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, 2015. The City's management is responsible for this report. 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

March 9, 2016
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<td>Independent Accountant's Report on the Annual Expenditure Limitation Report</td>
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<tr>
<td>Annual Expenditure Limitation Report</td>
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<td>Part I</td>
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<td>Part II</td>
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<td>Reconciliation</td>
<td>4</td>
</tr>
<tr>
<td>Notes to Annual Expenditure Limitation Report</td>
<td>5</td>
</tr>
</tbody>
</table>
1. Economic Estimates Commission expenditure limitation $ 54,180,562

2. Amount subject to the expenditure limitation (Part II, Line C) $ 54,180,562

3. Amount under the expenditure limitation $ 0

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: [Signature]

Name and Title: Tabatha Miller, CPA, Administrative Services Director

Telephone Number: (928) 453-4147 Date:
<table>
<thead>
<tr>
<th>Description</th>
<th>Governmental Funds</th>
<th>Enterprise Funds</th>
<th>Internal Service Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Amounts reported on the Reconciliation, Line D</td>
<td>$46,555,367</td>
<td>$36,143,661</td>
<td>$2,042,278</td>
<td>$84,741,306</td>
</tr>
<tr>
<td>B. Less exclusions claimed:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. a. Bond Proceeds</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>b. Debt service requirements on bonded indebtedness</td>
<td>239,518</td>
<td>-</td>
<td></td>
<td>239,518</td>
</tr>
<tr>
<td>c. Proceeds from other long-term obligations</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>d. Debt service requirements on other long-term obligations</td>
<td>1,042,611</td>
<td>19,794,600</td>
<td></td>
<td>20,837,211</td>
</tr>
<tr>
<td>2. Dividends, interest, and gains on the sale or redemption of investment</td>
<td>339,088</td>
<td>546,608</td>
<td>27,064</td>
<td>912,760</td>
</tr>
<tr>
<td>securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Trustee or custodian</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>4. Grants and aid from the federal government</td>
<td>1,008,833</td>
<td>61,537</td>
<td></td>
<td>1,070,370</td>
</tr>
<tr>
<td>5. Grants, aid, contributions, or gifts from a private agency, organization,</td>
<td>113,472</td>
<td>19,352</td>
<td></td>
<td>132,824</td>
</tr>
<tr>
<td>or individual, except amounts received in lieu of taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Amounts received from the State of Arizona</td>
<td>167,628</td>
<td>9,513</td>
<td></td>
<td>177,141</td>
</tr>
<tr>
<td>7. Quasi-external interfund transactions</td>
<td>-</td>
<td>194,887</td>
<td></td>
<td>194,887</td>
</tr>
<tr>
<td>8. Amounts accumulated for the purchase of land, and the purchase or</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>construction of buildings or improvements</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>9. Highway user revenues in excess of those received in fiscal year 1979-80</td>
<td>3,726,383</td>
<td>-</td>
<td></td>
<td>3,726,383</td>
</tr>
<tr>
<td>10. Contracts with other political subdivisions</td>
<td>348,570</td>
<td>-</td>
<td></td>
<td>348,570</td>
</tr>
<tr>
<td>11. Refunds, reimbursements, and other recoveries</td>
<td>168,437</td>
<td>-</td>
<td></td>
<td>168,437</td>
</tr>
<tr>
<td>12. Voter-approved exclusions not identified above (attach resolution)</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>13. Prior years carryforward</td>
<td>706,458</td>
<td>31,685</td>
<td>2,014,500</td>
<td>2,725,643</td>
</tr>
<tr>
<td>14. Total exclusions claimed</td>
<td>$7,860,998</td>
<td>$20,658,182</td>
<td>$2,041,564</td>
<td>$30,560,744</td>
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<tr>
<td>C. Amounts subject to the expenditure limitation (if an individual fund</td>
<td>$38,694,369</td>
<td>$15,485,479</td>
<td>$714</td>
<td>$54,180,562</td>
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<tr>
<td>category/type amount is negative, reduce exclusions claimed to net</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to zero.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to report.
<table>
<thead>
<tr>
<th>Description</th>
<th>Governmental Funds</th>
<th>Enterprise Funds</th>
<th>Internal Service Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Total expenditures/expenses reported within the fund financial statements</td>
<td>$49,191,078</td>
<td>$45,107,031</td>
<td>$1,817,605</td>
<td>$96,115,714</td>
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<tr>
<td>B. Subtractions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Items not requiring use of current financial resources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Depreciation</td>
<td>-</td>
<td>11,018,849</td>
<td></td>
<td>11,484,665</td>
</tr>
<tr>
<td>b. Loss on disposal of capital assets</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>c. Bad debt expense</td>
<td>-</td>
<td>264,153</td>
<td></td>
<td>264,153</td>
</tr>
<tr>
<td>d. Other postemployment benefits expense (OPEB)</td>
<td>-</td>
<td>104,904</td>
<td></td>
<td>104,904</td>
</tr>
<tr>
<td>e. Pension Expense</td>
<td>-</td>
<td>185,449</td>
<td></td>
<td>185,449</td>
</tr>
<tr>
<td>f. Claims incurred but not reported (IBNR)</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>g. Landfill closure and postclosure care costs</td>
<td>-</td>
<td>120,791</td>
<td></td>
<td>120,791</td>
</tr>
<tr>
<td>2. Expenditures of separate legal entities established under Arizona Revised Statutes</td>
<td>2,635,711</td>
<td>10,003,751</td>
<td>-</td>
<td>12,639,462</td>
</tr>
<tr>
<td>3. Required Fees paid to the Arizona Department of Revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4. Involuntary court judgements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5. Total subtractions</td>
<td>2,635,711</td>
<td>21,697,897</td>
<td>465,816</td>
<td>24,799,424</td>
</tr>
<tr>
<td>C. Additions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Principal payments on long-term debt</td>
<td>-</td>
<td>10,061,030</td>
<td></td>
<td>10,061,030</td>
</tr>
<tr>
<td>2. Acquisition of capital assets</td>
<td>-</td>
<td>2,429,612</td>
<td>690,489</td>
<td>3,120,101</td>
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<tr>
<td>3. Amounts paid in the current year but reported as expenses in previous years:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPEB</td>
<td>26,751</td>
<td>-</td>
<td></td>
<td>26,751</td>
</tr>
<tr>
<td>Claims previously recognized as IBNR</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Landfill closure and postclosure care costs</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>4. Pension contributions</td>
<td>-</td>
<td>217,134</td>
<td></td>
<td>217,134</td>
</tr>
<tr>
<td>5. Total additions</td>
<td>-</td>
<td>12,734,527</td>
<td>690,489</td>
<td>13,425,016</td>
</tr>
<tr>
<td>D. Amounts reported on Part II, Line A</td>
<td>$46,555,367</td>
<td>$36,143,661</td>
<td>$2,042,278</td>
<td>$84,741,306</td>
</tr>
</tbody>
</table>
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

B. Subtractions:
   1. Items not requiring use of current financial resources:
      a. Depreciation-Refuse, Airport
         Wastewater and Aquatic Center Funds
         $11,018,849
      c. Bad Debt Expense Included In Cost of Sales & Services for
         Refuse, Airport, Wastewater and Aquatic Center Funds
         $264,153
      d. Other Postemployment Benefits Expense -
         Airport, Wastewater and Aquatic Center Funds
         $104,904
         Less: Postemployment benefits paid in current
         year but reported as expenses in previous years
         (26,751)
         $78,153
      e. Pension Expense-
         Pension expense based on contributions made
         - Wastewater
         $143,720
         - Airport
         12,122
         - Aquatic Center
         29,607
         $185,449
         Less: Pension Contributions - Calculated using the
         ASRS rates
         - Wastewater
         $166,273
         - Airport
         14,331
         - Aquatic Center
         36,530
         $217,134
         $(31,685)
      g. Landfill Closure and Postclosure Care costs
         $120,791

   2. Expenditures of separate legal entities established under A.R.S.
      Governmental Funds:
      Transfer from Irrigation and Drainage District to:
      General Fund
      $2,001,904
      Highway User Revenue Fund
      $550,000
      $2,551,904
      Special Revenue Funds:
      Improvement District No. 2 & 4
      $83,807
      Total Governmental Funds
      $2,635,711
      Special District Expenditures:
      Operating Expenses - Irrigation and
      Drainage District
      $9,815,676
      Nonoperating Expenses - Irrigation and
      Drainage District
      188,075
      Total Irrigation and Drainage District
      $10,003,751
NOTE 3 - EXCLUSIONS CLAIMED IN PART II

1. Debt Service Requirements on Bonded Indebtedness:

   Debt Service Fund:
   Total expenditures                   $ 239,518

2. Debt Service Requirements on Other Long Term Obligations:

   General Fund                        1,035,763
   Special Revenue Fund                6,847
   Total Governmental Funds            1,042,611

2. Interest:

   General Fund:
   2014-15 earnings / Interest on delinquent taxes $ 240,923
   Portion excluded to extent of expenditures    (232,708)
   Interest on delinquent taxes (sales/property)  (8,215)
   Portion carried to future years               $   -

   Special Revenue Funds:
   2014-15 earnings                       $  28,124
   Portion excluded to extent of expenditures (28,124)
   Portion carried to future years         $   -

   Capital Projects Fund:
   2014-15 earnings                      $  70,041
   Portion excluded to extent of expenditures (70,041)
   Portion carried to future years        $   -

   Internal Service Fund:
   2014-15 earnings                      $  27,064
   Portion excluded to extent of expenditures (27,064)
   Portion carried to future years        $   -

   Enterprise Funds:
   2014-15 earnings in Refuse, Aquatic Center,
   Airport and Wastewater Funds           $ 546,608
   Portion excluded to extent of expenditures (546,608)
   Portion carried to future years        $   -
4. Grants and Aid from Federal Government:

Special Revenue Funds:
- Crime Victim Assistance $15,360
- Bullet Proof Vest (BPV) $4,495
- MAGNET $142,973
- US DOT-State Planning & Research Funds $83,679
- US DOT-Strategic Transportation Safety Plan $1,408
- Metropolitan Planning Apportionment $180,502
- FTA Section 5303 $3,184
- Homeland Security $55,656
- Street - HSIP $179,786
- Transit Fund - Administration and Operations $3,874
- Governor's Office of Highway Safety $11,412
- Community Development Block Grants $326,504

Total Governmental Funds $1,008,833

Enterprise Funds:
- Wastewater - US Dept. of Interior-Water Conservation $61,537

Total Enterprise Funds $61,537

5. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes

Enterprise Funds:
- Aquatic Fund - donations $19,352

Total Enterprise Funds $19,352

6. Amounts received from the State

Special Revenue Funds:
- Miscellaneous Police - AZ POST - WALETA $140,595
- Miscellaneous Police - AZ POST Training $14,448
- Miscellaneous Police - GOHS Op None for Road $10,000
- Miscellaneous - Housing Home Grant #311-15 $2,585

Total Governmental Funds $167,628

Enterprise Funds
- Airport - E2S2X Replacement Runway 14 PAPI $9,513

Total Enterprise Funds $9,513
NOTE 3 - EXCLUSIONS CLAIMED IN PART II (Cont'd)

7. Quasi-external interfund transactions
   Sewer revenue collected from Non major Enterprise Funds $ 13,761
   (Aquatic and Airport )
   Sewer revenue collected from Governmental Funds $ 181,126
   Total Enterprise Funds $ 194,887 *

9. Highway User Funds in Excess of FY 1979-80:
   Total HURF expenditures $ 5,151,878
   Non-excludable Revenues:
   Transfers in from General Fund, Special Revenue and Capital Projects Funds $ (550,000)
   Miscellaneous revenues (70,683)
   Interest previously excluded (24,471)
   (645,154)
   Total HURF expenditures available to exclude $ 4,506,724
   Total HURF revenue received during 2014-15 $ 4,531,910
   Total HURF revenue received during 1979-80 (805,527)
   Total HURF revenue received in excess of 1979-80 $ 3,726,383
   Total HURF expenditures excluded $ 3,726,383

10. Contracts with other Political Subdivisions:
    General Fund:
    Mohave County Court reimbursements $ 348,570
    $ 348,570

11. Refunds, reimbursements, and other recoveries
    General Fund:
    Insurance damage reimbursements $ 168,437
    $ 168,437

13 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
    General Fund $ 706,458
    Enterprise Funds 31,685
    Internal Service Fund - Expenditures of revenues received in
    Employee Benefit Trust for medical premium expenditures
    Total Prior Year Carryforwards
    $ 2,752,643

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