LAKE HAVASU CITY, ARIZONA
REPORT ON EXAMINATION OF ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2016

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INDEPENDENT ACCOUNTANTS’ REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and 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, 2016. 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 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 consider 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 required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

CliftonLarsonAllen LLP

Phoenix, Arizona
February 7, 2017
LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
FISCAL YEAR ENDED JUNE 30, 2016

1. Economic Estimates Commission expenditure limitation $ 55,515,461
2. Amount subject to the expenditure limitation (Part II, Line C) 55,515,461
3. Amount under the expenditure limitation $ -

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

TelephoneNumber: (928) 453-4147 Date: 2-15-2017

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. Amounts reported on the Reconciliation, Line D</td>
<td>$54,901,736</td>
<td>$304,224,740</td>
<td>$447,747</td>
<td>$359,574,223</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>1. b. Debt service requirements on bonded indebtedness</td>
<td>236,419</td>
<td>-</td>
<td>-</td>
<td>236,419</td>
</tr>
<tr>
<td>1. c. Proceeds from other long-term obligations</td>
<td>2,506,173</td>
<td>-</td>
<td>-</td>
<td>2,506,173</td>
</tr>
<tr>
<td>1. d. Debt service requirements on other long-term obligations</td>
<td>1,434,604</td>
<td>287,705,328</td>
<td>-</td>
<td>289,139,932</td>
</tr>
<tr>
<td>2. Dividends, interest, and gains on the sale or redemption of investment securities</td>
<td>592,409</td>
<td>459,084</td>
<td>27,864</td>
<td>1,079,357</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>1,572,192</td>
<td>2,684,387</td>
<td>-</td>
<td>4,256,579</td>
</tr>
<tr>
<td>5. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes</td>
<td>215,988</td>
<td>-</td>
<td>-</td>
<td>215,988</td>
</tr>
<tr>
<td>6. Amounts received from the State of Arizona</td>
<td>138,750</td>
<td>542</td>
<td>-</td>
<td>139,293</td>
</tr>
<tr>
<td>7. Quasi-external interfund transactions</td>
<td>-</td>
<td>276,006</td>
<td>-</td>
<td>276,006</td>
</tr>
<tr>
<td>8. Amounts accumulated for the purchase of land, and the purchase or 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>3,613,051</td>
<td>-</td>
<td>-</td>
<td>3,613,051</td>
</tr>
<tr>
<td>10. Contracts with other political subdivisions</td>
<td>545,718</td>
<td>-</td>
<td>-</td>
<td>545,718</td>
</tr>
<tr>
<td>11. Refunds, reimbursements, and other recoveries</td>
<td>39,204</td>
<td>-</td>
<td>-</td>
<td>39,204</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>1,268,152</td>
<td>742,891</td>
<td>-</td>
<td>2,011,043</td>
</tr>
<tr>
<td>14. Total exclusions claimed</td>
<td>$12,162,660</td>
<td>$291,868,238</td>
<td>$27,864</td>
<td>$304,058,762</td>
</tr>
<tr>
<td>C. Amounts subject to the expenditure limitation (if an individual fund category/type amount is negative, reduce exclusions claimed to net to zero.)</td>
<td>$42,739,076</td>
<td>$12,356,502</td>
<td>$419,883</td>
<td>$55,515,461</td>
</tr>
</tbody>
</table>

See accompanying notes to report.
## LAKE HAVASU CITY, ARIZONA
### ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
#### FISCAL YEAR ENDED JUNE 30, 2016

<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><strong>A.</strong> Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements</td>
<td>$55,598,472</td>
<td>$46,189,298</td>
<td>$516,502</td>
<td>$102,304,272</td>
</tr>
<tr>
<td><strong>B.</strong> 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>10,777,654</td>
<td>406,351</td>
<td>11,184,005</td>
</tr>
<tr>
<td>b. Loss on disposal of capital assets</td>
<td>-</td>
<td>-</td>
<td>82,287</td>
<td>82,287</td>
</tr>
<tr>
<td>c. Bad debt expense</td>
<td>-</td>
<td>29,285</td>
<td>-</td>
<td>29,285</td>
</tr>
<tr>
<td>d. Other postemployment benefits expense (OPEB)</td>
<td>-</td>
<td>87,041</td>
<td>-</td>
<td>87,041</td>
</tr>
<tr>
<td>e. Pension Expense</td>
<td>-</td>
<td>104,902</td>
<td>-</td>
<td>104,902</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>124,618</td>
<td>-</td>
<td>124,618</td>
</tr>
<tr>
<td>2. Expenditures of separate legal entities established under Arizona Revised Statutes</td>
<td>582,649</td>
<td>11,695,127</td>
<td>-</td>
<td>12,277,776</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><strong>C.</strong> Additions:</td>
<td>696,736</td>
<td>22,818,626</td>
<td>488,638</td>
<td>24,004,000</td>
</tr>
<tr>
<td>1. Principal payments on long-term debt</td>
<td>-</td>
<td>276,315,493</td>
<td>-</td>
<td>276,315,493</td>
</tr>
<tr>
<td>2. Acquisition of capital assets</td>
<td>-</td>
<td>4,324,208</td>
<td>419,883</td>
<td>4,744,091</td>
</tr>
<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>-</td>
<td>19,017</td>
<td>-</td>
<td>19,017</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><strong>D.</strong> Total additions</td>
<td>-</td>
<td>280,854,069</td>
<td>419,883</td>
<td>281,273,952</td>
</tr>
</tbody>
</table>

**D. Amounts reported on Part II, Line A**

<table>
<thead>
<tr>
<th>Description</th>
<th>Governmental Funds</th>
<th>Enterprise Funds</th>
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<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$54,901,736</td>
<td>$304,224,740</td>
<td>$447,747</td>
<td>$359,574,223</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to report.
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-Wastewater, Refuse & Airport
     - Depreciation-Internal Service Funds $10,777,654
     - $406,351
     - **Total:** $11,184,005
   - b. Loss on disposal of capital assets
     - Internal Service Fund $82,287
     - **Total:** $82,287
   - c. Bad Debt Expense included in Cost of Sales & Services for Wastewater, Refuse and Airport Funds
     - $29,285
     - **Total:** $29,285
   - d. Other Postemployment Benefits Expense - Wastewater, Refuse and Airport Funds
     - Less: Postemployment benefits paid in current year but reported as expenses in previous years (19,017)
     - **Total:** $68,024
   - e. Pension Expense- Deduction Net Pension expense per CAFR:
     - - Wastewater $92,587
     - - Airport 12,315
     - **Total:** $104,902
   - g. Landfill Closure and Postclosure Care costs
     - **Total:** $124,618

2. Expenditures of separate legal entities established under A.R.S.
   - Special Revenue Funds:
     - Improvement District No. 2 & 4 $82,649
     - Transfer from Irrigation & Drainage District to General Fund 500,000
     - **Total Governmental Funds:** $582,649
   - Special District Expenditures:
     - Operating Expenses - Irrigation and Drainage District $10,595,217
     - Nonoperating Expenses - Irrigation and Drainage District 99,910
     - **Total Irrigation and Drainage District:** 10,695,127
   - Proprietary Funds:
     - Transfer from Irrigation and Drainage District to Wastewater Utility Fund $1,000,000
     - **Total:** $11,695,127

3. Fees Assessed & Collected by ADOR
   - **Total:** $114,087

#### C. Additions:

1. Principal Payments on long-term debt:
   - Wastewater Fund $276,312,725
   - Nonmajor business type activities 2,768
   - **Total:** $276,315,493

2. Amounts paid for acquisition of capital assets:
   - Wastewater Fund $4,324,208
   - Internal Service Funds 419,883
   - **Total:** $4,744,091

3. Additions of Net Pension contributions made:
   - Wastewater $180,277
   - Airport 15,073
   - **Total:** $195,350
NOTE 3 - EXCLUSIONS CLAIMED IN PART II

1. b. Debt Service Requirements on Bonded Indebtedness:
   Debt Service Fund:
   Total expenditures $236,419

c. Proceeds from other long-term obligations:
   Proceeds Received 3,046,010
   Less Amount Not Expended 2015-16 (539,837)
   Total Expended $2,506,173

d. Debt Service Requirements on Other Long Term Obligations:
   General Fund 1,427,741
   Special Revenue Fund 6,863
   Total Governmental Funds $1,434,604

2. Interest:
   General Fund:
   2015-16 earnings / Interest on delinquent taxes $432,391
   Interest on delinquent taxes (sales/property) 55,548
   Portion excluded to extent of expenditures (487,939)
   Portion carried to future years $-

   Special Revenue Funds:
   2015-16 earnings $64,834
   Portion excluded to extent of expenditures (64,834)
   Portion carried to future years $-

   Debt Service Fund:
   2015-16 earnings $1,869
   Portion excluded to extent of expenditures (1,869)
   Portion carried to future years $-

   Capital Projects Fund:
   2015-16 earnings $37,767
   Portion excluded to extent of expenditures (37,767)
   Portion carried to future years $-

   Internal Service Fund:
   2015-16 earnings $30,753
   Portion excluded to extent of expenditures (27,864)
   Portion carried to future years $2,889

   Proprietary Funds:
   2015-16 earnings in Wastewater, Refuse, and Airport Funds $459,084
   Portion excluded to extent of expenditures (459,084)
   Portion carried to future years $-

LAKE HAVASU CITY, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
FISCAL YEAR ENDED JUNE 30, 2016
NOTE 3 - EXCLUSIONS CLAIMED IN PART II (Cont’d)

4. Grants and Aid from Federal Government:
   Special Revenue Funds:
   - Crime Victim Assistance $15,392
   - Bullet Proof Vest (BPV) 6,888
   - MAGNET 161,671
   - US DOT-Metropolitan Planning Funds 123,670
   - US DOT-State Planning and Research Funds 175,267
   - US DOT-Strategic Transportation Safety Plan 142,139
   - US DOT-FTA Section 5303 50,394
   - Homeland Security 37,521
   - Equitable Sharing Program (passed through Mohave County) 25,475
   - Governor’s Office of Highway Safety 20,675
   - Community Development Block Grants 813,100
   Total Governmental Funds $1,572,192

   Proprietary Funds:
   - Wastewater - US Dept. of Interior-Water Conservation $31,963
   - Wastewater - Environmental Protection Agency 2,652,424
   Total Proprietary Funds $2,684,387

5. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of Governmental Funds:
   - General Fund - donations $215,988
   Total Governmental Funds $215,988

6. Amounts received from the State
   Special Revenue Funds:
   - Miscellaneous Police - AZ POST - WALETA $119,688
   - Miscellaneous Police - AZ POST Training 2,230
   - Miscellaneous CIP - Sara Park Trails Grant 1,500
   - Miscellaneous - Housing Home Grant #311-15 15,332
   Total Governmental Funds $138,750

   Proprietary Funds
   - Airport - ADOT E5S1Q-Reloc Hydrant $220
   - Airport - ADOT E5S1R-FOD/Runway Lip 322
   Total Proprietary Funds $542
7. Quasi-external interfund transactions
   - Sewer revenue collected from Non major Enterprise Funds $ 77,636
   (Wastewater and Airport )
   - Sewer revenue collected from Governmental Funds 198,370
   Total Proprietary Funds $ 276,006 *

9. Highway User Funds in Excess of FY 1979-80:
   Total HURF expenditures $ 4,418,578
   Non-excludable Revenues:
   - Transfers in from General Fund, Special Revenue and Capital Projects Funds $ -
   - Miscellaneous revenues (56,390)
   - Interest previously excluded (57,435) (113,825)
   Total HURF expenditures available to exclude $ 4,304,753

   Total HURF revenue received during 2015-16 $ 4,715,974
   Total HURF revenue received during 1979-80 (805,527)
   Total HURF revenue received in excess of 1979-80 $ 3,910,447
   - Less HURF revenue in excess of expenditure to be carried forward (297,396)
   Total HURF expenditures excluded $ 3,613,051

10. Contracts with other Political Subdivisions:
    General Fund:
    - Lake Havasu City School District No. 1 Joint Use of Facilities $ 50,000
    - Mohave County Court reimbursements 495,718
    Total Contracts with other Political Subdivisions $ 545,718

11. Refunds, reimbursements, and other recoveries:
    General Fund and Special Revenue Funds:
    - Insurance damage reimbursements $ 39,204

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 $ 1,268,152
        - Enterprise Funds 742,891
    Total Prior Year Carryforwards $ 2,011,043

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