

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2018**

**LAKE HAVASU CITY, ARIZONA
REPORT ON EXAMINATION OF ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

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CliftonLarsonAllen LLP
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INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona

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

We have examined the accompanying Annual Expenditure Limitation Report (report) of Lake Havasu City, Arizona (City), for the year ended June 30, 2018, and related notes to the report. The City's management is responsible for presenting this report in accordance with the *Uniform Expenditure Reporting System* (UERS) as described in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance as to whether this report is presented in accordance with the UERS in all material respects. The nature, timing, and extent of procedures to obtain evidence about the amounts and disclosures in the report. The nature timing and extent of procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of Lake Havasu City, Arizona, referred to above is presented, in all material respects, in accordance with the uniform expenditure reporting system as described in Note 1.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
February 8, 2019

LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
FISCAL YEAR ENDED JUNE 30, 2018

1. Economic Estimates Commission expenditure limitation	\$ 57,662,540	
3. Enter applicable amount from line 1 or line 2		\$ 57,662,540
4. Amount subject to the expenditure limitation (total amount from part II, line C)	\$ 53,372,095	
10. Total adjusted amount subject to the expenditure limitation		\$ 53,372,095
11. Amount under (in excess of) the expenditure limitation		\$ 4,290,445

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:



Name and title:

Jill Olsen, Administrative Services Director

Telephone number:

(928) 854-4230

Date:

2/15/19

LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2018

Description	Governmental Funds	Proprietary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 69,420,781	\$ 28,916,901	\$ 98,337,682
B. Less exclusions claimed:			
1. Debt Proceeds	-	-	-
2. a. Debt service requirements	9,483,662	-	9,483,662
b. Proceeds from other long-term obligations	10,910,753	-	10,910,753
c. Debt service requirements on other long-term obligations	3,205,867	14,402,592	17,608,459
5. Grants and aid from the federal government	1,064,780	426,835	1,491,615
6. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	265,824	-	265,824
7. Amounts received from the State of Arizona	128,826	457,322	586,148
8. Quasi-external interfund transactions	-	302,353	302,353
10. Highway user revenues in excess of those received in fiscal year 1979-80	3,687,142	-	3,687,142
11. Contracts with other political subdivisions	594,885	-	594,885
12. Refunds, reimbursements, and other recoveries	34,746	-	34,746
16. Total exclusions claimed	\$ 29,376,485	\$ 15,589,102	\$ 44,965,587
C. Amounts subject to the expenditure limitation (if an individual fund category/type amount is negative, reduce exclusions claimed to net to zero.)	\$ 40,044,296	\$ 13,327,799	\$ 53,372,095

See accompanying notes to report.

LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2018

Description	Governmental Funds	Enterprise Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 71,101,432	\$ 45,039,377	\$ 116,140,809
B. Subtractions:			
1. Items not requiring use of current financial resources:			
a. Depreciation	-	11,074,949	11,074,949
b. Loss on disposal of capital assets	-	135,995	135,995
c. Bad debt expense	-	17,779	17,779
d. Pension and other postemployment benefits expense (OPEB)	-	(33,668)	(33,668)
f. Landfill closure and postclosure care costs	-	131,212	131,212
2. Expenditures of separate legal entities established under Arizona Revised Statutes	1,571,755	13,388,033	14,959,788
3. Required Fees paid to the Arizona Department of Revenue	108,896		108,896
6. Total subtractions	1,680,651	24,714,300	26,394,951
C. Additions:			
1. Principal payments on long-term debt	-	5,986,508	5,986,508
2. Capital asset acquisitions	-	2,419,281	2,419,281
4. Pension and OPEB contributions paid in the current year	-	186,035	186,035
5. Total additions	-	8,591,824	8,591,824
D. Amounts reported on Part II, Line A	\$ 69,420,781	\$ 28,916,901	\$ 98,337,682

Page 4 See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

NOTE 2 - DEDUCTIONS AND ADDITIONS TO THE RECONCILIATION

B.	Subtractions:			
1.	Items not requiring use of current financial resources:			
a.	Depreciation-Wastewater, Refuse & Airport	\$ 11,074,949		<u>\$ 11,074,949</u>
b.	Loss on Disposal of Capital Assets - Wastewater, Refuse	\$ 135,995		<u>\$ 135,995</u>
c.	Bad Debt Expense included in Cost of Sales & Services for Wastewater, Refuse and Airport Funds			<u>\$ 17,779</u>
d.	Pension and other postemployment benefits (OPEB) expense Wastewater and Airport Funds			<u>\$ (33,668)</u>
g.	Landfill Closure and Postclosure Care costs			<u>\$ 131,212</u>
2.	Expenditures of separate legal entities established under A.R.S.			
	Special Revenue Funds:			
	Improvement District No. 2 & 4	\$ 71,122		
	Transfer from Irrigation & Drainage District to General Fund	1,500,000		
	Transfer from Irrigation & Drainage District to HURF Fund	633		
	Transfer from Irrigation & Drainage District to Capital Improvement Fund	<u>-</u>		
	Total Governmental Funds			<u>\$ 1,571,755</u>
	Special District Expenditures:			
	Operating Expenses - Irrigation and Drainage District	\$ 12,207,752		
	Nonoperating Expenses - Irrigation and Drainage District	<u>180,281</u>		
	Total Irrigation and Drainage District	12,388,033		
	Proprietary Funds:			
	Transfer from Irrigation and Drainage District to: Wastewater Utility Fund	<u>\$ 1,000,000</u>		
				<u>\$ 13,388,033</u>
3.	Fees Assessed & Collected by ADOR			<u>\$ 108,896</u>
C.	Additions:			
1.	Principal Payments on long-term debt:			
	Wastewater Fund	\$ 5,947,857		
	Nonmajor business type activities	<u>38,651</u>		
				<u>\$ 5,986,508</u>
2.	Amounts paid for acquisition of capital assets:			
	Wastewater Fund	\$ 2,295,013		
	Nonmajor business type activities	<u>124,268</u>		
				<u>\$ 2,419,281</u>
4.	Additions of Net Pension contributions made:			
	Wastewater	\$ 170,753		
	Airport	<u>15,282</u>		
				<u>\$ 186,035</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 - EXCLUSIONS CLAIMED IN PART II

2.	a. Debt Service Requirements on Bonded Indebtedness:		
	Total expenditures		<u>\$ 9,483,662</u>
	b. Proceeds from other long-term obligations:		
	Prior Year Proceeds (Radio Project)	172,525	
	Less Amount Not Expended in 2017-18	-	
	Governmental Proceeds	<u>172,525</u>	
	Prior Year Proceeds 2016 Excise Tax	6,428,201	
	Issuance Costs	-	
	Less Amount Not Expended in 2017-18	<u>(1,638,641)</u>	
	Governmental Proceeds	<u>4,789,560</u>	
	Proceeds Received 2017 Excise Tax	12,500,000	
	Issuance Costs	114,000	
	Less Amount Not Expended 2017-18	<u>(6,665,332)</u>	
	Total Governmental Proceeds	<u>5,948,668</u>	<u>\$ 10,910,753</u>
	Total Expended		<u>\$ 10,910,753</u>
	c. Debt Service Requirements on Other Long Term Obligations:		
	General Fund (includes financing agreements)	1,359,888	
	HURF (includes financing agreements)	48,597	
	Culture and Rec. Debt Payments (includes financing agreements)	1,046,669	
	Public Safety Debt Payments (includes financing agreements)	<u>750,713</u>	
	Total Governmental Funds	<u>3,205,867</u>	<u>\$ 3,205,867</u>
3.	Interest:		
	General Fund:		
	2017-18 earnings / Interest		\$ 138,987
	Interest on delinquent taxes (sales/property)		47,442
	Add Back Unrealized Loss on Adjustment to Market Value		<u>298,144</u>
	Subtotal		484,573
	Portion excluded to extent of expenditures		-
	Amount being carried forward to future years		<u>\$ 484,573</u>
	Special Revenue Funds:		
	2017-18 earnings / Interest		\$ 9,618
	Add Back Unrealized Loss on Adjustment to Market Value		<u>73,545</u>
	Subtotal		83,163
	Portion excluded to extent of expenditures		-
	Amount being carried forward to future years		<u>\$ 83,163</u>
	Capital Projects Fund:		
	2017-18 earnings / Interest		\$ 10,024
	Add Back Unrealized Loss on Adjustment to Market Value		<u>(3,710)</u>
	Subtotal		6,314
	Portion excluded to extent of expenditures		-
	Amount being carried forward to future years		<u>\$ 6,314</u>
	Total Governmental Funds:		
	Total Governmental Excluded		-
	Total Governmental Carried Forward		574,050
	Proprietary Funds:		
	2017-18 earnings in Wastewater, Refuse,		\$ 90,396
	and Airport Funds		<u>417,565</u>
	Add Back Unrealized Loss on Adjustment to Market Value		-
	Subtotal		507,961
	Portion excluded to extent of expenditures		-
	Amount being carried forward to future years		<u>\$ 507,961</u>
	Total Proprietary Funds Excluded		-
	Total Proprietary Funds Carried Forward		\$ 507,961

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

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

5.	Grants and Aid from Federal Government:	
	Governmental Funds	
	US Department of Transportation	
	Passed through Arizona Department of Transportation:	
	Federal Transit Cluster:	
	Metropolitan Planning Funds	120,609
	State Planning and Research Funds	126,653
	FTA Section 5303 Funding	52,563
	FTA Section 5310 Funding	79,348
	Passed through Governor's Office of Highway Safety:	
	Traffic Records Enforcement Equipment	11,900
	DUI Alcohol Overtime Enforcement and Prevention	19,490
	US Department of Homeland Security	
	Monoxide Meters	17,213
	US Department of Housing and Urban Development	
	Passed through State of Arizona Department of Housing	
	State-Administered CDBG Cluster:	
	Housing Rehabilitation Program - CDBG	259,471
	US Department of Justice	
	Byrne Formula Grant - MAGNET	224,119
	Bullet Proof Vest	11,007
	Crime Victim Assistance	18,032
	US Department of Health & Human Services	
	SAMHSA Treatment Drug Courts	102,309
	National Criminal History Improvement Program	
	Passed through Arizona Criminal Justice Commission	
	National Criminal History Improvement Program	22,066
	Total Governmental Funds	<u>\$ 1,064,780</u>
	Proprietary Funds	
	US Department of Transportation	
	Passed through Federal Aviation Administration:	
	Airport Improvement Program	426,835
	Total Proprietary Funds	<u>\$ 426,835</u>
	Total Federal Awards	\$ 1,491,615
6.	Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	
	Governmental Funds:	
	Contributions and Donations	\$ 265,824
	Total Governmental Funds	<u>\$ 265,824</u>
7.	Amounts received from the State	
	Governmental Funds	
	Miscellaneous Police - AZ POST - WALETA	\$ 116,438
	Miscellaneous Police - AZ POST Training	1,645
	Miscellaneous Police - GOHS DUI Abatement	10,743
	Total Governmental Funds	<u>\$ 128,826</u>
	Proprietary Funds	
	Airport - Electric Vault/Generator	\$ 20,953
	Airport - ADOT E5S1R-FOD/Runway Lip	436,369
	Total Proprietary Funds	<u>\$ 457,322</u>
	Total Amount received from the State	\$ 586,148

LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2018

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

8.	Quasi-external interfund transactions		
	Sewer revenue collected from Non major Enterprise Funds (Wastewater and Airport)	\$	79,221
	Sewer revenue collected from Governmental Funds		<u>223,132</u>
	Total Proprietary Funds	\$	<u><u>302,353</u></u>
10.	Highway User Funds in Excess of FY 1979-80:		
	HURF Revenue	\$	5,095,411
	Total HURF revenue received during 1979-80		<u>(805,527)</u>
	Total HURF revenue available for exclusion	\$	<u><u>4,289,884</u></u>
	Total HURF Expenditures	\$	4,503,401
	Less Non-HURF Revenue		
	Miscellaneous revenues		(1,353)
	Interest previously excluded		(9,379)
	Less HURF FY 1979-80 Base Limit		<u>(805,527)</u>
	Remaining HURF Expenditures	\$	3,687,142
	HURF Revenue Available for Exclusion		<u>4,289,884</u>
	HURF Revenue in Excess of Expenditure to Carryforward		<u><u>(602,742)</u></u>
	Total HURF Expenditures Excluded	\$	<u><u>3,687,142</u></u>
11.	Contracts with other Political Subdivisions:		
	General Fund:		
	Lake Havasu City School District No. 1 Joint Use of Facilities	\$	50,000
	Mohave County Court reimbursements		<u>544,885</u>
	Total Contracts with other Political Subdivisions	\$	<u><u>594,885</u></u>
12.	Refunds, reimbursements, and other recoveries:		
	General Fund and Special Revenue Funds:		
	Insurance damage reimbursements	\$	<u><u>34,746</u></u>

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