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INDEPENDENT ACCOUNTANT'S REPORT

The Auditor General of the State of Arizona

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

We have examined the accompanying Annual Expenditure Limitation Report of Lake Havasu City, Arizona, for the year ended June 30, 2015. The City's management is responsible for this report. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of Lake Havasu City, Arizona referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Heinfeld, Meech & Co., P.C.

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March 9, 2016

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2015**

**LAKE HAVASU CITY, ARIZONA
REPORT ON EXAMINATION OF ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

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**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
FISCAL YEAR ENDED JUNE 30, 2015**

1. Economic Estimates Commission expenditure limitation	\$ 54,180,562
2. Amount subject to the expenditure limitation (Part II, Line C)	<u>54,180,562</u>
3. Amount under the expenditure limitation	<u>\$ 0</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: 
Name and Title: Tabatha Miller, CPA, Administrative Services Director

Telephone Number: (928) 453-4147

Date:

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2015**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 46,555,367	\$ 36,143,661	\$ 2,042,278	\$ 84,741,306
B. Less exclusions claimed:				
1. a. Bond Proceeds	-	-	-	-
b. Debt service requirements on bonded indebtedness	239,518	-	-	239,518
c. Proceeds from other long-term obligations	-	-	-	-
d. Debt service requirements on other long-term obligations	1,042,611	19,794,600	-	20,837,211
2. Dividends, interest, and gains on the sale or redemption of investment securities	339,088	546,608	27,064	912,760
3. Trustee or custodian	-	-	-	-
4. Grants and aid from the federal government	1,008,833	61,537	-	1,070,370
5. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	113,472	19,352	-	132,824
6. Amounts received from the State of Arizona	167,628	9,513	-	177,141
7. Quasi-external interfund transactions	-	194,887	-	194,887
8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-	-	-	-
9. Highway user revenues in excess of those received in fiscal year 1979-80	3,726,383	-	-	3,726,383
10. Contracts with other political subdivisions	348,570	-	-	348,570
11. Refunds, reimbursements, and other recoveries	168,437	-	-	168,437
12. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-
13. Prior years carryforward	706,458	31,685	2,014,500	2,752,643
14. Total exclusions claimed	\$ 7,860,998	\$ 20,658,182	\$ 2,041,564	\$ 30,560,744
C. Amounts subject to the expenditure limitation (if an individual fund category/type amount is negative, reduce exclusions claimed to net to zero.)	\$ 38,694,369	\$ 15,485,479	\$ 714	\$ 54,180,562

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2015**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Total expenditures/expenses reported within the fund financial statements	\$ 49,191,078	\$ 45,107,031	\$ 1,817,605	\$ 96,115,714
B. Subtractions:				
1. Items not requiring use of current financial resources:				
a. Depreciation	-	11,018,849	465,816	11,484,665
b. Loss on disposal of capital assets	-	-	-	-
c. Bad debt expense	-	264,153	-	264,153
d. Other postemployment benefits expense (OPEB)	-	104,904	-	104,904
e. Pension Expense	-	185,449	-	185,449
f. Claims incurred but not reported (IBNR)	-	-	-	-
g. Landfill closure and postclosure care costs	-	120,791	-	120,791
2. Expenditures of separate legal entities established under Arizona Revised Statutes	2,635,711	10,003,751	-	12,639,462
3. Required Fees paid to the Arizona Department of Revenue	-	-	-	-
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	-	-	-	-
4. Involuntary court judgements	-	-	-	-
5. Total subtractions	2,635,711	21,697,897	465,816	24,799,424
C. Additions:				
1. Principal payments on long-term debt	-	10,061,030	-	10,061,030
2. Acquisition of capital assets	-	2,429,612	690,489	3,120,101
3. Amounts paid in the current year but reported as expenses in previous years:				
OPEB	-	26,751	-	26,751
Claims previously recognized as IBNR	-	-	-	-
Landfill closure and postclosure care costs	-	-	-	-
4. Pension contributions	-	217,134	-	217,134
5. Total additions	-	12,734,527	690,489	13,425,016
D. Amounts reported on Part II, Line A	\$ 46,555,367	\$ 36,143,661	\$ 2,042,278	\$ 84,741,306

LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the 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; Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds.

NOTE 2 - DEDUCTIONS AND ADDITIONS TO THE RECONCILIATION

B. Subtractions:

1. Items not requiring use of current financial resources:			
a.	Depreciation-Refuse, Airport Wastewater and Aquatic Center Funds		<u>\$ 11,018,849</u>
c.	Bad Debt Expense Included in Cost of Sales & Services for Refuse, Airport, Wastewater and Aquatic Center Funds		<u>\$ 264,153</u>
d.	Other Postemployment Benefits Expense - Airport, Wastewater and Aquatic Center Funds	\$ 104,904	
	Less: Postemployment benefits paid in current year but reported as expenses in previous years	<u>(26,751)</u>	
			<u>\$ 78,153</u>
e.	Pension Expense-		
	Pension expense based on contributions made		
	-Wastewater	\$ 143,720	
	-Airport	12,122	
	-Aquatic Center	<u>29,607</u>	
		\$ 185,449	
	Less: Pension Contributions - Calculated using the ASRS rates		
	-Wastewater	\$ (166,273)	
	-Airport	(14,331)	
	-Aquatic Center	<u>(36,530)</u>	
		\$ (217,134)	
			<u>\$ (31,685)</u>
g.	Landfill Closure and Postclosure Care costs		<u>\$ 120,791</u>
2. Expenditures of separate legal entities established under A.R.S.			
Governmental Funds:			
Transfer from Irrigation and Drainage District to:			
	General Fund	\$ 2,001,904	
	Highway User Revenue Fund	<u>550,000</u>	
		\$ 2,551,904	
Special Revenue Funds:			
	Improvement District No. 2 & 4	\$ 83,807	
	Total Governmental Funds		<u>\$ 2,635,711</u>
Special District Expenditures:			
	Operating Expenses - Irrigation and Drainage District	\$ 9,815,676	
	Nonoperating Expenses - Irrigation and Drainage District	<u>188,075</u>	
	Total Irrigation and Drainage District		<u>\$ 10,003,751</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 - EXCLUSIONS CLAIMED IN PART II

1.

b. Debt Service Requirements on Bonded Indebtedness:

Debt Service Fund:

Total expenditures	<u>\$ 239,518</u>
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d. Debt Service Requirements on Other Long Term Obligations:

General Fund	1,035,763	
Special Revenue Fund	<u>6,847</u>	
Total Governmental Funds		<u>1,042,611</u>

2. Interest:

General Fund:

2014-15 earnings / Interest on delinquent taxes	\$ 240,923
Portion excluded to extent of expenditures	(232,708)
Interest on delinquent taxes (sales/property)	<u>(8,215)</u>
Portion carried to future years	<u>\$ -</u>

Special Revenue Funds:

2014-15 earnings	\$ 28,124
Portion excluded to extent of expenditures	<u>(28,124)</u>
Portion carried to future years	<u>\$ -</u>

Capital Projects Fund:

2014-15 earnings	\$ 70,041
Portion excluded to extent of expenditures	<u>(70,041)</u>
Portion carried to future years	<u>\$ -</u>

Internal Service Fund:

2014-15 earnings	\$ 27,064
Portion excluded to extent of expenditures	<u>(27,064)</u>
Portion carried to future years	<u>\$ -</u>

Enterprise Funds:

2014-15 earnings in Refuse, Aquatic Center, Airport and Wastewater Funds	\$ 546,608
Portion excluded to extent of expenditures	<u>(546,608)</u>
Portion carried to future years	<u>\$ -</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 - EXCLUSIONS CLAIMED IN PART II (Cont'd)

4. Grants and Aid from Federal Government:

Special Revenue Funds:

Crime Victim Assistance	\$ 15,360
Bullet Proof Vest (BPV)	4,495
MAGNET	142,973
US DOT-State Planning & Research Funds	83,679
US DOT-Strategic Transportation Safety Plan	1,408
Metropolitan Planning Apportionment	180,502
FTA Section 5303	3,184
Homeland Security	55,656
Street - HSIP	179,786
Transit Fund - Administration and Operations	3,874
Governor's Office of Highway Safety	11,412
Community Development Block Grants	326,504
Total Governmental Funds	<u>\$ 1,008,833</u>

Enterprise Funds:

Wastewater - US Dept. of Interior-Water Conservation	<u>\$ 61,537</u>
Total Enterprise Funds	<u>\$ 61,537</u>

5. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes

Enterprise Funds:

Aquatic Fund - donations	<u>\$ 19,352</u>
Total Enterprise Funds	<u>\$ 19,352</u>

6. Amounts received from the State

Special Revenue Funds:

Miscellaneous Police - AZ POST - WALETA	\$ 140,595
Miscellaneous Police - AZ POST Training	14,448
Miscellaneous Police - GOHS Op None for Road	10,000
Miscellaneous - Housing Home Grant #311-15	2,585

Total Governmental Funds	<u>\$ 167,628</u>
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Enterprise Funds

Airport - E2S2X Replacement Runway 14 PAPI	\$ 9,513
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Total Enterprise Funds	<u>\$ 9,513</u>
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LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - EXCLUSIONS CLAIMED IN PART II (Cont'd)

7.	Quasi-external interfund transactions		
	Sewer revenue collected from Non major Enterprise Funds (Aquatic and Airport)	\$	13,761
	Sewer revenue collected from Governmental Funds	\$	<u>181,126</u>
	Total Enterprise Funds	\$	<u><u>194,887</u></u> *
9.	Highway User Funds in Excess of FY 1979-80:		
	Total HURF expenditures	\$	5,151,878
	Non-excludable Revenues:		
	Transfers in from General Fund, Special Revenue and Capital Projects Funds	\$	(550,000)
	Miscellaneous revenues		(70,683)
	Interest previously excluded		<u>(24,471)</u>
			<u>(645,154)</u>
	Total HURF expenditures available to exclude	\$	<u><u>4,506,724</u></u>
	Total HURF revenue received during 2014-15	\$	4,531,910
	Total HURF revenue received during 1979-80		<u>(805,527)</u>
	Total HURF revenue received in excess of 1979-80	\$	<u><u>3,726,383</u></u>
	Total HURF expenditures excluded	\$	<u><u>3,726,383</u></u>
10.	Contracts with other Political Subdivisions:		
	General Fund:		
	Mohave County Court reimbursements	\$	<u>348,570</u>
		\$	<u><u>348,570</u></u>
11.	Refunds, reimbursements, and other recoveries		
	General Fund:		
	Insurance damage reimbursements		<u>168,437</u>
		\$	<u><u>168,437</u></u>
13	Prior years carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year as follows:		
	Dividends, interest, and gains on the sale or redemption of investment securities		
	General Fund	\$	706,458
	Enterprise Funds		31,685
	Internal Service Fund - Expenditures of revenues received in Employee Benefit Trust for medical premium expenditures		-
			<u>2,014,500</u>
	Total Prior Year Carryforwards	\$	<u><u>2,752,643</u></u>

*Amount included on Statement of Revenues, Expenses & Changes in Fund Net Position Proprietary Funds – Charges for Services