

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2016**

**LAKE HAVASU CITY, ARIZONA
REPORT ON EXAMINATION OF ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2016**

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INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and 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, 2016. 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 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 consider 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 required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
February 7, 2017

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
FISCAL YEAR ENDED JUNE 30, 2016**

1. Economic Estimates Commission expenditure limitation	\$ 55,515,461
2. Amount subject to the expenditure limitation (Part II, Line C)	<u>55,515,461</u>
3. Amount under the expenditure limitation	<u><u>\$ -</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: 

Name and Title: Tabatha Miller, CPA, Administrative Services Director

Telephone Number: (928) 453-4147

Date: 2-15-2017

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2016**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 54,901,736	\$ 304,224,740	\$ 447,747	\$ 359,574,223
B. Less exclusions claimed:				
1. a. Bond Proceeds	-	-	-	-
b. Debt service requirements on bonded indebtedness	236,419	-	-	236,419
c. Proceeds from other long-term obligations	2,506,173	-	-	2,506,173
d. Debt service requirements on other long-term obligations	1,434,604	287,705,328	-	289,139,932
2. Dividends, interest, and gains on the sale or redemption of investment securities	592,409	459,084	27,864	1,079,357
3. Trustee or custodian	-	-	-	-
4. Grants and aid from the federal government	1,572,192	2,684,387	-	4,256,579
5. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	215,988	-	-	215,988
6. Amounts received from the State of Arizona	138,750	542	-	139,293
7. Quasi-external interfund transactions	-	276,006	-	276,006
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	3,613,051	-	-	3,613,051
10. Contracts with other political subdivisions	545,718	-	-	545,718
11. Refunds, reimbursements, and other recoveries	39,204	-	-	39,204
12. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-
13. Prior years carryforward	1,268,152	742,891	-	2,011,043
14. Total exclusions claimed	<u>\$ 12,162,660</u>	<u>\$ 291,868,238</u>	<u>\$ 27,864</u>	<u>\$ 304,058,762</u>
C. Amounts subject to the expenditure limitation (if an individual fund category/type amount is negative, reduce exclusions claimed to net to zero.)	<u>\$ 42,739,076</u>	<u>\$ 12,356,502</u>	<u>\$ 419,883</u>	<u>\$ 55,515,461</u>

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2016**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 55,598,472	\$ 46,189,298	\$ 516,502	\$ 102,304,272
B. Subtractions:				
1. Items not requiring use of current financial resources:				
a. Depreciation	-	10,777,654	406,351	11,184,005
b. Loss on disposal of capital assets	-	-	82,287	82,287
c. Bad debt expense	-	29,285	-	29,285
d. Other postemployment benefits expense (OPEB)	-	87,041	-	87,041
e. Pension Expense	-	104,902	-	104,902
f. Claims incurred but not reported (IBNR)	-	-	-	-
g. Landfill closure and postclosure care costs	-	124,618	-	124,618
2. Expenditures of separate legal entities established under Arizona Revised Statutes	582,649	11,695,127	-	12,277,776
3. Required Fees paid to the Arizona Department of Revenue	114,087	-	-	114,087
4. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	-	-	-	-
5. Involuntary court judgements	-	-	-	-
6. Total subtractions	<u>696,736</u>	<u>22,818,626</u>	<u>488,638</u>	<u>24,004,000</u>
C. Additions:				
1. Principal payments on long-term debt	-	276,315,493	-	276,315,493
2. Acquisition of capital assets	-	4,324,208	419,883	4,744,091
3. Amounts paid in the current year but reported as expenses in previous years:				
OPEB	-	19,017	-	19,017
Claims previously recognized as IBNR	-	-	-	-
Landfill closure and postclosure care costs	-	-	-	-
4. Pension contributions	-	195,350	-	195,350
5. Total additions	<u>-</u>	<u>280,854,069</u>	<u>419,883</u>	<u>281,273,952</u>
D. Amounts reported on Part II, Line A	<u>\$ 54,901,736</u>	<u>\$ 304,224,740</u>	<u>\$ 447,747</u>	<u>\$ 359,574,223</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2016

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.

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - DEDUCTIONS AND ADDITIONS TO THE RECONCILIATION

B. Subtractions:			
1.	Items not requiring use of current financial resources:		
a.	Depreciation-Wastewater, Refuse & Airport	\$ 10,777,654	
	Depreciation-Internal Service Funds	<u>406,351</u>	<u>\$ 11,184,005</u>
b.	Loss on disposal of capital assets		<u>\$ 82,287</u>
	Internal Service Fund		
c.	Bad Debt Expense included in Cost of Sales & Services for		<u>\$ 29,285</u>
	Wastewater, Refuse and Airport Funds		
d.	Other Postemployment Benefits Expense -		
	Wastewater, Refuse and Airport Funds	\$ 87,041	
	Less: Postemployment benefits paid in current		
	year but reported as expenses in previous years	<u>(19,017)</u>	<u>\$ 68,024</u>
e.	Pension Expense-		
	Deduction Net Pension expense per CAFR:		
	-Wastewater	\$ 92,587	
	-Airport	<u>12,315</u>	<u>\$ 104,902</u>
g.	Landfill Closure and Postclosure Care costs		<u>\$ 124,618</u>
2.	Expenditures of separate legal entities established under A.R.S.		
	Special Revenue Funds:		
	Improvement District No. 2 & 4	\$ 82,649	
	Transfer from Irrigation & Drainage District to		
	General Fund	<u>500,000</u>	<u>\$ 582,649</u>
	Total Governmental Funds		
	Special District Expenditures:		
	Operating Expenses - Irrigation and		
	Drainage District	\$ 10,595,217	
	Nonoperating Expenses - Irrigation and		
	Drainage District	<u>99,910</u>	
	Total Irrigation and Drainage District	10,695,127	
	Proprietary Funds:		
	Transfer from Irrigation and Drainage District to:		
	Wastewater Utility Fund	\$ 1,000,000	<u>\$ 11,695,127</u>
3.	Fees Assessed & Collected by ADOR		<u>\$ 114,087</u>
C. Additions:			
1.	Principal Payments on long-term debt:		
	Wastewater Fund	\$ 276,312,725	
	Nonmajor business type activities	<u>2,768</u>	<u>\$ 276,315,493</u>
2.	Amounts paid for acquisition of capital assets:		
	Wastewater Fund	\$ 4,324,208	
	Internal Service Funds	<u>419,883</u>	<u>\$ 4,744,091</u>
4.	Additions of Net Pension contributions made:		
	Wastewater	\$ 180,277	
	Airport	<u>15,073</u>	<u>\$ 195,350</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 - EXCLUSIONS CLAIMED IN PART II

1.

b. Debt Service Requirements on Bonded Indebtedness:

Debt Service Fund:

Total expenditures	<u>\$ 236,419</u>
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c. Proceeds from other long-term obligations:

Proceeds Received	3,046,010
Less Amount Not Expended 2015-16	<u>(539,837)</u>
Total Expended	<u>\$ 2,506,173</u>

d. Debt Service Requirements on Other Long Term Obligations:

General Fund	1,427,741
Special Revenue Fund	<u>6,863</u>
Total Governmental Funds	<u>\$ 1,434,604</u>

2.

Interest:

General Fund:

2015-16 earnings / Interest on delinquent taxes	\$ 432,391
Interest on delinquent taxes (sales/property)	55,548
Portion excluded to extent of expenditures	<u>(487,939)</u>
Portion carried to future years	<u>\$ -</u>

Special Revenue Funds:

2015-16 earnings	\$ 64,834
Portion excluded to extent of expenditures	<u>(64,834)</u>
Portion carried to future years	<u>\$ -</u>

Debt Service Fund:

2015-16 earnings	\$ 1,869
Portion excluded to extent of expenditures	<u>(1,869)</u>
Portion carried to future years	<u>\$ -</u>

Capital Projects Fund:

2015-16 earnings	\$ 37,767
Portion excluded to extent of expenditures	<u>(37,767)</u>
Portion carried to future years	<u>\$ -</u>

Internal Service Fund:

2015-16 earnings	\$ 30,753
Portion excluded to extent of expenditures	<u>(27,864)</u>
Portion carried to future years	<u>\$ 2,889</u>

Proprietary Funds:

2015-16 earnings in Wastewater, Refuse, and Airport Funds	\$ 459,084
Portion excluded to extent of expenditures	<u>(459,084)</u>
Portion carried to future years	<u>\$ -</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2016**

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

4.	Grants and Aid from Federal Government:		
	Special Revenue Funds:		
	Crime Victim Assistance	\$	15,392
	Bullet Proof Vest (BPV)		6,888
	MAGNET		161,671
	US DOT-Metropolitan Planning Funds		123,670
	US DOT-State Planning and Research Funds		175,267
	US DOT-Strategic Transportation Safety Plan		142,139
	US DOT-FTA Section 5303		50,394
	Homeland Security		37,521
	Equitable Sharing Program (passed through Mohave County)		25,475
	Governor's Office of Highway Safety		20,675
	Community Development Block Grants		813,100
	Total Governmental Funds	<u>\$</u>	<u>1,572,192</u>
	Proprietary Funds:		
	Wastewater - US Dept. of Interior-Water Conservation	\$	31,963
	Wastewater - Environmental Protection Agency		2,652,424
	Total Proprietary Funds	<u>\$</u>	<u>2,684,387</u>
5.	Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of Governmental Funds:		
	General Fund - donations	\$	215,988
	Total Governmental Funds	<u>\$</u>	<u>215,988</u>
6.	Amounts received from the State		
	Special Revenue Funds:		
	Miscellaneous Police - AZ POST - WALETA	\$	119,688
	Miscellaneous Police - AZ POST Training		2,230
	Miscellaneous CIP - Sara Park Trails Grant		1,500
	Miscellaneous - Housing Home Grant #311-15		15,332
	Total Governmental Funds	<u>\$</u>	<u>138,750</u>
	Proprietary Funds		
	Airport - ADOT E5S1Q-Reloc Hydrant	\$	220
	Airport - ADOT E5S1R-FOD/Runway Lip		322
	Total Proprietary Funds	<u>\$</u>	<u>542</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2016

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

7.	Quasi-external interfund transactions		
	Sewer revenue collected from Non major Enterprise Funds (Wastewater and Airport)	\$	77,636
	Sewer revenue collected from Governmental Funds		198,370
	Total Proprietary Funds	<u>\$</u>	<u>276,006</u> *
9.	Highway User Funds in Excess of FY 1979-80:		
	Total HURF expenditures	\$	4,418,578
	Non-excludable Revenues:		
	Transfers in from General Fund, Special Revenue and Capital Projects Funds	\$	-
	Miscellaneous revenues		(56,390)
	Interest previously excluded		<u>(57,435)</u>
			<u>(113,825)</u>
	Total HURF expenditures available to exclude	<u>\$</u>	<u>4,304,753</u>
	Total HURF revenue received during 2015-16	\$	4,715,974
	Total HURF revenue received during 1979-80		<u>(805,527)</u>
	Total HURF revenue received in excess of 1979-80	\$	3,910,447
	Less HURF revenue in excess of expenditure to be carried forward		<u>(297,396)</u>
	Total HURF expenditures excluded	<u>\$</u>	<u>3,613,051</u>
10.	Contracts with other Political Subdivisions:		
	General Fund:		
	Lake Havasu City School District No. 1 Joint Use of Facilities	\$	50,000
	Mohave County Court reimbursements		495,718
	Total Contracts with other Political Subdivisions	<u>\$</u>	<u>545,718</u>
11.	Refunds, reimbursements, and other recoveries:		
	General Fund and Special Revenue Funds:		
	Insurance damage reimbursements	<u>\$</u>	<u>39,204</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	\$	1,268,152
	Enterprise Funds		742,891
	Total Prior Year Carryforwards	<u>\$</u>	<u>2,011,043</u>

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