

**LAKE HAVASU CITY, ARIZONA  
SINGLE AUDIT ACT REPORTS  
YEAR ENDED JUNE 30, 2021**



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**LAKE HAVASU CITY, ARIZONA  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2021**

<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>1</b>
<b>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</b>	<b>3</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	
<b>SUMMARY OF AUDITORS' RESULTS</b>	<b>6</b>
<b>FINANCIAL STATEMENT FINDINGS</b>	<b>7</b>
<b>FEDERAL AWARD FINDINGS AND QUESTIONED COSTS</b>	<b>7</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>8</b>
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>9</b>



**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 8, 2022.

**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) as a basis for designing 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 2021-001 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 financial statements. 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 Findings**

Lake Havasu City, Arizona's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lake Havasu City, Arizona'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 results 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  
March 8, 2022



**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, 2021. 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, 2021.

### ***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.

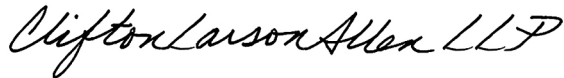
### **Purpose of This Report**

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 8, 2022, 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  
March 8, 2022

**LAKE HAVASU CITY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**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 federal 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 2 CFR 200.516(a)?             yes        X   no

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee?             yes        X   no



**LAKE HAVASU CITY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2021-001: Material Audit Adjustments**

**Condition/Context:** Material audit adjustments were necessary to properly state beginning net position related to management's estimate of the Landfill Closure and Postclosure Care Costs.

**Criteria:** Generally accepted accounting principles. City management is responsible for establishing and maintaining internal controls to properly record the City's liabilities. 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 beginning net position.

**Cause:** The City did not identify contractual arrangements that modified the responsibility of incurring the landfill closure and postclosure care costs on a timely basis. The City was no longer responsible for these costs effective July 1, 2019.

**Repeat Finding:** No

**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**

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**LAKE HAVASU CITY, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

<u>Federal Grantors/Pass through Grantors/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Grant/Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Treasury				
<b>Passed through State of Arizona, Office of the Governor</b>				
COVID-19 - Coronavirus Relief Fund	21.019	ERMT-20-054	\$ 6,413,669	\$ -
U.S. Department of Transportation				
Federal Transit Cluster:				
Federal Transit-Formula Grants	20.507	AZ202005500	548,384	-
Total Federal Transit Cluster - Assistance Listing Number 20.507			<u>548,384</u>	<u>-</u>
<b>Passed through Arizona Department of Transportation:</b>				
Highway Planning and Construction Cluster:				
Metropolitan Planning Funds	20.205	JPA-14-0004163-T	130,804	-
State Planning and Research Funds	20.205	JPA-14-0004163-T	120,323	-
Total Highway Planning and Construction Cluster -Assistance Listing Number 20.205			<u>251,127</u>	<u>-</u>
FTA Section 5303 Funding	20.505	JPA-14-0004163-T	22,996	-
Surface Transportation Block	20.505	JPA-14-0004163-T	8,555	-
Total Assistance Listing Number 20.505			<u>31,551</u>	<u>-</u>
<b>Passed through Governor's Office of Highway Safety:</b>				
Minimum Penalties for Repeat Offenders for DWI	20.608	2020-PTS-029	3,120	-
Minimum Penalties for Repeat Offenders for DWI	20.608	2021-PTS-032	20,000	-
Total Assistance Listing Number 20.608			<u>23,120</u>	<u>-</u>
<b>Passed through Federal Aviation Administration:</b>				
Airport Improvement Program	20.106	3-04-0071-028-2019	113,410	-
Airport Improvement Program	20.106	3-04-0017-027-2018	20,666	-
Total Assistance Listing Number 20.106			<u>134,076</u>	<u>-</u>
Total U.S. Department of Transportation			<u>988,258</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
<b>Passed through State of Arizona Department of Housing:</b>				
Housing Rehabilitation Program - CDBG	14.228	133-19	77,170	-
Housing Rehabilitation Program - CDBG	14.228	103-20	296,612	-
Housing Rehabilitation Program - CDBG	14.228	104-21	173,606	-
Total Assistance Listing Number 14.228			<u>547,388</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>547,388</u>	<u>-</u>
U.S. Department of Justice				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	P001-2011-0042421	212,481	-
Bulletproof Vest Partnership Program	16.607	N/A	11,879	-
Crime Victim Assistance	16.575	2019-V2-GX-0041	44,895	-
Total U.S. Department of Justice			<u>269,255</u>	<u>-</u>
U.S. Department of Health & Human Services				
SAMHSA Treatment Drug Courts	93.243	17T180115A	72,212	-
Total U.S. Department of Health & Human Services			<u>72,212</u>	<u>-</u>
U.S. Department of Homeland Security				
Assistance to Firefighters Grant	97.044	EMW-2018-FO-03709	418,654	-
Total U.S. Department of Homeland Security			<u>418,654</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 8,709,436</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, 2021**

**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, 2021. 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 for all awards with the exception of Assistance Listing Number 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, 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.

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