



Lake Havasu City, Arizona

Popular Annual Financial Report

Fiscal Year Ending June 30, 2015



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The Founder of Lake Havasu City, Robert McCulloch (right) and Architect C.V. Wood (left).

The information in this report is drawn from the Lake Havasu City Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015. For any questions related to this report, please review our CAFR online at www.lhcaz.gov.



Message from the City Manager

Dear Citizens:

We are pleased to present Lake Havasu City’s Popular Annual Financial Report (PAFR) for the Fiscal Year ending June 30, 2015. The PAFR summarizes and communicates the City’s financial condition in a user-friendly manner and helps demonstrate why Lake Havasu City is such a great place to live, study, work and play.

In September 2015, the efforts that consumed this last year’s spring and summer culminated in the successful restructuring of almost \$280 million in debt. The debt is attributable to the City’s massive wastewater expansion project that was completed in 2012, and this restructuring will help keep sewer rates steady for many years.

The year ahead will bring even more innovation in the ways we prioritize and program new projects, how we manage existing facilities and infrastructure, and how we budget for it all. We take pride in providing you with transparent and outstanding local government. This is only possible through talented, dedicated staff acting under the guidance of a visionary City Council and Mayor. As you read this PAFR, know that the City’s top priority is prudent and effective use of your tax dollars. The financial information presented here is derived in large part from the City’s 2015 Comprehensive Annual Financial Report (CAFR). The CAFR provides complete financial disclosure and may be accessed on the City’s website at www.lhcaz.gov.

Thank you for being a part of this fine community and we appreciate having the opportunity to serve you.

Charlie Cassens 

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, 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 warek@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, Cal Sheehy, Dean Barlow, Jeni Coke, Michele Lin, Donna Brister-McCoy.
(Center): Mayor Mark Nexsen



Bill Williams River National Wildlife Refuge.

The **Popular Annual Financial Report (PAFR)** is a summary of the financial activities of the City’s funds as reported in the 2015 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.

Complete financial information can be found at www.lhcaz.gov search for the word “finance”. The **CAFR** and the **PAFR** are both available online.

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. Lake Havasu City was incorporated in 1978.

2015 Quick Facts about Lake Havasu

Population.....	53,193
Median Age.....	51
Unemployment Rate.....	7.6%
City Sales and Use Tax.....	2.0 %
Median Household Income.....	\$42,688

2015 Major Industries of Employment:

Educational and Health Services, Service Providers, and Trades

2015 Top 10 Lake Havasu City Employers:

Havasu Regional Medical Center, Lake Havasu School District, Lake Havasu City, Sterilite, Walmart, Shugrue’s Restaurants, London Bridge Resort, Bashas’, Anderson Auto, River Medical.

Community Information

Significant Events

- The 33rd Annual IJSBA (Jet Ski) World Finals was held in October, 2014 and attracted over 750 of the world's best personal watercraft racers.
- The 32nd Annual Boat Parade of Lights was held in December, 2014 and has been repeatedly selected as one of the top 100 events in the U.S. by the American Bus Association.
- The 5th Annual Havasu Balloon Festival and Fair was held in January, 2015 with 24,000 attendees. 2015's event flew 78 balloons, and is designated as one of the top 100 events in North America by the American Bus Association.
- The 17th Annual Desert Storm Poker Run & Shootout was held in April 2015 and is named "**One of the Top Five Poker Runs in the Nation**" by Performance Boats Magazine.
- Hibbett Sports – A retail chain selling athletic shoes, apparel & accessories, plus licensed team merchandise, opened at The Shops at Lake Havasu October, 2014.



IJSBA (Jet Ski) World Finals



Boat Parade of Lights



Balloon Fest in Lake Havasu



Desert Storm Poker Run & Shootout

Community Contact Information

Administrative Services	453-4147
Aquatics & Recreation	453-8686
Business License	453-4146
Chamber of Commerce	854-4115
City Clerk	453-4142
City Council	453-4140
City Manager's Office	453-4141
Community Investment	453-4148
Health Department	453-0703
Hospital	855-1141
Justice Court	453-0701
Mayor's Office	453-4152
Mohave County Library	453-0718
Municipal Court	453-0705
Non-Emergency Fire	855-1141
Non-Emergency Police	855-4111
Operations	855-0336
Partnership for Economic Dev.	505-7333
Senior Center	453-0715
Tourism Bureau	453-3444
Water—Customer Service	453-4146
Western Arizona Humane Society	855-7479

Operating Indicators and Statistics



General Government

Special Event Permit Applications.....	95
Active Business Licenses	4,539
Number of Annual Visitors	775,000

Fire

Average Response Time (min.).....	6:06
Number of Emergency Response.....	8,154
Fire Inspections.....	2,751

Police

Average Response Time (min.).....	7:02
Number of Reports Issued.....	7,100
Number of Incidents Handled.....	53,897

Parks and Recreation

Number of Parks.....	15
Annual Aquatics Attendance.....	54,962
Annual Number of Athletic Field Users.....	3,000

Planning and Development Services

Commercial Addition Permits.....	70
Commercial Building Permits.....	9
Single Family Housing Permits.....	261

Airport

Based Aircraft.....	110
Annual Takeoffs, Approaches, & Landings.....	40,000
Enclosed Hangars.....	78

Water

Customer Connections	30,358
Miles of Water Mains	500

Wastewater

Customer Connections	26,361
Avg. Daily Sewer Treated (In 000's Gallons).....	3.73

Highways and Streets

Miles of Street Resurfacing	40
Miles of Crack Filling.....	27

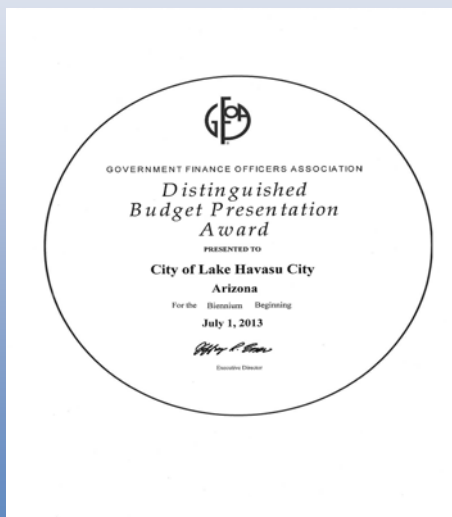
*Additional performance measures are available in the FY 2015 and 2016 Biennial Budget Document and the FY 2014-15 Comprehensive Annual Financial Report.



A beautiful overview of Lake Havasu City

Awards and Recognition

- ◆ Awarded the Certificate of Achievement for Excellence in Financial Reporting for the CAFR for fiscal year ended June 30, 2014 from the Government Finance Officers Association of the United States and Canada (GFOA).
- ◆ Received the Distinguished Budget Presentation Award for its FY 2014 and 2015; and FY 2016 and 2017 biennial budgets from the GFOA for our conformity in budget presentation.

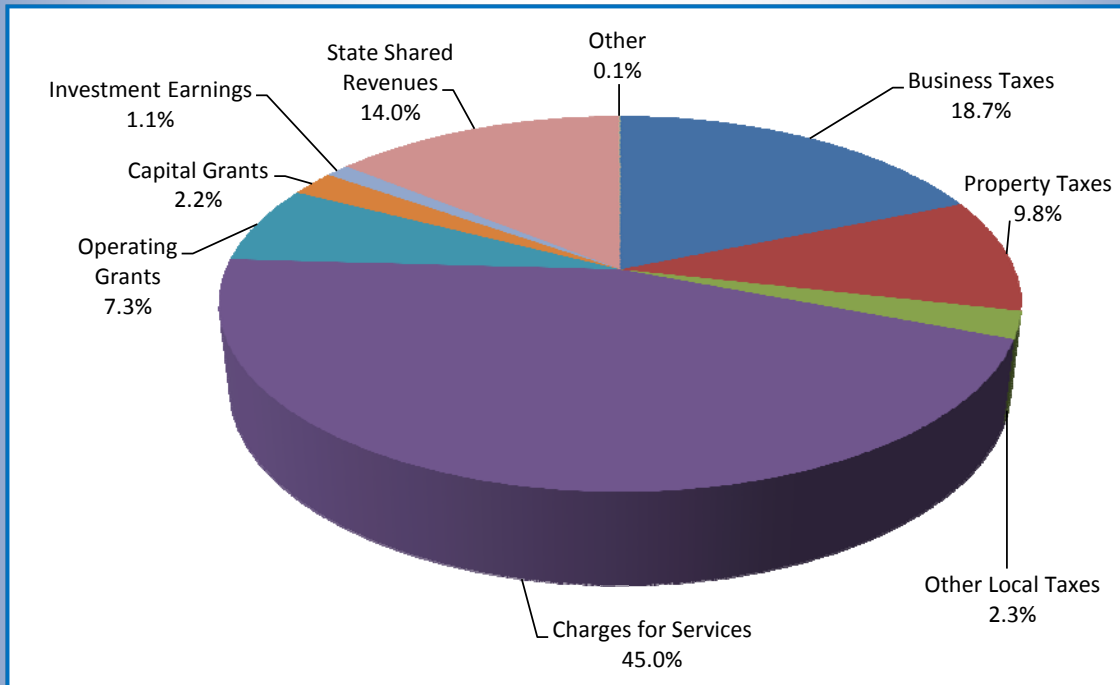


Financial Statements

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.

Financial Resources Available



Local Sales Taxes

In 2015, sales tax collections totaled \$18,442,101; an increase from the \$15,185,171 in 2014. The top five industry sales tax generators for the City are retail, construction, restaurant/bars, utilities/telecommunications and services.

Property Taxes

The levy adopted for Fiscal Year 2014-15 reflected a rate of \$0.7408 per \$100 of assessed value which results in an increase over the prior fiscal year in which the assessment was \$0.7381. tax.

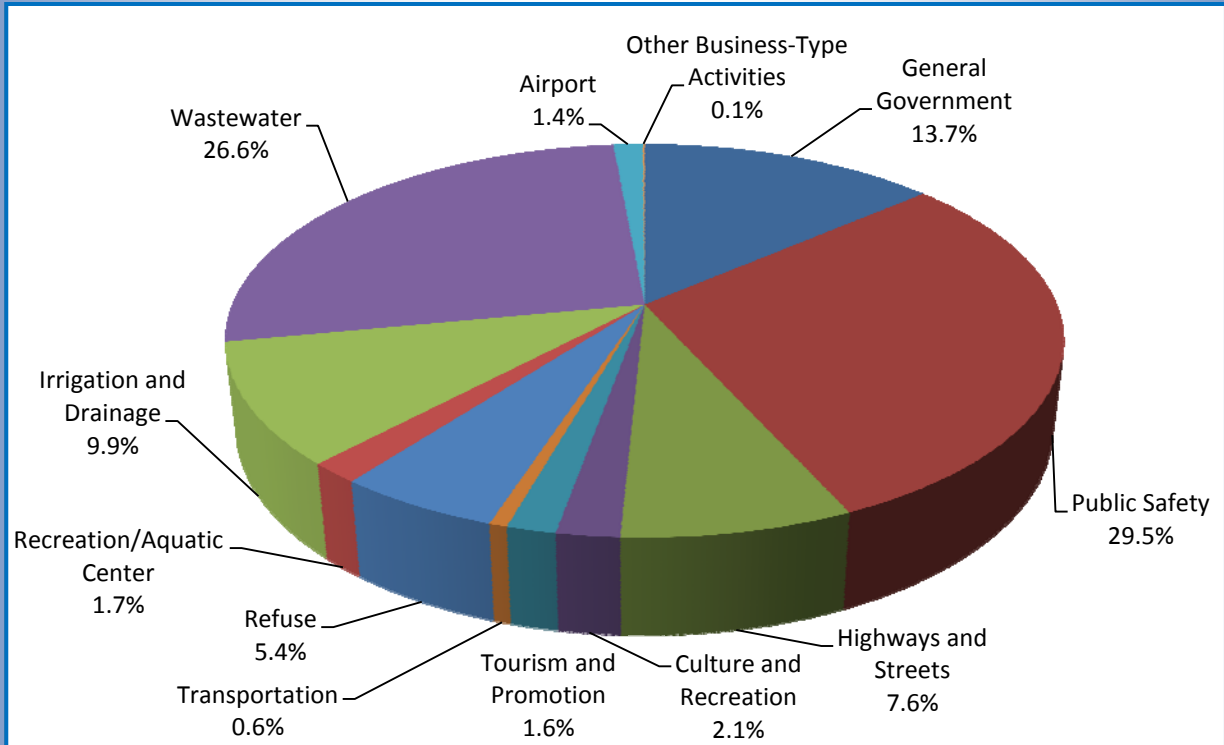
Shop Local!



Every time you shop in Lake Havasu City, 2 cents of every dollar goes back into our community and local economy.

Revenues by Source	2015 (in 000's)	2014 (in 000's)
Business Taxes	\$ 18,442	\$ 15,185
Property Taxes	9,630	10,185
Other Local Taxes	2,300	1,796
Charges for Services	44,347	43,942
Operating Grants	6,581	6,531
Capital Grants	2,131	5,367
Investment Earnings	1,127	1,477
State Shared Revenues	13,825	12,934
Other	59	115
Total Revenues by Source	\$ 98,442	\$ 97,532

Expenses for Running Lake Havasu City



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

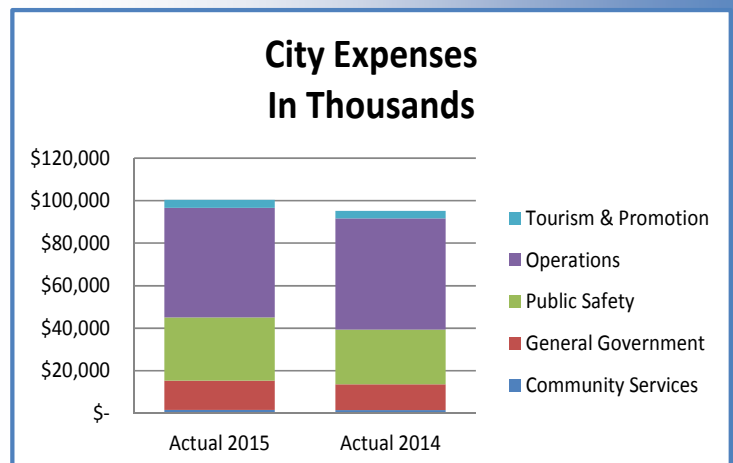
General Government includes expenditures for administrative services including: City Council, Human Resources, City Clerk, Administrative Services, Information Technology, and maintenance of government facilities.

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.

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

Expenses by Source	2015 (in 000's)	2014 (in 000's)
General Government	\$ 13,730	\$ 12,152
Public Safety	29,640	25,671
Highways and Streets	7,582	6,845
Culture and Recreation	2,069	1,860
Tourism and Promotion	1,614	1,652
Transportation	591	1,603
Refuse	5,377	5,267
Recreation/Aquatic Center	1,675	1,519
Irrigation and Drainage	9,961	10,174
Wastewater	26,687	26,965
Airport	1,361	1,358
Other Business-Type Activities	79	85
Total Expenses by Source	\$ 100,366	\$ 95,151





Capital Projects



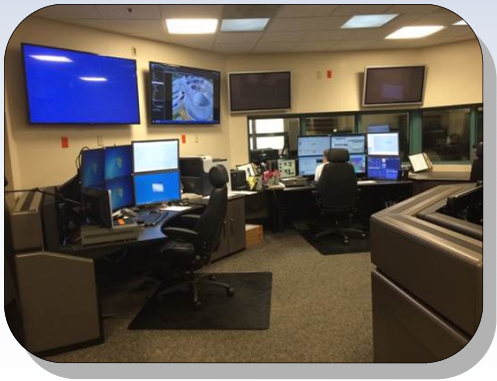
●The Booster Station 4 Replacement & Additional Storage project consists of a tank replacement, temporary relocation of the upgraded Foot Hills Estates Booster Station, new piping, controls and site improvements to allow for Phase 2-Future Booster Station Replacement. Expenditures totaled \$1.7 million against a budget of \$2.3 million. The project was 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 totaled \$1.8 million against a budget of \$2.3 million. The project was completed in fiscal year 2014-15.

●The Extension/Connection of Waterline to/thru SARA Park consisted of a 6/8 inch line approximately 8,000 linear feet from Dog Park to interior facilities and through fields to Vagabond line. Expenditures totaled \$764,156 against a budget of \$750,000. The project was completed in fiscal year 2014-15.

●Completion of major maintenance and repairs on the iconic London Bridge which was dismantled and moved from London in the late 1960s and reconstructed in Lake Havasu City in the early 1970s. The repair activities were identified in the March 2011 “London Bridge Evaluation & Stabilization Report” completed by HDR. The project was completed in fiscal year 2014-15 with expenditures totaling \$813,000 against a budget of \$822,000.

●ONESolution is a comprehensive public safety system, implemented to streamline department operations and eliminate the use of multiple vendors. The Windows-based system includes modules for Computer Aided Dispatching, Jail Management, Mobile Field applications, Asset Management, Evidence Management, and Animal Control Management. The project was completed in fiscal year 2014-15, with expenditures of \$622,000.



●The development of a parking lot, splash pad, and pocket park on the City owned parcels located at 2140 and 2160 Mesquite Avenue at a cost of \$209,000. The property located in the Uptown McCulloch area, provides a mixed use facility to support redevelopment of the downtown based on suggestions from the R/UDAT study. The facility can be expanded to a two-story parking structure and a restroom facility is planned for fiscal year 2015-16.



Capital Assets (net of accumulated depreciation)	2015 (in 000's)	2014 (in 000's)
Land	\$ 30,051	\$ 30,043
Improvements to land	11,456	11,969
Buildings	40,017	41,363
Improvements other than buildings	359,558	364,303
Infrastructure	33,178	33,427
Water Allocation	9,014	8,298
Machinery, equipment and vehicles	7,939	7,064
Construction in progress	2,105	5,370
Total Capital Assets	\$ 493,318	\$ 501,837



Rods and Relics Car Show on McCulloch



Catamaran Association

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.

	2015 (in 000's)	2014 (in 000's)
Net Position		
Assets		
Current & Other Assets	\$ 148,716	\$ 148,145
Capital Assets	493,318	501,837
Total Assets	\$ 642,034	\$ 649,982
Liabilities		
Current Liabilities	\$ 10,218	\$ 10,219
Long-term Liabilities	375,339	311,936
Total Liabilities	\$ 385,557	\$ 322,155
Net Position*		
Invested in Capital Assets	\$ 201,473	\$ 200,686
Restricted	9,630	8,972
Unrestricted	52,998	118,169
Total Net Position	\$ 264,101	\$ 327,827

*The beginning Net Position was restated downward by \$55.5 Million as of July 1, 2014, due to implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.



Sara Park



Nautical Beach Front—photo credit Nautical Inn Resort

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

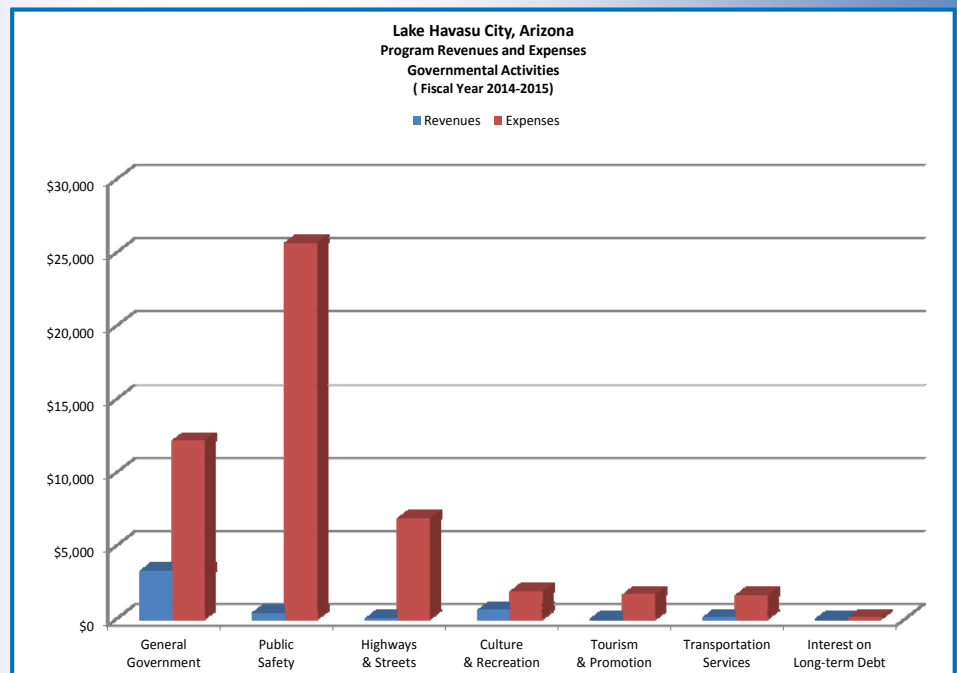
Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.



Wastewater Facilities



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 2015 conformed to the City's adopted Investment Policy.

As of June 30, 2015, Lake Havasu City's fair market value of its pooled cash and investments totaled \$95,697,767. Fiscal year 2014-15 investment earnings totaled \$1,127,440 which was a \$349,831 decrease from prior year earnings.

Bonded Debt

At the end of fiscal year 2014-15, the City had total bonded debt outstanding of \$285.5 million (net of related premium), a decrease of \$9.0 million (3.1 percent). At the end of fiscal year 2013-14 the bonded debt totaled \$294.5 million.



McCulloch Airlines, 1963 "Fly Before You Buy!"

Outstanding Obligations	2015 (in 000's)	2014 (in 000's)
General Obligations Bonds	\$ 80	\$ 95
GADA Loan	1,780	1,940
GADA Loan (net of related premium) G/O Loan	59,975	60,070
LHC WIFA 2002 Jr. Lien Revenue, G/O Loan	4,373	4,847
LHC WIFA 2002 Sr. Lien Revenue	4,373	4,847
LHC WIFA 2004 Sr. Lien Revenue	3,553	3,852
LHC WIFA 2004A Jr. Construction, G/O Loan	23,940	25,140
LHC WIFA 2004A Sr. Construction	10,689	11,579
LHC WIFA 2006 Jr. Construction, G/O Loan	36,990	39,575
LHC WIFA 2006 Sr. Construction	8,555	9,155
LHC WIFA 2007 Drinking Water	4,132	4,380
LHC WIFA 2007 Sr. Construction	45,333	46,658
LHC WIFA 2008 Jr. Construction, G/O Loan	26,053	26,717
LHC WIFA 2009 Sr. Construction	2,583	2,650
LHC WIFA 2009A Sr. Construction	51,787	53,179
LHC WIFA 2010 Sr. Drinking Water (1)	1,305	(213)
Total Bonds Payable	\$ 285,501	\$ 294,471
Capital Leases	\$ 6,646	\$ 7,614
Compensated Absences	2,858	2,875
Other Postemployment Benefits	4,643	4,137
Landfill Closure and Post-Closure Costs	2,959	2,839
Total Long-Term Liabilities	\$ 302,607	\$ 311,936

(1) The WIFA 2010 Sr. Drinking Water loan is for \$11.4 million with forgivable principal of \$8.2 million from a pass through AR-RA federal grant. The net obligations to the City is \$3.2 million. Principal and interest payments are now due in accordance with the WIFA loan documents on the debt obligation of \$3.2 million.



www.lhcaz.gov

Popular Annual Financial Report 2015