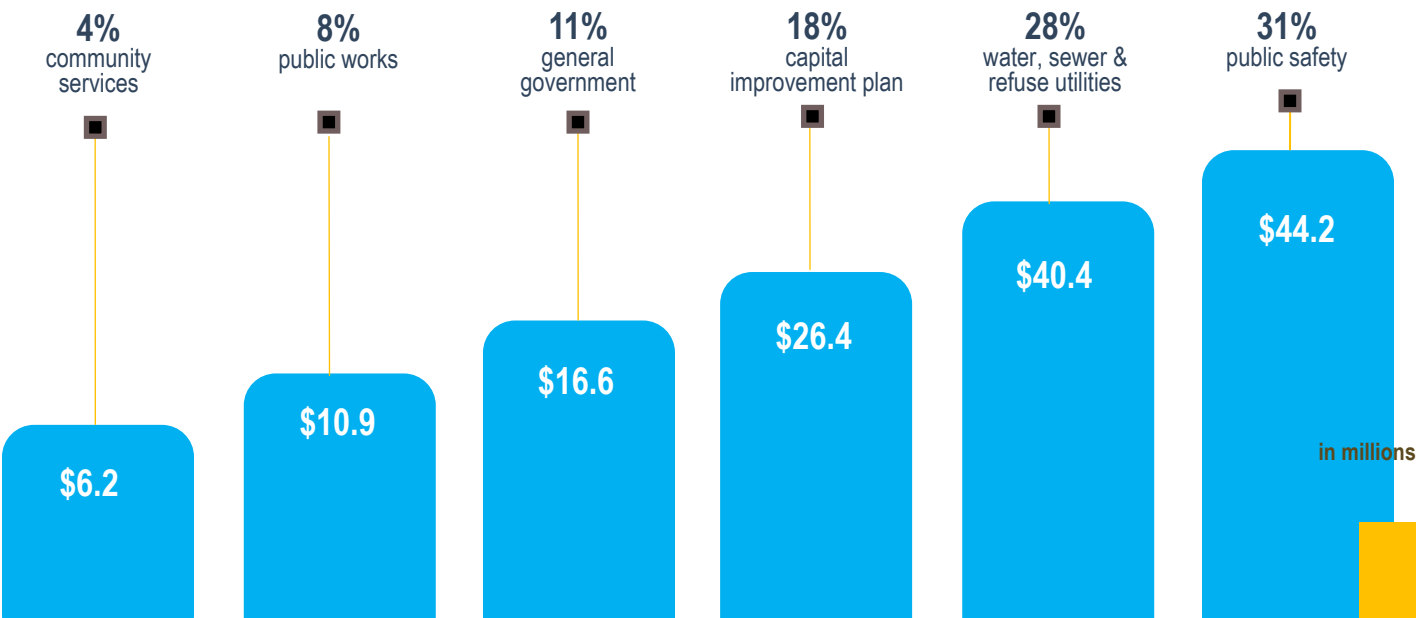
Uses City Funds

Public Safety is the City’s largest budgeted item. Public Safety consists of Fire, Police, Jail and 911 Emergency Communications. The second largest budgeted item is the City’s essential utility services, which include potable drinking water, sanitary sewers, residential trash and landfill services. These services protect the environment and health of our community. The third largest budgeted item is the 5-year Capital Improvement Plan (CIP).

General Government includes the administrative functions of the City such as Human Resources, Finance, Municipal Court, Accounting, Budget, Utility Billing, Information Technology (IT), City Manager’s Office, City Clerk and City Attorney’s Office. Public Works includes transportation, streets and City-wide maintenance services, including the vehicle maintenance and facility maintenance programs. Community Services include recreation programs, building and planning services, housing rehabilitation and economic development.

BUDGET PRIORITIES FOR FY19:

- 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
- Good Governance



Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges for support. The governmental activities of the City include General Government (Public Works, Municipal Court, Engineering, Building and Planning, and the City Administrative Departments), Public Safety (Police and Fire), Highways and Streets, Culture and Recreation, Tourism and Promotion, and Transportation services.

Balance Sheet

Amounts in thousands	FY19	FY18 (restated)	Change
Total Assets	\$ 177,358	\$ 172,113	\$ 5,245
Total Liabilities	(118,262)	(127,058)	8,796
Total Net Position	\$ 59,096	\$ 45,055	\$ 14,041

A **balance sheet** provides a snapshot of what the City owns (assets) and owes (liabilities). **Net position** represents the City's investment in the assets it uses in providing services to its citizens.

The largest portion of the City's net position is its investment in capital assets, (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire the assets. The assets are used to provide services to citizens, thus, are not available for future spending. Over time, changes in net position may serve as a useful indicator of whether the financial position of the City is improving or declining. The decrease in Liabilities is due primarily to the repayment of the excise tax revenue bonds which decreased liabilities by \$7.5 million.

Income Statement

Amounts in thousands	FY19	FY18	Change
Revenues	\$ 62,615	\$ 58,200	\$ 4,415
Expenditures	(59,197)	(61,246)	2,049
Transfers In/Out	8,551	1,712	6,839
Restatements	-	-	-
Changes in Net Position	\$ 11,969	\$ (1,334)	\$ 13,303

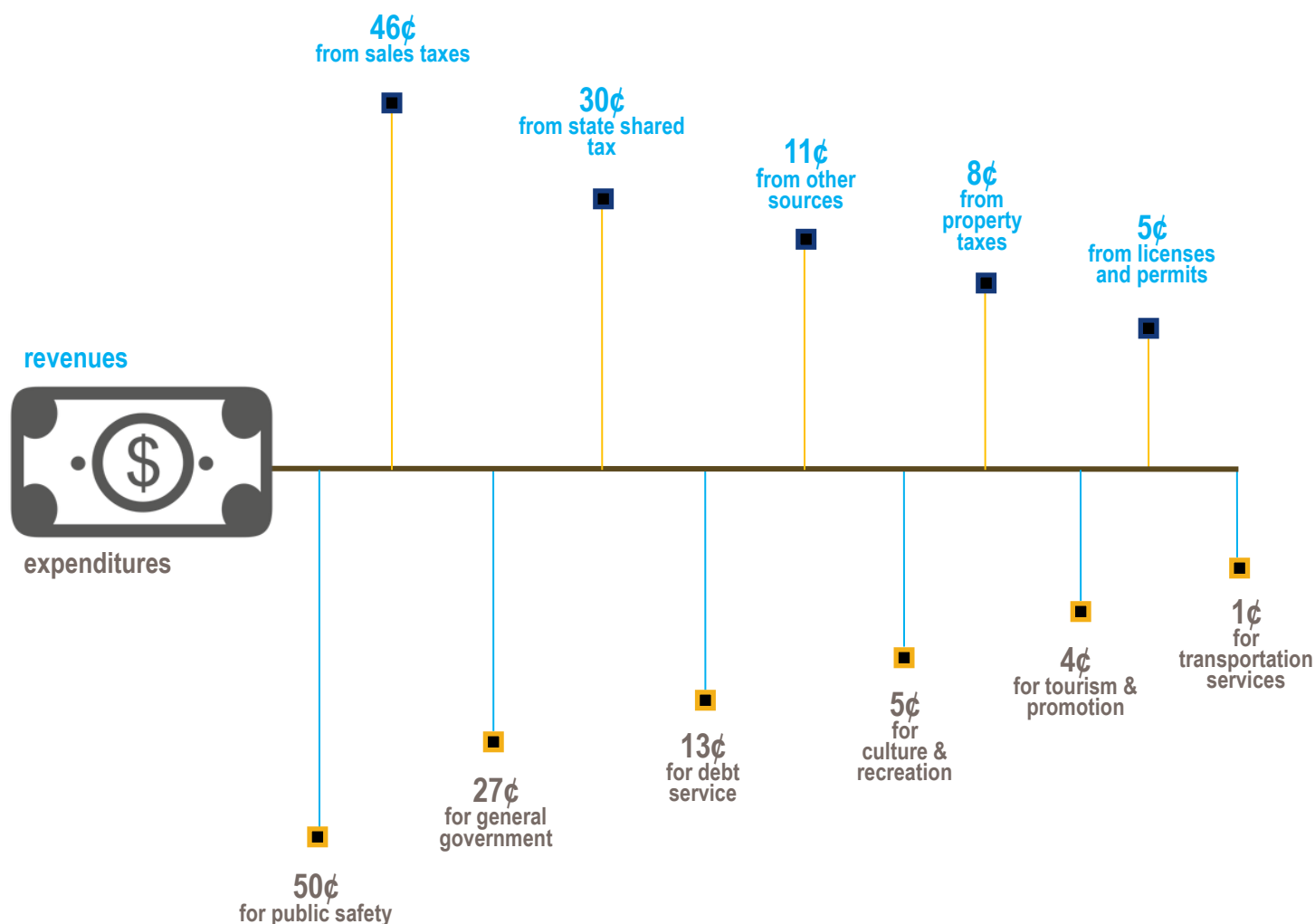
An **income statement** provides a summary of amounts received (revenues) and amounts spent (expenditures). The difference between revenues and expenditures shows the City's **change in net position**. A positive change in net position indicates the City had enough revenues to cover its obligations and has the ability to save for the future.

Business tax revenue, which is the single largest source of general government revenue, includes sales and use taxes. Business tax revenue increased 9% over FY18 and is attributed to an improving economy and tourism. Public Safety, which is comprised of the Police and Fire Departments, is the largest governmental expense function. In total, Public Safety expenses decreased 4.4% from the previous fiscal year due to adjustments in accounting for pension costs, and FY17 reflected a one-time payment of \$3.4 million.

FY 19

General Fund Results

The General Fund is the chief operating fund of the City. Sales Taxes and State Shared Taxes are the two largest sources of revenue totaling 76 cents of every dollar received. State Shared Taxes is a state-shared revenue program which distributes funds to Arizona municipalities from four different state revenue sources: vehicle license tax, state sales tax, state income tax, and highway user revenues (accounted for in a Special Revenue Fund). Revenues from Other Sources include Franchise Fees, Fines, Charges for Services, Investment Earnings, and Contributions. Public Safety and General Government are the largest areas of General Fund spending at 77 cents per dollar, combined. Public Safety is comprised of the Police and Fire Departments, and General Government includes Public Works, Court, Community Investment, and Administrative Departments.



FY 19

Enterprise Results

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. 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. Wastewater is the largest of Lake Havasu's business-type activities, followed by Water (IDD).

Balance Sheet

Amounts in thousands	FY19	FY18 (restated)	Change
Total Assets	\$ 463,821	\$ 472,907	\$ (9,086)
Total Liabilities	(255,322)	(263,152)	7,830
Total Net Position	\$ 208,499	\$ 209,755	\$ (1,256)

A **balance sheet** provides a snapshot of what the City owns (assets) and owes (liabilities). **Net position** represents the City's investment in the assets it uses in providing services to its citizens.

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. Net position may serve, over time, as a useful indicator of a government's financial position. The decrease in business-type activities is primarily from repayment of long-term debt in the amount of \$5.7 million.

Income Statement

Amounts in thousands	FY19	FY18	Change
Revenues	\$ 53,054	\$ 50,760	\$ 2,294
Expenditures	(45,760)	(44,949)	(811)
Transfers In/Out	(8,551)	(1,712)	(6,839)
Restatements	-	-	-
Changes in Net Position	\$ (1,257)	\$ 4,099	\$ (5,356)

An **income statement** provides a summary of amounts received (revenues) and amounts spent (expenditures). The difference between revenues and expenditures shows the City's **change in net position**. A positive change in net position indicates the City had enough revenues to cover its obligations and has the ability to save for the future.

The total revenue for business-type activities increased by \$2.2 million over the previous fiscal year. A majority of the revenue increase was from investment earnings and wastewater fees, fines, and charges for service. Wastewater fees are based on annual winter quarter averaging to calculate sewer charges. Total expenses for business-type activities increased by \$811,000 over the previous fiscal year. The majority of the increase expenses were in the Wastewater and Refuse Fund. The Wastewater Fund increased due to repairs of machinery and equipment, capital outlay, and an increase in transfers to fixed assets. An increase of expenses in the Refuse Fund is primarily due to a new mid-fiscal year 2018 contract that increased the amount the City pays to the contractor for the collection of trash.

FY 19

Capital Improvement Plan

The Capital Improvement Plan (CIP) is a blueprint for planning the City's capital expenditures. It is a comprehensive five-year plan identifying capital projects to be funded during the planning period. A capital project is defined as a physical improvement or any major non-recurring expenditure (over \$50,000), which results in a permanent addition to the City's assets or infrastructure with a useful life of five years or more. CIP projects are new or expanded physical facilities, large-scale rehabilitation, or replacement of existing facilities. CIP projects may also include the acquisition of land, or cost of engineering or architectural studies and services relative to a public improvement.

During FY 2018-19, the City completed a number of projects, including the following:

- Lake Havasu Avenue Reconstruction \$4 million—Multi-year project for the improvement of Lake Havasu Ave with new pavement, medians, water and sewer mains, and turn lane additions.
- Tank and Booster Replacements \$0.9 million—Multi-year project to update for the enhancement of service reliability, system redundancy, and lowering of operations and maintenance.
- Rotary and London Bridge Beach Parks Restroom Improvements \$1.6 million—Multi-year project to rehabilitate and increase the number of restroom facilities within the parks.
- Enterprise Resource Planning Implementation \$0.7 million—Multi-year project for the implementation and replacement of a 20-year-old financial system.
- Havasu 280 Riviera and Contact Point State Park Project \$1.7 million—Multi-year project to install roadway to Havasu Riviera.



Lake Havasu Ave Reconstruction



Havasu 280 Riviera Roadway

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 in which debt service is supported by property taxes. Ratings for bonds supported by the City's enterprise revenues or excise taxes are A-/A2, respectively.

The City issues debt to fund major general government and business-type capital needs.

Governmental

Outstanding General Governmental bonded debt totals approximately \$6.3 million, which includes new debt issued to support various capital projects and prior loan proceeds from debt previously issued.

Debt activity:

- \$6.3 million remaining from previously issued debt in 2017 to finance the prepayment of the City's Arizona Public Safety Personnel Retirement System pension expenditures for the fiscal year 2018 and 2019. (The City had enough current available resources, but needed to issue debt in order to stay under its Expenditure Limitation.)

Business-type Activities

The majority of City bonded debt is associated with our enterprise funds, specifically Water and Wastewater Utilities. In total, outstanding bonded debt for business-type activities is approximately \$221.8 million.

Proceeds from this previously issued debt were used to finance the prepayment of the City's Arizona Public Safety Personnel Retirement System pension expenditures for the fiscal year 2018 and 2019.

An important note about business-type debt is that debt is repaid from business related charges, not from general revenue sources.

Spotlight on Community Involvement

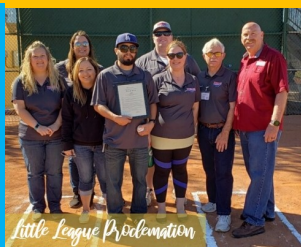
City leaders and employees consider community involvement to be a cornerstone in the success of the City. Each City Department goes above and beyond to get involved with different community events and causes.

The first Friday of each month the Mayor and City Manager meet with citizens over coffee to discuss concerns and hot topics. These meetings allow leadership to be accessible and engage with citizens directly. The City can more easily serve our citizens when open communication channels are open and available. City leaders strive to give the community the best service possible. City Council Members attend ribbon cuttings, small business openings, awareness gatherings, and support a variety of groups throughout the community.

The Police Department and its employee associations, the Police Officer's Association and Fraternal Order of Police, get involved with numerous charity events during the year. These events include Shop with a Cop, Coffee with a Cop, the Special Olympics Torch Run, and a Special Olympics Softball Tournament. The Police Department also have community programs that benefit the City's youth including the N.O.V.A program and Lake Havasu City's Police Explorers.

The Fire Department and its employee association, Lake Havasu Professional Firefighters, get involved with numerous events around the community. Yearly they conduct a "Fill the Boot" drive. The proceeds go to the Muscular Dystrophy Association. The association also puts together an annual pumpkin patch, so that children in the city can have the experience of picking their own pumpkins.

Each year the City hosts a free Community Dinner at the Aquatic center to feed families and bring our community together during the holiday season. Togetherness is an important aspect in our one-of-a-kind community. City employees demonstrate community unity by wearing local school colors on Home Game Fridays during Football season. We are "U-Knighted" in supporting our high school Knights. The City's leadership, employees, and many volunteers serve in government positions because their community matters.



Little League Proclamation



*Local School Spirit
U-Knighted*



*Special Olympics
Softball Tournament*



Domestic Violence Awareness



*Helping make
Dreams Come True*



A Day without Water



Community Dinner



Welcoming our Soldiers Home



*Coffee with
the Mayor*



Cancer Awareness Day



*Coffee with
a Cop*



Marine Corps League Memorial



*Charity Bowling for
Havasup Community Health Foundation Food Bank*

“The best way to find yourself is to lose yourself in the service of others”
- Mahatma Gandhi

“The smallest act of kindness is worth more than the grandest intention.”
- Oscar Wilde



Showing Local School Spirit - U-Knighted



N.O.V.A Graduation

“Life’s most persistent and urgent question is: What are you doing for others?”
- Martin Luther King, Jr.

“The meaning of life is to find your gift. The purpose of life is to give it away.”
- William Shakespeare



Breast Cancer Awareness Walk



Fill the Boot
Muscular Dystrophy



#YouMatter Walk



Local School Spirit
UKnighted



Small Business
Saturday



Catholic Schools'
Week



Speak Out



Community Dinner



Veterans' Day Parade



Public Works
Week



Shop with
a Cop



Water Conservation Award



Delivering Presents



ASP Professionals Week

Youth Program



Freedom Walkway



Dunham Magical Night

FY 19

Havasu: Live, Work, Play

Lake Havasu City is an interesting and unique city with a lot to offer, see, and do. Whether you're here to live, work, or play, here are a few reasons why Lake Havasu City is the desert's shining gem.

Bridgewater Channel • Thousands of visitors flock to Lake Havasu City to relax in Lake Havasu City's Bridgewater Channel. During spring and summer months the shores of the Bridgewater Channel are lined with boaters picnicking and basking in the sun. The waterfront offers a little something for everyone, with parks, restaurants, shopping and beaches.

Arizona's Premier Watersports Destination • Lake Havasu City was named "America's Best Lake Town for Water Sports" by Men's Journal Magazine. Boasting 60 miles of navigable waterways and over 300 days of sunshine, Lake Havasu is the perfect playground for water sport aficionados. Locals and visitors alike enjoy an array of watersports including paddle boarding, scuba diving, wake boarding, and wake surfing. Don't have water toys? No problem! There are numerous rentals available throughout the city.

Stargazing • Lake Havasu City's night sky will take your breath away. The city was originally designed with no streetlights in residential areas by its founder, Robert McCulloch, exactly for this reason. Take a walk outside on a clear night, look up to the sky and billions of stars will be shining back at you. Visible constellations change throughout the year due to the rotation of the earth, never allowing for disappointment.

Top 10 Employers

**Havasu Regional Medical Center • Lake Havasu City • Lake Havasu School District • Sterilite Corporation
Shugrue's Restaurants • Walmart • London Bridge Resort • Anderson Auto Group • Bashas' • River Medical**



FY 19

London Bridge—50 Years

On October 18, 2018, Lake Havasu City celebrated the 50th Anniversary of the purchase of the London Bridge. The city's founder Robert P. McCulloch purchased the bridge on October 18, 1968 and had it shipped over from London brick by brick. The bridge served as a heavy travelled bridge in London, England between 1832 and 1968. The bridge is now a world famous tourist attraction bringing thousands of visitors to Lake Havasu City every year. The anniversary was celebrated with the introduction of the 690th Right Honourable Lord Mayor of the City of London, a proclamation by Arizona Governor Doug Ducey, and a traditional sheep crossing over the London Bridge.



Photo Credit: GoLakeHavasu.com



Cake by Kendra Fox-Baltins



Lake Havasu City's

Vision

Mission

Core Businesses

Photo Credits

vision

A residential and resort community

- BLUE LAKE, BEAUTIFUL MOUNTAINS
- ACTIVE LIFESTYLE
- OPPORTUNITIES TO MAKE A LIVING
- A GREAT PLACE TO LIVE AND WORK

mission

Lake Havasu City strives to...

- PROVIDE FIRST CLASS SERVICES FOR OUR CITIZENS, BUSINESSES AND GUESTS
- BUILD AND MAINTAIN QUALITY CITY INFRASTRUCTURE AND FACILITIES
- DEVELOP AND MAINTAIN A STRONG PARTNERSHIP BETWEEN CITY GOVERNMENT AND THE COMMUNITY
- MAINTAIN A FINANCIALLY HEALTHY AND SUSTAINABLE CITY GOVERNMENT

core businesses

Our Core Businesses include...

- PROTECT CITIZEN SAFETY AND SECURITY
- OPERATE WATER AND SEWER SYSTEMS
- PROVIDE QUALITY OF LIFE FACILITIES AND PROGRAMS FOR ALL CITIZENS
- SUPPORT DIVERSIFIED ECONOMIC EXPANSION AND VITALITY

LHC Community Affairs — Front Cover , PGS. 3-4, 15-17, 19

LHC Development Services — PG. 13

LHC Police Department — PGS. 15, 17

LHC Administrative Services—PGS. 6, Back Cover

LHC Professional Firefighters Association — PGS. 15, 17

Lake Havasu Convention & Visitors Bureau — PG. 19

Our Lady of the Lake Catholic School — Front Cover, PG. 17

Lake Havasu City

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Lake Havasu City, AZ 86403

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www.lhcaz.gov