

LAKE HAVASU CITY, ARIZONA



30 Years of Progress

Comprehensive Annual Financial Report

For the Year Ended June 30, 2009



Lake Havasu City, Arizona
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

CITY COUNCIL

Mark S. Nexsen
Mayor

David McAtlin
Vice Mayor

Lee Barnes
Councilmember

Margaret Nyberg
Councilmember



Dean Barlow
Councilmember

Don Callahan
Councilmember

Brian Wedemeyer
Councilmember

CITY STAFF

Richard Kaffenberger
City Manager

Finance Department staff responsible for CAFR presentation

Gayle Whittle
Finance Director

Sharon Lawrence
Accounting Manager

LAKE HAVASU CITY

www.lhcaz.gov

2330 McCulloch Boulevard N. Lake Havasu City, AZ 86403

(928) 855-2116



MAYOR & CITY COUNCIL



Mark S. Nexsen
Mayor

Term Expires 11/2010



David McAtlin
Vice Mayor
Term Expires 11/2010



Dean Barlow
Councilmember
Term Expires 11/2012



Lee Barnes
Councilmember
Term Expires 11/2012



Don Callahan
Councilmember
Term Expires 11/2012



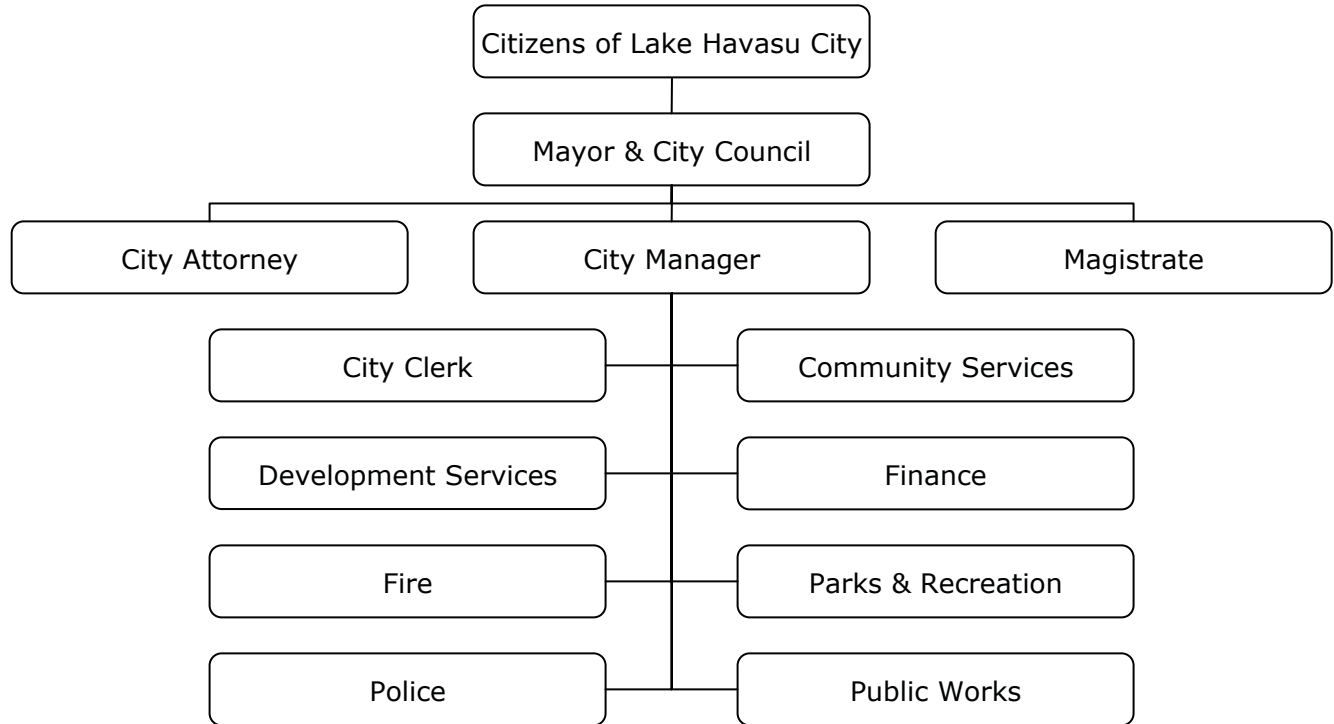
Margaret Nyberg
Councilmember
Term Expires 11/2010



Brian Wedemeyer
Councilmember
Term Expires 11/2010



ORGANIZATION CHART



MANAGEMENT STAFF

Richard Kaffenberger, City Manager

DEPARTMENT DIRECTORS

Clyde Andress, Magistrate
W. Mark Clark, Interim Public Works Director
Larry Didion, Development Services Director
Dan Doyle, Police Chief
Paul Lenkowsky, City Attorney
Dennis Mueller, Fire Chief
Carla Simendich, City Clerk
Stan Usinowicz, Community Services Director
Bart Wagner, Interim Parks & Recreation Director
Gayle Whittle, Finance Director

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LAKE HAVASU CITY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009

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INTRODUCTORY SECTION

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LAKE HAVASU CITY

December 18, 2009

To the Honorable Mayor, Members of the Governing Council, City Manager, and Citizens of Lake Havasu City, Arizona

We are pleased to submit the 2009 Comprehensive Annual Financial Report (CAFR) of Lake Havasu City, Arizona (City). This report is submitted in accordance with Arizona Revised Statutes, Section 9-481, which requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

LarsonAllen LLP, Certified Public Accountants, have issued an unqualified (“clean”) opinion on Lake Havasu City’s financial statements for the year ended June 30, 2009. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Lake Havasu City Profile

Lake Havasu City was founded in 1963 as a master-planned community with an emphasis on recreation and residential retirement. The City, incorporated in 1978, is located in the western part of Arizona on the Colorado River and is one of the top growth areas in Mohave County. It currently encompasses approximately 43 square miles and serves a population of approximately 55,429. Lake Havasu City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

Lake Havasu City has operated under the council-manager form of government since 1978. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and six Council Members. The Mayor and Council Members are elected at-large for four-year terms. Their terms are staggered on a two-year basis.

The Council is vested with policy and legislative authority and is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of City Manager, City Attorney, and City Magistrate. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

The City provides a full range of services, including police and fire protection, airport, water and sewer services, construction and maintenance of streets, recreational and cultural events, transit services, planning and zoning services, housing rehabilitation, and general administrative services. Lake Havasu City offers a wide range of community facilities including a community center, aquatic complex, and fifteen City-controlled parks.

The City contracts for sanitation services, which includes waste collection, recycling pickup and landfill operations, jail services, animal control, tourism development, social service functions, and economic development.

Local Economy

Lake Havasu City's economy is based primarily in tourism and hospitality, building and construction, government, marine industry and retirement sectors although efforts continue to further diversify the local economy. The City has benefited in the past from steady national and state retention of forward momentum of growth in these areas but has realized a decline beginning in fiscal year 2006-07 that has continued throughout fiscal year 2008-09, mirroring the national and state economic downturn. Construction and retail are reflecting the heaviest downturn and are impacting the City's related sales tax revenues. The City is faced with balancing the declining revenue sources with many critical growth issues, but its citizens and municipal government are committed to finding solutions for the future.

The City's Strategic Plan for Economic Development outlines strategies for economic diversification to create a more stable economic base. The plan calls for a balanced development of retail, commercial, manufacturing, restaurant, lodging, and entertainment. The City continues to be a desirable location for work, destination, and living due to the favorable housing market, continuing low mortgage interest rates and the opportunity for growth. The City completed a feasibility study of workforce housing and will be developing a policy and program. Recruitment efforts continue for commercial enterprises to complement the existing industry, with focus on growing the tenant base of the regional mall, expanding the marine industry, light manufacturing and resort opportunities.

The City recognizes that the protection and acquisition of public shoreline access, preservation of sensitive lands, renovation of the London Bridge, building the Freedom Bridge (the second bridge to the Island), development of the Bridgewater Channel, development of a mainland marina and golf course, four-year university and revitalization of downtown Mainstreet are critical to the economic well-being of the community. In response to these needs the City revised the General Plan Update and Future Land Use Plan in September 2008 to include regional development plans as identified by the Regional/Urban Design Assistance Team (R/UDAT) for establishing special purpose zoning districts to revitalize the City.

Tourism

Lake Havasu City continues to enjoy seasonal influxes of residents from throughout the United States and Canada, especially during the winter months. The London Bridge, which is one of the largest tourist attractions in Arizona, continues to draw visitors from around the world. Focus on future development of the Bridgewater Channel, which is adjacent to the bridge, and resort development on the Island is a priority for the City for continuous, steady tourism revenue. The Tri-City Council (Bullhead City, City of Kingman, Lake Havasu City) is studying the feasibility of a regional transportation system. A Regional Ground Connector System study has been approved for funding by the federal government through Western Arizona Council of Governments.

Construction

Housing (single-family, two-family, and multi-family) construction has declined considerably during the year. Issuance of single-family housing permits decreased 51% over the previous year's total of 104 to a total of 51 in fiscal year 2008-09. Since fiscal year 2004-05, single-family housing permits have averaged 431 per year. The decline in the total number of permits issued has caused a drop in estimated building valuation from \$22,037,907 in 2007-08 to \$11,433,713 in 2008-09, representing a 48% reduction.

New commercial building permits decreased 63% from the previous year with 9 commercial building permits in fiscal year 2008-09 as compared to 24 permits in fiscal year 2007-08. Actual permit valuations decreased significantly as did the value of the average commercial permit in fiscal year 2008-09. In fiscal year 2008-09 the average commercial permit was valued at \$473,518 representing a decrease of 80% over the previous year's estimated average valuation of \$2,397,456. Commercial addition permits increased 19% in fiscal year 2008-09, with 123 permits compared to the previous fiscal year's permits of 103. However, commercial addition valuations in fiscal year 2008-09 averaged \$48,760, a decrease of 71% when compared to the fiscal year 2007-08 average valuation of \$170,696. Overall the trending follows the state and national economic conditions related to the construction industry, which should start a gradual recovery as the recession comes to an end and the need to accommodate the increasing population continues.

While the City's growth rate over the past five years has been significant, it has recently slowed due to the shake up of the mortgage industry and the excess supply of existing housing. The projected build-out population figure for the City is estimated at 96,000. It is important to realize that there are potential constraints to achieving the population build-out figure. These constraints include water availability, transfer of land from public to private use, and infrastructure.

The significant developments currently underway or scheduled to begin in fiscal year 2009-10 are:

Lake Havasu City R/UDAT

- **Uptown McCulloch Main Street Zoning District** – Development of four transect zones to control placement and intensity of buildings and other uses of property in the Mainstreet area of McCulloch Blvd.
- **Channel Riverwalk District** – Formed to maintain existing public access and provide better public access from adjoining city right-of-way to shoreline and along shoreline areas within the district along the Channel.

- **Commercial and Health District** – Development of three transect zones for commercial and health service, high residential and medium residential. The purpose of this district is to regulate and promote healthcare, office, commercial and residential development and create special development opportunities to connect the Channel Riverwalk District and the Uptown McCulloch Main Street District.
- **Southgate District** – Establishment of two transect zones to regulate the commercial and high density residential development in an area with high visibility at the southern entrance to the City.

Bridgewater Channel Redevelopment Plan

This development identifies eight areas within the bridgewater channel for major redevelopment.

- 1) The English Village – To include renewing current and add mixed use zoning
- 2) London Bridge Resort
- 3) Executive 9-hole golf course
- 4) Undeveloped state trust land
- 5) Undeveloped state trust land – for a resort
- 6) Development of parcel created by proposed bridge and road alignment - to include parking lot, mixed-use buildings, neighborhood market and community pavilion.
- 7) London Bridge Beach – to include an amphitheater and additional development to complement the existing developed area.
- 8) Kingsview II and adjacent parcels – to include a family area and other mixed uses.

Commercial

- **The Centre Development** - A 215-acre planned development with three commercial nodal areas and one regional mall commercial nodal area. The Centre is zoned for Regional Mall, Power Center, Auto Mall, Hotels, Convention Center and Office Complex. The following areas within The Centre development broke ground in fiscal year 2006-07 and are still under construction:
 - **The Regional Mall** - A general development plan for a 105-acre regional mall development within the regional mall commercial node. The grand opening of the mall began in phases in March 2008 with four anchor stores and new tenants steadily coming online. The new JP Morgan Chase branch, adjacent to the mall, is scheduled to open in fiscal year 2009-10.
 - **The Anderson Auto Mall** – This 37.4-acre auto mall and commercial development, within the commercial node, will create 12 commercial lots. A new Toyota dealership opened in May 2009 on one of the lots. Construction continues on the additional 30 acres remaining with Terrible Herbst and McDonalds scheduled to open in fiscal year 2009-10.
-
- **Havasu Foothills Downtown:** The Havasu Foothills Town Center will provide a total of 137,580 square feet of commercial / retail / residential space dispersed among eleven buildings. The residential component (reflected under residential as Havasu Foothills Estates) will be comprised of 15 second story residential condo units totaling approximately 21,000 square feet. The remaining 116,580 square feet will consist of retail and office type uses.
- **Air Industrial Park** – This will be a three phase 84-acre industrial park located south of the airport. The property will be subdivided to allow for light industrial uses.

- **64-unit Hotel** – A 64-unit hotel along N. Lake Havasu Avenue with a 1,500 square foot restaurant in the northwestern portion of the property and a 600 square foot retail building in the southwestern portion of the property.
- **Millennium Plaza** – This is a general development plan for a 4.42 acre property consisting of 88 residential units and 49,000 square feet of commercial use retail/commercial and condominium uses in the area adjacent (south) of the London Bridge.

Residential

- **Sonoran Hills** - A four-phase development with a project area of 14.13 acres. The general development plan proposes 25 buildings with a total of 243 dwelling units, including the main recreation area, clubhouse, pool, and spa.
- **Sailing Hawks** - A 56-acre Sailing Hawks Planned Development. There are five phases to this mixed residential development, which will include recreation areas, a clubhouse, pool, spa and fitness center, shade structures, and a gated private drive.
- **Grand Island Estates** – This Island development is a planned subdivision of nine use areas as follows: 5.4 acres – commercial, 6.5 acres – casitas, 11.2 acres – resort, 23.4 acres – single family, 18.9 acres – townhouses, 15 acres – park parcel, 13.8 acres patio homes, 11.6 acres – dual homes.
- **Havasu Foothills Estates** - A residential/commercial development is currently underway in the eastern limits of the City. The planned development consists of 640 acres which will feature 697 residential units. Phase I is comprised of 225 units, Phase II includes 328 units, and Phase III would accommodate the remaining 144 units.
- **River Ranch Villas** – A 33-lot townhome development located on the south end of the City.
- **Residential Activity Outside City Boundaries**
 - **North Pointe (Fidence)** – A residential project consisting of 650 houses.
 - **Bella Lago Condominium Project** – A 240 unit development with recreational amenities, a clubhouse and 30-foot tall watercraft parking area fronting London Bridge Road.

Employment and Job Growth

Lake Havasu City's employment relies heavily on the construction and tourism sector. The City's labor force is reflecting a downturn with an unemployment rate of 9.8%, as reported by Arizona Department of Economic Security. This rate increased when compared to last year's rate in June 2008 of 6.6%. The City's employment rate is currently higher than the state and the national average due to the heavy reliance of the City's workforce on the construction industry. The state's employment and job growth are reflecting recessionary levels as experienced nationally. In June 2009, the state's unemployment rate was 8.9%, up from 5.0% from the prior year. The national unemployment average in June 2009 was 9.7%.

Lake Havasu City had no new major employers recruited to the area during fiscal year 2008-09. The average annual salary is \$36,499. The City is looking forward to attracting new employers in the service, retail, and manufacturing industries. The regional mall is expected to continue to provide a considerable number of new positions to the area.

Long-term Financial Planning

The City responds to changing economic challenges with careful long-range planning for fiscally healthy conditions. With conservatism in mind, the budget is prepared with maximization of operating efficiencies. The financial position of the City at the close of fiscal year 2007-08 reflected lower than expected reserves. The City took drastic measures mid-year in fiscal year 2008-09 hoping to maintain an acceptable level of reserves at year end by making major cuts in operating expenditures, some of which include: non-essential operating expenditure cutbacks, 5% reduction of all salaries; reduction in workforce; elimination of vacant positions; and various reductions to employee benefits. In addition, the City used program-based budgeting to develop the fiscal year 2009-10 budget and went through an extensive analysis and revision to the City's fee schedules. These changes should allow the City to weather the difficult economic climate without sacrificing services provided to the citizens of Lake Havasu City (streets, water, sewer, sanitation, police, fire, parks and recreation and public transit).

In order to provide flexibility to respond to unanticipated revenue decreases or unexpected expenditures, The City will maintain a "Contingency Fund" of 5% of the average actual fund revenues for the preceding five fiscal years in the General Fund, Irrigation & Drainage District Fund (operating and maintenance only), Wastewater Fund (operating and maintenance only) and the Highway Users Revenue Fund. The City's Fiscal Sustainability Policy, approved in August 2007, requires maintaining a minimum fund balance reserve of an additional 10% in the General Fund. It is management's desire to increase that reserve to approximately 12% to 15% in the event of a major reduction in tourism, sales tax revenue, or state shared revenue and to ensure utility rate stabilization. The current recessionary climate will preclude the City from reaching this goal in the near future.

The City is shifting from a "pay as you go" philosophy for capital infrastructure to increase reserves and to stay in compliance with the State's expenditure limits by researching the best financing options for the infrastructure that will be required. In fiscal year 2006-07 the City implemented impact fees for acquisition and construction of a second bridge to the Island and in 2007-08 Council approved implementation of impact fees for future infrastructure and equipment needs of police, fire, parks, transportation, and general administration that went into effect beginning in fiscal year 2008-09. These impact fees will be designated for infrastructure and equipment costs only, not operating costs.

Strategic Plan

The City Council has set the following five year goals for the community:

I. Financially Sound City Government

Objectives:

1. Adequate level of financial reserves consistent with adopted financial policies.
2. Expanded public/private partnerships to increase tax base.

II. Strong, Diversified Local Economy

Objectives:

1. Attraction of new businesses, particularly light, clean manufacturing.
2. Qualified and educated workforce.

III. Safe and Clean Community

Objectives:

1. Maintain low crime rate.
2. Maintain timely response to an emergency.

IV. Enhanced Quality of Life

Objectives:

1. Expanded and developed park system.
2. Recreational facilities and programs responsive to community needs.

V. Effective Utility System

Objectives:

1. Development of wastewater collection and treatment.
2. Security and protection of adequate water supply, development of reuse.

VI. Blue Lake, Beautiful Mountains

Objectives:

1. Public access to lake along entire shoreline.
2. Quality water in lake.

VII. First-Class Resort Development

Objectives:

1. Development of Island, major resort.
2. More year-round tourism.

Major Initiatives

During fiscal year 2008-09 the City moved into program year seven of the \$463 million sewer expansion project, which voters approved in November 2001. The project calls 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% of the residential population), building a new treatment plant with a 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.

The construction project, which began in October 2002, is being financed by voter-approved borrowing authority. The project will be funded from a combination of financing secured through the Water Infrastructure Financing Authority (WIFA) of Arizona and Greater Arizona Development Authority (GADA). The debt service periods will range from twenty to thirty years to keep debt payments level, therefore maintaining stable rates for customers. The City applied for federal assistance for the project and received \$1.4 million grant toward the project in 2007-08. The City also received \$2 million of forgivable American Recovery and Reinvestment Act (ARRA) awards through WIFA for the project.

The City also partners with Colorado River Regional Sewer Coalition (CRRSCo) to bring legislators aware of the financial burden of protecting and enhancing the Colorado River through the improvement of wastewater management practices to ensure the high quality of water for all users. This effort has proven to be valuable in generating awareness and funding assistance for the City's wastewater expansion program.

During fiscal year 2008-09 the City completed approximately 1,795 new connections to sewer, bringing the total new connections to 14,390 at the end of fiscal year 2008-09. The City has been preparing to finance Program Year 8, beginning in fiscal year 2009-10, and is continuously monitoring the financial plan for the remaining life of the project. During the current fiscal year, the City decided to accelerate the expansion program to take advantage of favorable contract pricing by consolidating the remaining phases and pooling the costs in one final funding loan from WIFA to considerably cut the cost of the project in whole. This funding award was due to close in October 2009. The project is anticipated to be completed two years ahead of schedule and more than 10% under budget.

The City was in the research and development stages of other major projects during 2008-09. These projects are the Freedom Bridge and Park and Havasu 280 - a planned development to include a four-year university and a performing arts and cultural center.

Relevant Financial Policies

Budgetary Controls. The Council is required to adopt a tentative budget on or before the third Monday in July of each fiscal year. Once the tentative budget has been adopted, the expenditures may not be increased upon final adoption, only decreased. The formal adoption of Lake Havasu City's final budget usually occurs at the last Council meeting in June.

This annual budget serves as the foundation for the City's financial planning and control. The budget appropriates available monies for the City's various funds, functions (e.g., public safety), and departments (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing council. During fiscal year 2008-09 there were two supplementary budgetary appropriations of uncommitted funds.

Cash Management. The Finance Department manages the City's investment portfolio. Cash and investment balances are reviewed each morning. Public funds are invested in a manner that will provide the highest investment return with maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds. The primary objective of the City's investment activities, in order of priority are: safety of principal, liquidity, and favorable rate of return.

The City is empowered to invest in demand deposits, obligations of the U. S. government, its agencies and instrumentalities, fully insured or collateralized certificates of deposit, AA rated bankers' acceptances, A-1/P-1 rated commercial paper, repurchase agreements, AAA rated money market fund, and the state of Arizona Local Government Investment Pool (LGIP).

Risk Management. The City is exposed to various risks of loss related to public and property liability and workers compensation. Public liability includes public officials' errors and omissions, automobile, and general liability. During fiscal year 2008-09 the City was fully insured with per occurrence limit at \$1,000,000 and with an annual aggregate limit at \$20,000,000.

During the fiscal year ended June 30, 2009, there was no significant reduction in excess insurance coverage. The Risk Management Section of the City Manager's Department administers the City's liability insurance program. Workers compensation claims are reviewed by Risk Management and handled through SCF of Arizona.

Lake Havasu City continues to pursue ways of reducing risk exposures. The City has an aggressive safety program that promotes employee safety on the job and focuses on risk control techniques designed to minimize accident-related losses. Risk assessment site tours are conducted quarterly with Lake Havasu City's insurance carrier to identify any potential risks and correct any risks which have been identified.

Awards and Acknowledgements


The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lake Havasu City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the twenty-second year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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.

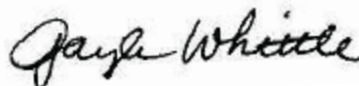
In addition, Lake Havasu City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2008. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. This was the fourteenth year that the City has received this prestigious award.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and governing Council for their support in maintaining the highest standards of professionalism in the management of Lake Havasu City's finances.

Respectfully submitted,



Charlie Cassens
Interim City Manager



Gayle Whittle
Finance Director

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, 2008

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President

Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and the City Council
Lake Havasu City, Arizona

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 Lake Havasu City, Arizona (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Lake Havasu City, Arizona, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General and HURF Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 on our consideration of the City'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 results 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* and should be considered in assessing the results of our audit.

Honorable Mayor and the City Council
Lake Havasu City, Arizona

The management's discussion and analysis on pages 15 - 33 and the Public Safety Personnel Retirement Systems and Other Postemployment Benefits Schedules of Funding Progress on pages 82 - 84 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.



LarsonAllen LLP

Mesa, Arizona
December 18, 2009

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

As management of Lake Havasu City, Arizona (City), we offer this narrative overview and analysis of the financial activities of Lake Havasu City, Arizona, for the fiscal year ended June 30, 2009. This discussion and analysis is designed to be used in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 9 of this report as well as the financial statements beginning on page 36 and the accompanying notes to the basic financial statements.

Financial Highlights

- The assets of Lake Havasu City exceeded liabilities at the close of fiscal year 2008-09 and 2007-08 by \$309.2 million (net assets) and \$298.3 million, respectively. In fiscal year 2008-09, \$116.9 million of these net assets were in governmental funds, and \$192.3 million in business-type activities. Of this amount, \$91.0 million is unrestricted net assets, (\$19.2 million in governmental funds, and \$71.8 million in business-type activities) and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$10.8 million (3.6 percent) in fiscal year 2008-09 and by \$21.1 million (7.6 percent) in fiscal year 2007-08.
- As of the close of the current fiscal year, Lake Havasu City's governmental funds reported combined ending fund balances of \$19.1 million, a decrease of \$4.5 million (18.9 percent) in comparison with the prior fiscal year 2007-08 balance of \$23.5 million which had a decrease of \$7.9 million (25.1 percent) over prior year. Of the fiscal year 2008-09 total fund balance, approximately \$18.7 million is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$10.9 million or 27.9 percent of total General Fund expenditures. This represents a decrease of 30.6 percent over last fiscal year's unreserved, undesignated fund balance of \$15.8 million, which represented 37.6 percent of the total General Fund expenditures.
- Lake Havasu City's total debt increased by \$23.0 million (9.8 percent) in fiscal year 2008-09 and \$46.7 million in fiscal year 2007-08. The key factors for the increase in fiscal year 2008-09 was the issuance of over \$36.3 million in Water Infrastructure Finance Authority (WIFA) loans for the wastewater system expansion project.
- The governmental activities program revenues decreased by \$2.5 million (12.3 percent) in fiscal year 2008-09 and decreased \$11.2 million (35.6%) in fiscal year 2007-08. The decrease in 2008-09 was due to declining revenues from charges for services and operating grants and contributions that were realized in 2007-08.
- The business-type activities program revenues decreased by \$1.7 million (4.6 percent) in fiscal year 2008-09, primarily due to a decline in capital contributions in the wastewater utility. The decline of Treatment Capacity Fees was due to delays with the project that resulted in fewer connections. In fiscal year 2007-08 the business-type activities program revenues increased \$3.9 million (11.9 percent) from the previous year due to the increased customer base in the wastewater utility.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

- General Fund revenues did not meet budgeted revenue by a shortfall of \$8.5 million (82.4 percent of budget) for fiscal year 2008-09 due to sales tax revenues short of expectation and a decline in building permit revenue. Budgetary basis expenditures, however, were only 80.5 percent (\$9.2 million in savings) of the final budget. In fiscal year 2007-08 General Fund revenues did not meet expected budgeted revenues by \$6.4 million and budgetary basis expenditures were only 86.4 percent (\$6.5 million in savings) of the final budget in the 2007-08.
- General Fund revenues exceeded expenditures by \$2.0 million, a positive variance of \$662K from the final budget in fiscal year 2008-09 and by \$3.5 million in fiscal year 2007-08, a positive variance of \$48K.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lake Havasu City, Arizona's basic financial statements. Lake Havasu City, Arizona's basic financial statements are comprised of 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 Lake Havasu City, Arizona's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Lake Havasu City, Arizona's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of Lake Havasu City, Arizona is improving or declining.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 Lake Havasu City, Arizona 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 Lake Havasu City, Arizona include general government, public safety, highways and streets, culture and recreation, tourism and promotion and transportation services. The business-type activities of Lake Havasu City, Arizona include water (Irrigation and Drainage District), wastewater and trash (Refuse) utilities, airport, and recreation/aquatic center. These activities are primarily supported through user charges and fees.

The government-wide financial statements include not only Lake Havasu City, Arizona itself but also one type of separate legal entity in its report – Improvement Districts. Although legally separate, these "component units" are important because the City is financially accountable for them. A description of these units is available in Note 1 on page 51. Separate financial statements are not prepared for these component units.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

The government-wide financial statements can be found on pages 36 - 37 of this report.

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. Lake Havasu City, Arizona, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Lake Havasu City, Arizona can be divided into three categories: governmental funds, proprietary funds, and 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*.

Lake Havasu City, Arizona maintains 13 individual governmental funds. Information is 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, all of which are considered to be major funds. Data from the other 9 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 elsewhere in this report.

Lake Havasu City, Arizona 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 38 - 43 of this report.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Proprietary funds. Proprietary Funds are generally used to account for services for which the City charges customers-either outside customers, internal units or departments of the City. Lake Havasu City, Arizona 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. Lake Havasu City, Arizona uses enterprise funds to account for its water (Irrigation and Drainage District), wastewater, trash (Refuse), airport, and recreation/aquatic center operations. Two of the City's enterprise funds, the Irrigation and Drainage District and Wastewater are considered major funds of the City. Individual fund data on the Refuse, Airport and Recreation/Aquatic Center funds is provided in the form of combining statements elsewhere in this report.

Internal service funds are an accounting device used to accumulate and allocate costs internally among Lake Havasu City, Arizona's various functions. Lake Havasu City, Arizona uses an internal service fund to account for the Employee Benefit Trust (EBT) activities, the City's limited risk self-insurance program for employees and dependents. The City also uses an internal service fund to account for the vehicle and equipment replacement program. 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 - 47 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support Lake Havasu City, Arizona's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 48 - 49 of this report.

Notes to the basic financial statements. The notes 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 basic financial statements can be found on pages 51 - 79 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Lake Havasu City, Arizona's progress in funding its obligation to provide pension benefits to its public safety 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 82 - 84 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds 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 88 - 107 of this report.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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 Assets and the Statement of Activities serve to provide information on how the City, as a whole, did financially throughout the year.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lake Havasu City, Arizona, assets exceeded liabilities by \$309.2 million at the close of fiscal year 2008-09 and \$298.3 million at the close of fiscal year 2007-08.

**Lake Havasu City, Arizona
Condensed Statement of Net Assets
June 30, 2009 and 2008
(In millions of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2009	2008	2009	2008	2009	2008	
Current and Other Assets	\$ 33.8	\$ 39.2	\$ 86.1	\$ 81.9	\$ 119.9	\$ 121.1	(1.0)%
Capital Assets							
Non-depreciable	26.4	30.5	15.9	13.0	42.3	43.5	(2.9)
Depreciable	69.0	61.3	356.3	328.0	425.3	389.3	9.2
Total Assets	<u>129.2</u>	<u>131.0</u>	<u>458.3</u>	<u>422.9</u>	<u>587.5</u>	<u>553.9</u>	
Other Liabilities	4.3	4.5	17.2	17.3	21.5	21.8	(1.6)
Non-current Liabilities							
Due Within One Year	2.7	3.2	7.5	12.6	10.2	15.8	(35.3)
Due in More Than One Year	5.3	6.1	241.3	211.9	246.6	218.0	13.1
Total Liabilities	<u>12.3</u>	<u>13.8</u>	<u>266.0</u>	<u>241.8</u>	<u>278.3</u>	<u>255.6</u>	
Net Assets:							
Invested in Capital Assets, Net of Related Debt	89.8	84.7	120.5	147.3	210.3	232.0	(9.4)
Restricted	7.9	7.5	-	-	7.9	7.5	5.5
Unrestricted	19.2	25.0	71.8	33.8	91.0	58.8	54.8
Total Net Assets	<u>\$ 116.9</u>	<u>\$ 117.2</u>	<u>\$ 192.3</u>	<u>\$ 181.1</u>	<u>\$ 309.2</u>	<u>\$ 298.3</u>	

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

By far the largest portion of Lake Havasu City, Arizona's net assets in fiscal year 2008-09 and fiscal year 2007-08, \$210.3 million (68.0 percent) and \$232.0 (77.8 percent), respectively, reflects its investment in capital assets, (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Lake Havasu City, Arizona uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Lake Havasu City, Arizona'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 Lake Havasu City, Arizona's net assets in the amount of \$7.9 million (2.6 percent) in fiscal year 2008-09 and \$7.5 million (2.5 percent) in fiscal year 2007-08 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$91.0 million (29.4 percent) in fiscal year 2008-09 and \$58.8 million (19.7 percent) in fiscal year 2007-08, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Lake Havasu City, Arizona is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Analysis of Changes in Net Assets

The City's total net assets increased by \$10.8 million (3.6 percent) in fiscal year 2008-09 and by \$21.1 (7.6 percent) million during fiscal year 2007-08. These increases are explained in the government and business-type activities discussion and are primarily a result of budget restrictions that resulted in lower than projected expenditures. These budget restrictions were implemented to offset the recognized decline in sales tax revenue and charges for services in fiscal year 2008-09.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

**Lake Havasu City, Arizona
Statement of Activities
Fiscal Years Ended June 30, 2009 and June 30, 2008
(In thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2009	2008	2009	2008	2009	2008	
REVENUES							
Program Revenues:							
Charges for Services	\$ 3,572	\$ 4,765	\$ 27,607	\$ 27,206	\$ 31,179	\$ 31,971	(2.5)%
Operating Grants and Contributions	7,093	9,256	46	1	7,139	9,257	(22.9)
Capital Grants and Contributions	7,089	6,215	7,113	9,197	14,202	15,412	(7.8)
General Revenues:							
Property Taxes	4,876	4,659	2,134	2,156	7,010	6,815	2.9
Business Taxes	15,367	18,825	-	-	15,367	18,825	(18.4)
Other Taxes and State Shared Revenues	16,992	17,267	-	-	16,992	17,267	(1.6)
Investment Earnings	468	1,193	715	2,286	1,183	3,479	(66.0)
Other	110	26	-	-	110	26	321.7
Total Revenues	55,567	62,206	37,615	40,846	93,182	103,052	
EXPENSES							
General Government	11,588	11,443	-	-	11,588	11,443	1.3
Public Safety	24,101	24,929	-	-	24,101	24,929	(3.3)
Highways and Streets	7,212	7,785	-	-	7,212	7,785	(7.4)
Culture and Recreation	5,560	5,709	-	-	5,560	5,709	(2.6)
Tourism and Promotion	1,357	1,583	-	-	1,357	1,583	(14.3)
Transportation	2,082	2,236	-	-	2,082	2,236	(6.9)
Interest on Long-term Debt	127	193	-	-	127	193	(34.4)
Refuse	-	-	788	797	788	797	(1.1)
Recreation/Aquatic Center	-	-	1,239	1,422	1,239	1,422	(12.9)
Irrigation and Drainage	-	-	11,865	12,083	11,865	12,083	(1.8)
Wastewater	-	-	14,777	12,244	14,777	12,244	20.7
Airport	-	-	1,638	1,569	1,638	1,569	4.4
Total Expenses	52,027	53,878	30,307	28,115	82,334	81,993	
CHANGE IN NET ASSETS BEFORE TRANSFERS							
	3,540	8,328	7,308	12,731	10,848	21,059	(48.5)
Transfers	(3,901)	561	3,901	(561)	-	-	
CHANGE IN NET ASSETS	(361)	8,889	11,209	12,170	10,848	21,059	
Net Assets - Beginning of Year	117,239	108,350	181,119	168,949	298,358	277,299	7.6
NET ASSETS - END OF YEAR	\$ 116,878	\$ 117,239	\$ 192,328	\$ 181,119	\$ 309,206	\$ 298,358	

Governmental activities. Governmental activities decreased Lake Havasu City, Arizona's net assets by \$361K (4.1 percent) in fiscal year 2008-09, as compared to the fiscal year 2007-08 increase of \$8.9 million (42.2 percent of total growth). Key elements of this decrease are as follows:

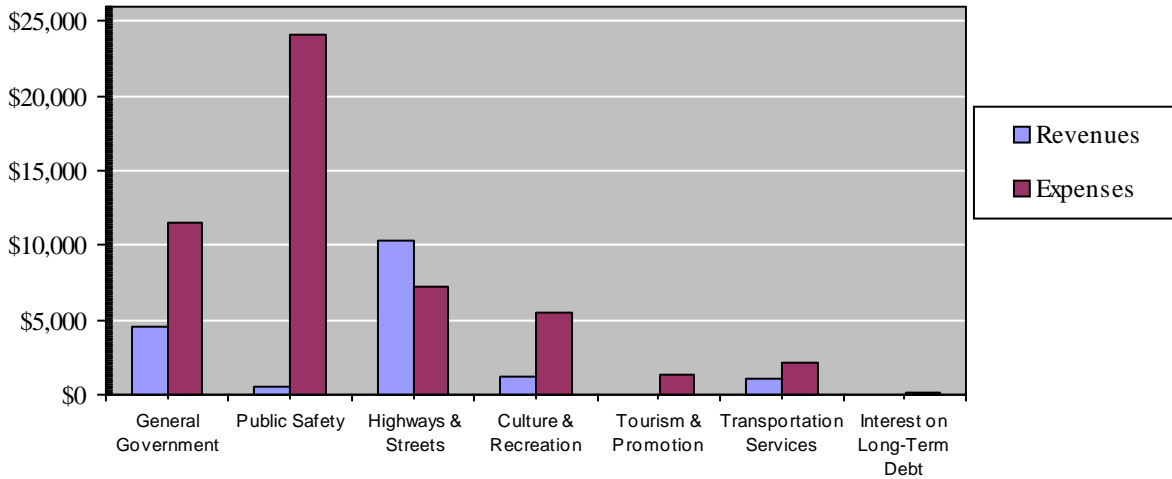
- Capital grants and contributions increased \$873K (14.0 percent) in fiscal year 2008-09 due to the dedication of infrastructure in the amount of \$2.8 million from North Havasu Holdings, LLC, the mall developers. The decrease in capital grants and contributions in fiscal year 2007-08 was \$10.8 million (63.5 percent). This decrease was due to the dedication of property from Havasu Foothills Estates in FY 2006-07 in the amount of \$12.4 million, an unusual item.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

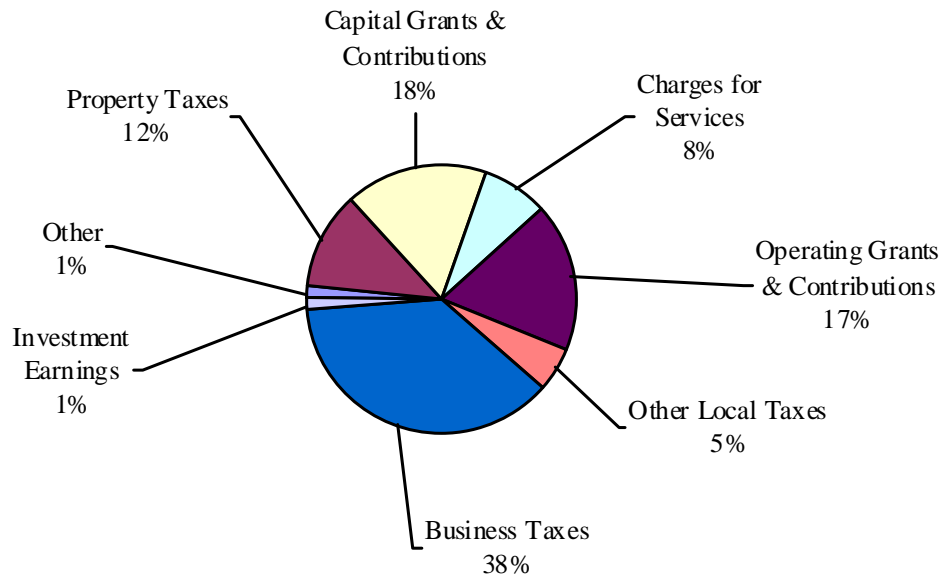
- Business tax (sales tax) revenues decreased \$3.5 million (18.8 percent) in fiscal year 2008-09 due to sluggish construction and retail activity from the economic downturn. This economic condition continues from fiscal year 2007-08, which reflected a decrease of \$2.7 million (12.7 percent).
- Other taxes and state shared revenue decreased \$29K (0.1 percent) during fiscal year 2008-09 and increased \$2.1 million (14.1 percent) in fiscal year 2007-08. Most of the increase in FY 2007-08 is the product of allocation adjustment of state shared revenues for population increases. In FY 2008-09, property taxes held steady but declining state shared sales and auto tax revenue from the economic recession factored into the decrease.
- Operating grants and contributions decreased \$2.2 million (23.7 percent) in fiscal year 2008-09. The increase in fiscal year 2007-08 was \$519K representing a 5.9 percent increase. The City was successful in acquiring a one-time federal operating grant for an economic strength program, an increase in State Home Funds for housing rehabilitation and an increase in Federal and State transportation funds for the transit program in fiscal year 2007-08. These were one-time and special item grants and contributions.
- Total governmental revenues decreased overall by \$6.6 million (10.7 percent) in fiscal year 2008-09 while expenses decreased at a rate of 3.4 percent or \$1.9 million. This decrease in revenues in fiscal year 2008-09 was due to declining charges for services from the economic climate and a decline in operating grants and contributions. In fiscal year 2007-08 total revenues decreased \$11.8 million (15.9 percent) while expenses increased at a rate of \$7.0 million (14.9 percent).
- The total decrease in expenses of \$1.9 million (3.4 percent) is due to a combination of factors. Governmental expenses decreased across the board, a result of management's decision to implement budget restrictions mid-year due to declining revenues. These budget reductions included reductions in workforce, salary reductions of 5%, elimination of vehicle rents to the replacement fund and other cost saving measures to minimize the change in net assets for the fiscal year. In fiscal year 2007-08 expenses reflected an increase of \$7.0 million (14.9 percent) due to increased public safety staffing levels, upgrades in technology and salary increases.
- Transfers from the governmental funds to enterprise funds in FY 2008-09 were 3.9 million, an increase of 795.1 percent over FY 2007-08. This increase in transfers from governmental funds was due mainly to the transfer of \$3.0 million from the general fund to the Wastewater Fund for the wastewater system expansion. With the budget reductions implemented in FY 2008-09, the governmental capital projects were scaled back resulting in fewer contributions of funding from the enterprise funds to the governmental funds.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

**Lake Havasu City, Arizona
Program Revenues and Expenses
Governmental Activities
Fiscal Year 2008-09
(In thousands of dollars)**



**Lake Havasu City, Arizona
Revenues By Source
Governmental Activities
Fiscal Year 2008-09**



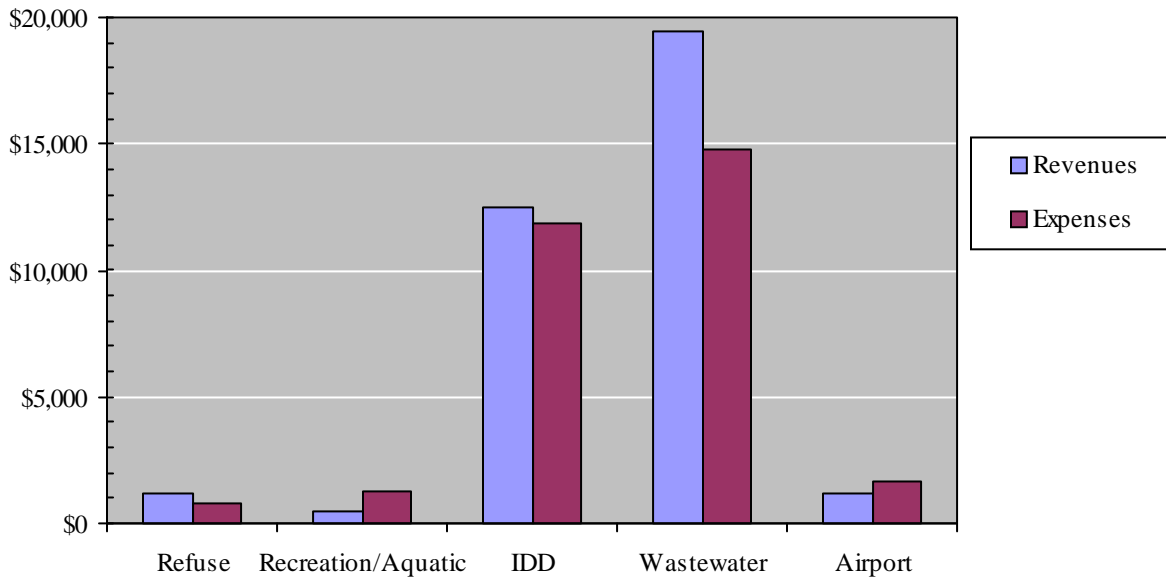
**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Business-type activities. Business-type activities increased Lake Havasu City, Arizona's net assets by \$11.2 million, accounting for 103.3 percent of the total growth in the government's net assets in fiscal year 2008-09. In fiscal year 2007-08 the increase was \$12.2 million (57.8 percent). Key elements of the fiscal year 2008-09 increase are as follows:

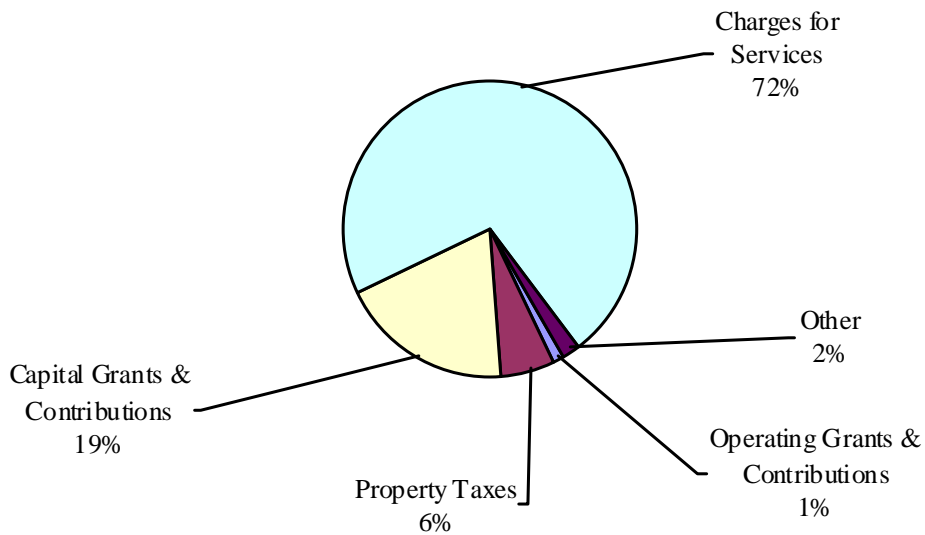
- Charges for services for business-type activities increased \$367K (1.4 percent) overall during the year. Refuse, Recreation/Aquatic, IDD and Airport realized slight declines across the board totaling \$817K (5.9 percent) overall. The Wastewater Fund had an increase of \$1.2 million (8.9 percent) to offset the decline in the other enterprise funds. The declines in Refuse, Aquatic, IDD and Airport were due to a slight drop in customer base and water conservation efforts (IDD). The increase to the Wastewater Fund was due to the growth in customer base in addition to an increase in sewer rates that took effect April 2009. In the prior fiscal year charges for services reflected an increase of \$1.3 million (5.2 percent) due mainly to the increased customer base from the Wastewater System Expansion project and a sewer rate increase.
- Capital grants and contributions decreased by \$2.1 million (22.7 percent) in fiscal year 2008-09. This decrease was due mainly to a decline in treatment capacity fee income from fewer connections to the sewer in fiscal year 2008-09. This decline in connections was caused by delays in the project for the start of a new phase.
- Investment earnings decreased \$1.6 million (68.7 percent) during fiscal year 2008-09. In fiscal year 2007-08 investment earnings showed a decrease of \$1.5 million (39.2 percent). The decrease in both fiscal years was due to less favorable investment opportunities and in fiscal year 2007-08 a lower level of cash was available (unspent bond proceeds) for investment in the Wastewater Fund.
- There were no significant changes in expenses in Refuse, Recreation/Aquatic, IDD and Airport funds in fiscal year 2008-09. The expenses in the Wastewater Fund however increased \$2.5 million (20.7 percent) in fiscal year 2008-09. This increase can be attributed to the continued expansion of the sewer system that results in increased operating costs of providing service to an expanding customer base. In fiscal year 2007-08 the increase was \$2.4 million (24.6 percent) over prior year. This increase was also due to costs associated with an expanding customer base from the expansion project.
- Total revenues and transfers increased \$1.2 million (3.0 percent) overall in fiscal year 2008-09 due mainly to the \$4.5 million increase in transfers from the governmental funds (795.1 percent). The increase in transfers was mainly due to a \$3.0 million transfer to the Wastewater Fund from the general fund to help with the cost of the wastewater system expansion. Expenses reflected an increase of \$2.2 million (7.8 percent). In fiscal year 2007-08 total revenues and transfers decreased \$8.5 million (19.9 percent) while expenses increased \$2.0 million (7.2 percent). Revenues exceeded expenses overall in FY 2008-09 by \$6.8 million.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

**Lake Havasu City, Arizona
Program Revenues and Expenses
Business-type Activities
Fiscal Year 2008-09
(In thousands of dollars)**



**Lake Havasu City, Arizona
Revenues By Source
Business-type Activities
Fiscal Year 2008-09**



**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Financial Analysis of the City's Funds

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

Governmental funds. The focus of Lake Havasu City, Arizona's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Lake Havasu City, Arizona's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year 2008-09, Lake Havasu City, Arizona's governmental funds reported combined ending fund balances of \$19.1 million, a decrease of \$4.5 million (18.9 percent) in comparison with the prior fiscal year 2007-08, which reflected combined ending fund balance of \$23.6 million, a decrease of \$8.7 million (27.1 percent). Approximately \$18.7 million (97.9 percent) of fiscal year 2008-09 balance constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. In fiscal year 2007-08, the unreserved, undesignated fund balance was \$23.0 million (97.7 percent). The remainder of fiscal year 2008-09 fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$143,924), 2) to pay for debt service (\$49,670), or 3) for a variety of other restricted purposes (\$213,518).

The General Fund is the chief operating fund of Lake Havasu City, Arizona. At the end of fiscal year 2008-09, unreserved, undesignated fund balance of the General Fund was \$10.9 million, while total fund balance reached \$11.2 million. In fiscal year 2007-08, the General Fund unreserved, undesignated fund balance was \$15.8 million and the total fund balance was \$16.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance for fiscal year 2008-09 represents 27.9 percent of total General Fund expenditures, while total fund balance represents 28.5 percent of that same amount. In fiscal year 2007-08, unreserved, undesignated fund balance represented 37.6 percent of total General Fund expenditures and total fund balance represented 28.5 percent of that same amount.

The fund balance of Lake Havasu City, Arizona's General Fund decreased \$4.9 million (30.3 percent) during fiscal year 2008-09 and fiscal year 2007-08 showed a decrease of \$4.9 million (29.0 percent). Key factors for this decrease in fiscal year 2008-09 are as follows:

- Overall total revenues in fiscal year 2008-09 reflected a decrease of \$4.9 million, an 11.1 percent decrease and expenditures decreased \$2.8 million (6.6 percent) as compared to the decrease in revenues of \$1.1 million (2.4 percent) and increase in expenditures of \$5.5 million (15.0 percent) in fiscal year 2007-08.
- Licenses and permits decreased \$1.0 million (49.4 percent) due to the economic impact to the construction industry and declining building permit activity. In fiscal year 2007-08 licenses and permits declined \$1.0 million (32.7 percent), also due to the impact of the recession on the building industry.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

- Intergovernmental revenues decreased \$576K (3.6 percent) due to a decrease in state shared revenue from declining sales and auto tax revenue. Fiscal year 2007-08 reflected an increase of \$1.3 million (8.8 percent). In FY 2007-08 the City realized a larger allocation of state shared revenues due to an increase in population. Although local revenues reflect a faster decline due to the economic climate, these state shared revenues will have a delay of about 2 years in reflecting the true economic condition.
- Public safety costs in both police and fire decreased in total by \$769K in fiscal year 2008-09 representing a 3.1 percent decrease. The increase in fiscal year 2007-08 was \$3.1 million (14.2 percent). The decrease in fiscal year 2008-09 was the result of the budget reducing strategies that were implemented, as mentioned earlier. The increase in fiscal year 2007-08 was a result of a continued effort to fill vacancies in public safety, bringing staffing levels closer to their budgeted levels to service the community population in addition to scheduled salary increases.
- Culture and recreation reflected a decrease in expenditures of \$766K (12.6 percent) over fiscal year 2007-08 due to the budget reduction strategies. Fiscal year 2007-08 had an increase of \$588K (10.7 percent) due mainly to increased costs of operating new parks and scheduled annual salary increases.
- General government expenditures also decreased \$1.2 million (11.1 percent) in fiscal year 2008-09. In fiscal year 2007-08 expenditures increased \$1.8 million (19.3 percent). The decrease in the current fiscal year was again the result of the budget reduction strategies implemented during the year.
- Sales tax revenue decreased \$3.3 million (18.9 percent) in fiscal year 2008-09. This revenue source was affected by the continued downturn in the construction and retail industry. In fiscal year 2007-08 sales tax decreased \$2.6 million (13.2 percent) but was offset by an increase in franchise taxes of \$1.0 million (132.2 percent) due to new cable and electric franchise contracts put in place that fiscal year. The establishment of the franchise taxes was a direct result of the decrease in sales tax revenue that was replaced by franchise taxes for the utility contracts with the City.
- A decrease of \$3.4 million (38.2 percent) is reflected in transfers out from the General Fund in fiscal year 2008-09. This was due to the reduction of capital projects that moved forward after management implemented the budget reductions to keep the general fund with a positive fund balance. In fiscal year 2007-08 the total transfers out were \$8.9 million, a decrease of \$177K (2.0 percent) over the prior fiscal year.

Overall, the net change to the General Fund balance was \$4.9 million, a decrease of only \$244K from fiscal year 2007-08. Revenues decreased as did expenditures. The excess of revenues over expenditures was \$627K, a decrease of \$2.1 million (77.6 percent) from fiscal year 2007-08. The operating transfers out of \$5.5 million had the main impact on the net change to fund balance in fiscal year 2008-09. These transfers were mainly for contributions to other funds for capital projects. The transfers in fiscal year 2008-09 were \$3.4 million less (38.2 percent) than the \$8.9 million in transfers out in fiscal year 2007-08, a result of the reductions to the capital projects in fiscal year 2008-09.

The HURF fund, which accounts for the City's highways and streets activities, had a net change in fund balance of a decrease of \$16K (2.5 percent) over fiscal year 2007-08. The decrease in revenue of \$508K (10.1 percent) was from a decrease in highway user revenue funds but was offset by a decrease in expenditures of \$1.5 million (22.1 percent). This helped minimize the net change in fund balance in fiscal year 2008-09.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Lake Havasu City, Arizona's debt service fund has a total fund balance of \$50K which is reserved for the payment of debt service. The net decrease in the Debt Service Fund balance during the current year was \$99K (66.5 percent). In fiscal year 2007-08 the Debt Service Fund balance was \$148K, a decrease of \$419K (73.8 percent) from prior year. The Debt Service Fund 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 decrease in fiscal year 2008-09 is due to the retirement of the Excise Tax debt issuance in fiscal year 2007-08.

The capital projects fund had expenditures totaling \$4.1 million, a 7.6 percent decrease over fiscal year 2007-08. This was due to the budget reductions and cut back in projects that was implemented in fiscal year 2008-09. In fiscal year 2007-08 the capital projects fund had expenditures of \$11.7, representing an increase over the prior year of 49.4 percent.

Proprietary funds. Lake Havasu City, Arizona's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Total change to proprietary fund net assets was an increase of \$11.2 million (5.8 percent). There was little change to Refuse, an increase of \$289K (7.6 percent), Recreation/Aquatic, which had a decrease of \$28K (0.6 percent) Airport with a decrease of \$69K (0.4 percent) and IDD (water utility), which had an increase of \$804K (1.2 percent). The total increase was mainly in the Wastewater Fund, in the amount of \$10.2 million (11.5 percent) due to the addition of assets from the wastewater system expansion.

Unrestricted net assets in fiscal year 2008-09 for the IDD were \$4.5 million, the Wastewater Fund were \$62.8 million, Airport Fund were \$21K, Refuse Fund were \$4.0 million, and Recreation/Aquatic Fund were \$66K. In fiscal year 2007-08 these unrestricted net assets were \$4.9 million for IDD, \$24.8 million for Wastewater, \$348K for Airport, \$3.7 million for Refuse and \$59K for Recreation/Aquatic. The only significant change was in Wastewater Fund, which carried cash designated for construction costs in fiscal year 2007-08.

The Wastewater Fund had a \$1.3 million increase (9.6 percent) in operating revenue due to the increased customer base from the wastewater system expansion. In fiscal year 2007-08 operating revenue in this fund increased \$2.6 million (21.3 percent), also due to the expanding customer base from the expansion project. Nonoperating revenue in Wastewater Fund decreased \$1.3 million (69.3 percent) in fiscal year 2008-09 due to the decline in interest earnings from unfavorable investment opportunities. The contributed capital contributions in wastewater declined \$3.8 million (43.8 percent) over fiscal year 2007-08 due to the start delay of one phase of the expansion project. Treatment capacity fees, which contribute revenues to the project, are based on actual new connections.

The internal service funds total net assets decreased slightly by \$52K (0.5 percent) in fiscal year 2008-09. The vehicle replacement fund, which accounts for the vehicle and equipment replacement program had unrestricted net assets of \$4.5 million, a decrease over fiscal year 2007-08 of \$208K (4.4 percent). Operating revenues declined by \$1.2 million (72.4 percent). One of the budget reducing strategies was to extend the life of the City's vehicles and equipment by one year and forego the rental expense that provides the operating revenue to the vehicle replacement fund.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

The Employee Benefit Trust Fund used to account for Lake Havasu City, Arizona's limited risk self-insurance program for employee and dependent medical care (EBT) had unrestricted net assets of \$5.6 million, a decrease of \$401K (1.6 percent) over fiscal year 2007-08 with a balance of \$6.0 million. Operating expenses were \$6.7 million in fiscal year 2008-09, an increase of \$856K (14.8 percent) over fiscal year 2007-08. This increase is due to rising health care coverage costs and higher than usual claim volume. Other factors concerning the finances of these proprietary funds have already been addressed in the discussion of Lake Havasu City, Arizona's business-type activities.

Fiduciary funds. The City maintains a Fiduciary Fund for the assets of the Paid-On-Call (POC) Firefighters Pension Fund. The POC Fund manages the investments held in trust on behalf of the participants in the plan. Additional information can be found in the Notes to the Basic Financial Statements on page 76-77.

General Fund Budgetary Highlights

During the year there were no changes in appropriations between the original and final budget. The actual expenditures reflected a favorable variance to original and final budget in the amount of \$9.2 million, or 19.5 percent less than the total appropriations. In fiscal year 2007-08 actual expenditures showed favorable variance to final budget in the amount of \$6.5 million (13.6 percent less).

Total revenues reflect a negative variance to budget in the amount of \$8.5 million (17.6 percent) for fiscal year 2008-09 and a negative variance of \$6.4 million (12.6 percent) in fiscal year 2007-08. This was due mainly, as mentioned previously, to the ongoing decline in sales tax revenue from a slow construction and retail industry which continued from fiscal year 2006-07 and 2007-08.

The end of year actual fund balance to projected fund balance reflects an additional \$3.6 million due to the favorable variances in expenditures for fiscal year 2008-09. In fiscal year 2007-08 the projected fund balance reflected an additional \$7.7 million over projected.

Capital Asset and Debt Administration

Capital assets. Lake Havasu City, Arizona's investment in capital assets for its governmental and business-type activities as of June 30, 2009, totals \$467.6 million (net of accumulated depreciation). In fiscal year 2007-08, the capital asset investment was \$432.9 million, representing an increase of \$34.7 million (8.0 percent) in fiscal year 2008-09 and \$63.6 million (17.2 percent) in fiscal year 2007-08. This investment in capital assets includes land, buildings and improvements, other improvements, water rights, machinery and equipment, park facilities, roads, and highways. The total increase in fiscal year 2008-09 for governmental activities was \$3.6 million, a 3.9 percent increase. The total increase for business-type activities was \$31.2 million, or 9.1 percent increase. The total increase in fiscal year 2007-08 for governmental activities was \$12.8 million (16.2 percent) and \$50.8 million (9.1 percent) for business-type activities.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

**Lake Havasu City, Arizona
Capital Assets, Net of Depreciation
June 30, 2009 and 2008
(In thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2009	2008	2009	2008	2009	2008	
Land	\$ 25,678	\$ 25,678	\$ 3,363	\$ 3,363	\$ 29,041	\$ 29,041	0.0 %
Improvements to Land	13,762	8,966	-	-	13,762	8,966	53.5
Buildings, Structures and Improvements	15,081	15,800	28,388	29,140	43,469	44,940	(3.3)
Other Improvements	-	-	325,590	296,613	325,590	296,613	9.8
Equipment, Furniture & Fixtures	7,634	7,580	2,374	2,286	10,008	9,866	1.4
Construction in progress	700	4,786	6,345	3,493	7,045	8,279	(14.9)
Infrastructure	32,542	29,008	-	-	32,542	29,008	12.2
Water Allocation Rights	-	-	6,166	6,166	6,166	6,166	-
Total Capital Assets	\$ 95,397	\$ 91,818	\$ 372,226	\$ 341,061	\$ 467,623	\$ 432,879	

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

- The majority of the increase in capital assets was in the Wastewater Fund. Construction continued on Lake Havasu City, Arizona's sewer system expansion project during fiscal year 2008-09. The increase to this fund totaled \$36.4 million. This total system cost included \$2.5 million for the Centre Force Main Modification project, \$31.0 million for the expanded sewer connections and various other projects of the Wastewater Fund, such as Sweetwater 16" force main, the wastewater master plan update, dedication of wastewater infrastructure from the mall development, Vadose injection well, Mulberry treatment plant modifications and other projects.
- The remaining increases in the proprietary funds were mainly in the IDD, which had increases of \$4.3 million. The mall development donated \$1.4 million of water infrastructure and the remainder was additions for water tank rehabilitation, water service line replacement, water treatment plant surveillance and other projects.
- The governmental capital assets increased by \$14.3, which can be attributed to the vehicle replacements totaling \$1.2 million, \$4.1 million for the Air Industrial Park, \$3.1 million for drainage improvements to the streets, \$2.8 of dedicated infrastructure for the mall development and various other projects.

Additional information on Lake Havasu City, Arizona's capital assets can be found in Note 3.A.4. on pages 62-65 of this report.

Long-term debt. At the end of fiscal year 2008-09, Lake Havasu City, Arizona had total bonded debt outstanding of \$247.7 million (net of related premium). At the end of fiscal year 2007-08 the City had bonded debt totaling \$223.5 million. Of the fiscal year 2008-09 total bonded debt, \$135,000 are general obligation bonds backed by the full faith and credit of the Irrigation & Drainage District (water utilities), \$2.6 million is a loan from GADA for the Freedom Bridge, \$184.2 million are loans from WIFA for wastewater expansion and water system improvements and \$60.5 million (net of related premium) is a loan from GADA also for the wastewater expansion. The remaining \$185,000 are improvement district bonds for the McCulloch Boulevard streetscape improvements at the request of the property owners.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

During the fiscal year, the City received \$36.3 million from WIFA for wastewater capital improvements (\$35.0 million) and water capital improvements (\$1.3 million). The City retired \$240,000 in special assessment debt, \$10,000 in general obligation bonds of the Irrigation and Drainage District and \$11.9 million (net of related premium) in WIFA and GADA loans in the Wastewater Fund.

State statutes impose certain debt limitations on the City of 6 percent and 20 percent of the outstanding secondary assessed valuation of the City. Lake Havasu City, Arizona's available debt margin at June 30, 2009, is \$62.8 million in the 6 percent capacity and \$25.2 million in the 20 percent capacity. In fiscal year 2007-08, the 6 percent capacity limit was \$55.8 million and the 20 percent capacity limit was \$46.0 million. Additional information on the debt limitations and capacities may be found on page 131 in the statistical section of this report. See Note 3. D and 3. E on pages 66-69 to the financial statements for further information regarding capital leases and long-term bonds and loans.

**Lake Havasu City, Arizona
Outstanding Obligations
June 30, 2009 and 2008
(In thousands of dollars)**

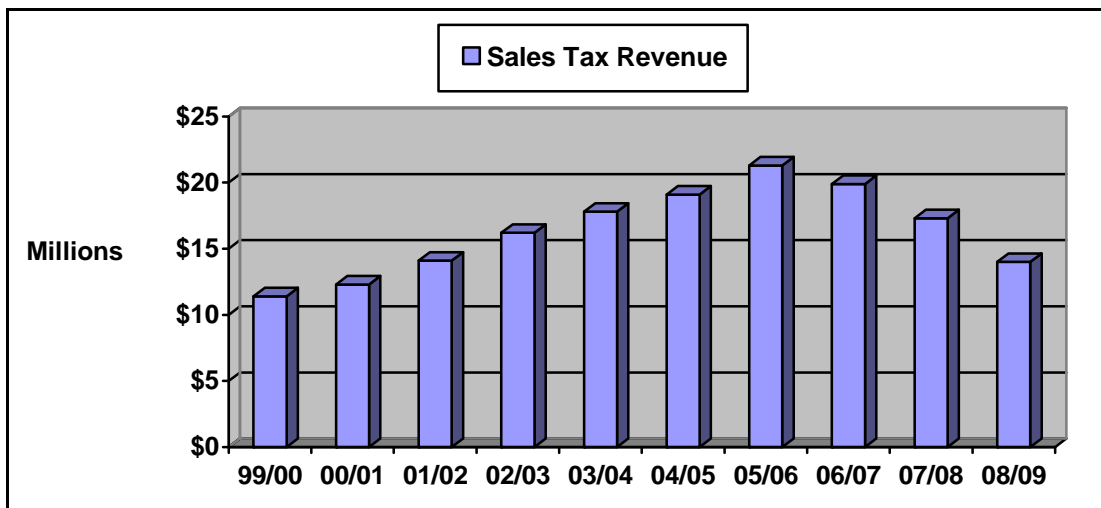
	Governmental Activities		Business-Type Activities		Total		Percent Change
	2009	2008	2009	2008	2009	2008	
General Obligation Bonds	\$ -	\$ -	\$ 135	\$ 145	\$ 135	\$ 145	(6.9)%
Greater Arizona Development Authority (GADA) Loan	2,615	2,615	-	-	2,615	2,615	-
Special Assessments Debt with Government Commitment	185	425	-	-	185	425	(56.5)
GADA (net of Related Premium), G/O Loan	-	-	60,547	60,642	60,547	60,642	(0.2)
LHC WIFA 2002 Jr. Lien Revenue, G/O Loan	-	-	6,602	7,007	6,602	7,007	(5.8)
LHC WIFA 2002 Sr. Lien Revenue	-	-	6,602	7,007	6,602	7,007	(5.8)
LHC WIFA 2004 Sr. Lien Revenue	-	-	4,960	5,216	4,960	5,216	(4.9)
LHC WIFA 2004A Design	-	-	-	-	-	-	-
LHC WIFA 2004A Jr. Construction, G/O Loan	-	-	29,290	30,240	29,290	30,240	(3.1)
LHC WIFA 2004A Sr. Construction	-	-	14,875	15,635	14,875	15,635	(4.9)
LHC WIFA 2005 Design	-	-	-	6,220	-	6,220	(100.0)
LHC WIFA 2006 Jr. Construction, G/O Loan	-	-	46,427	38,678	46,427	38,678	20.0
LHC WIFA 2006 Sr. Construction	-	-	11,362	9,461	11,362	9,461	20.1
LHC WIFA 2007 Water	-	-	4,374	3,261	4,374	3,261	34.1
LHC WIFA 2007 Sr. Construction	-	-	44,260	36,932	44,260	36,932	19.8
LHC WIFA 2008 Jr. Construction	-	-	15,369	-	15,369	-	-
LHC WIFA 2010 Sr. Construction	-	-	80	-	80	-	-
Total Bonds Payable	2,800	3,040	244,883	220,444	247,683	223,484	
Capital Leases	3,010	4,485	1,236	1,670	4,246	6,155	(31.0)
Compensated Absences	1,699	1,839	265	258	1,964	2,097	(6.4)
Landfill Closure and Postclosure Costs	-	-	2,263	2,150	2,263	2,150	5.2
Other Postemployment Benefits	509	-	181	-	690	-	-
Total Long-term Liabilities	\$ 8,018	\$ 9,364	\$ 248,828	\$ 224,522	\$ 256,846	\$ 233,886	

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Economic Factors and Next Year's Budgets and Rates

Sales Tax

Lake Havasu City, Arizona's most reliable indicator of economic condition is sales tax. The City's collection of sales tax revenue comprised 35.2 percent (\$14.0 million) of the total General Fund revenues in fiscal year 2008-09. This represents a decrease of \$3.3 million (18.9 percent) from fiscal year 2007-08, which reflected a decrease of \$2.6 million, a 13.2 percent reduction over the prior fiscal year. The City's sales 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. The City anticipates the sales tax revenue to continue to decline during the current economic downturn, however, increased commercial development is expected to generate sales tax to offset the decline in residential construction. The City expects to maintain a sustainable long-term economic outlook which can be attributed to new tenants continually opening at the regional mall, continued tourism and major commercial growth in the City.



The unemployment rate for Lake Havasu City, Arizona is currently 9.8 percent, which increased 151 percent over last year. This compares unfavorably to the state's average unemployment rate of 8.9 percent and the national average rate of 9.8 percent at June 30, 2009. Inflationary trends in the region compare to national indices.

During the current fiscal year, Lake Havasu City, Arizona has appropriated \$96K of the \$10.9 million unreserved, undesignated fund balance in the General Fund for spending in the 2009-10 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2009-10 fiscal year. The City intends to continue growing the reserves of the General Fund through implementation of budget restraints and increased fees for services and programs in fiscal year 2009-10. It is also intended to obviate the need for the transfer of additional resources to the General Fund.

**LAKE HAVASU CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Recognizing that the City's General Fund balance needs to maintain a healthy level, the City Council is evaluating other financing alternatives of paying for capital improvements. This change in policy 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 of a growing city and a future national recession. In addition, the City has imposed impact fees to cover the cost of major infrastructure associated with new growth beginning in fiscal year 2008-09.

The City decreased the property tax levy rates to \$0.6038 per \$100 assessed value due to rising assessed value of property and the statutory limit on the total levy in fiscal year 2008-09. In fiscal year 2007-08 the property tax levy rate was \$0.6704 per \$100 assessed value. This represented a decrease of 9.9 percent in fiscal year 2008-09 and 8.3 percent in 2007-08.

Building permit fees are expected to continue at the prior year level based on the distressed residential housing condition and mortgage crisis. This, in turn, will impact the sales tax collections. The City is optimistic that the continued commercial growth and increased valuation of the permitted improvements, in addition to the regional mall that is experiencing an increasing tenant base to generate additional retail sales, will carry the City through this economic slump.

During fiscal year 2008-09 sewer rates realized increases of 10 percent. Sewer rates that increased at the beginning of July 2006, July 2007 and July 2008 were based on a sewer rate study adopted by Council in 2005. During fiscal year 2008-09 the City contracted for a new rate study for the wastewater system. The study was completed in July 2009. Sewer rate increases will be effective April 2010, April 2011 and April 2012 based on the rate study adopted by Council in July 2009. At the end of fiscal year 2006-07, the City adopted a Rate Stabilization Fund. This required \$5.0 million to 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 and prevent unfavorable fluctuations for the utility customers. Sewer revenues are expected to increase due to the rate increase and expanded customer base.

Trash rates may not realize increases in the 2009-10 budget year. Trash rates are increased annually in January by a consumer price index. The City contracted for a water rate study in fiscal year 2008-09 to review the rates needed to cover the costs of the water system operations and maintenance. Water rates had not been increased since July 2004. Council adopted rate increases in 2009 to be effective August 2009. Water rates are expected to increase due to the rate increase and the change in tier structures.

All of these factors were considered in preparing Lake Havasu City, Arizona's budget for the 2009-10 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Lake Havasu City, Arizona'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 addressed to:

Finance Department
Lake Havasu City, Arizona
2330 McCulloch Blvd. N.
Lake Havasu City, AZ 86403
Telephone (928) 855-2116
Fax (928) 855-0551
Website: www.lhcaz.gov

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Basic Financial Statements

LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		
	Governmental	Business-Type	Total
ASSETS			
Cash and Investments	\$ 26,158,972	\$ 51,391,570	\$ 77,550,542
Receivables, Net			
Accounts Receivable	224,923	8,937,062	9,161,985
Property Taxes Receivable	202,936	167,863	370,799
Intergovernmental Receivable	6,498,057	6,790,047	13,288,104
Special Assessments Receivable	185,585	-	185,585
Accrued Interest Receivable	96,944	127,955	224,899
Inventories	213,518	2,601	216,119
Prepaid Items	172,308	125,681	297,989
Deferred Charges	-	3,548,105	3,548,105
Restricted Assets	-	15,010,332	15,010,332
Capital Assets:			
Non-Depreciable	26,378,085	15,873,542	42,251,627
Depreciable	69,018,360	356,352,927	425,371,287
Total Assets	<u>129,149,688</u>	<u>458,327,685</u>	<u>587,477,373</u>
LIABILITIES			
Accounts Payable	986,103	5,439,573	6,425,676
Accrued Salaries and Fringes	1,861,889	308,267	2,170,156
Accrued Interest Payable	59,215	3,904,350	3,963,565
Deposits	400	-	400
Intergovernmental Payable	337,937	105,336	443,273
Retainage Payable	49,522	630,892	680,414
Unearned Revenue	274,977	860,640	1,135,617
Performance Bonds Payable	31,202	-	31,202
Developer Agreements	85,696	-	85,696
Claims Payable	567,000	-	567,000
Matured Debt Principal Payable	-	5,587,656	5,587,656
Liabilities Payable from Restricted Assets	-	368,566	368,566
Noncurrent Liabilities			
Due Within One Year	2,665,636	7,552,018	10,217,654
Due in More Than One Year	5,352,204	241,276,274	246,628,478
Total Liabilities	<u>12,271,781</u>	<u>266,033,572</u>	<u>278,305,353</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	89,771,829	120,519,205	210,291,034
Restricted for:			
Highways and Streets	691,292	-	691,292
Debt Service	49,670	-	49,670
Capital Outlay	6,444,484	-	6,444,484
Other Purposes	727,818	-	727,818
Unrestricted	19,192,814	71,808,903	91,001,717
Total Net Assets	<u>\$ 116,877,907</u>	<u>\$ 192,328,108</u>	<u>\$ 309,206,015</u>

See accompanying Notes to the Basic Financial Statements.

**LAKE HAVASU CITY, ARIZONA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 11,587,628	2,714,374	\$ 921,325	\$ 917,755	\$ (7,034,174)	\$ -	\$ (7,034,174)
Public Safety	24,101,607	110,643	434,418	-	(23,556,546)	-	(23,556,546)
Highways and Streets	7,212,143	105,763	4,742,346	5,522,855	3,158,821	-	3,158,821
Culture and Recreation	5,560,189	535,640	4,500	648,104	(4,371,945)	-	(4,371,945)
Tourism and Promotion	1,357,250	-	-	-	(1,357,250)	-	(1,357,250)
Transportation Services	2,081,649	102,469	990,575	-	(988,605)	-	(988,605)
Interest on Long-term Debt	126,647	3,201	-	-	(123,446)	-	(123,446)
Total Governmental Activities	52,027,113	3,572,090	7,093,164	7,088,714	(34,273,145)	-	(34,273,145)
Business-Type Activities:							
Refuse	788,325	1,180,596	-	-	-	392,271	392,271
Recreation/Aquatic Center	1,238,856	376,044	-	125,506	-	(737,306)	(737,306)
Irrigation and Drainage	11,865,294	11,000,962	46,076	1,422,021	-	603,765	603,765
Wastewater	14,776,656	14,514,990	-	4,901,048	-	4,639,382	4,639,382
Airport	1,638,496	534,797	-	663,951	-	(439,748)	(439,748)
Total Business-Type Activities	30,307,627	27,607,389	46,076	7,112,526	-	4,458,364	4,458,364
Total Primary Government	\$ 82,334,740	\$ 31,179,479	\$ 7,139,240	\$ 14,201,240	(34,273,145)	4,458,364	(29,814,781)
General Revenues:							
Taxes							
Sales Taxes					15,366,885	-	15,366,885
Property Taxes					4,875,880	2,134,068	7,009,948
Franchise Taxes					1,921,624	-	1,921,624
Impact Fees					97,045	-	97,045
Unrestricted State Revenue Sharing					7,979,307	-	7,979,307
Unrestricted State Sales Tax Revenue Sharing					4,251,458	-	4,251,458
Unrestricted Auto Lieu Tax Revenue Sharing					2,840,324	-	2,840,324
Investment Earnings					467,629	715,319	1,182,948
Other					12,590	-	12,590
Transfers					(3,900,988)	3,900,988	-
Total General Revenues and Transfers					33,911,754	6,750,375	40,662,129
Change in Net Assets					(361,391)	11,208,739	10,847,348
Net Assets - Beginning					117,239,298	181,119,369	298,358,667
Net Assets - Ending					\$ 116,877,907	\$ 192,328,108	\$ 309,206,015

See accompanying Notes to the Basic Financial Statements.

**LAKE HAVASU CITY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General</u>	<u>HURF</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Totals</u>
Assets						
Cash and Investments	\$ 10,521,507	\$ 343,986	\$ 99,951	\$ 3,944,597	\$ 624,438	\$ 15,534,479
Receivables						
Accounts Receivable	190,884	4,571	-	-	12,645	208,100
Taxes Receivable	194,101	-	-	-	8,835	202,936
Intergovernmental Receivable	2,921,733	431,712	-	2,694,332	450,280	6,498,057
Special Assessments Receivable	-	-	185,585	-	-	185,585
Interest Receivable	67,336	51	-	6,446	-	73,833
Due from Other Funds	186,479	-	-	-	-	186,479
Inventories	163,518	50,000	-	-	-	213,518
Prepaid Items	82,107	58,648	-	-	3,169	143,924
Total Assets	<u>\$ 14,327,665</u>	<u>\$ 888,968</u>	<u>\$ 285,536</u>	<u>\$ 6,645,375</u>	<u>\$ 1,099,367</u>	<u>\$ 23,246,911</u>
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	\$ 747,256	\$ 23,823	\$ -	\$ 115,195	\$ 97,694	\$ 983,968
Accrued Wages and Benefits	1,677,158	121,781	-	-	62,950	1,861,889
Interest Payable	6,345	2,475	50,392	-	3	59,215
Intergovernmental Payable	330,927	-	-	-	7,010	337,937
Due to Other Funds	-	-	-	-	186,479	186,479
Deferred Revenue	346,784	75	185,474	-	17,413	549,746
Retainage Payable	-	49,522	-	-	-	49,522
Performance Bonds Payable	31,202	-	-	-	-	31,202
Developer Agreements	-	-	-	85,696	-	85,696
Customer Deposits Payable	400	-	-	-	-	400
Total Liabilities	<u>3,140,072</u>	<u>197,676</u>	<u>235,866</u>	<u>200,891</u>	<u>371,549</u>	<u>4,146,054</u>
Fund Balances						
Reserved for Inventories	163,518	50,000	-	-	-	213,518
Reserved for Prepaid Items	82,107	58,648	-	-	3,169	143,924
Reserved for Future Debt Service	-	-	49,670	-	-	49,670
Unreserved	10,941,968	582,644	-	6,444,484	-	17,969,096
Unreserved; reporting in nonmajor:						
Special Revenue Funds	-	-	-	-	724,649	724,649
Total Fund Balance	<u>11,187,593</u>	<u>691,292</u>	<u>49,670</u>	<u>6,444,484</u>	<u>727,818</u>	<u>19,100,857</u>
Total Liabilities and Balance	<u>\$ 14,327,665</u>	<u>\$ 888,968</u>	<u>\$ 285,536</u>	<u>\$ 6,645,375</u>	<u>\$ 1,099,367</u>	<u>\$ 23,246,911</u>

See accompanying Notes to the Basic Financial Statements.

**LAKE HAVASU CITY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balances for Governmental Funds	\$	19,100,857
Amounts reported for governmental activities in the statement of activities are different because:		
Property taxes not collected within 60 days subsequent to fiscal year-end are deferred in the governmental funds.		89,295
Special assessment revenue not available for current resources		185,474
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental Capital Assets		168,290,123
Less Accumulated Depreciation		<u>(73,859,905)</u>
Capital Assets Used in Governmental Activities		<u>94,430,218</u>
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Revenue Bonds		(2,615,000)
Special Assessment Debt with Government Commitment		(185,000)
Capital Leases		(3,009,616)
Compensated Absences		(1,699,107)
Other Postemployment Benefits		(509,117)
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 assets.		11,089,903
Total Net Assets of Governmental Activities	\$	<u><u>116,877,907</u></u>

See accompanying Notes to the Basic Financial Statements.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2009

	General	HURF	Debt Service	Capital Projects	Nonmajor	Totals
Revenue						
Taxes						
Sales Taxes	\$ 14,030,536	\$ -	\$ -	\$ -	\$ 1,336,349	\$ 15,366,885
Property Taxes	4,775,708	-	-	-	187,076	4,962,784
Franchise Taxes	1,921,624	-	-	-	-	1,921,624
Intergovernmental Revenue	15,542,096	4,508,659	-	4,260,191	2,102,478	26,413,424
Fines and Forfeits	1,285,434	-	-	-	84,095	1,369,529
Licenses and Permits	992,742	-	-	-	-	992,742
Charges for Services	598,099	-	-	-	113,246	711,345
Rents and Royalties	58,785	-	-	-	-	58,785
Contributions and Donations	6,518	-	-	-	4,500	11,018
Impact Fees	-	-	-	97,045	-	97,045
Special Assessments	-	-	131,602	-	-	131,602
Investment Earnings	291,738	3,476	835	29,167	318	325,534
Other	322,389	21,495	-	85,452	7,152	436,488
Total Revenue	39,825,669	4,533,630	132,437	4,471,855	3,835,214	52,798,805
Expenditures						
Current						
General Government	9,955,961	-	-	-	822,244	10,778,205
Public Safety	23,940,116	-	-	-	340,306	24,280,422
Highways and Streets	-	5,153,171	-	-	50,490	5,203,661
Culture and Recreation	5,302,241	-	-	-	4,855	5,307,096
Tourism and Promotion	-	-	-	-	1,356,589	1,356,589
Transportation Services	-	-	-	-	1,919,213	1,919,213
Debt Service						
Principal Retirement	-	-	240,000	-	-	240,000
Interest on Long-Term Debt	-	-	126,647	-	-	126,647
Capital Outlay	-	-	-	4,147,830	-	4,147,830
Total Expenditures	39,198,318	5,153,171	366,647	4,147,830	4,493,697	53,359,663
Excess (Deficiency) of Revenue Over Expenditures	627,351	(619,541)	(234,210)	324,025	(658,483)	(560,858)
Other Finance Sources (Uses)						
Transfers In	-	604,014	135,562	540,407	828,000	2,107,983
Transfers Out	(5,499,957)	-	-	(324,014)	(185,000)	(6,008,971)
Total Other Finance Sources (Uses)	(5,499,957)	604,014	135,562	216,393	643,000	(3,900,988)
Net Change in Fund Balance	(4,872,606)	(15,527)	(98,648)	540,418	(15,483)	(4,461,846)
Fund Balance						
Beginning of Year	16,060,199	706,819	148,318	5,904,066	743,301	23,562,703
End of Year	<u>\$ 11,187,593</u>	<u>\$ 691,292</u>	<u>\$ 49,670</u>	<u>\$ 6,444,484</u>	<u>\$ 727,818</u>	<u>\$ 19,100,857</u>

See accompanying Notes to the Basic Financial Statements.

**LAKE HAVASU CITY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2009**

Net Change in Fund Balances-Total Governmental Funds \$ (4,461,846)

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	8,772,291
Less Current Year Depreciation	(5,622,109)
Excess Capital Expenditures Over Depreciation	3,150,182

The statement of activities reports gains/ losses arising from the disposal of existing capital assets. Conversely, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold. (128,065)

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Property Taxes	(86,904)
Special Assessments	(128,401)

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 assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets.

Principal Payments on Long-term Debt	1,715,839
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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 the governmental funds.

Net decrease in Compensated Absences	139,416
Net Increase in Other Postemployment Benefits	(509,117)

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

The net changes in net assets of the internal service fund is reported with governmental activities.	(52,495)
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Change in Net Assets of Governmental Activities	\$ (361,391)
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See accompanying Notes to the Basic Financial Statements.

**LAKE HAVASU CITY, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes	\$ 26,863,687	\$ 20,727,868	\$ (6,135,819)
Intergovernmental Revenue	16,713,782	15,542,096	(1,171,686)
Fines and Forfeitures	1,281,500	1,285,434	3,934
Licenses and Permits	2,052,550	992,742	(1,059,808)
Charges for Services	708,539	598,099	(110,440)
Rents and Royalties	21,615	58,785	37,170
Contributions and Donations	2,500	6,518	4,018
Investment Earnings	500,000	291,738	(208,262)
Other	193,500	322,389	128,889
Total Revenue	<u>48,337,673</u>	<u>39,825,669</u>	<u>(8,512,004)</u>
Expenditures			
Current			
General Government			
City Council	60,572	54,723	5,849
City Clerk	228,239	135,161	93,078
Magistrate Court	1,428,433	1,268,998	159,435
City Manager/Human Resources	734,041	495,396	238,645
Finance	846,145	736,120	110,025
Community Services	83,564	70,949	12,615
Finance - Information Systems	1,613,663	640,086	973,577
City Attorney	495,053	269,218	225,835
Non-Departmental	3,722,737	1,322,561	2,400,176
Government - Outside Contracts	1,878,456	1,513,933	364,523
Special Events	40,000	1,610	38,390
Public Works Administration and Engineering	969,902	696,303	273,599
Vehicle Maintenance	656,172	502,805	153,367
Community Development	2,623,758	2,111,275	512,483
Total General Government	<u>15,380,735</u>	<u>9,819,138</u>	<u>5,561,597</u>
Public Safety			
Police	13,695,330	12,786,350	908,980
Fire	11,466,338	9,964,963	1,501,375
Total Public Safety	<u>25,161,668</u>	<u>22,751,313</u>	<u>2,410,355</u>
Culture and Recreation			
Parks and Recreation Administration	462,136	426,137	35,999
Recreation Department	2,362,051	1,860,075	501,976
Parks and Maintenance	3,680,201	3,016,029	664,172
Total Culture and Recreation	<u>6,504,388</u>	<u>5,302,241</u>	<u>1,202,147</u>
Total Expenditures	<u>47,046,791</u>	<u>37,872,692</u>	<u>9,174,099</u>
Excess (Deficiency) of Revenue Over Expenditures	1,290,882	1,952,977	662,095
Other Finance Sources (Uses)			
Transfers Out	(9,332,577)	(5,499,957)	3,832,620
Proceeds from Capital Lease	928,800	-	(928,800)
Total Other Finance Sources (Uses)	<u>(8,403,777)</u>	<u>(5,499,957)</u>	<u>2,903,820</u>
Net Change in Fund Balance	(7,112,895)	(3,546,980)	3,565,915
Fund Balance			
Beginning of Year	19,894,034	14,734,573	(5,159,461)
End of Year	<u>\$ 12,781,139</u>	<u>\$ 11,187,593</u>	<u>\$ (1,593,546)</u>

See accompanying Notes to the Basic Financial Statements.

**LAKE HAVASU CITY, ARIZONA
HURF FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Intergovernmental Revenue	\$ 5,550,048	\$ 4,508,659	\$ (1,041,389)
Investment Earnings	20,000	3,476	(16,524)
Other	12,000	21,495	9,495
Total Revenue	<u>5,582,048</u>	<u>4,533,630</u>	<u>(1,048,418)</u>
Expenditures			
Current			
Highways and Streets	<u>7,487,685</u>	<u>5,153,171</u>	<u>2,334,514</u>
Excess (Deficiency) of Revenue Over Expenditures	(1,905,637)	(619,541)	1,286,096
Other Finance Sources (Uses)			
Transfers In	<u>1,274,014</u>	<u>604,014</u>	<u>(670,000)</u>
Net Change in Fund Balance	(631,623)	(15,527)	616,096
Fund Balance			
Beginning of Year	800,325	706,819	(93,506)
End of Year	<u>\$ 168,702</u>	<u>\$ 691,292</u>	<u>\$ 522,590</u>

See accompanying Notes to the Basic Financial Statements.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Irrigation and Drainage	Wastewater	Total Nonmajor Business-Type Activities	Totals	
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 3,903,787	\$ 40,813,611	\$ 6,674,172	\$ 51,391,570	\$ 10,624,493
Receivables, Net					
Accounts Receivable	902,909	7,652,956	381,197	8,937,062	16,823
Taxes Receivable	129,856	38,007	-	167,863	-
Intergovernmental Receivable	323,395	6,349,841	116,811	6,790,047	-
Interest Receivable	20,489	77,971	29,495	127,955	23,111
Inventory	-	-	2,601	2,601	-
Prepaid Items	77,744	32,745	15,192	125,681	28,384
Deferred Charges	27,742	3,520,363	-	3,548,105	-
Restricted Assets	628,146	14,356,259	25,927	15,010,332	-
Total Current Assets	6,014,068	72,841,753	7,245,395	86,101,216	10,692,811
Noncurrent Assets					
Capital Assets					
Non-Depreciable	9,570,595	5,139,211	1,163,736	15,873,542	-
Depreciable (net)	56,299,262	276,923,717	23,129,948	356,352,927	966,227
Total Noncurrent Assets	65,869,857	282,062,928	24,293,684	372,226,469	966,227
Total Assets	71,883,925	354,904,681	31,539,079	458,327,685	11,659,038
Liabilities					
Current Liabilities					
Accounts Payable	360,514	4,649,101	429,958	5,439,573	2,135
Accrued Wages and Benefits	159,349	104,678	44,240	308,267	-
Intergovernmental Payable	97,652	7,524	160	105,336	-
Interest Payable	72,303	3,830,826	1,221	3,904,350	-
Retainage Payable	22,235	608,657	-	630,892	-
Deferred Revenue	139,761	680,988	39,891	860,640	-
Matured Debt Principal Payable	218,535	5,369,121	-	5,587,656	-
Liabilities Payable from Restricted Assets	342,539	100	25,927	368,566	-
Claims Payable	-	-	-	-	567,000
Compensated Absences	144,147	81,276	23,556	248,979	-
Capital Leases Payable	185,956	106,861	130,986	423,803	-
Bonds and Notes Payable	230,842	6,648,394	-	6,879,236	-
Total Current Liabilities	1,973,833	22,087,526	695,939	24,757,298	569,135
Noncurrent Liabilities					
Compensated Absences	11,141	-	5,475	16,616	-
Landfill Closure and Postclosure Care Costs	-	-	2,262,509	2,262,509	-
Capital Leases Payable	318,055	217,321	277,068	812,444	-
Other Postemployment Benefits	108,196	63,432	8,952	180,580	-
Bonds and Notes Payable	4,278,444	233,725,681	-	238,004,125	-
Total Noncurrent Liabilities	4,715,836	234,006,434	2,554,004	241,276,274	-
Total Liabilities	6,689,669	256,093,960	3,249,943	266,033,572	569,135
Net Assets					
Invested in Capital Assets	60,638,025	35,995,550	23,885,630	120,519,205	966,227
Unrestricted	4,556,231	62,815,171	4,403,506	71,774,908	10,123,676
Total Net Assets	\$ 65,194,256	\$ 98,810,721	\$ 28,289,136	\$ 192,294,113	\$ 11,089,903

See accompanying Notes to the Basic Financial Statements.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Irrigation and Drainage	Wastewater	Total Nonmajor Business-Type Activities	Totals	
Operating Revenue					
Charges for Services	\$ 10,851,380	\$ 14,475,218	\$ 2,086,437	\$ 27,413,035	\$ 446,828
Premiums Charged	-	-	-	-	6,177,219
Total Operating Revenue	<u>10,851,380</u>	<u>14,475,218</u>	<u>2,086,437</u>	<u>27,413,035</u>	<u>6,624,047</u>
Operating Expenses					
Cost of Sales and Services	9,632,388	7,272,649	2,558,031	19,463,068	-
Premiums Paid	-	-	-	-	420,548
Administration	-	-	-	-	513,417
Benefits	-	-	-	-	5,724,491
Depreciation	2,078,245	7,250,228	1,089,574	10,418,047	172,773
Total Operating Expenses	<u>11,710,633</u>	<u>14,522,877</u>	<u>3,647,605</u>	<u>29,881,115</u>	<u>6,831,229</u>
Operating Loss	(859,253)	(47,659)	(1,561,168)	(2,468,080)	(207,182)
Nonoperating Revenue (Expense)					
Taxes	2,134,068	-	-	2,134,068	-
Intergovernmental	46,076	-	-	46,076	-
Investment Earnings	66,361	539,854	109,104	715,319	142,097
Loss on Sale of Capital Assets	-	-	(33,995)	(33,995)	-
Interest Expense	(153,120)	(89,071)	(18,072)	(260,263)	-
Issuance Costs	(1,541)	(164,708)	-	(166,249)	-
Other Income	149,582	39,772	5,000	194,354	12,590
Total Nonoperating Revenue (Expenses)	<u>2,241,426</u>	<u>325,847</u>	<u>62,037</u>	<u>2,629,310</u>	<u>154,687</u>
Income (Loss) Before Capital Contributions and Transfers	1,382,173	278,188	(1,499,131)	161,230	(52,495)
Capital Contributions	1,422,021	4,901,048	789,457	7,112,526	-
Transfers In	-	5,000,000	1,079,300	6,079,300	-
Transfers Out	<u>(2,000,000)</u>	<u>-</u>	<u>(178,312)</u>	<u>(2,178,312)</u>	<u>-</u>
Change in Net Assets	804,194	10,179,236	191,314	11,174,744	(52,495)
Net Assets					
Beginning of Year	64,390,062	88,631,485	28,097,822	181,119,369	11,142,398
End of Year	<u>\$ 65,194,256</u>	<u>\$ 98,810,721</u>	<u>\$ 28,289,136</u>	<u>\$ 192,294,113</u>	<u>\$ 11,089,903</u>

See accompanying Notes to the Basic Financial Statements.

**LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Irrigation and Drainage	Wastewater	Total Nonmajor Business-Type Activities	Totals	
Cash Flows from Operating Activities					
Receipts from Customers	\$ 9,873,597	\$ 14,137,193	\$ 2,154,546	\$ 26,165,336	\$ 6,744,885
Payments to Suppliers	(6,886,626)	(5,270,314)	(1,444,767)	(13,601,707)	(6,607,166)
Payments to Employees	(3,087,227)	(1,970,270)	(1,060,837)	(6,118,334)	-
Other Nonoperating Receipts	149,582	39,772	5,000	194,354	12,590
Customer Deposits (Payments)	7,494	(500)	4,734	11,728	-
Net Cash Flows from (used by) Operating Activities	<u>56,820</u>	<u>6,935,881</u>	<u>(341,324)</u>	<u>6,651,377</u>	<u>150,309</u>
Cash Flows from Noncapital Financing Activities					
Transfers In	-	5,000,000	1,079,300	6,079,300	-
Transfers Out	(2,000,000)	-	(178,312)	(2,178,312)	-
Tax Receipts	2,129,486	-	-	2,129,486	-
Intergovernmental Agreements	46,076	-	-	46,076	-
Net Cash Flows from (used by) Financing Activities	<u>175,562</u>	<u>5,000,000</u>	<u>900,988</u>	<u>6,076,550</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from Capital Debt	2,648,655	40,900,496	-	43,549,151	-
Capital Grants and Contributions	-	4,094,825	733,649	4,828,474	-
Purchases of Capital Assets	(2,754,600)	(28,219,061)	(735,923)	(31,709,584)	(729,470)
Principal Paid on Capital Debt	(397,888)	(4,265,574)	(150,154)	(4,813,616)	-
Interest Paid on Capital Debt	(119,619)	(7,167,939)	(18,575)	(7,306,133)	-
Loan Issuance Costs	-	(548,783)	-	(548,783)	-
Proceeds from Sale of Capital Assets	-	-	6,000	6,000	-
Net Cash Flows from (used by) Capital and Financing Activities	<u>(623,452)</u>	<u>4,793,964</u>	<u>(165,003)</u>	<u>4,005,509</u>	<u>(729,470)</u>
Cash Flows from Investing Activities					
Interest and Dividends	<u>53,652</u>	<u>555,450</u>	<u>116,196</u>	<u>725,298</u>	<u>144,202</u>
Net Change in Cash and Cash Equivalents	(337,418)	17,285,295	510,857	17,458,734	(434,959)
Cash and Cash Equivalents, Beginning of Year	<u>4,869,351</u>	<u>37,884,575</u>	<u>6,189,242</u>	<u>48,943,168</u>	<u>11,059,452</u>
Cash and Cash Equivalents, End of Year, (Including \$628,146, \$14,356,259 and \$25,927 Reported in Restricted Assets of the Irrigation and Drainage, Wastewater and Nonmajor Funds, Respectively	<u>\$ 4,531,933</u>	<u>\$ 55,169,870</u>	<u>\$ 6,700,099</u>	<u>\$ 66,401,902</u>	<u>\$ 10,624,493</u>

(continued)

See accompanying Notes to the Basic Financial Statements.

**LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2009**

(concluded)

	Business-type Activities - Enterprise Fund				Governmental Activities - Internal Service Funds
	Irrigation and Drainage	Wastewater	Total Nonmajor Business-Type Activities	Totals	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ (859,253)	\$ (47,659)	\$ (1,595,163)	\$ (2,502,075)	\$ (207,182)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (used by) Operating Activities					
Depreciation	2,078,245	7,250,228	1,089,574	10,418,047	172,773
Other Nonoperating Receipts (Expenses)	149,582	39,772	5,000	194,354	12,590
Loss on Sale of Capital Assets	-	-	33,995	33,995	-
Change in Assets/Liabilities:					
Receivables, Net	128,994	253,226	66,795	449,015	120,838
Inventories	-	-	597	597	-
Prepaid Items	610	439	(2,384)	(1,335)	(8,594)
Accounts Payable	(385,161)	200,903	(23,969)	(208,227)	(2,116)
Retainage Payable	(69,541)	(251,484)	(24,787)	(345,812)	-
Intergovernmental Payable	6,525	(45)	1,314	7,794	-
Accrued Wages and Benefits	(3,986)	13,580	(12,285)	(2,691)	-
Compensated Absences	8,417	5,195	(6,434)	7,178	-
Deferred Revenue	(1,113,302)	(591,206)	-	(1,704,508)	-
Customer Deposits Payable	7,494	(500)	4,734	11,728	-
Other Postemployment Benefits	108,196	63,432	8,952	180,580	-
Claims Payable	-	-	-	-	62,000
Landfill Closure and Postclosure Care Costs	-	-	112,737	112,737	-
Net Cash from (used by) Operating Activities	<u>\$ 56,820</u>	<u>\$ 6,935,881</u>	<u>\$ (341,324)</u>	<u>\$ 6,651,377</u>	<u>\$ 150,309</u>

Noncash Investing, Capital and Financing Activities

Loan issuance costs of \$1,541 and \$164,708 were amortized in the Irrigation and Drainage District and Wastewater Funds, respectively, during the year.

The City received capital assets contributed from a developer totaling \$1,422,021 in the Irrigation and Drainage District and \$709,947 in the Wastewater Fund.

During the fiscal year, the Wastewater Fund used \$5,996,876 of WIFA proceeds to pay off existing WIFA loans.

See accompanying Notes to the Basic Financial Statements.

**LAKE HAVASU CITY, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009**

	Paid-On-Call Firefighters' Pension
Assets	
Cash and Cash Equivalents	<u>\$ 12,375</u>
Total Assets	<u>12,375</u>
Net Assets	
Held In Trust	<u><u>\$ 12,375</u></u>

See accompanying Notes to the Basic Financial Statements.

**LAKE HAVASU CITY, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Paid-On-Call Firefighters' Pension</u>
Additions	
Investment Earnings (Loss)	
Net Increase (Decrease) in the Fair Value of Investments	\$ (2,623)
Deductions	
Benefits	<u>3,674</u>
Change in Net Assets	(6,297)
Net Assets, Beginning of Year	<u>18,672</u>
Net Assets, End of Year	<u><u>\$ 12,375</u></u>

See accompanying Notes to the Basic Financial Statements.

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**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

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). 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.
2. Improvement Districts No. 1-4 - The City has four 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. Council voted to dissolve Improvement District No. 3 on January 8, 2008.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. 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 and fiduciary 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.

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 principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 for, 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.

Additionally, the government reports the following fund types:

The *Internal Service Funds* account for the City's limited risk self-insurance program for employee and dependant medical care and the City's vehicle replacement program.

The *Pension Trust Fund* accounts for the activities of the Paid-on-call Firefighters' Pension, which accumulates resources for pension benefit payments to qualified volunteer firefighters.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

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, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, investments held by the State Treasurer and government securities held by Wells Fargo Brokerage Services in a Safekeeping 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 month-end 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 return on investments. Investments are stated at fair value.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables

All trade and property taxes receivables are shown net of an allowance for uncollectibles.

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 assets because their use is limited by applicable bond covenants. Customer deposits are also restricted.

6. Capital Assets

Capital assets, which include land, improvements to land, buildings and building improvements, furniture, machinery, equipment, vehicles 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.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Capital Assets (Continued)

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:

Buildings and improvements	40 years
Improvements other than buildings	10-20 years
Infrastructure	40-50 years
Furniture, machinery and equipment	3-10 years
Vehicles	3-10 years

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.

8. 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 assets. Bond premiums and discounts, as well as issuance costs, 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 THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Claims Incurred But Not Reported

The estimated liability for claims incurred but not reported which is accrued in the Internal Service Fund is based on historic monthly claims paid factored by a percentage of completion by month for the preceding twelve months.

10. Net Assets

In the government-wide and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the City. Unrestricted net assets are the remaining net assets not included in the previous two categories.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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. For management purposes, 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 Finance Director may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way 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 (see Note 4.C. for exception).

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.

City Council authorized two supplemental budgetary appropriations throughout the year, including a \$145,000 transfer to the Debt Service Fund related to an advance principal retirement of McCulloch Boulevard Streetscape Improvement District debt and \$121,743 transfer to the Employee Benefit Trust Fund for claims exceeding expected levels throughout the year. Both were transfers of appropriations from the Capital Projects Fund.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is employed by the City during the year. However, at year-end the City encumbers the amounts necessary and available to pay liabilities outstanding for goods or services received but unpaid at June 30, after which warrants may be drawn against the encumbered amounts for 60 days immediately following the close of the fiscal year. After 60 days, the remaining unencumbered balances lapse, and are reappropriated in the following year.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2009 consist of the following:

Deposits		
Cash on Hand	\$	9,800
Cash in Bank		9,056,268
Investments		
Pension Trust Mutual Fund		12,375
Investment Sweep Account		2,400,173
Cash on Deposit with County Treasurer		155,126
State Treasurer's Investment Pool		68,939,507
U.S. Government Securities		<u>12,000,000</u>
Total Deposits and Investments		92,573,249
Restricted Assets		(15,010,332)
Fiduciary Funds		<u>(12,375)</u>
Total cash and cash equivalents	\$	<u><u>77,550,542</u></u>

Deposits - The City's deposits at June 30, 2009, were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

Investments - The City's Investment Policy, adopted on July 10, 1996 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. The City is also empowered to invest, by resolution, in the State of Arizona Local Government Investment Pool.

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. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares. The City's investment in the State Treasurer's diversified fixed income investment pool received a credit quality rating from a national agency. Standard and Poor's Rating Services gave the highest rating for stability "S1+" and the highest rating for credit quality of "AAAF".

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

The City's investment in U.S. Government securities was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The remaining investments of the City were not subject to credit risk.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of less than five years.

The City's investments at June 30, 2009 consist of the following:

Investment	Investment Maturities (in Years)			
	Amount	Less than 1	1-3	4-5
Pension Trust Mutual Fund	\$ 12,375	\$ 12,375	\$ -	\$ -
Investment Sweep Account	2,400,173	2,400,173	-	-
Cash on deposit with the County Treasurer	155,126	155,126	-	-
State Treasurer's Investment Pool	68,939,507	68,939,507	-	-
U.S. Government Securities	12,000,000	-	10,000,000	2,000,000
Total Investments	<u>\$ 83,507,181</u>	<u>\$ 71,507,181</u>	<u>\$ 10,000,000</u>	<u>\$ 2,000,000</u>

2. Restricted Assets

Restricted assets in the proprietary funds at June 30, 2009 consisted of the following:

Customer Deposits	\$ 368,566
Future Debt Service	<u>14,641,766</u>
	<u>\$ 15,010,332</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes Receivable (General Fund)	\$ 84,903	\$ -
Miscellaneous (General Fund)	-	261,881
Miscellaneous (HURF)	-	75
Special Assessments Receivable (Debt Service Fund)	185,474	-
Delinquent Property Taxes Receivable (Nonmajor Governmental Funds)	4,392	-
Grants and Miscellaneous (Nonmajor Governmental Funds)	-	13,021
Total Deferred Revenue for Governmental Funds	<u>\$ 274,769</u>	<u>\$ 274,977</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 25,677,916	\$ -	\$ -	\$ 25,677,916
Construction in Progress	4,785,594	4,183,723	(8,269,148)	700,169
Total Capital Assets, Not Being Depreciated	30,463,510	4,183,723	(8,269,148)	26,378,085
Capital Assets, Being Depreciated:				
Buildings and Improvements	22,625,174	-	(139,452)	22,485,722
Improvements to Land	11,485,510	5,113,563	(631)	16,598,442
Infrastructure	76,203,097	5,884,288	-	82,087,385
Furniture, Machinery and Equipment	20,359,768	2,589,333	(1,036,383)	21,912,718
Total Capital Assets, Being Depreciated	130,673,549	13,587,184	(1,176,466)	143,084,267
Accumulated Depreciation for:				
Buildings and Improvements	(6,824,887)	(595,837)	15,910	(7,404,814)
Improvements to Land	(2,519,320)	(317,925)	631	(2,836,614)
Infrastructure	(47,195,402)	(2,349,886)	-	(49,545,288)
Furniture, Machinery and Equipment	(12,779,819)	(2,531,232)	1,031,860	(14,279,191)
Total Accumulated Depreciation	(69,319,428)	(5,794,880)	1,048,401	(74,065,907)
Total Capital Assets, Being Depreciated, Net	61,354,121	7,792,304	(128,065)	69,018,360
Governmental Activities Capital Assets, Net	\$ 91,817,631	\$ 11,976,027	\$ (8,397,213)	\$ 95,396,445

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,362,629	\$ 362	\$ -	\$ 3,362,991
Water Allocation Rights	6,165,681	-	-	6,165,681
Construction in Progress	3,493,401	38,616,220	(35,764,751)	6,344,870
Total Capital Assets, Not Being Depreciated	13,021,711	38,616,582	(35,764,751)	15,873,542
Capital Assets, Being Depreciated:				
Buildings and Improvements	34,305,388	139,451	-	34,444,839
Other Improvements	346,024,828	37,868,191	(72,030)	383,820,989
Machinery, Equipment and Vehicles	5,804,100	647,726	(306,269)	6,145,557
Total Capital Assets, Being Depreciated	386,134,316	38,655,368	(378,299)	424,411,385
Accumulated Depreciation for:				
Buildings and Improvements	(5,165,529)	(891,183)	-	(6,056,712)
Other Improvements	(49,411,935)	(8,890,627)	72,030	(58,230,532)
Machinery, Equipment and Vehicles	(3,517,643)	(636,237)	382,666	(3,771,214)
Total Accumulated Depreciation	(58,095,107)	(10,418,047)	454,696	(68,058,458)
Total Capital Assets, Being Depreciated, Net	328,039,209	28,237,321	76,397	356,352,927
Business-Type Activities Capital Assets, Net	\$ 341,060,920	\$ 66,853,903	\$ (35,688,354)	\$ 372,226,469

During fiscal year 2008-09, the Wastewater Fund capitalized net interest costs of \$7,656,373. Total interest expense in this fund before capitalization was \$7,745,444.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 753,274
Public Safety	1,785,673
Highways and Streets	2,360,648
Culture and Recreation	509,562
Transportation Services	212,290
Tourism and Promotion	661
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	172,772
Total Depreciation Expense	<u>\$ 5,794,880</u>
 Business-Type Activities:	
Refuse	\$ 77,685
Recreation/Aquatic Center	206,226
Irrigation and Drainage	2,078,245
Wastewater	7,250,228
Airport	805,663
Total Depreciation Expense	<u>\$ 10,418,047</u>

5. Construction Commitments

The City has active construction projects at June 30, 2009. The projects include various street and park projects, water master plan and water system upgrades, and wastewater system expansion and treatment plant. At fiscal year end the City's commitments with contractors were as follows:

Governmental Activities		
Project	Spent-to-date	Remaining Commitment
Streets	\$ 987,827	\$ 3,559
Municipal Facilities	269,609	53,699
Parks	25,020	11,499
Total Governmental Activities	<u>\$ 1,282,456</u>	<u>\$ 68,757</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Construction Commitments (Continued)

Business-type Activities		
Project	Spent-to-date	Remaining Commitment
Airport	\$ 406,348	\$ 35,985
Water system	935,673	800,890
Wastewater system expansion	35,513,486	21,251,078
Total business-type activities	\$ 36,855,507	\$ 22,087,953

B. Interfund Receivables, Payables and Transfers

As of June 30, 2009 interfund receivables and payables were as follows:

Due To	Due From Nonmajor Governmental Funds
General Fund	\$ 186,479

The above interfund receivables and payables reflect short-term loans to the Transit, Grants and CDBG funds.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2009 consisted of the following:

Transfers to	Transfers From					Total
	General Fund	Capital Projects	Irrigation & Drainage	Nonmajor Business-Type Activities	Nonmajor Governmental Funds	
HURF	\$ 280,000	\$ 324,014	\$ -	\$ -	\$ -	\$ 604,014
Debt Service	135,562	-	-	-	-	135,562
Capital Projects	362,095	-	-	178,312	-	540,407
Nonmajor Business-Type Activities	1,034,300	-	-	-	45,000	1,079,300
Wastewater	3,000,000	-	2,000,000	-	-	5,000,000
Nonmajor Governmental Funds	688,000	-	-	-	140,000	828,000
	\$ 5,499,957	\$ 324,014	\$ 2,000,000	\$ 178,312	\$ 185,000	\$ 8,187,283

Transfers were made for general operating purposes and to fund capital projects.

C. Obligations Under Leases

Capital 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:		
Machinery and Equipment	\$ 6,672,257	\$ 2,669,139
Less: Accumulated Depreciation	(3,261,693)	(1,283,534)
Total	\$ 3,410,564	\$ 1,385,605

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2009	\$ 1,154,579	\$ 464,015
2010	951,002	354,442
2011	711,251	284,022
2012	264,358	148,775
2013	132,179	74,387
Total Minimum Lease Payments	3,213,369	1,325,641
Less: Amount Representing Interest	(203,753)	(89,393)
Present Value of Minimum Lease Payments	<u>\$ 3,009,616</u>	<u>\$ 1,236,248</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.

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 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 2022. The total principal and interest remaining to be paid on the bonds is \$190,275. Principal and interest paid for the current year and total assessed taxes were \$19,250 and \$32,609, respectively.

The City has pledged assessed taxes from each of the property owners within the McCulloch Boulevard Streetscape Improvement District to repay \$891,000 in governmental special assessments obligations issued in May 2001. Special assessment districts are created only by petition of the City Council by property owners within the District areas. Proceeds of the bonds provided financing for the improvements in the McCulloch Boulevard Streetscape Improvement District. In case of default, the City has the responsibility to cover delinquencies of special assessment bonds with other sources until foreclosure proceeds are received. The bonds are payable solely from property assessments and are payable through 2012. The total principal and interest to be paid on the bonds is \$199,479. Principal and interest paid for the current year and total assessments collected were \$255,631 and \$131,602, respectively.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$241,721,918 in wastewater system loans from the Water Infrastructure Financing Authority (WIFA) issued October 2002 (\$17,015,000), April 2004 (\$5,940,000), December 2004 (\$50,065,000), October 2006 (\$60,835,000), August 2007 (\$52,914,430), and October 2008 (\$45,585,000). Proceeds from the loans provided financing for the construction of the Wastewater System Expansion Program. The loans are payable solely from wastewater customer net revenues and are payable through 2037. Loan covenants require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. The total principal and interest remaining to be paid on the loans is \$313,283,608. Principal and interest paid for the current year and total customer net revenues were \$16,512,121 and \$12,034,093, respectively.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay a \$58,070,000 wastewater system loan issued by Greater Arizona Development Authority (GADA) in August 2005. Proceeds from the loan provided financing for the Wastewater System Expansion Program. The loan is payable solely from wastewater customer net revenues and is payable through 2035. Loan covenants require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. The total principal and interest remaining to be paid on the loan is \$120,453,750. Principal and interest paid for the current year and total customer net revenues were \$2,903,500 and \$12,034,093, respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay a \$5,700,000 water system loan from WIFA issued in June 2007. Proceeds from the loan provided financing for construction of water service line replacement and water main line replacement within the Wastewater System Expansion Program. The loan is payable solely from water customer net revenues and is payable through 2027. Loan covenants require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. The total principal and interest remaining to be paid on the loan is \$7,221,660. Principal and interest paid for the current year and total customer net revenues were \$329,771 and \$1,541,967, respectively.

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 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 2023. 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 \$3,566,606. Principal and interest paid for the current year and total excise taxes were \$130,562 and \$29,875,827, respectively.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2009 are as follows:

	<u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds and Loans Payable:					
GADA Loan Payable	\$ 2,615,000	\$ -	\$ -	\$ 2,615,000	\$ 105,000
Special Assessment Debt with Government Commitment	425,000	-	(240,000)	185,000	60,000
Total Bonds and Loans Payable	<u>3,040,000</u>	<u>-</u>	<u>(240,000)</u>	<u>2,800,000</u>	<u>165,000</u>
Other Liabilities:					
Capital Leases	4,485,455	-	(1,475,839)	3,009,616	1,057,788
Compensated Absences	1,838,523	1,446,191	(1,585,607)	1,699,107	1,442,848
Other Postemployment Benefits	-	509,117	-	509,117	-
Governmental Activities Long-term Liabilities	<u>\$ 9,363,978</u>	<u>\$ 1,955,308</u>	<u>\$ (3,301,446)</u>	<u>\$ 8,017,840</u>	<u>\$ 2,665,636</u>
	<u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u>	<u>Due Within One Year</u>
Business-Type Activities					
Bonds, Notes and Loans Payable					
General Obligation Bonds	\$ 145,000	\$ -	\$ (10,000)	\$ 135,000	\$ 15,000
GADA Loan Payable	58,070,000	-	-	58,070,000	-
WIFA Loans Payable	159,656,645	36,342,664	(11,797,656)	184,201,653	6,768,978
Plus: Deferred Amount on Premium	2,571,967	-	(95,258)	2,476,709	95,258
Total Bonds and Notes Payable	<u>220,443,612</u>	<u>36,342,664</u>	<u>(11,902,914)</u>	<u>244,883,362</u>	<u>6,879,236</u>
Other Liabilities:					
Capital Leases	1,669,632	-	(433,384)	1,236,248	423,804
Compensated Absences	258,417	274,398	(267,222)	265,593	248,978
Landfill Closure and Postclosure Care Costs	2,149,772	112,737	-	2,262,509	-
Other Postemployment Benefits	-	180,580	-	180,580	-
Business-Type Activities Long-term Liabilities	<u>\$ 224,521,433</u>	<u>\$ 36,910,379</u>	<u>\$ (12,603,520)</u>	<u>\$ 248,828,292</u>	<u>\$ 7,552,018</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 165,000	\$ 115,931	\$ 6,783,978	\$ 10,116,074
2011	195,000	109,256	7,029,876	9,903,520
2012	205,000	101,229	8,600,485	9,680,607
2013	145,000	93,863	8,855,963	9,414,609
2014	150,000	87,963	9,221,476	9,140,626
2015 - 2019	865,000	334,213	53,223,419	41,140,169
2020 - 2024	1,075,000	118,344	63,220,655	32,100,654
2025 - 2029	-	-	51,271,796	21,822,871
2030 - 2034	-	-	51,250,283	11,668,864
2035 - 2039	-	-	24,880,361	1,828,007
	<u>\$ 2,800,000</u>	<u>\$ 960,799</u>	<u>\$ 284,338,292</u>	<u>\$ 156,816,001</u>

The \$284,338,292 principal amount above includes \$41,931,639 of authorized WIFA loan proceeds not drawn down by the City as of June 30, 2009.

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 postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,262,509 as of June 30, 2009, which is based on 39% usage of the landfill. It is estimated that an additional \$3,494,852 will be recognized as closure and postclosure 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 postclosure care (\$5,757,361) 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, 2009. The actual cost of closure and postclosure 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 postclosure costs as of June 30, 2009.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

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 Arizona State Workers Compensation Insurance Fund for potential worker related accidents.

During fiscal year 1995, the City established the Lake Havasu City Employee Benefit Trust (an internal service fund) to account for and finance its uninsured risks of loss for certain health and welfare benefits to eligible employees and their dependents. The City purchases commercial insurance for claims in excess of coverage provided by the Trust. For the fiscal year ended June 30, 2009, the Employee Benefit Trust provided coverage for up to \$125,000 for each insured's health care claim with an additional \$29,000 in liability to the Trust for amounts over the \$125,000 threshold. Amounts in excess of these deductibles are commercially insured through a Specific stop loss policy. The Trust received approximately \$39,000 in Specific reimbursements for the year ended June 30, 2009. Additionally, the Plan maintains an Aggregate stop loss policy with an annual reimbursable limit of \$1,000,000. Settled claims were less than the aggregate stop loss attachment point for the year ended June 30, 2009 thus no reimbursements were due the Trust under this policy.

All funds of the City participate in the program and make payments to the Employee Benefit Trust based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophic losses. The claims liability reported at June 30, 2009 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability amount for the years ended June 30, 2009 and 2008 were as follows:

	2009	2008
Claims Payable, Beginning of Year	\$ 505,000	\$ 460,370
Current Year Claims and Changes in Estimates	5,724,491	5,033,154
Claim Payments	(5,662,491)	(4,988,524)
Claims Payable, End of Year	\$ 567,000	\$ 505,000

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, 2009.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

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, with one exception. The present value of net minimum capital lease payments was not budgeted as General Fund expenditures and other financing sources. Consequently, the following adjustments are necessary to present actual expenditures, other financing sources and fund balances at the end of the year on a budgetary basis in order to provide a meaningful comparison.

	General Fund	
	Total Expenditures	Fund Balance Beginning of Year
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 39,198,318	\$ 16,060,199
Present Value of Net Minimum Capital Lease Payments	(1,325,626)	(1,325,626)
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	\$ 37,872,692	\$ 14,734,573

The City expended \$1,188,803 of lease proceeds from the prior year and an additional \$136,823 of the remaining unexpended lease proceeds were applied toward principal owed. The City had no remaining lease proceeds as of June 30, 2009.

D. Related Party Transactions

The City expended \$151,273 for services from an electrical contractor which is partially owned by one of the City Council members. At June 30, 2009, the amount owed to this vendor was \$793 which is included in accounts payable in the HURF Fund.

E. Subsequent Events

The City closed on a Water Infrastructure Financing Authority loan on July 10, 2009 in the amount of \$5,147,488 for wastewater system expansion. A portion of this loan (\$2,000,000) is forgivable by funds made available by the federal government under the American Recovery and Reinstatement Act (ARRA).

The City closed on a Water Infrastructure Financing Authority loan on October 30, 2009 in the amount of \$87,734,728 for the wastewater system expansion.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Subsequent Events (Continued)

The City has been named in a lawsuit regarding the tax levy adopted by Council in July 2009 for the Irrigation and Drainage District (IDD). The lawsuit claims the City does not have the authority to raise the levy based on the Singer Initiative passed by vote of the people in 2001 that authorizes new taxes only by vote of the people. The tax levy adopted in July 2009 does not place the levy in excess of the 2001 level. In addition, the claim states the City has not complied with legally identified use of the IDD tax revenues.

The City sold two parcels of city-owned land in August 2009 totaling \$762,111 in revenue. The Air Industrial park sold to the Partnership for Economic Development for a total of \$651,000 and a parcel on Hunter Lane sold to a private party for \$111,111.

In August 2009, Council authorized the annexation of the property owned by Copper Canyon Nissan, a local dealership, within City limits. The City will realize additional City tax revenue (2%) from future sales of the dealership.

In July 2009, the City received notice of award from Arizona Department of Environmental Quality (ADEQ) of a \$300,000 grant. This grant is authorized for the use of decommissioning residential septic tanks in conjunction with the City's Wastewater System Expansion Project.

In September 2009, the City received notice of award from the U.S. Department of Energy of a \$536,900 ARRA grant. This grant is authorized for use to improve efficiencies of energy usage. The City will be performing an energy audit to determine the best use of this grant funding.

On October 20, 2009, City Council voted to terminate the employment contract with the City Manager effective immediately. The City Manager received compensation in the form of salaries and benefits for the remainder of the employment contract through September 30, 2010.

F. Retirement Plans

Arizona State Retirement System

Plan Descriptions - Lake Havasu City, Arizona contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and Lake Havasu City, Arizona's contribution rates. For the year ended June 30, 2009, active plan members were required by statute to contribute at the actuarially determined rate of 9.45 percent (7.92 percent for retirement, 1.03 percent for health insurance and 0.5 percent for long-term disability) of the members' annual covered payroll.

Arizona State Retirement System Contributions
Last Three Fiscal Years

<u>Years ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2009	\$ 1,565,339	\$ 204,231	\$ 97,262
2008	1,540,098	200,938	95,694
2007	1,295,794	169,064	80,514

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement, death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

Funding Policy - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The City is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 13.21 percent of annual covered payroll for police and 16.26 percent of annual covered payroll for fire.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Annual Pension Cost - During the year ended June 30, 2008 (the date of the latest available information), Lake Havasu City, Arizona's annual pension cost of \$838,855 for police and \$869,756 for fire was equal to the City's required and actual contributions.

The required contribution was determined as part of the June 30, 2008, actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 5.5% (including inflation at 5.00%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

Funding Status and Funding Progress - As of June 30, 2008, the most recent actuarial valuation date, the plan was 65.2 percent funded for police and 69.2 percent funded for fire. For police, the actuarial accrued liability for benefits was \$25.6 million, and the actuarial value of assets was \$16.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.9 million. For fire, the actuarial accrued liability for benefits was \$29.9 million, and the actuarial value of assets was \$20.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.3 million for police and \$5.4 million for fire, and the ratio of the UAAL to the covered payroll was 140.0 percent for police and 171.8 percent for fire.

The actuarial value of the City's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 20 years.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

Three-Year Trend Information

Police

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2006	\$ 520,106	100.0 %	\$ -
2007	578,055	100.0	-
2008	838,855	100.0	-

Fire

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2006	\$ 102,416	100.0 %	\$ -
2007	418,343	100.0	-
2008	869,756	100.0	-

Additional historical trend information for the City's PSPRS is disclosed on pages 82 - 83.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Paid-on-call (POC) Firefighters Pension Fund

The following brief description of the Paid-on-call Firefighters' Pension Fund (Fund) is provided for general information purposes only. The Fund is a defined contribution pension plan. Reference is made to the Fund agreement for more complete information.

General - The Fund is a single-employer defined contribution pension plan which covers all paid on-call firefighters of Lake Havasu City, Arizona's Fire Department (the "Employer"). The Fund is a mandatory savings fund.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Retirement Plans (Continued)

Paid-on-call (POC) Firefighters Pension Fund (Continued)

During the fiscal year ended June 30, 2009, there were no active paid-on-call firefighters. No contributions were made by employees or the employer. Council approved termination of the Plan on December 11, 2007.

All inactive participants with account balances remaining in the Plan received distributions of their individual account balances plus the employer contributions which were 100% vested. The remaining assets of the Plan are currently in final disposition and liquidation phase of their life cycle. These assets (when liquidated) will be distributed to those inactive participants with balances remaining in the Plan as of September 30, 2007.

G. Other Postemployment Benefits

During the fiscal year ended June 30, 2009, 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, 2009.

Plan Description - The City provides other postemployment benefits 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 Lake Havasu City Employee Benefit Trust Plan (LHCEBT).

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 LHCEBT, 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.

**LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

G. Other Postemployment Benefits (Continued)

As of July 1, 2008 there were approximately 292 active participants and 39 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 currently in development by the City. This plan will not generate any GASB 45 liability.

Funding Policy – The City funds its OPEB obligation on a pay as you go basis. For fiscal year 2009, the City contributed \$279,405 to the plan.

Annual OPEB Cost and Net OPEB Obligation – The City's annual other postemployment benefit (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 cost each year and amortize any un-funded 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	\$	969,102
Interest on Net OPEB Obligation		-
Adjustment to Annual Required Contribution		-
Annual OPEB Cost (Expense)		969,102
Contributions Made		(279,405)
Increase in Net OPEB Obligation		689,697
Net OPEB Obligation-Beginning of Year		-
Net OPEB Obligation-End of Year	\$	689,697

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2009	\$ 969,102	28.8%	\$ 689,697

Funding Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$9.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$20.9 million and the ratio of the UAAL to the covered payroll was 47.3 percent.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 OTHER INFORMATION (CONTINUED)

G. Other Postemployment Benefits (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 July 1, 2008 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 8%, reduced by decrements to an ultimate rate of 5% after five years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2009, was 29 years.

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Required Supplementary Information

**LAKE HAVASU CITY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEMS
 SCHEDULE OF FUNDING PROGRESS**

Lake Havasu City Police

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution*</u>	<u>Percent Contributed</u>
2006	\$ 520,106	100.0 %
2007	578,055	100.0
2008	838,855	100.0

* Includes insurance premium tax, where applicable.

<u>Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Over (Under) Funded AAL</u>	<u>Annual Covered Payroll</u>	<u>Over (Under) Funded AAL as a Percentage of Covered Payroll</u>
2006	\$ 15,151,184	\$ 20,017,363	75.7 %	\$ (4,866,179)	\$ 4,353,738	(111.8)%
2007	15,063,144	24,222,493	62.2	(9,159,349)	5,671,479	(161.5)
2008	16,686,011	25,574,703	65.2	(8,888,692)	6,349,025	(140.0)

**LAKE HAVASU CITY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEMS (CONTINUED)
 SCHEDULE OF FUNDING PROGRESS**

Lake Havasu City Fire Fighters

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution*</u>	<u>Percent Contributed</u>
2006	\$ 102,416	100.0 %
2007	418,343	100.0
2008	869,756	100.0

* Includes insurance premium tax, where applicable.

<u>Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Over (Under) Funded AAL</u>	<u>Annual Covered Payroll</u>	<u>Over (Under) Funded AAL as a Percentage of Covered Payroll</u>
2006	\$ 20,860,611	\$ 25,812,646	80.8 %	\$ (4,952,035)	\$ 3,059,147	(161.9)%
2007	19,765,656	27,921,547	70.8	(8,155,891)	4,329,999	(188.4)
2008	20,669,656	29,862,258	69.2	(9,192,602)	5,350,345	(171.8)

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

Lake Havasu City Other Postemployment Benefits

Valuation Date June 30,	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
2009	\$ -	\$ 9,877,174	- %	\$ (9,877,174)	\$ 20,880,821	(47.3)%

Schedule of Employer Contribution

Fiscal Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percent Contributed
2009	\$ 279,405	\$ 969,102	28.8%

The City implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. Information for prior years is not available.

**Combining and Individual Fund
Statements and Schedules**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Local Transportation Assistance Fund (Lottery) - To account for the funds provided by the City's portion of the State Lottery Fund.

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.

Havasu Area Transit Fund - To account for federal grants and City contributions to provide a low-cost, door-to-door demand response transportation and scheduled bus route services for the general public.

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 District No. 1 Fund - To account for maintenance and improvements to the gas lights along the residential area of London Bridge Golf Course. Financing is provided through the assessment of property taxes.

Improvement District No. 2 Fund - To account for maintenance and improvements to the London Bridge shopping area. Financing is provided through the assessment of property taxes.

Improvement District No. 4 Fund - To account for maintenance and improvements to the gas lights, utility service and median center of the lower McCulloch Boulevard Business District. Financing is provided 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
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Special Revenue				
	Lottery	Tourism / Economic Development	Havasu Area Transit	Grants	CDBG/Home
Assets					
Cash and Investments	\$ -	\$ 205,526	\$ 200	\$ -	\$ -
Receivables					
Accounts Receivable	-	8,555	4,090	-	-
Taxes Receivable	-	-	-	-	-
Intergovernmental Receivable	-	71,201	146,697	103,629	125,035
Prepaid Items	-	-	3,169	-	-
Total Assets	\$ -	\$ 285,282	\$ 154,156	\$ 103,629	\$ 125,035
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ -	\$ 73	\$ 6,557	\$ 79,036	\$ 9,025
Accrued Wages and Benefits	-	-	62,950	-	-
Interest Payable	-	-	3	-	-
Intergovernmental Payable	-	-	-	-	-
Due to Other Funds	-	-	58,613	11,856	116,010
Deferred Revenue	-	284	-	12,737	-
Total Liabilities	-	357	128,123	103,629	125,035
Fund Balance					
Reserved for Prepaid Items	-	-	3,169	-	-
Unreserved	-	284,925	22,864	-	-
Total Fund Balance	-	284,925	26,033	-	-
Total Liabilities and Balance	\$ -	\$ 285,282	\$ 154,156	\$ 103,629	\$ 125,035

Special Revenue

Improvement District No. 1	Improvement District No. 2	Improvement District No. 4	Special Programs	Total Nonmajor Governmental Funds
\$ 2,587	\$ 46,423	\$ 14,395	\$ 355,307	\$ 624,438
-	-	-	-	12,645
4,061	3,983	791	-	8,835
2,453	1,027	238	-	450,280
-	-	-	-	3,169
<u>\$ 9,101</u>	<u>\$ 51,433</u>	<u>\$ 15,424</u>	<u>\$ 355,307</u>	<u>\$ 1,099,367</u>
\$ 801	\$ 740	\$ 173	\$ 1,289	\$ 97,694
-	-	-	-	62,950
-	-	-	-	3
-	-	-	7,010	7,010
-	-	-	-	186,479
1,129	2,807	456	-	17,413
<u>1,930</u>	<u>3,547</u>	<u>629</u>	<u>8,299</u>	<u>371,549</u>
-	-	-	-	3,169
<u>7,171</u>	<u>47,886</u>	<u>14,795</u>	<u>347,008</u>	<u>724,649</u>
<u>7,171</u>	<u>47,886</u>	<u>14,795</u>	<u>347,008</u>	<u>727,818</u>
<u>\$ 9,101</u>	<u>\$ 51,433</u>	<u>\$ 15,424</u>	<u>\$ 355,307</u>	<u>\$ 1,099,367</u>

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2009

	Special Revenue				
	Lottery	Tourism / Economic Development	Havasu Area Transit	Grants	CDBG/Home
Revenue					
Taxes					
Sales Taxes	\$ -	\$ 1,336,349	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-
Intergovernmental Revenue	233,687	-	990,575	292,617	537,016
Fines and Forfeits	-	-	-	-	-
Charges for Services	-	-	96,596	-	-
Contributions and Donations	-	-	-	-	-
Investment Earnings	-	-	-	-	-
Other	-	-	5,873	1,279	-
Total Revenue	233,687	1,336,349	1,093,044	293,896	537,016
Expenditures					
Current					
General Government	-	-	-	16,227	537,016
Public Safety	-	-	-	286,920	-
Highways and Streets	50,490	-	-	-	-
Culture and Recreation	-	-	-	-	-
Tourism and Promotion	-	1,356,589	-	-	-
Transportation Services	-	-	1,919,213	-	-
Total Expenditures	50,490	1,356,589	1,919,213	303,147	537,016
Excess (Deficiency) of Revenue Over Expenditures	183,197	(20,240)	(826,169)	(9,251)	-
Other Finance Sources (Uses)					
Transfers In	-	-	828,000	-	-
Transfers Out	(185,000)	-	-	-	-
Total Other Finance Sources (Uses)	(185,000)	-	828,000	-	-
Net Change in Fund Balance	(1,803)	(20,240)	1,831	(9,251)	-
Fund Balance					
Beginning of Year	1,803	305,165	24,202	9,251	-
End of Year	<u>\$ -</u>	<u>\$ 284,925</u>	<u>\$ 26,033</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue

Improvement District No. 1	Improvement District No. 2	Improvement District No. 4	Special Programs	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,336,349
113,347	17,141	56,588	-	187,076
-	-	-	48,583	2,102,478
-	-	-	84,095	84,095
-	-	-	16,650	113,246
-	-	-	4,500	4,500
170	26	122	-	318
-	-	-	-	7,152
<u>113,517</u>	<u>17,167</u>	<u>56,710</u>	<u>153,828</u>	<u>3,835,214</u>
143,573	13,149	59,995	52,284	822,244
-	-	-	53,386	340,306
-	-	-	-	50,490
-	-	-	4,855	4,855
-	-	-	-	1,356,589
-	-	-	-	1,919,213
<u>143,573</u>	<u>13,149</u>	<u>59,995</u>	<u>110,525</u>	<u>4,493,697</u>
(30,056)	4,018	(3,285)	43,303	(658,483)
-	-	-	-	828,000
-	-	-	-	(185,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>643,000</u>
(30,056)	4,018	(3,285)	43,303	(15,483)
37,227	43,868	18,080	303,705	743,301
<u>\$ 7,171</u>	<u>\$ 47,886</u>	<u>\$ 14,795</u>	<u>\$ 347,008</u>	<u>\$ 727,818</u>

**LAKE HAVASU CITY, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Special Assessments	\$ 114,347	\$ 114,347	\$ 131,602	\$ 17,255
Investment Earnings	2,400	2,400	835	(1,565)
Total Revenue	<u>116,747</u>	<u>116,747</u>	<u>132,437</u>	<u>15,690</u>
Expenditures				
Debt Service				
Principal Retirement	95,000	240,000	240,000	-
Interest on Long-Term Debt	156,159	156,159	126,647	29,512
Total Expenditures	<u>251,159</u>	<u>396,159</u>	<u>366,647</u>	<u>29,512</u>
Excess (Deficiency) of Revenue Over Expenditures	(134,412)	(279,412)	(234,210)	45,202
Other Finance Sources (Uses)				
Transfers In	<u>135,562</u>	<u>135,562</u>	<u>135,562</u>	<u>-</u>
Net Change in Fund Balance	1,150	(143,850)	(98,648)	45,202
Fund Balance				
Beginning of Year	414,278	414,278	148,318	(265,960)
End of Year	<u>\$ 415,428</u>	<u>\$ 270,428</u>	<u>\$ 49,670</u>	<u>\$ (220,758)</u>

**LAKE HAVASU CITY, ARIZONA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental Revenue	\$ 5,926,732	\$ 5,923,583	\$ 4,260,191	\$ (1,663,392)
Contributions and Donations	1,200,000	1,200,000	-	(1,200,000)
Impact Fees	280,000	280,000	97,045	(182,955)
Investment Earnings	-	-	29,167	29,167
Other	-	-	85,452	85,452
Total Revenue	<u>7,406,732</u>	<u>7,403,583</u>	<u>4,471,855</u>	<u>(2,931,728)</u>
Expenditures				
Capital Outlay	<u>20,771,246</u>	<u>20,626,246</u>	<u>4,147,830</u>	<u>16,478,416</u>
Excess (Deficiency) of Revenue Over Expenditures	(13,364,514)	(13,222,663)	324,025	13,546,688
Other Finance Sources (Uses)				
Transfers In	7,576,374	7,576,374	540,407	(7,035,967)
Transfers Out	(324,014)	(324,014)	(324,014)	-
Issuance of Long-Term Debt	<u>2,625,000</u>	<u>2,625,000</u>	<u>-</u>	<u>(2,625,000)</u>
Total Other Finance Sources (Uses)	9,877,360	9,877,360	216,393	(9,660,967)
Special Item				
Sale of Capital Assets	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Net Change in Fund Balance	(3,387,154)	(3,245,303)	540,418	3,785,721
Fund Balance				
Beginning of Year	<u>6,461,495</u>	<u>5,399,668</u>	<u>5,904,066</u>	<u>504,398</u>
End of Year	<u>\$ 3,074,341</u>	<u>\$ 2,154,365</u>	<u>\$ 6,444,484</u>	<u>\$ 4,290,119</u>

**LAKE HAVASU CITY, ARIZONA
 LOTTERY FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 245,987	\$ 233,687	\$ (12,300)
Expenditures			
Current			
Highways and Streets	58,384	50,490	7,894
Excess (Deficiency) of Revenue Over Expenditures	187,603	183,197	(4,406)
Other Finance Sources (Uses)			
Transfers Out	(185,000)	(185,000)	-
Net Change in Fund Balance	2,603	(1,803)	(4,406)
Fund Balance			
Beginning of Year	1,806	1,803	(3)
End of Year	\$ 4,409	\$ -	\$ (4,409)

**LAKE HAVASU CITY, ARIZONA
 TOURISM / ECONOMIC DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Taxes			
Sales Taxes	\$ 1,625,000	\$ 1,336,349	\$ (288,651)
Expenditures			
Current			
Tourism and Promotion	<u>1,725,000</u>	<u>1,356,589</u>	<u>368,411</u>
Excess (Deficiency) of Revenue Over Expenditures	(100,000)	(20,240)	79,760
Fund Balance			
Beginning of Year	<u>367,300</u>	<u>305,165</u>	<u>(62,135)</u>
End of Year	<u><u>\$ 267,300</u></u>	<u><u>\$ 284,925</u></u>	<u><u>\$ 17,625</u></u>

**LAKE HAVASU CITY, ARIZONA
HAVASU AREA TRANSIT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 1,336,716	\$ 990,575	\$ (346,141)
Charges for Services	126,000	96,596	(29,404)
Other	-	5,873	5,873
Total Revenue	<u>1,462,716</u>	<u>1,093,044</u>	<u>(369,672)</u>
Expenditures			
Current			
Transportation Services	<u>2,401,260</u>	<u>1,919,213</u>	<u>482,047</u>
Excess (Deficiency) of Revenue Over Expenditures	(938,544)	(826,169)	112,375
Other Finance Sources (Uses)			
Transfers In	<u>920,000</u>	<u>828,000</u>	<u>(92,000)</u>
Net Change in Fund Balance	(18,544)	1,831	20,375
Fund Balance			
Beginning of Year	24,483	24,202	(281)
End of Year	<u>\$ 5,939</u>	<u>\$ 26,033</u>	<u>\$ 20,094</u>

**LAKE HAVASU CITY, ARIZONA
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 4,724,578	\$ 292,617	\$ (4,431,961)
Other	-	1,279	1,279
Total Revenue	<u>4,724,578</u>	<u>293,896</u>	<u>(4,430,682)</u>
Expenditures			
Current			
General Government	426,087	16,227	409,860
Public Safety	<u>4,298,491</u>	<u>286,920</u>	<u>4,011,571</u>
Total Expenditures	<u>4,724,578</u>	<u>303,147</u>	<u>4,421,431</u>
Excess (Deficiency) of Revenue Over Expenditures	-	(9,251)	(9,251)
Fund Balance			
Beginning of Year	<u>162,820</u>	<u>9,251</u>	<u>(153,569)</u>
End of Year	<u>\$ 162,820</u>	<u>\$ -</u>	<u>\$ (162,820)</u>

**LAKE HAVASU CITY, ARIZONA
CDBG/HOME FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ 2,482,799	\$ 537,016	\$ (1,945,783)
Expenditures			
Current			
General Government	<u>2,482,799</u>	<u>537,016</u>	<u>1,945,783</u>
Excess (Deficiency) of Revenue Over Expenditures	-	-	-
Fund Balance			
Beginning of Year	-	-	-
End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 1 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes			
Property Taxes	\$ 110,000	\$ 113,347	\$ 3,347
Investment Earnings	-	170	170
Total Revenue	<u>110,000</u>	<u>113,517</u>	<u>3,517</u>
Expenditures			
Current			
General Government	<u>152,248</u>	<u>143,573</u>	<u>8,675</u>
Excess (Deficiency) of Revenue Over Expenditures	(42,248)	(30,056)	12,192
Fund Balance			
Beginning of Year	47,677	37,227	(10,450)
End of Year	<u>\$ 5,429</u>	<u>\$ 7,171</u>	<u>\$ 1,742</u>

**LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 2 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes			
Property Taxes	\$ 18,000	\$ 17,141	\$ (859)
Investment Earnings	-	26	26
Total Revenue	<u>18,000</u>	<u>17,167</u>	<u>(833)</u>
Expenditures			
Current			
General Government	<u>39,351</u>	<u>13,149</u>	<u>26,202</u>
Excess (Deficiency) of Revenue Over Expenditures	(21,351)	4,018	25,369
Fund Balance			
Beginning of Year	46,156	43,868	(2,288)
End of Year	<u>\$ 24,805</u>	<u>\$ 47,886</u>	<u>\$ 23,081</u>

**LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 4 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes			
Property Taxes	\$ 55,000	\$ 56,588	\$ 1,588
Investment Earnings	-	122	122
Total Revenue	<u>55,000</u>	<u>56,710</u>	<u>1,710</u>
Expenditures			
Current			
General Government	<u>62,819</u>	<u>59,995</u>	<u>2,824</u>
Excess (Deficiency) of Revenue Over Expenditures	(7,819)	(3,285)	4,534
Fund Balance			
Beginning of Year	<u>25,715</u>	<u>18,080</u>	<u>(7,635)</u>
End of Year	<u>\$ 17,896</u>	<u>\$ 14,795</u>	<u>\$ (3,101)</u>

**LAKE HAVASU CITY, ARIZONA
SPECIAL PROGRAMS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental Revenue	\$ -	\$ 48,583	\$ 48,583
Fines and Forfeitures	88,000	84,095	(3,905)
Charges for Services	10,000	16,650	6,650
Contributions and Donations	20,000	4,500	(15,500)
Total Revenue	<u>118,000</u>	<u>153,828</u>	<u>35,828</u>
Expenditures			
Current			
General Government	51,609	52,284	(675)
Public Safety	7,000	53,386	(46,386)
Culture and Recreation	20,000	4,855	15,145
Total Expenditures	<u>78,609</u>	<u>110,525</u>	<u>(31,916)</u>
Excess (Deficiency) of Revenue Over Expenditures	39,391	43,303	3,912
Fund Balance			
Beginning of Year	137,084	303,705	166,621
End of Year	<u>\$ 176,475</u>	<u>\$ 347,008</u>	<u>\$ 170,533</u>

NONMAJOR BUSINESS-TYPE ACTIVITIES FUNDS

ENTERPRISE FUNDS

Refuse Fund - To account for the operation of the City's waste hauling services and landfill.

Recreation/Aquatic Center Fund - To account for the operation of the City's aquatic center.

Airport Fund - To account for the activities of the City's airport.

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2009

	Business-Type Activities			Total Nonmajor Business-Type Activities
	Refuse	Recreation / Aquatic Center	Airport	
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 6,292,472	\$ 132,220	\$ 249,480	\$ 6,674,172
Receivables, Net				
Accounts Receivable	366,913	1,827	12,457	381,197
Intergovernmental Receivable	-	-	116,811	116,811
Interest Receivable	29,495	-	-	29,495
Inventory	-	2,601	-	2,601
Prepaid Items	-	6,582	8,610	15,192
Restricted Assets	-	-	25,927	25,927
Total Current Assets	<u>6,688,880</u>	<u>143,230</u>	<u>413,285</u>	<u>7,245,395</u>
Noncurrent Assets				
Capital Assets				
Non-Depreciable	-	-	1,163,736	1,163,736
Depreciable (net)	237,652	4,890,378	18,001,918	23,129,948
Total Noncurrent Assets	<u>237,652</u>	<u>4,890,378</u>	<u>19,165,654</u>	<u>24,293,684</u>
Total Assets	6,926,532	5,033,608	19,578,939	31,539,079
Liabilities				
Current Liabilities				
Accounts Payable	409,001	18,944	2,013	429,958
Accrued Wages and Benefits	-	26,456	17,784	44,240
Intergovernmental Payable	-	160	-	160
Interest Payable	541	-	680	1,221
Deferred Revenue	-	17,577	22,314	39,891
Liabilities Payable from Restricted Assets	-	-	25,927	25,927
Compensated Absences	-	12,299	11,257	23,556
Capital Leases Payable	77,394	-	53,592	130,986
Total Current Liabilities	<u>486,936</u>	<u>75,436</u>	<u>133,567</u>	<u>695,939</u>
Noncurrent Liabilities				
Compensated Absences	-	-	5,475	5,475
Landfill Closure and Postclosure Care Costs	2,262,509	-	-	2,262,509
Capital Leases Payable	107,060	-	170,008	277,068
Other Postemployment Benefits	-	1,904	7,048	8,952
Total Noncurrent Liabilities	<u>2,369,569</u>	<u>1,904</u>	<u>182,531</u>	<u>2,554,004</u>
Total Liabilities	2,856,505	77,340	316,098	3,249,943
Net Assets				
Invested in Capital Assets	53,198	4,890,378	18,942,054	23,885,630
Unrestricted	4,016,829	65,890	320,787	4,403,506
Total Net Assets	<u>\$ 4,070,027</u>	<u>\$ 4,956,268</u>	<u>\$ 19,262,841</u>	<u>\$ 28,289,136</u>

**LAKE HAVASU CITY, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FISCAL YEAR ENDED JUNE 30, 2009**

	Business-Type Activities			Total Nonmajor Business-Type Activities
	Refuse	Recreation / Aquatic Center	Airport	
Operating Revenue				
Charges for Services	\$ 1,175,596	\$ 376,044	\$ 534,797	\$ 2,086,437
Operating Expenses				
Cost of Sales and Services	702,309	1,032,630	823,092	2,558,031
Depreciation	77,685	206,226	805,663	1,089,574
Total Operating Expenses	<u>779,994</u>	<u>1,238,856</u>	<u>1,628,755</u>	<u>3,647,605</u>
Operating income (loss)	395,602	(862,812)	(1,093,958)	(1,561,168)
Nonoperating Revenue (Expense)				
Investment Earnings	109,066	38	-	109,104
Loss on Sale of Capital Assets	(33,995)	-	-	(33,995)
Interest Expense	(8,331)	-	(9,741)	(18,072)
Other Income	5,000	-	-	5,000
Total Nonoperating Revenue (Expenses)	<u>71,740</u>	<u>38</u>	<u>(9,741)</u>	<u>62,037</u>
Income Before Capital Contributions and Transfers	467,342	(862,774)	(1,103,699)	(1,499,131)
Capital Contributions	-	125,506	663,951	789,457
Transfers In	-	709,000	370,300	1,079,300
Transfers Out	<u>(178,312)</u>	<u>-</u>	<u>-</u>	<u>(178,312)</u>
Change in Net Assets	289,030	(28,268)	(69,448)	191,314
Net Assets				
Beginning of Year	3,780,997	4,984,536	19,332,289	28,097,822
End of Year	<u>\$ 4,070,027</u>	<u>\$ 4,956,268</u>	<u>\$ 19,262,841</u>	<u>\$ 28,289,136</u>

**LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FISCAL YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds			Total Nonmajor Business-Type Activities
	Refuse	Recreation / Aquatic Center	Airport	
Cash Flows from Operating Activities				
Receipts from Customers	\$ 1,193,931	\$ 400,584	\$ 560,031	\$ 2,154,546
Payments to Suppliers	(573,659)	(394,074)	(477,034)	(1,444,767)
Payments to Employees	-	(654,613)	(406,224)	(1,060,837)
Other Nonoperating Receipts	5,000	-	-	5,000
Customer Deposits (Payments)	-	-	4,734	4,734
Net Cash Flows from (used by) Operating Activities	625,272	(648,103)	(318,493)	(341,324)
Cash Flows from Noncapital Financing Activities				
Transfers In	-	709,000	370,300	1,079,300
Transfers Out	(178,312)	-	-	(178,312)
Noncapital Financing Activities	(178,312)	709,000	370,300	900,988
Activities				
Financing Activities				
Capital Grants and Contributions	-	-	733,649	733,649
Purchases of Capital Assets	-	(45,147)	(690,776)	(735,923)
Principal Paid on Capital Debt	(77,305)	-	(72,849)	(150,154)
Interest Paid on Capital Debt	(8,590)	-	(9,985)	(18,575)
Proceeds from Sale of Capital Assets	6,000	-	-	6,000
Net Cash Flows from (used by) Capital and Financing Activities	(79,895)	(45,147)	(39,961)	(165,003)
Cash Flows from Investing Activities				
Interest and Dividends	116,158	38	-	116,196
Net Change in Cash and Cash Equivalents	483,223	15,788	11,846	510,857
Cash and Cash Equivalents, Beginning of Year	5,809,249	116,432	263,561	6,189,242
Cash and Cash Equivalents, End of Year, (Including \$25,927 Reported in Restricted Assets of the Airport Fund	\$ 6,292,472	\$ 132,220	\$ 275,407	\$ 6,700,099

(Continued)

**LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FISCAL YEAR ENDED JUNE 30, 2009**

(Concluded)

	Business-type Activities - Enterprise Fund			
	Refuse	Recreation / Aquatic Center	Airport	Total Nonmajor Business-Type Activities
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 361,607	\$ (862,812)	\$ (1,093,958)	\$ (1,595,163)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (used by) Operating Activities				
Depreciation	77,685	206,226	805,663	1,089,574
Other Nonoperating Receipts (Expenses)	5,000	-	-	5,000
Loss on Sale of Capital Assets	33,995	-	-	33,995
Change in Assets/Liabilities:				
Receivables, Net	18,335	14,975	33,485	66,795
Inventories	-	597	-	597
Prepaid Items	-	98	(2,482)	(2,384)
Accounts Payable	15,913	917	(40,799)	(23,969)
Retainage Payable	-	-	(24,787)	(24,787)
Intergovernmental Payable	-	9,565	(8,251)	1,314
Accrued Wages and Benefits	-	(10,959)	(1,326)	(12,285)
Compensated Absences	-	(8,614)	2,180	(6,434)
Customer Deposits Payable	-	-	4,734	4,734
Other Postemployment Benefits	-	1,904	7,048	8,952
Landfill Closure and Postclosure Care Costs	112,737	-	-	112,737
Net Cash from (used by) Operating Activities	<u>\$ 625,272</u>	<u>\$ (648,103)</u>	<u>\$ (318,493)</u>	<u>\$ (341,324)</u>

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INTERNAL SERVICE FUNDS

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

Employee Benefit Trust Fund - To account for the City's uninsured risks of loss for certain health and welfare benefits to eligible employees and their dependents.

**LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2009**

	<u>Vehicle Replacement</u>	<u>Employee Benefit Trust</u>	<u>Totals</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 4,471,145	\$ 6,153,348	\$ 10,624,493
Receivables, Net			
Accounts Receivable	-	16,823	16,823
Interest Receivable	13,918	9,193	23,111
Prepaid Items	-	28,384	28,384
Total Current Assets	<u>4,485,063</u>	<u>6,207,748</u>	<u>10,692,811</u>
Noncurrent Assets			
Capital Assets			
Depreciable (net)	<u>966,227</u>	<u>-</u>	<u>966,227</u>
Total Assets	5,451,290	6,207,748	11,659,038
Liabilities			
Current Liabilities			
Accounts Payable	-	2,135	2,135
Claims Payable	-	567,000	567,000
Total Current Liabilities	<u>-</u>	<u>569,135</u>	<u>569,135</u>
Total Liabilities	<u>-</u>	<u>569,135</u>	<u>569,135</u>
Net Assets			
Invested in Capital Assets	966,227	-	966,227
Unrestricted	<u>4,485,063</u>	<u>5,638,613</u>	<u>10,123,676</u>
Total Net Assets	<u>\$ 5,451,290</u>	<u>\$ 5,638,613</u>	<u>\$ 11,089,903</u>

**LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2009**

	Vehicle Replacement	Employee Benefit Trust	Totals
Operating Revenue			
Charges for Services	\$ 446,828	\$ -	\$ 446,828
Premiums	-	6,177,219	6,177,219
Total Operating Revenue	<u>446,828</u>	<u>6,177,219</u>	<u>6,624,047</u>
Operating Expenses			
Premiums	-	420,548	420,548
Administration	-	513,417	513,417
Benefits	-	5,724,491	5,724,491
Depreciation	172,773	-	172,773
Total Operating Expenses	<u>172,773</u>	<u>6,658,456</u>	<u>6,831,229</u>
Operating Income (Loss)	274,055	(481,237)	(207,182)
Nonoperating Revenue (Expense)			
Investment Earnings	74,537	67,560	142,097
Other Income	-	12,590	12,590
Total Nonoperating Revenue (Expenses)	<u>74,537</u>	<u>80,150</u>	<u>154,687</u>
Change in Net Assets	348,592	(401,087)	(52,495)
Net Assets			
Beginning of Year	5,102,698	6,039,700	11,142,398
End of Year	<u>\$ 5,451,290</u>	<u>\$ 5,638,613</u>	<u>\$ 11,089,903</u>

**LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2009**

	Vehicle Replacement	Employee Benefit Trust	Totals
Cash Flows from Operating Activities			
Receipts from Customers	\$ 446,828	\$ 6,298,057	\$ 6,744,885
Payments to Suppliers	-	(6,607,166)	(6,607,166)
Other Nonoperating Receipts	-	12,590	12,590
Net Cash Flows from (used by) Operating Activities	446,828	(296,519)	150,309
Activities			
Financing Activities			
Purchases of Capital Assets	(729,470)	-	(729,470)
Cash Flows from Investing Activities			
Interest and Dividends	72,249	71,953	144,202
Net Change in Cash and Cash Equivalents	(210,393)	(224,566)	(434,959)
Cash and Cash Equivalents, Beginning of Year	4,681,538	6,377,914	11,059,452
Cash and Cash Equivalents, End of Year	\$ 4,471,145	\$ 6,153,348	\$ 10,624,493
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 274,055	\$ (481,237)	\$ (207,182)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (used by) Operating Activities			
Depreciation	172,773	-	172,773
Other Nonoperating Receipts (Expenses)	-	12,590	12,590
Change in Assets/Liabilities:			
Receivables, Net	-	120,838	120,838
Prepaid Items	-	(8,594)	(8,594)
Accounts Payable	-	(2,116)	(2,116)
Claims Payable	-	62,000	62,000
Net Cash from (used by) Operating Activities	\$ 446,828	\$ (296,519)	\$ 150,309

STATISTICAL SECTION

This part of the City of 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. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	\$ 36,170,959	\$ 44,518,547	\$ 46,769,169	\$ 49,705,688	\$ 69,549,691	\$ 84,717,176	\$ 89,771,829
Restricted	4,755,999	5,849,813	6,895,895	10,075,093	9,473,106	7,502,504	7,913,264
Unrestricted	20,875,610	19,298,873	18,947,577	24,154,802	29,327,603	25,019,618	19,192,814
Total Governmental Activities Net Assets	\$ 61,802,568	\$ 69,667,233	\$ 72,612,641	\$ 83,935,583	\$ 108,350,400	\$ 117,239,298	\$ 116,877,907
Business-type Activities							
Invested in Capital Assets, Net of Related Debt	\$ 96,686,600	\$ 98,939,694	\$ 106,779,037	\$ 143,521,523	\$ 135,934,350	\$ 147,265,013	\$ 120,519,205
Restricted	-	-	-	-	-	-	-
Unrestricted	14,325,762	23,289,617	29,642,653	8,508,879	33,014,656	33,854,356	71,808,903
Total Business-type Activities Net Assets	\$ 111,012,362	\$ 122,229,311	\$ 136,421,690	\$ 152,030,402	\$ 168,949,006	\$ 181,119,369	\$ 192,328,108
Primary Government							
Invested in Capital Assets, Net of Related Debt	\$ 132,857,559	\$ 143,458,241	\$ 153,548,206	\$ 193,227,211	\$ 205,484,041	\$ 231,982,189	\$ 210,291,034
Restricted	4,755,999	5,849,813	6,895,895	10,075,093	9,473,106	7,502,504	7,913,264
Unrestricted	35,201,372	42,588,490	48,590,230	32,663,681	62,342,259	58,873,974	91,001,717
Total Primary Government Net Assets	\$ 172,814,930	\$ 191,896,544	\$ 209,034,331	\$ 235,965,985	\$ 277,299,406	\$ 298,358,667	\$ 309,206,015

Source: Lake Havasu City, Arizona's Finance Department.

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

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental Activities:							
General Government	\$ 7,158,240	\$ 8,476,152	\$ 8,368,982	\$ 8,659,589	\$ 8,939,846	\$ 11,443,459	\$ 11,587,628
Public Safety	13,067,015	14,960,107	16,646,139	18,067,192	21,061,456	24,929,038	24,101,607
Highways and Streets	6,197,856	6,445,426	7,214,688	6,167,089	8,150,105	7,785,062	7,212,143
Transportation Services	1,518,401	1,761,356	1,796,054	1,888,322	1,841,324	2,236,456	2,081,649
Tourism and Promotion	1,201,872	1,264,920	1,398,228	1,529,094	1,577,687	1,582,985	1,357,250
Culture and Recreation	3,262,316	3,724,502	4,533,104	4,566,607	5,005,653	5,708,732	5,560,189
Interest on Long-term Debt	903,514	732,398	581,320	450,892	314,557	192,875	126,647
Total Governmental Activities	<u>33,309,214</u>	<u>37,364,861</u>	<u>40,538,515</u>	<u>41,328,785</u>	<u>46,890,628</u>	<u>53,878,607</u>	<u>52,027,113</u>
Business-type Activities							
Refuse	384,014	395,178	433,897	437,916	432,118	796,755	788,325
Recreation / Aquatic Center	1,118,978	1,165,795	1,220,529	1,182,535	1,293,160	1,421,768	1,238,856
Irrigation and Drainage	6,967,361	7,424,603	9,452,177	9,852,891	10,545,850	12,082,578	11,865,294
Wastewater	4,545,242	6,395,900	7,308,945	9,426,955	9,824,124	12,244,284	14,776,656
Airport	1,650,741	2,128,119	1,499,059	1,518,477	1,578,872	1,569,121	1,638,496
Total Business-type Activities	<u>14,666,336</u>	<u>17,509,595</u>	<u>19,914,607</u>	<u>22,418,774</u>	<u>23,674,124</u>	<u>28,114,506</u>	<u>30,307,627</u>
Total Primary Government Expenses	<u>\$ 47,975,550</u>	<u>\$ 54,874,456</u>	<u>\$ 60,453,122</u>	<u>\$ 63,747,559</u>	<u>\$ 70,564,752</u>	<u>\$ 81,993,113</u>	<u>\$ 82,334,740</u>
Program Revenues							
Governmental Activities:							
Fines, Fees and Charges for Services:							
General Government	\$ 4,201,970	\$ 4,362,919	\$ 4,312,475	\$ 5,419,483	\$ 4,591,229	\$ 3,803,583	\$ 2,714,374
Public Safety	109,301	122,690	145,296	150,248	131,148	161,717	110,643
Highways and Streets	74,765	28,743	39,402	23,773	105,697	7,880	105,763
Culture and Recreation	551,332	575,014	551,165	635,464	654,523	670,950	535,640
Transportation Services	336,825	382,816	367,310	354,059	171,779	91,617	102,469
Interest	66,728	41,746	80,978	-	16,040	29,091	3,201
Operating Grants and Contributions	5,289,206	5,817,861	6,874,258	6,938,568	8,737,113	9,255,906	7,093,164
Capital Grants and Contributions	868,693	4,697,048	367,726	643,939	17,022,840	6,215,355	7,088,714
Total Governmental Activities Program Revenues	<u>11,498,820</u>	<u>16,028,837</u>	<u>12,738,610</u>	<u>14,165,534</u>	<u>31,430,369</u>	<u>20,236,099</u>	<u>17,753,968</u>

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Business-Type Activities							
Charges for Services:							
Refuse	\$ 744,172	\$ 847,270	\$ 917,215	\$ 967,991	\$ 1,042,200	\$ 1,269,783	\$ 1,180,596
Recreation / Aquatic Center	412,350	457,219	422,279	429,222	497,842	433,782	376,044
Irrigation and Drainage	9,556,571	11,187,833	11,945,099	12,322,158	12,690,337	11,590,238	11,000,962
Wastewater	4,107,757	4,441,473	5,110,191	7,333,204	11,071,344	13,331,015	14,514,990
Airport	443,613	484,506	545,364	551,921	557,926	581,215	534,797
Operating Grants and Contributions	1,185,737	1,247,605	1,360,656	1,908,002	85,129	1,000	46,076
Capital Grants and Contributions	2,871,542	4,235,562	6,552,540	7,320,449	6,569,117	9,196,982	7,112,526
Total Business-type Activities Program Revenues	<u>19,321,742</u>	<u>22,901,468</u>	<u>26,853,344</u>	<u>30,832,947</u>	<u>32,513,895</u>	<u>36,404,015</u>	<u>34,765,991</u>
Total Primary Government Program Revenues	<u>\$ 30,820,562</u>	<u>\$ 38,930,305</u>	<u>\$ 39,591,954</u>	<u>\$ 44,998,481</u>	<u>\$ 63,944,264</u>	<u>\$ 56,640,114</u>	<u>\$ 52,519,959</u>
Net (Expense)/Revenue							
Governmental Activities	\$ (21,810,394)	\$ (21,336,024)	\$ (27,799,905)	\$ (27,163,251)	\$ (15,460,259)	\$ (33,642,508)	\$ (34,273,145)
Business-type Activities	4,655,406	5,391,873	6,938,737	8,414,173	8,839,771	8,289,509	4,458,364
Total Primary Government Net Expense	<u>\$ (17,154,988)</u>	<u>\$ (15,944,151)</u>	<u>\$ (20,861,168)</u>	<u>\$ (18,749,078)</u>	<u>\$ (6,620,488)</u>	<u>\$ (25,352,999)</u>	<u>\$ (29,814,781)</u>
General Revenues and Other							
Changes in Net Assets							
Governmental Activities:							
Taxes:							
Sales Taxes	\$ 17,455,115	\$ 19,055,160	\$ 20,558,443	\$ 22,880,568	\$ 21,552,577	\$ 18,825,309	\$ 15,366,885
Property Taxes	2,983,706	3,107,290	3,497,095	4,042,201	4,442,505	4,659,276	4,875,880
Franchise Taxes	224,516	258,528	254,675	227,038	746,815	1,733,704	1,921,624
Impact Fees	-	-	-	-	185,562	10,674	97,045
State Revenue Sharing	4,463,510	3,781,523	3,855,258	4,390,884	6,066,778	7,519,909	7,979,307
State Sales Tax Revenue Sharing	3,279,879	3,528,252	3,885,149	4,520,559	5,078,851	4,910,888	4,251,458
Auto Lieu Tax Revenue Sharing	2,308,162	2,389,482	2,620,537	3,008,101	3,244,184	3,102,207	2,840,324
Investment Earnings (Loss)	(371,813)	480,411	621,096	1,066,812	1,198,654	1,193,238	467,629
Other	90,871	36,861	17,325	71,692	18,705	14,912	12,590
Special Item - Proceeds from Sale of Capital Assets	80,438	-	-	-	-	-	-
Transfers	(11,983,144)	(3,436,818)	(4,564,265)	(1,721,662)	(2,659,555)	561,289	(3,900,988)
Total Governmental Activities	<u>18,531,240</u>	<u>29,200,689</u>	<u>30,745,313</u>	<u>38,486,193</u>	<u>39,875,076</u>	<u>42,531,406</u>	<u>33,911,754</u>
Business-Type Activities:							
Property Taxes	2,149,954	2,052,192	1,992,909	2,034,044	2,111,867	2,156,284	2,134,068
Investment Earnings (Loss)	(166,709)	336,066	696,468	3,438,833	3,757,572	2,285,859	715,319
Special Item - Proceeds (Loss) from Sale of Capital Assets	(62,744)	-	-	-	-	-	-
Transfers	11,983,144	3,436,818	4,564,265	1,721,662	2,659,555	(561,289)	3,900,988
Total Business-Type Activities	<u>13,903,645</u>	<u>5,825,076</u>	<u>7,253,642</u>	<u>7,194,539</u>	<u>8,528,994</u>	<u>3,880,854</u>	<u>6,750,375</u>
Total Primary Government	<u>\$ 32,434,885</u>	<u>\$ 35,025,765</u>	<u>\$ 37,998,955</u>	<u>\$ 45,680,732</u>	<u>\$ 48,404,070</u>	<u>\$ 46,412,260</u>	<u>\$ 40,662,129</u>
Change in Net Assets							
Governmental Activities	\$ (3,279,154)	\$ 7,864,665	\$ 2,945,408	\$ 11,322,942	\$ 24,414,817	\$ 8,888,898	\$ (361,391)
Business-type Activities	18,559,051	11,216,949	14,192,379	15,608,712	17,368,765	12,170,363	11,208,739
Total Primary Government	<u>\$ 15,279,897</u>	<u>\$ 19,081,614</u>	<u>\$ 17,137,787</u>	<u>\$ 26,931,654</u>	<u>\$ 41,783,582</u>	<u>\$ 21,059,261</u>	<u>\$ 10,847,348</u>

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

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

Function/Program	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
General Government	\$ 4,928,269	\$ 4,990,776	\$ 5,112,021	\$ 6,051,764	\$ 5,442,971	\$ 6,070,080	\$ 4,553,454
Public Safety	442,252	254,668	475,607	416,702	1,467,555	667,438	545,061
Highways and Streets	4,662,669	5,441,918	5,408,483	6,038,682	22,362,852	10,788,458	10,370,964
Culture and Recreation	562,044	4,212,127	656,829	647,903	1,057,891	697,866	1,188,244
Transportation Services	836,858	1,087,602	1,004,692	1,010,483	1,083,060	1,983,166	1,093,044
Interest on Long-term Debt	66,728	41,746	80,978	-	16,040	29,091	3,201
Subtotal Governmental Activities	<u>11,498,820</u>	<u>16,028,837</u>	<u>12,738,610</u>	<u>14,165,534</u>	<u>31,430,369</u>	<u>20,236,099</u>	<u>17,753,968</u>
Business-type Activities:							
Refuse	744,172	847,270	917,215	967,991	1,064,929	1,269,783	1,180,596
Recreation/Aquatic Center	412,350	457,219	422,279	429,222	497,842	433,782	501,550
Irrigation and Drainage	10,670,135	12,435,438	13,253,505	14,230,160	12,752,737	11,591,238	12,469,059
Wastewater	5,962,794	7,651,686	10,519,987	12,107,493	17,636,027	22,055,956	19,416,038
Airport	1,532,291	1,509,855	1,740,358	3,098,081	562,360	1,053,256	1,198,748
Subtotal Business-type Activities	<u>19,321,742</u>	<u>22,901,468</u>	<u>26,853,344</u>	<u>30,832,947</u>	<u>32,513,895</u>	<u>36,404,015</u>	<u>34,765,991</u>
Total Primary Government	<u><u>\$ 30,820,562</u></u>	<u><u>\$ 38,930,305</u></u>	<u><u>\$ 39,591,954</u></u>	<u><u>\$ 44,998,481</u></u>	<u><u>\$ 63,944,264</u></u>	<u><u>\$ 56,640,114</u></u>	<u><u>\$ 52,519,959</u></u>

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

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 142,636	\$ 282,975	\$ 151,463	\$ 241,494	\$ 212,631	\$ 236,978	\$ 221,242	\$ 239,771	\$ 289,716	\$ 245,625
Unreserved	21,734,351	23,496,889	23,597,461	17,013,903	16,517,487	16,177,818	19,382,601	20,937,049	15,770,483	10,941,968
Total General Fund	<u>\$21,876,987</u>	<u>\$23,779,864</u>	<u>\$23,748,924</u>	<u>\$17,255,397</u>	<u>\$16,730,118</u>	<u>\$16,414,796</u>	<u>\$19,603,843</u>	<u>\$21,176,820</u>	<u>\$16,060,199</u>	<u>\$11,187,593</u>
All Other Governmental Funds										
Reserved	\$ 116,720	\$ 120,341	\$ 105,021	\$ 1,461,901	\$ 1,165,554	\$ 1,031,329	\$ 866,633	\$ 777,537	\$ 260,745	\$ 161,487
Unreserved, Reported in:										
Special Revenue Funds	3,162,693	3,302,936	2,468,180	1,551,618	458,524	1,410,111	2,016,653	2,639,975	1,337,693	1,307,293
Debt Service Funds	1,463,614	1,478,542	1,398,007	-	-	-	-	-	-	-
Capital Projects Funds	715,323	712,782	952,809	2,246,238	4,252,007	4,576,046	7,312,618	6,883,115	5,904,066	6,444,484
Total All Other Governmental Funds	<u>\$ 5,458,350</u>	<u>\$ 5,614,601</u>	<u>\$ 4,924,017</u>	<u>\$ 5,259,757</u>	<u>\$ 5,876,085</u>	<u>\$ 7,017,486</u>	<u>\$10,195,904</u>	<u>\$10,300,627</u>	<u>\$ 7,502,504</u>	<u>\$ 7,913,264</u>

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 15,333,491	\$ 16,198,380	\$ 18,263,634	\$ 20,669,273	\$ 22,452,872	\$ 24,284,788	\$ 27,243,475	\$ 26,745,506	\$ 25,069,101	\$ 22,251,293
Intergovernmental	15,535,182	15,521,374	16,656,120	16,189,913	20,201,471	17,581,248	19,487,017	25,771,964	28,683,671	26,413,424
Fines and Forfeitures	796,845	845,309	897,570	1,054,494	1,209,200	1,159,289	1,373,678	1,501,738	1,491,271	1,369,529
Licenses and Permits	1,661,498	2,237,623	2,620,165	2,943,803	3,054,053	3,063,436	3,925,346	2,913,384	1,961,920	992,742
Charges for Services	1,140,131	888,252	1,016,466	1,040,759	1,079,752	1,055,558	1,131,132	970,168	836,573	711,345
Rents and Royalties	7,000	31,451	23,483	23,485	17,170	28,875	28,006	22,958	27,732	58,785
Contributions and Donations	14,700	14,418	28,805	19,537	12,695	21,680	15,034	11,921	6,910	11,018
Impact Fees	-	-	-	-	-	-	-	185,562	10,674	97,045
Special Assessments	-	217,207	28,803	119,374	124,514	181,027	155,733	106,040	124,318	131,602
Interest	1,357,146	1,568,684	848,109	(364,958)	404,262	500,624	910,746	960,145	801,582	325,534
Other	226,417	143,051	993,743	349,564	112,007	108,490	124,865	246,128	418,251	436,488
Total Revenues	36,072,410	37,665,749	41,376,898	42,045,244	48,667,996	47,985,015	54,395,032	59,435,514	59,432,003	52,798,805
Expenditures										
General Government	5,697,683	6,071,175	6,302,401	7,035,908	8,141,073	8,270,651	9,096,156	10,184,269	12,752,567	10,778,205
Public Safety	9,864,505	10,360,617	12,128,366	12,725,332	14,283,381	16,727,791	18,909,689	22,896,305	24,966,721	24,280,422
Highways and Streets	4,170,611	4,589,165	4,379,122	4,646,201	4,990,748	6,501,669	5,628,498	6,936,589	6,668,408	5,203,661
Culture and Recreation	1,992,377	2,278,113	2,898,241	3,014,259	3,585,349	4,530,472	4,637,482	5,490,982	6,075,524	5,307,096
Health and Welfare	146,139	146,139	138,832	-	-	-	-	-	-	-
Transportation Services	886,450	947,886	1,190,852	1,414,090	1,950,290	1,666,808	1,775,815	1,865,392	2,951,865	1,919,213
Tourism and Promotion	977,500	1,107,109	1,184,846	1,201,211	1,264,259	1,397,567	1,528,433	1,577,026	1,582,324	1,356,589
Capital Outlay	7,711,427	9,781,342	8,474,142	2,399,915	7,582,000	6,737,122	2,838,789	5,935,886	11,727,752	4,147,830
Debt Service										
Principal Retirement	2,300,000	2,580,000	2,710,000	2,906,000	2,700,000	3,235,000	3,375,000	3,480,000	3,605,000	240,000
Interest on Long-term Debt	1,251,362	1,128,104	1,050,603	903,514	732,398	581,320	450,892	314,557	192,875	126,647
Other	144,241	-	-	-	-	-	-	-	-	-
Total Expenditures	35,142,295	38,989,650	40,457,405	36,246,430	45,229,498	49,648,400	48,240,754	58,681,006	70,523,036	53,359,663
Excess of Revenues over (under) Expenditures	930,115	(1,323,901)	919,493	5,798,814	3,438,498	(1,663,385)	6,154,278	754,508	(11,091,033)	(560,858)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Other financing sources (uses)										
Transfers In	\$ 10,084,606	\$ 12,689,702	\$ 10,607,653	\$ 9,124,156	\$ 9,276,457	\$ 12,402,838	\$ 10,214,298	\$ 8,844,850	\$ 9,977,784	\$ 2,107,983
Transfers Out	(6,505,984)	(10,385,351)	(12,159,037)	(21,107,300)	(12,713,275)	(12,815,973)	(11,935,960)	(11,504,405)	(9,416,495)	(6,008,971)
Issuance of Debt	-	922,471	60,781	13,134	89,369	2,902,599	1,934,849	3,582,747	2,615,000	-
Total Other Financing Sources (Uses)	<u>3,578,622</u>	<u>3,226,822</u>	<u>(1,490,603)</u>	<u>(11,970,010)</u>	<u>(3,347,449)</u>	<u>2,489,464</u>	<u>213,187</u>	<u>923,192</u>	<u>3,176,289</u>	<u>(3,900,988)</u>
Net Change in Fund Balance	<u>\$ 4,508,737</u>	<u>\$ 1,902,921</u>	<u>\$ (571,110)</u>	<u>\$ (6,171,196)</u>	<u>\$ 91,049</u>	<u>\$ 826,079</u>	<u>\$ 6,367,465</u>	<u>\$ 1,677,700</u>	<u>\$ (7,914,744)</u>	<u>\$ (4,461,846)</u>
Debt Service as a Percentage of Noncapital Expenditures	13.5%	12.7%	11.8%	11.3%	9.1%	8.9%	8.4%	7.2%	6.5%	0.7%

Note: Proceeds from sale of capital assets are classified as miscellaneous revenues and are included in the Other revenue total.

**LAKE HAVASU CITY, ARIZONA
GENERAL GOVERNMENT TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Year	Sales Taxes	Property Taxes	Franchise Taxes	Transient Occupancy Tax	Bar and Restaurant Tax	Total
2000	\$ 11,448,582	\$ 2,599,515	\$ 245,079	\$ 513,093	\$ 527,222	\$ 15,333,491
2001	12,258,299	2,556,264	272,960	531,633	579,224	16,198,380
2002	14,069,249	2,782,023	261,488	549,781	601,093	18,263,634
2003	16,240,531	2,989,642	224,516	575,556	639,028	20,669,273
2004	17,767,870	3,139,184	258,528	634,257	653,033	22,452,872
2005	19,112,838	3,471,670	254,675	656,110	789,495	24,284,788
2006	21,337,895	4,135,869	227,038	699,405	843,268	27,243,475
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	14,030,536	4,962,784	1,921,624	574,442	761,907	22,251,293
Change, 1999-2008	22.6%	90.9%	684.1%	12.0%	44.5%	45.1%

Source: Lake Havasu City, Arizona's Finance Department.

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

Sales Category	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Mining	\$ -	\$ 10,000	\$ -	\$ 39,000	\$ -	\$ 621,000	\$ 2,649,142	\$ 1,637,109	\$ 2,238,146	\$ 1,502,091
Communications & Utilities	N/A	N/A	N/A	N/A	N/A	89,352,250	107,586,616	85,848,353	43,192,822	45,438,961
Transportation & Warehousing	N/A	N/A	N/A	N/A	N/A	828,450	1,297,067	1,719,521	1,370,195	825,406
Construction	92,929,550	105,551,550	129,160,550	163,485,100	189,835,700	187,626,750	210,074,556	203,114,606	174,759,818	104,429,178
Manufacturing	3,580,850	4,796,900	5,662,700	8,502,250	16,662,850	38,247,150	40,484,661	38,529,152	32,292,739	27,051,299
Wholesale Trade	18,601,300	20,284,800	19,769,900	25,142,200	15,321,750	11,458,300	16,112,220	16,468,758	18,348,808	12,097,298
Retail Trade	271,319,900	301,723,800	336,565,500	380,034,700	398,373,800	425,905,350	472,769,867	461,287,506	416,971,743	368,990,071
Finance & Insurance	N/A	N/A	N/A	N/A	N/A	2,022,000	857,392	1,967,267	2,213,297	1,563,165
Real Estate, Rental & Leasing	N/A	N/A	N/A	N/A	N/A	20,303,900	22,929,529	19,808,226	21,511,506	18,474,750
Restaurant & Bars	64,253,550	70,230,600	76,413,050	80,836,700	81,840,100	99,646,950	107,735,614	109,166,457	66,018,944	53,496,452
Hotels & Other Lodging	19,521,800	19,007,600	18,494,200	19,050,950	20,793,450	22,242,450	23,807,000	24,080,294	26,786,943	27,752,236
Public Administration	N/A	N/A	N/A	N/A	N/A	70,450	308,237	146,659	310,450	493,218
Services	50,235,350	53,397,350	62,747,100	58,695,300	48,760,150	33,456,850	34,582,787	35,897,971	32,340,521	27,984,637
Arts & Entertainment	N/A	N/A	N/A	N/A	N/A	14,211,950	15,291,189	15,650,494	12,128,912	7,334,109
All Others	9,607,650	8,631,900	10,069,550	17,056,350	62,271,700	28,840,450	30,838,124	27,361,014	18,575,934	12,616,449
Transportation, Communications & Utilities	58,275,050	57,308,700	73,837,300	70,415,050	78,915,700	N/A	N/A	N/A	N/A	N/A
Fire, Insurance & Real Estate	2,907,550	1,828,650	2,625,500	5,404,600	6,315,800	N/A	N/A	N/A	N/A	N/A
Total	\$ 591,232,550	\$ 642,771,850	\$ 735,345,350	\$ 828,662,200	\$ 919,091,000	\$ 974,834,250	\$1,087,324,001	\$1,042,683,387	\$ 869,060,778	\$ 710,049,320
City sales tax rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Source: Arizona Department of Revenue.

Note: Beginning with reporting for fiscal year 2005, Arizona Department of Revenue implemented a new reporting format for industry classification codes. As such, comparisons of industry classifications for fiscal year 2005 and forward may not be comparable to fiscal year 2004 and prior.

**LAKE HAVASU CITY, ARIZONA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
RATES AS OF JUNE 30**

Fiscal Year	City Sales Tax	City Restaurant and Bar Tax	City Transient Occupancy Tax	(1) Mohave County	(1) State of Arizona
2000	2.00 %	1.00 %	3.00 %	- %	5.00 %
2001	2.00	1.00	3.00	0.25	5.60
2002	2.00	1.00	3.00	0.25	5.60
2003	2.00	1.00	3.00	0.25	5.60
2004	2.00	1.00	3.00	0.25	5.60
2005	2.00	1.00	3.00	0.25	5.60
2006	2.00	1.00	3.00	0.25	5.60
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

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

Source: Arizona Department of Revenue.

LAKE HAVASU CITY, ARIZONA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year		Real Property		Personal Property		Total		Direct Tax Rate	Ratio of Total Assessed Value to Total Estimated Actual Value
		Net Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value		
2000	P					\$ 286,277,256	\$ 2,287,934,835	0.8740	1251.00%
	S					294,554,890	2,322,004,634	5.9121	plus \$151.13/acre
2001	P	\$ 285,231,433	\$ 2,333,010,196	\$ 11,816,518	\$ 60,137,976	297,047,951	2,393,148,172	0.8423	12.41
	S	291,734,022	2,361,941,827	11,816,518	60,137,976	303,550,540	2,422,079,803	5.7757	plus \$102.17 per acre
2002	P	312,993,501	2,553,024,864	9,358,258	50,637,799	322,351,759	2,603,662,663	0.8413	12.38
	S	309,818,437	2,582,613,239	9,358,258	50,637,799	319,176,695	2,633,251,038	5.7504	plus \$101.55 per acre
2003	P	325,840,542	2,848,610,186	10,778,445	56,227,733	336,618,987	2,904,837,919	0.8413	11.59
	S	332,033,998	2,888,473,152	10,778,445	56,227,733	342,812,443	2,944,700,885	5.2960	plus \$ 101.11 per acre
2004	P	360,067,071	3,222,522,010	11,291,589	59,052,690	371,358,660	3,281,574,700	0.7958	11.32
	S	367,828,704	3,495,046,718	11,291,589	59,052,690	379,120,293	3,554,099,408	5.7189	plus \$ 100.77 per acre
2005	P	404,042,223	3,766,661,010	11,251,148	58,514,070	415,293,371	3,825,175,080	0.7958	10.86
	S	439,586,745	4,592,640,988	11,251,148	58,514,070	450,837,893	4,651,155,058	5.3347	plus \$ 100.74 per acre
2006	P	469,199,441	4,501,675,755	12,485,845	63,701,806	481,685,286	4,565,377,561	0.7958	10.55
	S	572,701,653	6,001,328,492	12,485,845	63,701,806	585,187,498	6,065,030,298	3.8893	plus \$ 100.74 per acre
2007	P	554,952,080	4,489,089,206	15,071,124	72,940,245	570,023,204	4,562,029,451	0.7310	12.49
	S	735,930,709	5,989,310,731	15,071,124	72,940,245	751,001,833	6,062,250,976	3.9896	plus \$ 100.74 per acre
2008	P	658,147,759	5,340,068,133	11,375,884	57,452,096	669,523,643	5,397,520,229	0.6704	12.4
	S	918,338,959	7,419,032,491	11,375,884	57,452,096	929,714,843	7,476,484,587	1.0676	plus \$ 100.74 per acre
2009	P	760,861,319	6,233,527,611	16,515,213	86,520,314	777,376,532	6,320,047,925	0.6038	12.3
	S	1,021,911,138	8,397,863,760	16,515,213	86,520,314	1,038,426,351	8,484,384,074	1.1378	plus \$ 100.74 per acre

Note: Real and Personal Property tax breakdowns are not available from Mohave County for the year 1999/2000.

**LAKE HAVASU CITY, ARIZONA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City Direct Rate			Special Districts							Overlapping Rates			Rate Total		
	Operating Rate	Debt Service Rate	Total City Rate	Irrigation Drainage District	Sanitary District	Improvement District #1	Improvement District #2	Improvement District #3	Improvement District #4	Improvement District #5	Total County Rate	Total School Rate	Total State Rate			
2000	P	0.8740	-	0.8740	-	-	-	-	-	-	-	2.6666	4.6398	0.5217	8.7021	
	S	-	-	-	\$151.13/acre	1.4841	0.4081	2.1832	1.1256	0.4807	0.2304	0.9853	1.4338	-	8.3312	plus \$151.13/acre
2001	P	0.8423	-	0.8423	-	-	-	-	-	-	-	2.6917	3.8359	0.5165	7.8864	
	S	-	-	-	\$102.17/acre	1.3400	0.1986	2.0365	1.7088	0.2595	0.2323	0.9853	1.1386	-	7.8996	plus \$102.17/acre
2002	P	0.8413	-	0.8413	-	-	-	-	-	-	-	2.6898	4.1564	0.4974	8.1849	
	S	-	-	-	\$101.55/acre	1.2480	0.4520	2.1628	1.5816	0.3060	-	1.0103	1.5060	-	8.2667	plus \$101.55/acre
2003	P	0.8413	-	0.8413	-	-	-	-	-	-	-	2.6898	4.3377	0.4889	8.3577	
	S	-	-	-	\$101.11/acre	-	0.5538	1.4600	3.1579	0.1243	-	1.0103	1.0535	-	7.3598	plus \$101.11/acre
2004	P	0.7958	-	0.7958	-	-	-	-	-	-	-	2.6973	5.2253	0.4717	9.1901	
	S	-	-	-	\$100.77/acre	-	0.4998	1.4001	3.4221	0.3969	-	1.0103	1.3034	-	8.0326	plus \$100.77/acre
2005	P	0.7958	-	0.7958	-	-	-	-	-	-	-	2.6983	4.3420	0.4560	8.2921	
	S	-	-	-	\$100.74/acre	-	0.5491	1.2822	3.0983	0.4051	-	1.0103	0.9646	-	7.3096	plus \$100.74/acre
2006	P	0.7958	-	0.7958	-	-	-	-	-	-	-	2.6904	3.4288	0.4358	7.3508	
	S	-	-	-	\$100.74/acre	-	0.4595	1.0855	1.9907	0.3536	-	1.0103	1.2740	-	6.1736	plus \$100.74/acre
2007	P	0.7310	-	0.7310	-	-	-	-	-	-	-	2.5759	3.3079	-	6.6148	
	S	-	-	-	\$100.74/acre	-	0.5360	1.1091	1.9907	0.3538	-	1.0103	0.8625	-	5.8624	plus \$100.74/acre
2008	P	0.6704	-	0.6704	-	-	-	-	-	-	-	2.3519	3.0141	-	6.0364	
	S	-	-	-	\$100.74/acre	-	0.3216	0.4672	-	0.2788	-	1.0103	0.8567	-	2.9346	plus \$100.74/acre
2009	P	0.6038	-	0.6038	-	-	-	-	-	-	-	1.3309	2.8005	-	4.7352	
	S	-	-	-	\$100.74/acre	-	0.3113	0.5425	-	0.2840	-	1.0103	0.7547	-	2.9028	plus \$100.74/acre

**LAKE HAVASU CITY, ARIZONA
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2009
CURRENT AND NINE YEARS AGO**

Taxpayer	2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Unisource Energy Corporation	\$ 9,673,433	1	1.24 %
PHC Lake Havasu Inc.	8,649,010	2	1.11
Citizens Utilities	6,067,439	3	0.78
Shops at Lake Havasu City LLC	4,229,937	4	0.54
Sterilite Corporation	2,527,762	5	0.33
KKO Development	2,446,129	6	0.31
Eagle Storage & Development LLC	2,141,521	7	0.28
Dillard Store Services Inc.	1,891,301	8	0.24
Walmart Stores Inc.	1,887,532	9	0.24
Lowe's HIW, Inc.	1,768,314	10	0.23
Totals	<u>\$ 41,282,378</u>		5.31 %

NOTE: 2000 principal property taxpayers data not available.

**LAKE HAVASU CITY, ARIZONA
PROPERTY TAX LEVIES AND COLLECTIONS (1)
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
2000	\$ 2,507,214	\$ 2,395,112	95.53 %	\$ 101,719	\$ 2,496,831	99.59 %
2001	2,495,787	2,388,203	95.69	98,072	2,486,275	99.62
2002	2,612,578	2,516,381	96.32	96,010	2,612,391	99.99
2003	2,828,536	2,705,073	95.64	123,042	2,828,115	99.99
2004	2,947,808	2,889,381	98.02	58,288	2,947,669	100.00
2005	3,311,006	3,183,551	96.15	127,147	3,310,698	99.99
2006	3,836,201	3,750,741	97.77	85,192	3,835,933	99.99
2007	4,152,922	4,031,318	97.07	121,220	4,152,538	99.99
2008	4,508,427	4,302,624	95.44	199,554	4,502,178	99.86
2009	4,676,650	4,510,022	96.44	-	4,510,022	96.44

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

**LAKE HAVASU CITY, ARIZONA
IRRIGATION AND DRAINAGE DISTRICT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
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
2000	\$ 3,094,739	\$ 2,912,870	94.12 %	\$ 181,869	\$ 3,094,739	100.00 %
2001	2,091,204	1,963,683	93.90	127,519	2,091,202	100.00
2002	2,076,365	1,994,409	96.05	81,906	2,076,315	100.00
2003	2,075,813	2,004,113	96.55	71,700	2,075,813	100.00
2004	2,060,775	2,012,055	97.64	48,720	2,060,775	100.00
2005	2,059,030	1,966,752	95.52	92,278	2,059,030	100.00
2006	2,062,197	2,009,295	97.43	52,852	2,062,147	100.00
2007	2,103,046	2,027,101	96.39	75,841	2,102,942	100.00
2008	2,122,847	1,993,102	93.89	124,705	2,117,807	99.76
2009	2,124,709	2,037,986	95.92	-	2,037,986	95.92

(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 all outstanding obligations of the District.

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

**LAKE HAVASU CITY, ARIZONA
SANITARY DISTRICT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
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
2000	\$ 1,770,268	\$ 1,660,289	93.79 %	\$ 109,614	\$ 1,769,903	99.98 %
2001	1,635,835	1,553,091	94.94	68,044	1,621,135	99.10
2002	1,586,241	1,513,807	95.43	60,260	1,574,067	99.23
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-

(1) Lake Havasu Sanitary District was formed on October 28, 1964. The District was to be dissolved in fiscal year 1996 upon the retirement of all outstanding obligations of the District. However, on May 23, 1990, \$160,000 in general obligation refunding bonds were issued. The outstanding general obligation bonds of the District were retired in fiscal year 2003. The District was officially dissolved September 26, 2006.

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

**LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 1 - SPECIAL ASSESSMENT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
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
2000	\$ 49,929	\$ 47,631	95.40 %	\$ 2,298	\$ 49,929	100.00 %
2001	25,010	24,217	96.83	787	25,004	99.98
2002	59,922	58,429	97.51	1,493	59,922	100.00
2003	79,997	77,612	97.02	2,385	79,997	100.00
2004	80,167	78,949	98.48	1,218	80,167	100.00
2005	102,919	99,899	97.07	3,020	102,919	100.00
2006	102,661	100,719	98.11	1,942	102,661	100.00
2007	149,059	145,447	97.58	3,612	149,059	100.00
2008	109,984	105,526	95.95	4,458	109,984	100.00
2009	109,338	107,041	97.90	-	107,041	97.90

- (1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) 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.
- (2) Mohave County is responsible for assessing and collecting property taxes.

**LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 2 - SPECIAL ASSESSMENT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
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
2000	\$ 35,431	\$ 31,190	88.03 %	\$ 4,241	\$ 35,431	100.00 %
2001	33,938	32,177	94.81	1,761	33,938	100.00
2002	34,917	34,362	98.41	555	34,917	100.00
2003	23,466	22,474	95.77	992	23,466	100.00
2004	23,455	22,888	97.58	567	23,455	100.00
2005	22,997	20,448	88.92	2,549	22,997	100.00
2006	22,993	20,939	91.07	2,054	22,993	100.00
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	-	14,902	89.18

(1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) 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 (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
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	
2000	\$ 8,135	\$ 7,678	94.38 %	\$ 457	\$ 8,135	100.00 %	
2001	9,957	9,646	96.88	238	9,884	99.27	
2002	10,389	10,056	96.79	314	10,370	99.82	
2003	21,130	20,881	98.82	249	21,130	100.00	
2004	23,469	23,035	98.15	434	23,469	100.00	
2005	22,172	20,749	93.58	1,423	22,172	100.00	
2006	23,455	22,771	97.08	684	23,455	100.00	
2007	27,935	26,511	94.90	1,424	27,935	100.00	
2008	-	-	-	-	-	-	
2009	-	-	-	-	-	-	

(1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 3 is 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 (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
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	
2000	\$ 53,492	\$ 50,000	93.47 %	\$ 3,456	\$ 53,456	99.93 %	
2001	30,766	30,148	97.99	618	30,766	100.00	
2002	38,683	37,414	96.72	1,269	38,683	100.00	
2003	17,252	15,433	89.46	1,818	17,251	99.99	
2004	60,780	59,605	98.07	1,165	60,770	99.98	
2005	61,523	59,981	97.49	1,526	61,507	99.97	
2006	61,716	61,420	99.52	296	61,716	100.00	
2007	64,323	63,878	99.31	445	64,323	100.00	
2008	55,297	53,644	97.01	1,650	55,294	99.99	
2009	55,620	55,053	98.98	-	55,053	98.98	

(1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) 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
IMPROVEMENT DISTRICT NO. 5 - SPECIAL ASSESSMENT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
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	
2000	\$ 3,267	\$ 2,774	84.91 %	\$ 493	\$ 3,267	100.00 %	
2001	3,400	3,190	93.82	210	3,400	100.00	
2002	-	-	-	-	-	-	
2003	-	-	-	-	-	-	
2004	-	-	-	-	-	-	
2005	-	-	-	-	-	-	
2006	-	-	-	-	-	-	
2007	-	-	-	-	-	-	
2008	-	-	-	-	-	-	
2009	-	-	-	-	-	-	

(1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 5 is for the purpose of maintaining gas lights between Smoketree Avenue and Wings Loop on McCulloch Boulevard. This Improvement District was dissolved on June 30, 2001.

(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			Total Primary Government	Percentage of Personal Income	Per Capita
	Special Assessment Bonds	Revenue Bonds	Capital Leases	Sewer Bonds	General Obligation Bonds	Capital Leases			
2000	\$ -	\$ 24,125,000	\$ 98,099	\$ -	\$ 830,000	\$ 4,822,384	\$ 29,875,483	4.63 %	\$ 728
2001	891,000	21,545,000	67,939	-	680,000	3,971,657	27,155,596	3.21	648
2002	891,000	18,835,000	86,326	-	535,000	3,070,490	23,417,816	2.50	530
2003	850,000	15,970,000	49,408	8,549,414	235,000	9,151	25,662,973	2.64	553
2004	775,000	13,345,000	113,006	32,142,869	215,000	14,907	46,605,782	4.48	952
2005	695,000	10,190,000	2,518,386	60,854,991	195,000	595,203	75,048,580	6.81	1,452
2006	610,000	6,900,000	3,768,074	140,285,461 (1)	175,000	1,286,112	153,024,647	13.62	2,864
2007	520,000	3,510,000	6,032,598	171,170,388 (1)	155,000	1,995,812	183,383,798	15.70	3,358
2008	425,000	2,615,000	4,485,455	220,298,612 (1)	145,000	1,669,632	229,638,699	19.23	4,155
2009	185,000	2,615,000	3,009,616	244,748,362 (1)	135,000	1,236,248	251,929,226	17.34	4,545

(1) Net of related premium

Note: Balances reflect reduction for principal payment made on July 1, 2009.

**LAKE HAVASU CITY, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2009**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping Debt			
Lake Havasu Unified School District No. 1	\$ 24,235,000	95.10%	\$ 23,047,485
City Direct Debt			
Lake Havasu Irrigation and Drainage District	135,000	100.00%	135,000
Lake Havasu City Freedom Bridge Land Acquisition	2,615,000	100.00%	2,615,000
Lake Havasu City McCulloch Boulevard Streetscape Improvement District No. 7 Improvement Bonds	185,000	100.00%	185,000
Wastewater System Expansion (net of related premium)	244,748,362	100.00%	<u>244,748,362</u>
Lake Havasu City, Arizona Direct Debt			<u>247,683,362</u>
Total Direct and Overlapping Debt			<u><u>\$ 270,730,847</u></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 businesses 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.

Note: Balances reflect reduction for principal payments made on July 1, 2009.

**LAKE HAVASU CITY, ARIZONA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
20% Limitation (1)										
Debt Limit	\$ 58,910,978	\$ 60,710,108	\$ 68,835,339	\$ 68,562,489	\$ 75,824,059	\$ 90,167,579	\$ 117,037,500	\$ 150,200,367	\$ 185,942,969	\$ 207,685,270
Total Net Debt Applicable to 20% Limit (Restated to Account for Amount Set Aside for Repayment of Debt)	<u>655,000</u>	<u>510,000</u>	<u>370,000</u>	<u>8,742,500</u>	<u>8,722,500</u>	<u>40,634,726</u>	<u>94,688,680</u>	<u>141,365,953</u>	<u>140,113,909</u>	<u>182,493,498</u>
Legal Debt Margin (Available Borrowing Capacity)	<u>\$ 58,255,978</u>	<u>\$ 60,200,108</u>	<u>\$ 68,465,339</u>	<u>\$ 59,819,989</u>	<u>\$ 67,101,559</u>	<u>\$ 49,532,853</u>	<u>\$ 22,348,820</u>	<u>\$ 8,834,414</u>	<u>\$ 45,829,060</u>	<u>\$ 25,191,772</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	1.11%	0.84%	0.54%	12.75%	11.50%	45.07%	80.90%	94.12%	75.35%	87.87%
6% Limitation (2)										
Debt Limit	\$ 17,673,293	\$ 18,213,032	\$ 19,150,602	\$ 20,568,747	\$ 22,747,218	\$ 27,050,274	\$ 35,111,250	\$ 45,060,110	\$ 55,782,891	\$ 62,305,581
Total Net Debt Applicable to 6% Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin (Available Borrowing Capacity)	<u>\$ 17,673,293</u>	<u>\$ 18,213,032</u>	<u>\$ 19,150,602</u>	<u>\$ 20,568,747</u>	<u>\$ 22,747,218</u>	<u>\$ 27,050,274</u>	<u>\$ 35,111,250</u>	<u>\$ 45,060,110</u>	<u>\$ 55,782,891</u>	<u>\$ 62,305,581</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
- (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.

**LAKE HAVASU CITY, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2009**

Net secondary assessed valuation (1)		<u><u>\$ 1,038,426,351</u></u>
Water, Sewer, Light, Parks, Open Space Preserves, Playgrounds, Recreational Facilities, Public Safety, Law Enforcement, Fire and Emergency Facilities, and Streets and Transportation Facilities		
Debt limit - 20% of secondary net assessed valuation		\$ 207,685,270
Debt applicable to limit		
General obligation bonds outstanding	\$ 186,156,527	
Less amount set aside for repayment of debt	<u>(3,663,029)</u>	
Net debt applicable to limit		<u>182,493,498</u>
20% legal debt margin		25,191,772
<u>All other general obligation bonds</u>		
Debt limit - 6% of secondary net assessed valuation		62,305,581
Debt applicable to limit		
General obligation bonds outstanding	\$ -	
Less amount set aside for repayment of debt	<u>-</u>	
Net debt applicable to limit		<u>-</u>
All other general obligation bonds debt margin		<u>62,305,581</u>
Total legal debt margin		<u><u>\$ 87,497,353</u></u>

(1) Mohave County Assessor's Office.

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

Fiscal Year	Municipal Property Corporation Bonds (1)				Excise Tax Revenue Bonds (1)				Special Assessment Bonds			
	Excise Tax (2)	Debt Service	Debt Service	Coverage	Excise Tax (2)	Debt Service	Debt Service	Coverage	Special Assessment Collections	Debt Service	Debt Service	Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2000	\$ 22,159,552	\$ 2,300,000	\$ 635,481	7.55	\$ 22,159,552	\$ -	\$ 570,270	38.86	\$ -	\$ -	\$ -	-
2001	24,066,806	2,400,000	547,081	8.17	24,066,806	35,000	569,045	39.84	217,207	-	-	-
2002	26,343,805	2,525,000	419,881	8.95	26,343,805	185,000	562,565	35.24	28,803	-	65,469	0.44
2003	29,196,801	2,675,000	283,531	9.87	29,196,801	190,000	555,720	39.15	119,374	41,000	61,613	1.16
2004	30,628,188	2,425,000	136,406	11.96	30,628,188	200,000	548,500	40.92	124,514	75,000	41,641	1.07
2005	-	-	-	-	32,521,575	3,155,000	540,700	8.80	181,027	80,000	37,669	1.54
2006	-	-	-	-	36,991,755	3,290,000	414,500	9.99	155,733	85,000	33,441	1.31
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

(1) Includes debt service payments paid out of revenue from IDD (Water) and Airport.

(2) Excise Tax revenues are pledged for both Municipal Property Corporation Bonds and Excise Tax Bonds.

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

Fiscal Year	Sewer Revenue Bond						Water Revenue Bonds					
	(1) Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	(1) Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2000	\$ 3,536,631	\$ 2,615,958	\$ 920,673	\$ 800,000	\$ 364,173	0.79 %	\$ 7,946,050	\$ 5,278,065	\$ 2,667,985	\$ 326,000	\$ 50,130	7.09 %
2001	3,625,269	2,850,383	774,886	850,000	314,218	0.67	9,114,145	5,141,504	3,972,641	150,000	41,130	20.79
2002	3,297,596	3,198,068	99,528	905,000	260,318	0.09	9,011,458	6,004,762	3,006,696	145,000	32,285	16.96
2003	5,575,694	3,253,324	2,322,370	3,090,000	102,096	0.73	9,454,625	6,002,888	3,451,737	140,000	23,605	21.10
2004	7,837,338	4,182,008	3,655,330	-	411,938	8.87	11,247,609	6,413,094	4,834,515	135,000	15,100	32.21
2005	10,965,873	3,674,565	7,291,308	5,765,000	993,746	1.08	12,044,926	7,719,678	4,325,248	20,000	13,800	127.97
2006	15,055,202	4,323,846	10,731,356	715,547	4,431,556	2.08	12,594,163	8,257,603	4,336,560	20,000	12,500	133.43
2007	20,593,753	4,028,938	16,564,815	5,722,568	5,243,928	1.51	12,876,316	8,597,673	4,278,643	20,000	11,200	137.14
2008	23,703,017	6,955,929	16,747,088	7,540,749	6,309,330	1.21	11,841,750	10,025,454	1,816,296	20,000	61,578	22.26
2009	19,242,758	7,208,665	12,034,093	10,165,631	7,731,240	0.67	11,066,160	9,524,193	1,541,967	211,475	130,486	4.51

(1) Includes investment income.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
 Bond covenants may include other revenue for purposes of debt service coverage.

**LAKE HAVASU CITY, ARIZONA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Personal Income	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate
2000	41,045	\$ 750,303,000	\$ 18,280	47.1	5,615	4.4 %
2001	41,938	847,106,000	20,199	47.5	5,841	4.4
2002	44,200	935,449,000	21,164	47.5	5,889	5.9
2003	46,400	972,219,000	20,953	48.0	6,345	5.2
2004	48,945	1,039,543,000	21,239	48.5	6,545	4.5
2005	51,700	1,102,037,000	21,316	48.3	6,549	4.2
2006	53,435	1,123,471,000	21,025	48.3	6,453	4.3
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

- (1) Fiscal year 2001 from the U.S. Census.
All other years from the Arizona Economic Estimates Commission.
- (2) Lake Havasu Partnership for Economic Development.
- (3) Lake Havasu City Partnership for Economic Development.
- (4) Lake Havasu City School District.
- (5) Arizona Department of Economic Security's Workforce Informer.

**LAKE HAVASU CITY, ARIZONA
PRINCIPAL EMPLOYERS
JUNE 30, 2009
CURRENT YEAR**

2009			
Employer	Employees	Rank	Percentage of Total Town Employment (1)
Lake Havasu City	672	1	2.69 %
Lake Havasu School District	660	2	2.64
Havasu Regional Medical Center	600	3	2.40
Sterilite Corporation	425	4	1.70
Wal-Mart	360	5	1.44
London Bridge Resort	315	6	1.26
Bashas' (2 locations)	235	7	0.94
Shugrue's Restaurants	231	8	0.92
Mission of Nevada, Inc.	165	9	0.66
K-Mart	145	10	0.58
	3,808		15.22 %

Total employees of Lake Havasu City = 25,024 (1)

Note: 2000 principal employers data not available.

(1) Arizona Workforce Informer.

Source: Lake Havasu Partnership for Economic Development.

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

Function	Authorized Positions as of Fiscal Year Ended									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government	60.0	61.0	64.0	65.0	65.0	72.0	77.0	81.0	83.0	83.0
Community Development	20.0	23.0	24.0	26.0	26.0	26.0	30.0	29.0	29.0	29.0
Public Safety										
Police	91.0	96.0	101.0	101.0	101.0	105.0	108.0	123.0	127.0	127.0
Fire	60.0	60.0	70.0	70.0	71.0	75.0	80.0	95.0	95.0	95.0
Public Works										
Administration/Engineering	18.0	19.0	18.0	19.0	19.0	22.0	22.0	22.0	26.0	26.0
Airport	4.0	4.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Transportation	15.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Highways and Streets	28.0	28.0	31.0	31.0	32.0	32.0	32.0	32.0	32.0	32.0
Vehicle Maintenance	10.0	10.0	10.0	10.0	11.0	11.0	12.0	12.0	12.0	12.0
Wastewater	16.0	17.0	19.0	19.0	18.0	20.0	21.5	25.5	25.5	26.0
Water	31.0	32.0	33.0	33.0	40.0	41.0	41.5	42.5	40.5	40.0
Culture and Recreation	34.0	37.0	39.0	39.0	39.0	41.0	41.0	44.0	45.0	45.0
Total	387.0	406.0	432.0	436.0	446.0	469.0	489.0	530.0	539.0	539.0

Source: Lake Havasu City, Arizona's Budget Division.

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

Function	Fiscal Years									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>Police</u>										
Number of Sworn Officers	67	75	75	75	79	83	95	96	96	92
Number of Incidents Handled	49,123	50,133	52,793	57,969	58,552	60,610	60,440	59,951	76,759	77,014
Number of Report Numbers Issued	6,601	11,012	8,527	8,495	9,394	9,893	10,316	9,612	8,740	8,637
Response Time, Priority 1 Calls (Minutes)	6:05	6:18	5:51	6:17	6:04	6:10	6:10	5:54	5:26	5:17
<u>Fire</u>										
Number of Field Suppression Personnel	42	42	54	55	55	58	60	72	78	72
Number of Structural Fires	51	48	82	55	65	62	68	43	53	41
Number of Emergency Responses	3,446	4,622	5,124	5,276	5,603	5,719	6,234	6,113	6,457	6,996
Response Time (Minutes)	7:01	6:19	6:23	5:24	5:20	5:25	5:16	5:14	5:34	5:26
Inspections	2,781	3,206	3,432	3,999	4,041	4,452	4,224	4,496	4,924	5,443
<u>Highways and Streets</u>										
Street Resurfacing (Miles)	45	53	51	37	32	27	23	52	32	12
Utility Patches	n/a	693	778	843	777	731	699	645	494	468
Skin Patches	n/a	357	308	240	280	511	526	187	270	178
Crackfilling (Miles)	n/a	49.85	46.10	32.42	40.12	18.43	41.05	30.00	35.50	18.00
<u>Wastewater</u>										
Connections	2,602	2,628	2,757	3,450	4,891	7,394	8,991	11,983	16,112	18,320
Average Daily Flowage (mg)	1.40	1.69	1.60	1.74	2.12	1.99	2.33	2.50	3.08	3.03
<u>Municipal Parks</u>										
Park Uses	1,425	1,446	1,826	2,308	2,575	3,055	3,849	3,025	3,969	3,684
<u>Water</u>										
Miles of Line	488	488	492	494	496	498	500	500	500	500
New Connections	1,145	1,134	911	946	1,435	1,255	889	308	388	216
Main Breaks	83	51	54	56	64	47	49	47	52	57
Service Line Leaks	454	546	801	874	925	798	915	723	612	510
Average Daily Consumption (Gallons) per Capita	273	277	283	268	259	246	240	230	250	250
<u>Airport</u>										
Based Aircraft	n/a	218	238	226	230	240	243	240	234	180
Operations	n/a	n/a	49,600	49,853	49,733	51,996	53,892	55,844	51,900	60,000
Fuel Flowage	224,292	413,234	453,095	436,541	359,881	368,822	314,501	502,137	536,175	627,628
<u>Transit</u>										
Total Ridership	87,348	105,646	115,676	135,299	143,873	138,112	137,658	82,803	82,955	115,070
Miles Driven	451,595	408,172	507,114	568,925	595,784	550,925	571,279	448,267	412,270	443,900
<u>General</u>										
Building Permits Issued	2,062	2,256	2,711	3,161	3,284	3,233	2,916	2,124	1,485	894
Building Inspections Conducted	12,551	14,585	19,828	29,623	29,222	28,532	26,658	19,513	15,687	10,849
Land Use Actions	459	463	507	469	617	491	405	333	370	229

Source: Lake Havasu City, Arizona departments.

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

Function	Fiscal Years									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>Public Safety</u>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units										
Cars	28	28	28	28	28	30	32	38	34	37
Boats	2	2	4	4	4	4	4	4	4	4
Quads	6	6	6	6	6	6	6	6	6	7
Fire:										
Stations	4	4	4	5	5	5	6	6	6	6
Apparatus										
Fire Trucks	8	9	9	9	9	10	11	12	10	11
Vehicles	16	16	18	20	20	23	22	21	21	27
Boats	1	1	1	1	1	1	1	2	2	1
<u>Highways and Streets</u>										
Streets (Miles)	421.0	423.0	423.0	423.5	424.0	424.5	425.0	426.0	428.0	428.0
Streetlights	34	34	80	80	84	84	84	84	84	84
Traffic Signals	10	10	12	12	12	12	12	12	12	12
<u>Culture and Recreation</u>										
Parks Acreage	72.9	72.9	77.3	77.3	77.3	77.3	85.0	108.7	123.7	125.0
Parks Acreage - Sara Park	-	-	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082
Parks	6	6	6	6	6	6	10	14	15	15
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Water Launching Facility	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1	1
<u>Water</u>										
Water Mains (Miles)	488	488	492	494	496	498	500	500	500	500
Installed Meters	21,854	22,988	23,899	24,845	25,339	26,417	27,789	28,097	27,983	27,826
Fire Hydrants	n/a	n/a	n/a	n/a	n/a	n/a	2,645	2,684	2,684	2,695
Available Acre Feet	25,180	25,180	25,180	25,180	25,180	25,180	25,180	25,180	25,180	27,319
<u>Sewer</u>										
Sanitary Sewers (Miles)	125	125	125	146	155	165	175	203	238	267
<u>Transportation</u>										
Transit Buses	16	17	19	19	19	19	19	15	16	18
<u>Airport</u>										
Enclosed Hangars	72	72	72	72	72	78	78	78	101	78
Shade Ports	27	27	27	27	27	27	27	27	25	16

Source: Lake Havasu City, Arizona departments.

**LAKE HAVASU CITY, ARIZONA
MISCELLANEOUS STATISTICS
JUNE 30, 2009**

Date of Incorporation	October 2, 1978
Form of Government	Council Manager
Area	43 square miles
Education	
Number of Schools:	
Public Elementary	6
Public Middle School	2
Public High School	1
Alternative Schools	2
Charter Schools	2
Community College (Mohave)	1
Number of Students	
L.H.C. Unified School District	6,175
Alternative	82
Charter	401
Mohave Community College (3 campus locations in county)	12,000
Employees as of June 30, 2009	
Full Time	483
Part Time	189
Elected Officials	7
Total Payroll Fiscal Year 2009	\$ 33,147,404
Elections	
Recall Election September 2005	
Number of Registered Voters	25,649
Number of Votes Cast	11,984
Percentage of Registered Voters	46.72%
Special Election May 2006	
Number of Registered Voters	25,383
Number of Votes Cast	14,717
Percentage of Registered Voters	57.98%
Last Municipal Election November 2006	
Number of Registered Voters	26,388
Number of Votes Cast	15,902
Percentage of Registers Voters	60.26%
At the time of incorporation	
Number of Registered Voters	6,053
Active Business Licenses	9,830
Economy:	
Number of Annual Visitors (Estimate by the Convention and Visitors Bureau)	2,500,000
Lake Havasu City Municipal Airport	
Fixed Based Operators	3
Runway Length (in Feet)	8,000

**LAKE HAVASU CITY, ARIZONA
MISCELLANEOUS STATISTICS
JUNE 30, 2009**

Population

Census Population Count (Calendar Year)

2008*	55,429
2007*	55,263
2006*	54,610
2005*	53,435
2004*	51,700
2003*	48,945
2002*	46,400
2001*	44,200
2000**	41,938
1990**	24,363
1980**	15,926

* Arizona Department of Economic Security

** United States Census

2000 Census Information:

Age Distribution of Population

1-4 Years	1,957	4.70 %
5-17 Years	6,194	14.80
18-24 Years	2,405	5.70
25-44 Years	9,054	21.60
45-64 Years	11,633	27.70
65+ Years	10,695	25.50
	41,938	100.00 %

Median Age 47.5

Median Household Income	\$ 36,499
Per Capita Income (2000)	20,403

2000 Census information available at the following websites:

<http://www.census.gov/census2000/states.az.html>

<http://www.de.state.az.us/links/economic/webpage/index.html>