

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

**LAKE HAVASU CITY, ARIZONA
REPORT ON AUDIT OF ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
Independent Auditors' Report	
Independent Auditors' Report on the Annual Expenditure Limitation Report	1
Annual Expenditure Limitation Report	
Part I	2
Part II	3
Reconciliation	4
Notes to Annual Expenditure Limitation Report	5



INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

The Honorable Mayor and Members of the City Council
Lake Havasu City, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Lake Havasu City, Arizona, for the year ended June 30, 2012. This report is the responsibility of Lake Havasu City, Arizona's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Annual Expenditure Limitation Report of Lake Havasu City, Arizona, for the year ended June 30, 2012, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of management, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

February 18, 2013

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
FISCAL YEAR ENDED JUNE 30, 2012**

1. Economic Estimates Commission expenditure limitation	\$ 52,085,163
2. Amount subject to the expenditure limitation (Part II, Line C)	<u>50,946,800</u>
3. Amount under the expenditure limitation	<u><u>\$ 1,138,363</u></u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: Valerie H. Fenske

Name and Title: Valerie H. Fenske, CPA, Finance Director

Telephone Number: (928) 453-4147 Date: February 18, 2013

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2012**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 43,377,502	\$ 38,976,194	\$ 5,445,862	\$ 87,799,558
B. Less exclusions claimed :				
1. a. Debt service requirements on bonded indebtedness	299,411			299,411
b. Proceeds from other long-term obligations		6,294,136		6,294,136
c. Debt service requirements on other long-term obligations		18,755,791		18,755,791
2. Trustee or custodian				-
3. Grants and aid from the federal government	1,866,878	549,035		2,415,913
4. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	112,576			112,576
5. Amounts received from the State of Arizona	198,202	4,362		202,564
6. Quasi-external interfund transactions			5,445,862	5,445,862
7. Highway user revenues in excess of those received in fiscal year 1979-80	2,898,441			2,898,441
8. Contracts with other political subdivisions	428,064			428,064
9. Total exclusions claimed	5,803,572	25,603,324	5,445,862	36,852,758
C. Amounts subject to the expenditure limitation	\$ 37,573,930	\$ 13,372,870	\$ -	\$ 50,946,800

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2012**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Total expenditures/expenses reported within the fund-based financial statements	\$ 44,638,258	\$ 35,506,908	\$ 6,070,178	\$ 86,215,344
B. Subtractions:				
1. Items not requiring the use of working capital:				
a. Depreciation		11,492,731	387,528	11,880,259
b. Bad debt expense	20,940	287,303		308,243
c. Amortized Issuance costs		216,340		216,340
d. Claims incurred but not reported			452,000	452,000
e. Landfill closure and postclosure care costs		109,266		109,266
f. Other postemployment benefits expense		92,147		92,147
2. Expenditures of separate legal entities established under Arizona Revised Statutes	85,762	10,044,185		10,129,947
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	<u>1,154,054</u>			<u>1,154,054</u>
4. Total subtractions	<u>1,260,756</u>	<u>22,241,972</u>	<u>839,528</u>	<u>24,342,256</u>
C. Additions:				
1. Principal payments on long-term debt		8,500,475		8,500,475
2. Capitalized Interest		9,840,729		9,840,729
3. Acquisition of capital assets		7,331,224	215,212	7,546,436
4. Other postemployment benefits paid in the current year but reported as expenses in previous years		<u>38,830</u>		<u>38,830</u>
5. Total additions	<u>-</u>	<u>25,711,258</u>	<u>215,212</u>	<u>25,926,470</u>
D. Amounts reported on Part II, Line A	<u>\$ 43,377,502</u>	<u>\$ 38,976,194</u>	<u>\$ 5,445,862</u>	<u>\$ 87,799,558</u>

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes §41-1279.07, which excludes expenditures, expenses, or deductions of certain revenues specified in Arizona Constitution, Article IX, §20 from the total expenditures, expenses or deductions reported in the fund financial statements.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on Part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds, the Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds and the Statement of Cash Flows for the Proprietary Funds.

NOTE 2 DEDUCTIONS AND ADDITIONS TO THE RECONCILIATION

Deductions:		
Depreciation-Refuse, Airport, Wastewater Aquatic Center Funds		<u>\$ 11,492,731</u>
Bad Debt Expense included in Cost of Sales & Services for Refuse, Airport, Wastewater and Aquatic Center Funds		<u>\$ 287,303</u>
Bad Debt Expense included in Expenditures for Governmental Funds		<u>\$ 20,940</u>
Other Postemployment Benefits Expense - Airport, Wastewater and Aquatic Center Funds	\$ 92,147	
Less: Postemployment benefits paid in current year but reported as expenses in previous years	<u>(38,830)</u>	<u>\$ 53,317</u>
Special District Expenditures:		
Operating Expenses - Irrigation and Drainage District	\$ 9,856,954	
Nonoperating Expenses - Irrigation and Drainage District	<u>187,231</u>	<u>\$ 10,044,185</u>
Landfill Closure and Postclosure Care costs		<u>\$ 109,266</u>
Additions:		
Interest Paid on Capital Debt-Wastewater	\$ 10,251,640	
Less: Interest Expense	<u>(410,911)</u>	
Capitalized Interest		<u>\$ 9,840,729</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 EXCLUSIONS CLAIMED IN PART II

a. Debt Service Requirements on Bonded Indebtedness:

Debt Service Fund:	
Total expenditures	<u><u>\$ 299,411</u></u>

b. Interest:

Special Revenue funds:	
2011-12 earnings	\$ 18,625
Portion excluded to extent of expenditures	-
Portion carried to future years	<u><u>\$ 18,625</u></u>

Capital Projects Fund:	\$ 65,459
2011-12 earnings	-
Portion excluded to extent of expenditures	<u><u>\$ 65,459</u></u>
Portion carried to future years	

Enterprise Funds:	
2011-12 earnings in Refuse, Aquatic Center and Wastewater Funds	\$ 187,346
Portion excluded to extent of expenditures	-
Portion carried to future years	<u><u>\$ 187,346</u></u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 EXCLUSIONS CLAIMED IN PART II (CONTINUED)

c. Trustee or Custodian

Special Revenue Funds:		
Improvement District No. 2 & 4	\$	<u>85,762</u>

d. Proceeds from other long-term obligations

Proceeds Received-Wastewater	\$15,882,102	
Less: Proceeds for Prior Year Expenses	(8,338,168)	
Less: Proceeds for Interest Expense excluded in debt service requirements	<u>(1,249,798)</u>	
		<u>\$6,294,136</u>

e. Grants and Aid from Federal Government:

General Fund:		
BPV	\$	10,112
Special Revenue Funds:		
MAGNET		109,667
Transit Grants		912,159
Governor's Office of Highway Safety		11,327
FEMA-SAFER		370,623
Community Development Block Grants		155,617
HOME		258,194
Byrne JAG Grants		11,268
Capital Projects Fund:		
Transit Grants		27,911
Total government funds	\$	<u>1,866,878</u>
Enterprise Funds:		
Airport Grants	\$	165,748
Wastewater-Community Develop Block Grants		324,445
ADEQ Grant		58,842
Total enterprise funds	\$	<u>549,035</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 EXCLUSIONS CLAIMED IN PART II (CONTINUED)

f. Amounts received from the State		
Miscellaneous Police Grants		\$ 162,357
VOCA Grant		16,345
Judicial Collection Enhancement Fund		<u>19,500</u>
Total governmental funds		<u>\$ 198,202</u>
Enterprise Funds		
Airport		<u>\$ 4,362</u>
Total enterprise funds		<u>\$ 4,362</u>
g. Highway User Funds in Excess of FY 1979-80:		
Total HURF expenditures		\$ 4,522,249
Nonexcludable Revenues:		
Transfers in from General and Capital Projects Funds	\$ (650,366)	
Miscellaneous revenues	(21,023)	
Interest previously excluded	<u>(16,961)</u>	
		<u>(688,350)</u>
Total HURF expenditures available to exclude		<u>\$ 3,833,899</u>
Total HURF revenue received during 2011-12		\$ 3,703,968
Total HURF revenue received during 1979-80		<u>(805,527)</u>
Total HURF revenue received in excess of 1979-80		<u>\$ 2,898,441</u>
Total HURF expenditures excluded		<u>\$ 2,898,441</u>
h. Contracts with other Political Subdivisions:		
General Fund		
Mohave County Court reimbursements		<u>\$ 428,064</u>