

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2020**

**LAKE HAVASU CITY, ARIZONA
REPORT ON EXAMINATION OF ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2020**

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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, 2020, 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. An examination involves performing 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
March 23, 2021

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
FISCAL YEAR ENDED JUNE 30, 2020**

1. Economic Estimates Commission expenditure limitation	\$	<u> -</u>	
2. Voter-approved alternative expenditure limitation (approved on August 28, 2018)		<u>128,018,739</u>	
3. Enter applicable amount from line 1 or line 2			\$ <u>128,018,739</u>
4. Amount subject to the expenditure limitation (total amount from part II, line C)	\$	<u>65,960,367</u>	
5. Board-authorized expenditures necessitated by a disaster the Governor declared	-	<u> </u>	
6. Board-authorized expenditures necessitated by a disaster the Governor did not declare	-	<u> </u>	
7. Prior-year, voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year	-	<u> </u>	
8. Subtotal			\$ <u>65,960,367</u>
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare and the voters did not approve	+	<u> </u>	
10. Total adjusted amount subject to the expenditure limitation			\$ <u>65,960,367</u>
11. Amount under (in excess of) the expenditure limitation			\$ <u><u>62,058,371</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 financial officer: 

Name and title: Jill Olsen, Administrative Services Director

Telephone number: (928) 854-4230

Date: 3/24/2021

LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2020

Description	Governmental Funds	Proprietary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 60,405,538	\$ 30,614,787	\$ 91,020,325
B. Less exclusions claimed:			
1. Debt Proceeds	-	-	-
2. Debt service requirements	6,342,765	-	6,342,765
3. Proceeds from other long-term obligations	-	-	-
4. Debt service requirements on other long-term obligations	755,805	13,637,681	14,393,486
5. Dividends, interest, and gains on the sale or redemption of investment securities	-	-	-
6. Grants and aid from the federal government	1,515,129	498,358	2,013,487
7. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	242,388	-	242,388
8. Amounts received from the State of Arizona	36,774	48,472	85,246
9. Quasi-external interfund transactions	-	244,862	244,862
10. Highway user revenues in excess of those received in fiscal year 1979-80	1,533,290	-	1,533,290
11. Contracts with other political subdivisions	142,592	-	142,592
12. Refunds, reimbursements, and other recoveries	61,841	-	61,841
14. Prior years carryforward	-	-	-
16. Total exclusions claimed	\$ 10,630,584	\$ 14,429,373	\$ 25,059,957
C. Amounts subject to the expenditure limitation (if an individual fund category/type amount is negative, reduce exclusions claimed to net to zero.)	\$ 49,774,954	\$ 16,185,414	\$ 65,960,368

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2020**

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	\$ 62,177,264	\$ 48,574,568	\$ 110,751,832
B. Subtractions:			
1. Items not requiring use of current financial resources:			
a. Depreciation	-	11,362,880	11,362,880
b. Loss on disposal of capital assets	-	-	-
c. Bad debt expense	-	27,415	27,415
d. Pension and other postemployment benefits (OPEB) expense	-	291,646	291,646
f. Landfill closure and postclosure care costs	-	146,442	146,442
2. Expenditures of separate legal entities established under Arizona Revised Statutes	1,627,650	13,441,560	15,069,210
3. Required Fees paid to the Arizona Department of Revenue	144,076	-	144,076
6. Total subtractions	1,771,726	25,269,943	27,041,669
C. Additions:			
1. Principal payments on long-term debt	-	4,782,065	4,782,065
2. Capital asset acquisitions	-	2,293,849	2,293,849
4. Pension and OPEB contributions paid in the current year	-	234,248	234,248
5. Total additions	-	7,310,162	7,310,162
D. Amounts reported on Part II, Line A	\$ 60,405,538	\$ 30,614,787	\$ 91,020,325

Page 4 See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2020**

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, and in accordance with the voter-approved alternative expenditure limitation adopted August, 28, 2018, as authorized by the Arizona Constitution, Article IX, §20(9).

In accordance with the UERS, 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, 2020**

NOTE 2 - DEDUCTIONS AND ADDITIONS TO THE RECONCILIATION

B. Subtractions:

1.	Items not requiring use of current financial resources:		
a.	Depreciation-Wastewater, Refuse & Airport	\$ 11,362,880	<u>\$ 11,362,880</u>
c.	Bad Debt Expense included in Cost of Sales & Services for Wastewater, Refuse and Airport Funds		<u>\$ 27,415</u>
d.	Pension and other postemployment benefits (OPEB) expense The \$291,646 subtraction for pension and other post employment benefit (OPEB) represents enterprise fund(s) pension related operating expenses recognized in the current year, that did not result in an outlay of cash. The \$234,248 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions from the enterprise fund(s), that were not included in the enterprise fund(s) operating expenses. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.		

Statement of Cash Flows - Proprietary Funds (wastewater & airport)

Change in net pension and OPEB asset	\$ 31,429	
Change in deferred inflows related to pensions and OPEB	(82,222)	
Change in deferred outflows related to pensions and OPEB	108,191	
Total Wastewater and Nonmajor Business Activities	<u>\$ 57,398</u>	
Total Pension and OPEB Expense		<u>\$ 291,646</u>

g.	Landfill Closure and Postclosure Care costs		<u>\$ 146,442</u>
2.	Expenditures of separate legal entities established under A.R.S. Special Revenue Funds:		
	Improvement District No. 2 & 4	\$ 72,637	
	Transfer from Irrigation & Drainage District to General Fund	1,500,000	
	Transfer from Irrigation & Drainage District to Capital Improvement Fund	<u>55,013</u>	
	Total Governmental Funds		<u>\$ 1,627,650</u>
	Special District Expenditures:		
	Operating Expenses - Irrigation and Drainage District	\$ 12,622,920	
	Nonoperating Expenses - Irrigation and Drainage District	<u>818,640</u>	
	Total Irrigation and Drainage District	13,441,560	
	Proprietary Funds:		
	Transfer from Irrigation and Drainage District to: Wastewater Utility Fund	<u>\$ -</u>	
			<u>\$ 13,441,560</u>
3.	Fees Assessed & Collected by ADOR		<u>\$ 144,076</u>

C. Additions:

1.	Principal Payments on long-term debt: Wastewater Fund	\$ 4,782,065	
	Nonmajor business type activities	<u>-</u>	
			<u>\$ 4,782,065</u>
2.	Amounts paid for acquisition of capital assets: Wastewater Fund	\$ 2,129,396	
	Nonmajor business type activities	<u>164,453</u>	
			<u>\$ 2,293,849</u>
4.	Pension/OPEB contributions - addition Wastewater Fund	\$ 208,430	
	Nonmajor business type activities	<u>25,818</u>	
			<u>\$ 234,248</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30,2020**

NOTE 3 - EXCLUSIONS CLAIMED IN PART II

2.

a. Debt Service Requirements on Bonded Indebtedness:

The exclusion claimed for debt service requirements consists of principal retirement and interest expenditures in the Governmental Funds: \$ 6,342,765

c. Debt Service Requirements on Other Long Term Obligations:

Public Safety Debt Payments (includes financing agreements)	<u>755,805</u>	
Total Governmental Funds	<u>755,805</u>	<u>\$ 755,805</u>

3. Interest:

General Fund:

2019-20 earnings / Interest		\$ 653,153
Interest on delinquent taxes (sales/property)		-
Add Back/Deduct Unrealized Gain/Loss on Adjustment to Market Value		<u>453,842</u>
Subtotal		<u>1,106,995</u>
Portion excluded to extent of expenditures		-
Amount being carried forward to future years		<u>\$ 1,106,995</u>

Special Revenue Funds:

2019-20 earnings / Interest		\$ 91,055
Add Back/Deduct Unrealized Gain/Loss on Adjustment to Market Value		<u>75,330</u>
Subtotal		<u>166,385</u>
Portion excluded to extent of expenditures		-
Amount being carried forward to future years		<u>\$ 166,385</u>

Total Governmental Funds:

		<u>-</u>
Total Governmental Excluded		-
Total Governmental Carried Forward		<u>1,273,380</u>

Proprietary Funds:

2018-19 earnings / Interest in Wastewater, Refuse, and Airport Funds		\$ 667,606
Add Back/Deduct Unrealized Gain/Loss on Adjustment to Market Value		<u>454,234</u>
Subtotal		<u>1,121,840</u>
Portion excluded to extent of expenditures		-
Amount being carried forward to future years		<u>\$ 1,121,840</u>

		-
Total Proprietary Funds Excluded		-
Total Proprietary Funds Carried Forward		<u>\$ 1,121,840</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2020**

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	134,555	
	State Planning and Research Funds	106,545	
	FTA Section 5303 Funding	102,966	
	Surface Transportation Block	55,948	
	Passed through Governor's Office of Highway Safety:		
	Traffic Enforcement	37,546	
	AZ TraCS Implementation Project	8,496	
	US Department of Homeland Security		
	SWAT Team Equipment Enhancement & Equipment	50,075	
	US Department of Housing and Urban Development		
	Passed through State of Arizona Department of Housing		
	State-Administered CDBG Cluster:		
	Housing Rehabilitation Program - CDBG	383,512	
	US Department of Justice		
	Byrne Formula Grant - MAGNET	286,895	
	Bullet Proof Vest	6,285	
	Crime Victim Assistance	22,211	
	US Department of Health & Human Services		
	SAMHSA Treatment Drug Courts	224,932	
	US Department of US Department of the Interior Bureau of Reclamation		
	Passed through Bureau of Reclamation		
	Water Meter Upgrade	74,000	
	Effluent Recovery	14,712	
	National Criminal History Improvement Program		
	Passed through Arizona Criminal Justice Commission		
	National Criminal History Improvement Program	4,320	
	Equitable Sharing/Treasury Expenditures	2,131	
	Total Governmental Funds	<u>\$ 1,515,129</u>	
	Proprietary Funds		
	US Department of Transportation		
	Passed through Federal Aviation Administration:		
	Airport Improvements	254,723	
	CARES ACT	69,000	
	Master Plan	174,635	
	Total Proprietary Funds	<u>\$ 498,358</u>	
	Total Federal Awards	\$ 2,013,487	
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	<u>\$ 242,388</u>	
	Total Governmental Funds	\$ 242,388	
7.	Amounts received from the State		
	Governmental Funds		
	Miscellaneous Police - AZ POST - WALETA	\$ 30,000	
	Miscellaneous	6,774	
	Miscellaneous	-	
	Total Governmental Funds	<u>\$ 36,774</u>	
	Proprietary Funds		
	Airport - CIP Projects	\$ 48,472	
	-	-	
	Total Proprietary Funds	<u>\$ 48,472</u>	
	Total Amount received from the State	\$ 85,246	

LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2020

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)	\$	83,999
	Sewer revenue collected from Governmental Funds		160,863
	Total Proprietary Funds	<u>\$</u>	<u>244,862</u>
10.	Highway User Funds in Excess of FY 1979-80:		
	HURF Revenue	\$	5,578,845
	Total HURF revenue received during 1979-80		<u>(805,527)</u>
	Total HURF revenue available for exclusion	<u>\$</u>	<u>4,773,318</u>
	Total HURF Expenditures	\$	3,899,565
	Less Non-HURF Revenue		
	Miscellaneous revenues	(1,427,651)	
	Interest previously excluded	(133,097)	
	Less HURF FY 1979-80 Base Limit	<u>(805,527)</u>	
	Remaining HURF Expenditures	\$	1,533,290
	HURF Revenue Available for Exclusion		<u>4,773,318</u>
	HURF Revenue in Excess of Expenditure to Carryforward		<u><u>(3,240,028)</u></u>
	Total HURF Expenditures Excluded	<u>\$</u>	<u>1,533,290</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>92,592</u>
	Total Contracts with other Political Subdivisions	<u>\$</u>	<u>142,592</u>
12.	Refunds, reimbursements, and other recoveries:		
	General Fund and Special Revenue Funds:		
	Insurance damage reimbursements	<u>\$</u>	<u>61,841</u>

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