

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, 2014. 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 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.

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

February 9, 2015

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2014**

**LAKE HAVASU CITY, ARIZONA
REPORT ON EXAMINATION OF ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

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**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
FISCAL YEAR ENDED JUNE 30, 2014**

1. Economic Estimates Commission expenditure limitation	\$ 54,503,104
2. Amount subject to the expenditure limitation (Part II, Line C)	<u>54,503,104</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:

Valerie H. Fenske, CPA, Administrative Services Director

Telephone Number: (928) 453-4147

Date:

2/13/15

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
FISCAL YEAR ENDED JUNE 30, 2014**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 49,004,848	\$ 36,129,523	\$ 372,677	\$ 85,507,048
B. Less exclusions claimed:				
1. a. Bond Proceeds	-	-	-	-
b. Debt service requirements on bonded indebtedness	235,885	-	-	235,885
c. Proceeds from other long-term obligations	-	1,873,012	-	1,873,012
d. Debt service requirements on other long-term obligations	922,284	20,410,880	-	21,333,164
2. Dividends, interest, and gains on the sale or redemption of investment securities	345,906	773,971	-	1,119,877
3. Trustee or custodian	-	-	-	-
4. Grants and aid from the federal government	1,317,702	-	-	1,317,702
5. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	206,306	-	-	206,306
6. Amounts received from the State of Arizona	137,498	29,075	-	166,573
7. Quasi-external interfund transactions	-	178,872	372,677	551,549
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	3,394,243	-	-	3,394,243
10. Contracts with other political subdivisions	393,318	-	-	393,318
11. Refunds, reimbursements, and other recoveries	-	-	-	-
12. Prior years carryforward	-	412,316	-	412,316
13. Total exclusions claimed	\$ 6,953,142	\$ 23,678,125	\$ 372,677	\$ 31,003,944
C. Amounts subject to the expenditure limitation	\$ 42,051,706	\$ 12,451,398	\$ -	\$ 54,503,104

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
FISCAL YEAR ENDED JUNE 30, 2014**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Total expenditures/expenses reported within the fund financial statements	\$ 52,964,467	\$ 45,283,018	\$ 394,377	\$ 98,641,862
B. Subtractions:				
1. Items not requiring the use of working capital:				
a. Depreciation	-	10,913,510	367,765	11,281,275
b. Loss on disposal of capital assets	-	-	-	-
c. Bad debt expense	-	74,496	-	74,496
d. Other postemployment benefits expense	-	119,675	-	119,675
e. Landfill closure and postclosure care costs	-	117,415	-	117,415
2. Expenditures of separate legal entities established under Arizona Revised Statutes	84,191	10,173,601	-	10,257,792
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	3,875,428	-	-	3,875,428
4. Involuntary court judgements	-	-	-	-
5. Total subtractions	<u>3,959,619</u>	<u>21,398,697</u>	<u>367,765</u>	<u>25,726,081</u>
C. Additions:				
1. Principal payments on long-term debt	-	10,385,791	-	10,385,791
2. Acquisition of capital assets	-	1,806,875	346,065	2,152,940
3. Other postemployment benefits paid in the current year but reported as expenses in previous years	-	52,536	-	52,536
4. Claims paid in the current year but reported as expenses incurred but not reported in previous years	-	-	-	-
5. Landfill closure and postclosure care costs recorded as expended in previous years	-	-	-	-
6. Total additions	<u>-</u>	<u>12,245,202</u>	<u>346,065</u>	<u>12,591,267</u>
D. Amounts reported on Part II, Line A	<u>\$ 49,004,848</u>	<u>\$ 36,129,523</u>	<u>\$ 372,677</u>	<u>\$ 85,507,048</u>

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

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

Deductions:

Depreciation-Refuse, Airport Wastewater and Aquatic Center Funds		<u>\$ 10,913,510</u>
Bad Debt Expense included in Cost of Sales & Services for Refuse, Airport, Wastewater and Aquatic Center Funds		<u>\$ 74,496</u>
Other Postemployment Benefits Expense - Airport, Wastewater and Aquatic Center Funds	\$ 119,675	
Less: Postemployment benefits paid in current year but reported as expenses in previous years	<u>(52,536)</u>	
		<u>\$ 67,139</u>
Special District Expenditures:		
Operating Expenses - Irrigation and Drainage District	\$ 10,002,614	
Nonoperating Expenses - Irrigation and Drainage District	<u>170,987</u>	
Total Irrigation and Drainage District		<u>\$ 10,173,601</u>
Special Revenue Funds:		
Improvement District No. 2 & 4		<u>\$ 84,191</u>
Landfill Closure and Postclosure Care costs		<u>\$ 117,415</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30,2014**

NOTE 3 - EXCLUSIONS CLAIMED IN PART II

a. Debt Service Requirements on Bonded Indebtedness:

Debt Service Fund:

Total expenditures	<u>\$ 235,885</u>
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b. Debt Service Requirements on Other Long Term Obligations:

General Fund	890,440	
Special Revenue Fund	<u>31,844</u>	
Total Governmental Funds		<u>922,284</u>

c. Interest:

General Fund:

2013-14 earnings	\$ 251,777
Portion excluded to extent of expenditures	<u>(251,777)</u>
Portion carried to future years	<u>\$ -</u>

Special Revenue Funds:

2013-14 earnings	\$ 33,715
Portion excluded to extent of expenditures	<u>(33,517)</u>
Portion carried to future years	<u>\$ 198</u>

Capital Projects Fund:

2013-14 earnings	\$ 60,612
Portion excluded to extent of expenditures	<u>(60,612)</u>
Portion carried to future years	<u>\$ -</u>

Enterprise Funds:

2013-14 earnings in Refuse, Aquatic Center, Airport and Wastewater Funds	\$ 773,971
Portion excluded to extent of expenditures	<u>(773,971)</u>
Portion carried to future years	<u>\$ -</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

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

d. Proceeds from Other Long-Term Obligations	
Proceeds Received - Wastewater	<u>\$1,873,012</u>
	<u>\$ 1,873,012</u>
e. Grants and Aid from Federal Government:	
General Fund:	
Crime Victim Assistance	\$ 15,364
Special Revenue Funds:	
Bullet Proof Vest (BPV)	4,533
MAGNET	137,138
Emergency & Military Affairs Hazards Operations Training	677
Metropolitan Planning Apportionment	130,064
FTA Section 5303	650
Homeland Security-Radio Inter-Operability	60,537
Street - HSIP	57,920
Transit Fund - Administration and Operations	693,959
Governor's Office of Highway Safety	30,516
Community Development Block Grants	<u>186,344</u>
Total Governmental Funds	<u>\$ 1,317,702</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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

f. Amounts received from the State		
Special Revenue Funds:		
Miscellaneous Police - AZ POST - WALETA	\$	109,213
Miscellaneous Police - AZ POST Training		11,935
Miscellaneous Police - HAZMAT Emergency Preparedness		13,975
Miscellaneous Police - Mohave County Emergency Management pass- thru from AZ Emergency Response Fund		<u>2,375</u>
Total Governmental Funds	\$	<u>137,498</u>
Enterprise Funds		
Airport - E2S2X Replacement Runway 14 PAPI	\$	<u>29,075</u> *
Total Enterprise Funds	\$	<u>29,075</u>
g. Quasi-external interfund transactions		
Enterprise Fund	\$	178,872 **
Sewer revenue collected from Governmental Funds		
Total enterprise funds	\$	<u>178,872</u>
h. Highway User Funds in Excess of FY 1979-80:		
Total HURF expenditures	\$	5,072,727
Non-excludable Revenues:		
Transfers in from General Fund, Special Revenue and Capital Projects Funds	\$	(1,050,000)
Miscellaneous revenues		(27,214)
Interest previously excluded		<u>(29,303)</u>
Total HURF expenditures available to exclude		<u>(1,106,517)</u>
	\$	<u>3,966,210</u>
Total HURF revenue received during 2013-14	\$	4,199,770
Total HURF revenue received during 1979-80		<u>(805,527)</u>
Total HURF revenue received in excess of 1979-80	\$	<u>3,394,243</u>
Total HURF expenditures excluded	\$	<u>3,394,243</u>
i. Contracts with other Political Subdivisions:		
General Fund:		
Mohave County Court reimbursements	\$	<u>393,318</u>
j. 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		
Enterprise Funds	\$	412,316
Total Enterprise Funds	\$	<u>412,316</u>

*Amount included on Statement of Revenues, Expenses & Changes in Fund Net Position Proprietary Funds – Capital Contributions line

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