

LAKE HAVASU CITY, ARIZONA
SINGLE AUDIT ACT REPORTS
YEAR ENDED JUNE 30, 2019

**LAKE HAVASU CITY, ARIZONA
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
Lake Havasu City, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Lake Havasu City, Arizona (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Honorable Mayor and City Council
Lake Havasu City, Arizona

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lake Havasu City's Response to Finding

Lake Havasu City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Lake Havasu City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Phoenix, Arizona
February 24, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER
COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AS REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and City Council
Lake Havasu City, Arizona

Report on Compliance for Each Major Federal Program

We have audited Lake Havasu City, Arizona's (City) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Honorable Mayor and City Council
Lake Havasu City, Arizona

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Lake Havasu City, Arizona as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 24, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Phoenix, Arizona
February 24, 2020

**LAKE HAVASU CITY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

**LAKE HAVASU CITY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001: Material Audit Adjustments

Condition/Context: Material audit adjustments were necessary to properly state accounts receivable, accrued liabilities, beginning fund balance/net position, capital asset transfers and revenue.

Criteria: Generally accepted accounting principles. City management is responsible for establishing and maintaining internal controls to properly record the City's accounting. The City should have internal controls in place to prevent or detect a material misstatement in the financial statements in a timely manner.

Effect: Material adjustments were proposed and subsequently recorded by the City to correct the misstatements. In addition, a restatement of beginning fund balance/net position was necessary.

Cause: The City had turnover within the finance department and was implementing a new ERP system during the year-end closeout period.

Recommendation: In order to strengthen internal controls, we recommend management continue to evaluate the internal control processes and implement procedures to ensure accounts are properly stated at year-end in accordance with generally accepted accounting principles.

Views of Responsible Officials: We concur. Processes and procedures have been implemented to help ensure year-end adjustments are properly recorded.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

**LAKE HAVASU CITY, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Grantor Agency	Federal CFDA Number	Project Number	Total Expenditures	Payments to Subrecipients
U.S. Department of Transportation				
Passed through Arizona Department of Transportation:				
Federal Transit Cluster:				
Metropolitan Planning Funds	20.205	JPA-17-0006569-T	\$ 123,900	\$ -
State Planning and Research Funds	20.205	JPA-17-0006569-T	189,251	-
Total Federal Transit Cluster - CFDA No. 20.205			<u>313,151</u>	<u>-</u>
FTA Section 5303 Funding	20.505	JPA-17-0006569-T	6,738	-
Passed through Governor's Office of Highway Safety:				
DUI Alcohol Overtime Enforcement and Prevention	20.608	2014A-164-126	510	-
Traffic Enforcement Overtime, Supplies & Materials	20.608	2019-PTS-024	29,512	-
Total CFDA No. 20.608			<u>30,022</u>	<u>-</u>
Passed through Federal Aviation Administration:				
Airport Improvement Program	20.106	3-04-0071-026-2017	2,607	-
Airport Improvement Program	20.106	3-04-0017-027-2018	291,738	-
Total CFDA No. 20.106			<u>294,345</u>	<u>-</u>
Total U.S. Department of Transportation			<u>644,256</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
Passed through State of Arizona Department of Housing:				
State-Administered CDBG Cluster:				
Housing Rehabilitation Program - CDBG	14.228	115-18	316,130	-
Housing Rehabilitation Program - CDBG	14.228	133-19	20,194	-
Total State-Administered CDBG Cluster - CFDA No. 14.228			<u>336,324</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>336,324</u>	<u>-</u>
U.S. Department of Justice				
Byrne Formula Grant - MAGNET	16.738	P001-2011-0042421	231,266	-
Bullet Proof Vest	16.607	N/A	7,574	-
Crime Victim Assistance	16.575	2015-VA-GX-0032	20,297	-
Total U.S. Department of Justice			<u>259,137</u>	<u>-</u>
U.S. Department of Health & Human Services				
SAMHSA Treatment Drug Courts	93.243	17T180115A	203,964	-
Total U.S. Department of Health & Human Services			<u>203,964</u>	<u>-</u>
U.S. Department of Justice				
Passed through Arizona Criminal Justice Commission				
National Criminal History Improvement Program	16.554	NCP 17-18-002	35,125	-
Equitable Sharing Program	16.922	N/A	15,064	-
Total U.S. Department of Justice			<u>50,189</u>	<u>-</u>
U.S. Department of Treasury	21.016	N/A	4,490	-
Treasury Expenditures			<u>4,490</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u><u>\$1,498,360</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

LAKE HAVASU CITY, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lake Havasu City, Arizona under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lake Havasu City, Arizona.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Lake Havasu City, Arizona has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.