LAKE HAVASU CITY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2017
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<td>Independent Accountant's Report on the Annual Expenditure Limitation Report</td>
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</tr>
<tr>
<td>Annual Expenditure Limitation Report</td>
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<td>5</td>
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INDEPENDENT ACCOUNTANTS’ REPORT

The Auditor General of the State of Arizona

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 (City), for the year ended June 30, 2017, and related notes to the report. The City’s management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System (UERS) as described in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance as to whether this report is presented in accordance with the UERS in all material respects. The nature, timing, and extent of procedures to obtain evidence about the amounts and disclosures in the report. The nature timing and extent of procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of Lake Havasu City, Arizona, referred to above is presented, in all material respects, in accordance with the uniform expenditure reporting system as described in Note 1.

This report is intended solely for the information and use of the Auditor General of the State of Arizona, Mayor and City Council, and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

CliftonLarsonAllen LLP

Phoenix, Arizona
December 15, 2017
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Economic Estimates Commission expenditure limitation</td>
<td>$ 56,690,934</td>
</tr>
<tr>
<td>2</td>
<td>Voter-approved alternative expenditure limitation (approved)</td>
<td>$ 56,690,934</td>
</tr>
<tr>
<td>3</td>
<td>Enter applicable amount from line 1 or line 2</td>
<td>$ 56,422,799</td>
</tr>
<tr>
<td>4</td>
<td>Amount subject to the expenditure limitation (total amount from part II, line C)</td>
<td>$ 56,422,799</td>
</tr>
<tr>
<td>5</td>
<td>Board-authorized expenditures necessitated by a disaster the Governor declared</td>
<td>$ 56,422,799</td>
</tr>
<tr>
<td>6</td>
<td>Board-authorized expenditures necessitated by a disaster the Governor did not</td>
<td>$ 56,422,799</td>
</tr>
<tr>
<td>7</td>
<td>Prior-year, voter-approved expenditures to exceed the</td>
<td>$ 56,422,799</td>
</tr>
<tr>
<td>8</td>
<td>Subtotal</td>
<td>$ 268,135</td>
</tr>
<tr>
<td>9</td>
<td>Board-authorized excess expenditures for the previous fiscal year necessitated by a</td>
<td>$ 56,422,799</td>
</tr>
<tr>
<td>10</td>
<td>Total adjusted amount subject to the expenditure limitation</td>
<td>$ 56,422,799</td>
</tr>
<tr>
<td>11</td>
<td>Amount under (in excess of) the expenditure limitation</td>
<td>$ 268,135</td>
</tr>
</tbody>
</table>

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: 

Name and title: Tabatha Miller, Administrative Services Director

Telephone number: (928) 854-4230

Date: 2-1-2018

See accompanying notes to report.
## LAKE HAVASU CITY, ARIZONA
### ANNUAL EXPENDITURE LIMITATION REPORT - PART II
#### FISCAL YEAR ENDED JUNE 30, 2017

### Description of Funds

<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> Amounts reported on the Reconciliation, Line D</td>
<td>$60,772,041</td>
<td>$27,564,859</td>
<td>-</td>
<td>$88,336,900</td>
</tr>
<tr>
<td><strong>B.</strong> Less exclusions claimed:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Bond Proceeds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>239,318</td>
</tr>
<tr>
<td>2. Dividends, interest, and gains on the sale or redemption of investment 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>1,112,807</td>
<td>-</td>
<td>-</td>
<td>1,112,807</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>387,278</td>
<td>-</td>
<td>-</td>
<td>387,278</td>
</tr>
<tr>
<td>6. Amounts received from the State of Arizona</td>
<td>128,687</td>
<td>64,858</td>
<td>-</td>
<td>193,545</td>
</tr>
<tr>
<td>7. Quasi-external interfund transactions</td>
<td>-</td>
<td>271,659</td>
<td>-</td>
<td>271,659</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>4,113,745</td>
<td>-</td>
<td>-</td>
<td>4,113,745</td>
</tr>
<tr>
<td>10. Contracts with other political subdivisions</td>
<td>626,996</td>
<td>-</td>
<td>-</td>
<td>626,996</td>
</tr>
<tr>
<td>11. Refunds, reimbursements, and other recoveries</td>
<td>35,573</td>
<td>-</td>
<td>-</td>
<td>35,573</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>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>14. Total exclusions claimed</strong></td>
<td>$16,016,170</td>
<td>$15,897,931</td>
<td>$</td>
<td>$31,914,101</td>
</tr>
<tr>
<td><strong>C.</strong> Amounts subject to the expenditure limitation (if an individual fund category/type amount is negative, reduce exclusions claimed to net to zero.)</td>
<td>$44,755,871</td>
<td>$11,666,928</td>
<td>$</td>
<td>$56,422,799</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.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total expenditures/expenses/deductions and applicable other financing uses,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>special items, and extraordinary items reported within the fund financial</td>
<td>62,561,374</td>
<td>43,903,788</td>
<td>1,192,466</td>
<td>107,657,628</td>
</tr>
<tr>
<td>statements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<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>11,020,455</td>
<td>-</td>
<td>11,020,455</td>
</tr>
<tr>
<td>b. Loss on disposal of capital assets</td>
<td>-</td>
<td>13,310</td>
<td>1,192,466</td>
<td>1,205,776</td>
</tr>
<tr>
<td>c. Bad debt expense</td>
<td>-</td>
<td>228,945</td>
<td>-</td>
<td>228,945</td>
</tr>
<tr>
<td>d. Other postemployment benefits expense (OPEB)</td>
<td>-</td>
<td>67,102</td>
<td>-</td>
<td>67,102</td>
</tr>
<tr>
<td>e. Pension Expense</td>
<td>-</td>
<td>170,435</td>
<td>-</td>
<td>170,435</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>127,154</td>
<td>-</td>
<td>127,154</td>
</tr>
<tr>
<td>2. Expenditures of separate legal entities established under Arizona</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revised Statutes</td>
<td>1,680,184</td>
<td>11,873,128</td>
<td>-</td>
<td>13,553,312</td>
</tr>
<tr>
<td>3. Required Fees paid to the Arizona Department of Revenue</td>
<td>109,149</td>
<td></td>
<td>-</td>
<td>109,149</td>
</tr>
<tr>
<td>4. Present value of net minimum capital lease and installment purchase</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>contract payments recorded as expenditures at inception of the agreements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5. Involuntary court judgements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6. Total subtractions</td>
<td>1,799,333</td>
<td>23,500,529</td>
<td>1,192,466</td>
<td>26,482,328</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>5,843,338</td>
<td>-</td>
<td>5,843,338</td>
</tr>
<tr>
<td>2. Acquisition of capital assets</td>
<td>-</td>
<td>1,105,309</td>
<td>-</td>
<td>1,105,309</td>
</tr>
<tr>
<td>3. Amounts paid in the current year but reported as expenses in</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>previous years:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPEB</td>
<td>-</td>
<td>22,156</td>
<td>-</td>
<td>22,156</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>190,797</td>
<td>-</td>
<td>190,797</td>
</tr>
<tr>
<td>5. Total additions</td>
<td>-</td>
<td>7,161,600</td>
<td>-</td>
<td>7,161,600</td>
</tr>
<tr>
<td>D. Amounts reported on Part II, Line A</td>
<td>$ 60,772,041</td>
<td>$ 27,564,859</td>
<td>$ -</td>
<td>$ 88,336,900</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 $ 11,020,455
         Depreciation-Internal Service Funds
         $ 11,020,455
      b. Loss on Disposal of Capital Assets - Wastewater $ 13,310
         Loss on Disposal of Capital Assets - Internal Service Fund
         1,192,466
         $ 1,205,776
      c. Bad Debt Expense included in Cost of Sales & Services for
         Wastewater, Refuse and Airport Funds
         $ 228,945
      d. Other Postemployment Benefits Expense - Wastewater, Refuse and Airport Funds
         $ 67,102
      e. Pension Expense-
         Deduction Net Pension expense per CAFR:
         -Wastewater $ 163,908
         -Airport 6,527
         $ 170,435
      g. Landfill Closure and Postclosure Care costs
         $ 127,154
   2. Expenditures of separate legal entities established under A.R.S.
      Special Revenue Funds:
      Improvement District No. 2 & 4 $ 82,200
      Transfer from Irrigation & Drainage District to General Fund 1,502,451
      Transfer from Irrigation & Drainage District to HURF Fund 58,000
      Transfer from Irrigation & Drainage District to Capital Improvement Fund 37,533
      Total Governmental Funds
      $ 1,680,184
      Special District Expenditures:
      Operating Expenses - Irrigation and Drainage District $ 10,776,181
      Nonoperating Expenses - Irrigation and Drainage District 96,947
      Total Irrigation and Drainage District 10,873,128
      Proprietary Funds:
      Transfer from Irrigation and Drainage District to:
      Wastewater Utility Fund $ 1,000,000
      $ 11,873,128

C. Additions:
   1. Principal Payments on long-term debt:
      Wastewater Fund $ 5,839,425
      Nonmajor business type activities 3,913
      $ 5,843,338
   2. Amounts paid for acquisition of capital assets:
      Wastewater Fund $ 1,010,054
      Nonmajor business type activities 95,255
      $ 1,105,309
   3. Amount paid in current year but reported as expense in previous year: OPEB
      $ 22,156
   4. Additions of Net Pension contributions made:
      Wastewater $ 177,798
      Airport 12,999
      $ 190,797
NOTE 3 - EXCLUSIONS CLAIMED IN PART II

1. Debt Service Requirements on Bonded Indebtedness:
   
   Debt Service Fund:
   
   Total expenditures $239,318

   c. Proceeds from other long-term obligations:
      
      Prior Year Proceeds (Radio Project) 539,837
      Less Amount Not Expended in 2016-17 (172,525)
      Governmental Proceeds 367,312
      
      Proceeds Received 2016 Excise Tax 11,279,439
      Issuance Costs 167,603
      Less Amount Not Expended 2016-17 (6,428,201)
      Total Governmental Proceeds 5,918,841 $5,386,153
      
      Proceeds Received Proprietary Funds/Non Major 1,247,508
      Issuance Costs 52,259
      Less Amount Not Expended 2016-17 -
      Total Proprietary 1,299,767 $1,299,767
      Total Expended $6,685,920

   d. Debt Service Requirements on Other Long Term Obligations:
      
      General Fund (includes financing agreements) 3,032,450
      HURF (includes financing agreements) 54,868
      Culture and Rec. Debt Payments (includes financing agreements) 147,468
      Public Safety Debt Payments (includes financing agreements) 750,827
      Total Governmental Funds 3,985,613 $3,985,613

2. Interest:

   General Fund:
   
   2016-17 earnings / Interest $111,095
   Interest on delinquent taxes (sales/property) 47,079
   Add Back Unrealized Loss on Adjustment to Market Value 296,969
   Subtotal 455,143
   Portion excluded to extent of expenditures
   Amount being carried forward to future years
   $455,143

   Special Revenue Funds:
   
   2016-17 earnings $3,918
   Add Back Unrealized Loss on Adjustment to Market Value 59,180
   Subtotal 63,098
   Portion excluded to extent of expenditures
   Amount being carried forward to future years
   $63,098

   Debt Service Fund:
   
   2016-17 earnings $240
   Add Back Unrealized Loss on Adjustment to Market Value 1,230
   Subtotal 1,470
   Portion excluded to extent of expenditures
   Amount being carried forward to future years
   $1,470

   Capital Projects Fund:
   
   2016-17 earnings $284
   Add Back Unrealized Loss on Adjustment to Market Value 21,200
   Subtotal 21,484
   Portion excluded to extent of expenditures
   Amount being carried forward to future years
   $21,484

   Total Governmental Funds:
   
   Total Governmental Excluded -
   Total Governmental Carried Forward 541,195

   Proprietary Funds:
   
   2016-17 earnings in Wastewater, Refuse, and Airport Funds $26,180
   Add Back Unrealized Loss on Adjustment to Market Value 329,692
   Subtotal 303,512
   Portion excluded to extent of expenditures
   Amount being carried forward to future years
   $303,512

   Total Proprietary Funds Excluded -
   Total Proprietary Funds Carried Forward $303,512
## NOTE 3 - EXCLUSIONS CLAIMED IN PART II (Cont'd)

### 4. Grants and Aid from Federal Government:

**Special Revenue Funds:**
- Crime Victim Assistance: $15,395
- Bullet Proof Vest (BPV): $11,997
- MAGNET: $182,182
- US DOT-Metropolitan Planning Funds: $118,141
- US DOT-State Planning and Research Funds: $68,506
- US DOT-Strategic Transportation Safety Plan: $130,731
- US DOT-FTA Section 5303: $21,680
- Homeland Security: $24,592
- Highway Planning & Construction Fund: $82,045
- Governor's Office of Highway Safety: $28,889
- Community Development Block Grants: $428,649

**Total Governmental Funds:** $1,112,807

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

**Governmental Funds:**
- General Fund - donations: $108,386
- Non Major - contributions: $278,892

**Total Governmental Funds:** $387,278

### 6. Amounts received from the State

**Special Revenue Funds:**
- Miscellaneous Police - AZ POST - WALETA: $117,813
- Miscellaneous Police - AZ POST Training: $1,617
- Miscellaneous Police - GOHS DUI Abatement: $9,257

**Total Governmental Funds:** $128,687

**Proprietary Funds:**
- Airport - ADOT E5S1Q-Reloc Hydrant: $35,780
- Airport - ADOT E5S1R-FOD/Runway Lip: $29,078

**Total Proprietary Funds:** $64,858

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**LAKE HAVASU CITY, ARIZONA**

**NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT**

**FISCAL YEAR ENDED JUNE 30, 2017**
7. Quasi-external interfund transactions
   Sewer revenue collected from Non major Enterprise Funds $ 94,973
   (Wastewater and Airport )
   Sewer revenue collected from Governmental Funds 176,686
   Total Proprietary Funds $ 271,659

9. Highway User Funds in Excess of FY 1979-80:
   HURF Revenue $ 4,981,079
   Total HURF revenue received during 1979-80 (805,527)
   Total HURF revenue available for exclusion $ 4,175,552
   Total HURF Expenditures $ 4,925,005
   Less Non-HURF Revenue
   Miscellaneous revenues (3,984)
   Interest previously excluded (1,749)
   Less HURF FY 1979-80 Base Limit (805,527)
   Remaining HURF Expenditures $ 4,113,745
   HURF Revenue Available for Exclusion 4,175,552
   HURF Revenue in Excess of Expenditure to Carryforward (61,807)

   Total HURF Expenditures Excluded $ 4,113,745

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 576,996
    Total Contracts with other Political Subdivisions $ 626,996

11. Refunds, reimbursements, and other recoveries:
    General Fund and Special Revenue Funds:
    Insurance damage reimbursements $ 35,573

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