

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2023**

**LAKE HAVASU CITY, ARIZONA
REPORT ON EXAMINATION OF ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2023**

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INDEPENDENT ACCOUNTANTS' REPORT

Auditor General of the State of Arizona,
Honorable Mayor, and the City Council
Lake Havasu City, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of Lake Havasu City, Arizona (the City), for the year ended June 30, 2023, and the 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 about 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 the 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 we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Annual Expenditure Limitation Report of Lake Havasu City, Arizona, referred to above is presented in accordance with the *Uniform Expenditure Reporting System* as described in Note 1, in all material respects.

CliftonLarsonAllen LLP


CliftonLarsonAllen LLP

Phoenix, Arizona
January 22, 2024

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2023**

1. Economic Estimates Commission expenditure limitation	<u>\$ 143,347,001</u>	
3. Enter applicable amount from line 1 or line 2		<u>\$ 143,347,001</u>
4. Amount subject to the expenditure limitation (total amount from Part II, line C)	<u>\$ 106,509,131</u>	
8. Subtotal		<u>\$ 106,509,131</u>
10. Total adjusted amount subject to the expenditure limitation		<u>\$ 106,509,131</u>
11. Amount under (in excess of) the expenditure limitation		<u><u>\$ 36,837,870</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: 1/22/2024

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2023**

Description	Governmental Funds	Enterprise Funds	Total
A. Amounts reported on the Reconciliation, line D	\$ 79,535,998	\$ 57,797,877	\$ 137,333,875
B. Less exclusions claimed:			
2. Debt service requirements	518,759	14,239,732	14,758,491
5. Grants and aid from the federal government	3,611,234	5,277,644	8,888,878
6. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	236,497	-	236,497
7. Amounts received from the State of Arizona	104,038	319,911	423,949
8. Quasi-external interfund transactions	1,298,135	172,692	1,470,827
10. Highway user revenues in excess of those received in fiscal year 1979-80	4,931,911	-	4,931,911
11. Contracts with other political subdivisions	16,080	-	16,080
12. Refunds, reimbursements, and other recoveries	98,111	-	98,111
16. Total exclusions claimed	<u>\$ 10,814,765</u>	<u>\$ 20,009,979</u>	<u>\$ 30,824,744</u>
C. Amounts subject to the expenditure limitation	<u>\$ 68,721,233</u>	<u>\$ 37,787,898</u>	<u>\$ 106,509,131</u>

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2023**

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	\$ 81,789,792	\$ 54,232,026	\$ 136,021,818
B. Subtractions:			
1. Items not requiring use of current financial resources:			
a. Depreciation	-	15,167,931	15,167,931
c. Bad debt expense	-	74,347	74,347
d. Pension and other postemployment benefits (OPEB) expense	-	370,354	370,354
2. Expenditures of separate legal entities established under Arizona Revised Statutes	78,494	-	78,494
3. Required fees paid to the Industrial Commission of Arizona	149,988	-	149,988
4. Present value of net minimum lease, financed purchase, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception	2,025,312	-	2,025,312
6. Total subtractions	<u>\$ 2,253,794</u>	<u>\$ 15,612,632</u>	<u>\$ 17,866,426</u>
C. Additions:			
1. Principal payments on long-term debt	-	5,813,789	5,813,789
2. Capital asset acquisitions	-	12,660,697	12,660,697
4. Pension and OPEB contributions paid in the current year	-	703,997	703,997
6. Total additions	<u>\$ -</u>	<u>\$ 19,178,483</u>	<u>\$ 19,178,483</u>
D. Amounts reported on Part II, line A	<u>\$ 79,535,998</u>	<u>\$ 57,797,877</u>	<u>\$ 137,333,875</u>

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2023**

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, 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
YEAR ENDED JUNE 30, 2023**

NOTE 2 - DEDUCTIONS AND ADDITIONS TO THE RECONCILIATION

B. Subtractions:

1. Items not requiring use of current financial resources:

a. Depreciation - Enterprise Funds		\$ 15,167,931
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c. Bad Debt Expense - Enterprise Funds		\$ 74,347
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d. Pension and other postemployment benefits (OPEB) expense
The \$370,354 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 \$703,997 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:

Change in net pension and OPEB asset	\$ 586,574		
Change in deferred inflows related to pensions and OPEB	(1,237,588)		
Change in deferred outflows related to pensions and OPEB	317,371		
	\$ (333,643)		
Total Pension and OPEB Expense		\$ 370,354	

2. Expenditures of separate legal entities established under A.R.S.

Special Revenue Funds:

Improvement Districts	\$ 78,494		
Total Governmental Funds		\$ 78,494	

3. Required fees paid to the Industrial Commission of Arizona		\$ 149,988
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4. Present value of net minimum lease, financed purchase, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures in governmental funds at the agreements' inception		\$ 2,025,312
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C. Additions:

1. Principal payments on long-term debt - Enterprise Funds		\$ 5,813,789
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2. Capital Asset Acquisitions - Enterprise Funds		\$ 12,660,697
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4. Pension and OPEB contributions - Enterprise Funds		\$ 703,997
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**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2023**

NOTE 3 - EXCLUSIONS CLAIMED IN PART II

2. Debt Service Requirements:

Other Long Term Obligations:

Governmental Funds		
Public Safety Debt Payments (includes financing agreements)	518,759	\$ 518,759
Total Governmental Funds		\$ 518,759
Proprietary Funds		\$ 14,239,732

3. Interest:

Governmental Funds:

General Fund:		
2022-23 Interest & Earnings		\$ 2,163,014
Realized Gain/(Loss)		(189,727)
Unrealized Gain/(Loss) on Adjustment to Market Value		(1,082,650)
	Subtotal	890,637
Portion excluded to extent of expenditures		-
Amount being carried forward to future years		\$ 890,637

Special Revenue Funds:

2022-23 Interest & Earnings		\$ 451,696
Realized Gain/(Loss)		(40,166)
Unrealized Gain/(Loss) on Adjustment to Market Value		(251,168)
	Subtotal	160,362
Portion excluded to extent of expenditures		-
Amount being carried forward to future years		\$ 160,362

Total Governmental Funds:

Total Governmental Excluded		-
Total Governmental Carried Forward		1,050,999

Proprietary Funds:

2022-23 Interest & Earnings		\$ 2,586,489
Realized Gain/(Loss)		(207,166)
Unrealized Gain/(Loss) on Adjustment to Market Value		(681,666)
	Subtotal	\$ 1,697,657
Portion excluded to extent of expenditures		-
Amount being carried forward to future years		\$ 1,697,657

Total Proprietary Funds

Total Proprietary Funds Excluded		-
Total Proprietary Funds Carried Forward		\$ 1,697,657

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2023**

NOTE 3 - EXCLUSIONS CLAIMED IN PART II (cont.)

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	138,542
	State Planning and Research Funds	67,066
	FTA Section 5303 Funding	58,786
	Federal Transit Administration:	
	Urbanized Area Formula Program; Section 5307	413,962
	Passed through Governor's Office of Highway Safety:	
	Traffic Enforcement	32,857
	US Department of Homeland Security	
	Staffing for Emergency Fire and Emergency Response	402,869
	Fiscal Year 2021 Assistance to Firefighters Grant	235,440
	Hazmat Tools and Equipment	24,908
	US Department of Housing and Urban Development	
	Passed through State of Arizona Department of Housing	
	State-Administered CDBG Cluster:	
	Housing Rehabilitation Program - CDBG	326,066
	US Department of Justice	
	Byrne Formula Grant - MAGNET	238,070
	Bullet Proof Vest	13,900
	Crime Victim Assistance	59,772
	BJA Adult Drug Court and Veterans Treatment	98,947
	Passed through Arizona Criminal Justice Commission	
	National Criminal History Improvement Program	37,296
	US Department of Treasury	
	American Rescue Plan Act	1,462,530
	Equitable Sharing/Asset Forfeiture Program	223
	Total Governmental Funds	\$ 3,611,234
	Proprietary Funds	
	US Department of Transportation	
	Passed through Federal Aviation Administration:	
	Airport Improvements	5,218,644
	CARES ACT	59,000
	Total Proprietary Funds	\$ 5,277,644
	Total Federal Awards	\$ 8,888,878
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	\$ 236,497
	Total Governmental Funds	\$ 236,497
7.	Amounts received from the State:	
	Governmental Funds	
	HAZMAT Training	\$ 5,616
	Site 6 Boat Ramp Improvements	4,678
	SARA Park Trail Markers	10,344
	Police - WALETA	83,400
	Total Governmental Funds	\$ 104,038
	Proprietary Funds	
	Airport - CIP Projects	\$ 319,911
	Total Proprietary Funds	\$ 319,911
	Total Amount received from the State	\$ 423,949

LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2023

NOTE 3 - EXCLUSIONS CLAIMED IN PART II (cont.)

8. Quasi-external interfund transactions:			
Water and Sewer revenue collected from Governmental Funds	\$	1,298,135	
Water and Sewer revenue collected from Enterprise Funds		172,692	
Total Proprietary Funds		<u>1,470,827</u>	<u>\$ 1,470,827</u>
10. Highway User Funds in Excess of FY 1979-80:			
HURF Revenue	\$	6,394,725	
HURF revenue received during 1979-80		(805,527)	
HURF revenue available for exclusion		<u>5,589,198</u>	<u>\$ 5,589,198</u>
Total HURF Expenditures	\$	5,859,318	
Less Non-HURF Revenue:			
Investment Earnings		(102,271)	
Miscellaneous Revenues		(19,609)	
Less HURF FY 1979-80 Base Limit		(805,527)	
HURF Expenditures available for exclusion		<u>4,931,911</u>	<u>\$ 4,931,911</u>
Total HURF Expenditures Excluded			<u>\$ 4,931,911</u>
HURF Revenue in Excess of Expenditure to Carryforward			<u>\$ 657,287</u>
11. Contracts with other Political Subdivisions:			
General Fund:			
Lake Havasu City School District No. 1 Joint Use of Facilities	\$	16,080	
Total Governmental Funds		<u>16,080</u>	<u>\$ 16,080</u>
12. Refunds, reimbursements, and other recoveries:			
General Fund and Special Revenue Funds:			
Insurance damage reimbursements	\$	98,111	
Total Governmental Funds		<u>98,111</u>	<u>\$ 98,111</u>

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