

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2011**

**LAKE HAVASU CITY, ARIZONA
REPORT ON AUDIT OF ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2011**

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
Independent Auditors' Report	
Independent Auditors' Report on the Annual Expenditure Limitation Report	1
Annual Expenditure Limitation Report	
Part I	2
Part II	3
Reconciliation	4
Notes to Annual Expenditure Limitation Report	5



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

The Honorable Mayor and Members of the City Council
Lake Havasu City, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Lake Havasu City, Arizona, for the year ended June 30, 2011. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Annual Expenditure Limitation Report of Lake Havasu City, Arizona, for the year ended June 30, 2011, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of management, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

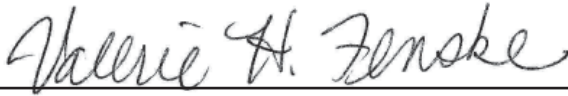
November 16, 2011

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2011**

1. Economic Estimates Commission expenditure	\$ 54,647,388
2. Amount subject to the expenditure limitation (Part II, Line C)	<u>46,297,420</u>
3. Amount under the expenditure limitation	<u><u>\$ 8,349,968</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

Signature of Chief Fiscal Officer:



Name and Title:

Valerie H. Fenske, Finance Director

Telephone Number: (928) 453-4147

Date: November 16, 2011

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2011**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 45,606,542	\$ 60,983,125	\$ 6,092,875	\$ 2,001	\$112,684,543
B. Less exclusions claimed :					
1. a. Debt service requirements on bonded indebtedness	308,188				308,188
b. Proceeds from other long-term obligations		35,121,216			35,121,216
c. Debt service requirements on other long-term obligations		16,026,469			16,026,469
2. Trustee or custodian				2,001	2,001
3. Grants and aid from the federal government	2,983,094	1,206,864			4,189,958
4. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	142,715				142,715
5. Amounts received from the State of Arizona	483,740	10,644			494,384
6. Quasi-external interfund transactions			6,092,875		6,092,875
7. Highway user revenues in excess of those received in fiscal year 1979-80	3,598,239				3,598,239
8. Contracts with other political subdivisions	411,078				411,078
9. Total exclusions claimed	7,927,054	52,365,193	6,092,875	2,001	66,387,123
C. Amount subject of expenditure limitation	\$ 37,679,488	\$ 8,617,932	\$ -	\$ -	\$ 46,297,420

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2011**

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses reported within the fund-based financial statements	\$ 45,886,600	\$ 31,208,590	\$ 6,443,637	\$ 2,001	\$ 83,540,828
B. Subtractions:					
1. Items not requiring the use of working capital:					
a. Depreciation		10,312,928	346,585		10,659,513
b. Bad debt expense	105,878	1,295,494			1,401,372
c. Amortized Issuance costs		216,340			216,340
d. Claims incurred but not reported			476,000		476,000
e. Landfill closure and postclosure care costs		119,119			119,119
f. Other postemployment benefits expense		89,993			89,993
2. Expenditures of separate legal entities established under Arizona Revised Statutes	117,194	10,523,588			10,640,782
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	56,986				56,986
4. Total subtractions	280,058	22,557,462	822,585	-	23,660,105
C. Additions:					
1. Principal payments on long-term debt		6,699,102			6,699,102
2. Capitalized Interest		9,144,269			9,144,269
3. Acquisition of capital assets		36,473,500	471,823		36,945,323
4. Other postemployment benefits paid in the current year but reported as expenses in previous years.		15,126			15,126
5. Total additions	-	52,331,997	471,823	-	52,803,820
D. Amounts reported on Part II, Line A	\$ 45,606,542	\$ 60,983,125	\$ 6,092,875	\$ 2,001	\$ 112,684,543

See accompanying notes to report.

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07, which excludes expenditures, expenses, or deductions of certain revenues specified in 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, the Statement of Revenues, Expenses, and Changes in Fund Net Assets for the proprietary Funds and the Statement of Cash Flows for the Proprietary Funds and the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds.

NOTE 2 - DEDUCTIONS AND ADDITIONS TO THE RECONCILIATION

Deductions:

Depreciation-Refuse, Airport, Wastewater Aquatic Center Funds		<u>\$ 10,312,928</u>
Bad Debt Expense included in Cost of Sales & Services for Refuse, Airport, Wastewater and Aquatic Center Funds		<u>\$ 1,295,494</u>
Bad Debt Expense included in Expenditures for Governmental Funds		<u>\$ 105,878</u>
Other Postemployment Benefits Expense - Airport, Wastewater and Aquatic Center	\$ 89,993	
Less: Postemployment benefits paid in current year but reported as expenses in previous years	<u>(15,126)</u>	
		<u>\$ 74,867</u>
Special District Expenditures:		
Operating Expenses - Irrigation and Drainage District	\$ 10,323,452	
Nonoperating Expenses - Irrigation and Drainage District	<u>200,136</u>	
		<u>\$ 10,523,588</u>
Landfill Closure and Postclosure Care costs		<u>\$ 119,119</u>

Additions:

Interest Paid on Capital Debt-Wastewater	\$ 9,321,335	
Less: Interest Expense	<u>(177,066)</u>	
Capitalized Interest		<u>\$ 9,144,269</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2011**

NOTE 3 - EXCLUSIONS CLAIMED IN PART II

a. Debt Service Requirements on Bonded Indebtedness:

Debt Service Fund:	
Total expenditures	<u>\$ 308,188</u>

b. The City Claimed \$35,121,216 of expenditures from proceeds from other long-term obligations. This amount is included as part of the \$41,059,902 reported as purchases of capital assets on the Statement of Cash Flows of Enterprise Funds

c. Interest:

General Fund:	
2010-11 earnings	\$ 125,903
Portion excluded to extent of expenditures	-
Portion carried to future years	<u>\$ 125,903</u>

Special Revenue funds:	
2010-11 earnings	\$ 4,959
Portion excluded to extent of expenditures	-
Portion carried to future years	<u>\$ 4,959</u>

Capital Projects Fund:	\$ 38,111
2010-11 earnings	-
Portion excluded to extent of expenditures	<u>\$ 38,111</u>
Portion carried to future years	

Enterprise Funds:	
2010-11 earnings in Refuse, Aquatic Center and Wastewater Funds	\$ 228,627
Portion excluded to extent of expenditures	-
Portion carried to future years	<u>\$ 228,627</u>

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2011**

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

d. Trustee or Custodian

Special Revenue Funds:		
Improvement District No. 1-4	\$	117,194

Trust Funds:		
Pension Trust Fund	\$	2,001

e. Proceeds from other long-term obligations

Proceeds Received-Wastewater	\$35,866,147	
Less: Proceeds for Interest Expense excluded in debt service requirements	(744,931)	
		\$ 35,121,216

f. Grants and Aid from Federal Government:

General Fund:		
MAGNET	\$	107,351
BPV		5,740

Special Revenue Funds:		
Transit Grants		1,117,834
Homeland Security		45,380
Governor's office of Highway Safety		19,090
State Fiscal Stabilization Fund		65,000
FEMA-SAFER		382,273
Community Development Block Grants		354,479
HOME		113,596
COPS		7,565
Byrne JAG Grants		13,828

Capital Project Fund:		
Transit Grants		710,814
Recreational Trails		175
Energy Efficiency Grant		39,969
Total government funds	\$	2,983,094

Enterprise Funds:		
Airport Grants	\$	349,128
Community Development Block Grants		287,419
ADEQ Grant		570,317
Total enterprise funds	\$	1,206,864

**LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2011**

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

g. Amounts received from the State		
LTAfII	\$	54,685
Miscellaneous Police Grants		270,723
VOCA Grant		15,862
Judicial Collection Enhancement Fund		<u>142,470</u>
Total Governmental Funds	\$	<u><u>483,740</u></u>
Enterprise Funds		
Airport	\$	<u>10,644</u>
Total Enterprise Funds	\$	<u><u>10,644</u></u>
h. Highway User Funds in Excess of FY 1979-80:		
Total HURF expenditures		\$ 4,418,689
Nonexcludable Revenues:		
Transfers in from General and Capital Projects	\$ (749,014)	
Miscellaneous revenues	(22,862)	
Interest previously excluded	<u>(4,959)</u>	
		<u>(776,835)</u>
Total HURF expenditures available to exclude	\$	<u><u>3,641,854</u></u>
Total HURF revenue received during 2010-11		\$ 4,403,766
Total HURF revenue received during 1979-80		<u>(805,527)</u>
Total HURF revenue received in excess of 1979-80		<u><u>\$ 3,598,239</u></u>
Total HURF expenditures excluded		<u><u>\$ 3,598,239</u></u>
i. Contracts with other Political Subdivisions:		
General Fund		
Mohave County Court reimbursements	\$	<u><u>411,078</u></u>