
Havasu Landing Casino

(An Enterprise Fund of the Chemehuevi Indian Tribe)

*Financial Statements,
Supplemental Schedules, and
Independent Auditor's Report
December 31, 2015 and 2014*



CPAs | Business & Financial Advisors

Havasu Landing Casino

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Independent Auditor's Report

Honorable Chairman and Members of the Council
Chemehuevi Indian Tribe
Havasu Lake, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Havasu Landing Casino (the "Casino"), an enterprise fund of the Chemehuevi Indian Tribe, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Havasu Landing Casino enterprise fund of the Chemehuevi Indian Tribe, as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Havasu Landing Casino enterprise fund and do not purport to, and do not, present fairly the financial position of the Chemehuevi Indian Tribe as of December 31, 2015 and 2014, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements. The schedules of other operating expenses are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of other operating expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedules of other operating expenses are fairly stated, in all material respects, in relation to the financial statements as a whole.



Phoenix, Arizona
April 15, 2016

Financial Statements

Havasu Landing Casino
Statements of Net Position
December 31,

	2015	2014
Assets		
Current assets		
Cash	\$ 9,143,546	\$ 11,388,131
Prepaid expenses and deposits	48,168	162,844
Inventories	129,690	110,197
Interfund notes receivable, current portion	2,398,457	197,884
Total current assets	11,719,861	11,859,056
Noncurrent assets		
Restricted cash	2,101,001	-
Capital assets not being depreciated	2,727,385	2,727,385
Capital assets net of accumulated depreciation	1,320,797	1,482,421
Interfund notes receivable	1,192,650	1,309,414
Total noncurrent assets	7,341,833	5,519,220
Total assets	19,061,694	17,378,276
Liabilities		
Current liabilities		
Accounts payable	37,429	89,073
Accrued payroll and related expenses	47,749	43,431
Accrued vacation	52,254	57,671
Jackpots and promotions payable	67,441	67,464
Interfund payables	187,151	258,588
Other	6,346	16,779
Total current liabilities	398,370	533,006
Total liabilities	398,370	533,006
Net Position		
Net investment in capital assets	4,048,182	4,209,806
Unrestricted	14,615,142	12,635,464
Total net position	\$ 18,663,324	\$ 16,845,270

The accompanying notes are an integral part of these financial statements.

Havasu Landing Casino
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31,

	2015	2014
Operating Revenues		
Gaming	\$ 7,794,560	\$ 7,143,194
Food, beverage, and cigarettes	2,931,364	2,827,663
Other	194,145	65,495
Total operating revenues	10,920,069	10,036,352
Less promotional allowances and complimentarys	(12,334)	(8,281)
Net operating revenues	10,907,735	10,028,071
Operating Expenses		
Payroll and related	2,512,363	2,481,636
Cost of sales	1,511,911	1,552,421
Depreciation	524,210	519,884
Other	2,229,896	2,166,628
Total operating expenses	6,778,380	6,720,569
Operating income	4,129,355	3,307,502
Nonoperating Revenues		
Interest revenue	131,548	101,676
Gain on sale of capital assets	2,500	-
Total nonoperating revenues	134,048	101,676
Income before transfers	4,263,403	3,409,178
Transfers to other funds	(2,445,349)	(1,970,129)
Change in net position	1,818,054	1,439,049
Net position, beginning of year	16,845,270	15,406,221
Net position, end of year	\$ 18,663,324	\$ 16,845,270

The accompanying notes are an integral part of these financial statements.

Havasu Landing Casino
Statements of Cash Flows
For the Years Ended December 31,

	2015	2014
Cash flows from operating activities		
Cash received from customers	\$ 11,156,157	\$ 10,260,262
Cash paid to suppliers	(4,483,028)	(4,323,678)
Cash paid to employees	<u>(2,059,017)</u>	<u>(2,038,826)</u>
Net cash provided by operating activities	<u>4,614,112</u>	<u>3,897,758</u>
Cash flows from noncapital financing activities		
Transfers to other funds	(2,445,349)	(1,970,129)
Decrease in nonoperational interfund receivable	<u>-</u>	<u>607,968</u>
Net cash used by noncapital financing activities	<u>(2,445,349)</u>	<u>(1,362,161)</u>
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	2,500	-
Acquisition of capital assets	<u>(362,586)</u>	<u>(910,982)</u>
Net cash used by capital and related financing activities	<u>(360,086)</u>	<u>(910,982)</u>
Cash flows from investing activities		
Proceeds from interfund notes receivable principal payments	243,185	191,064
Issuance of interfund note receivable	(2,326,994)	-
Interest received	<u>131,548</u>	<u>101,676</u>
Net cash provided (used) by investing activities	<u>(1,952,261)</u>	<u>292,740</u>
Net increase (decrease) in cash	(143,584)	1,917,355
Cash, beginning of year	<u>11,388,131</u>	<u>9,470,776</u>
Cash, end of year	<u>\$ 11,244,547</u>	<u>\$ 11,388,131</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	<u>\$ 4,129,355</u>	<u>\$ 3,307,502</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	524,210	519,884
Changes in assets and liabilities		
Inventories	(19,493)	(18,778)
Prepaid expenses and deposits	114,676	(6,548)
Accounts payable	(51,644)	(36,530)
Accrued payroll and related expenses	4,318	8,011
Accrued vacation	(5,417)	5,260
Jackpots and promotions payable	(23)	5,248
Operational interfund payables	(71,437)	109,814
Other liabilities	<u>(10,433)</u>	<u>3,895</u>
Total adjustments	<u>484,757</u>	<u>590,256</u>
Net cash provided by operating activities	<u>\$ 4,614,112</u>	<u>\$ 3,897,758</u>

The accompanying notes are an integral part of these financial statements.

Havasus Landing Casino
Notes to Financial Statements
December 31, 2015 and 2014

1) Summary of Significant Accounting Policies

Havasus Landing Casino (the “Casino”) is an unincorporated enterprise owned by the Chemehuevi Indian Tribe (the “Tribe”) and was formed on January 1, 2002. The enterprise has its principal place of business on land located on the Chemehuevi Indian Reservation near Havasus Lake, California.

The financial statements of Havasus Landing Casino, an enterprise fund, have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Casino’s financial statements present only the financial position, changes in financial position, and cash flows of Havasus Landing Casino and are not intended to present fairly the financial position of the Chemehuevi Indian Tribe and changes in its financial position and its cash flows, where applicable, in conformity with U.S. generally accepted accounting principles.

The Casino’s activities are similar to those found in the private sector, where the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the statement of net position. Enterprise fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Slot and table game revenues consist of the net of gaming wins and losses.

The financial statements include a statement of net position; statement of revenues, expenses, and changes in net position; and a statement of cash flows.

A statement of net position provides information about the assets, liabilities, and net position of the Casino at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external restrictions or availability of assets to satisfy Casino obligations. Net investment in capital assets

Havasu Landing Casino
Notes to Financial Statements
December 31, 2015 and 2014

represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the asset. Unrestricted net position includes all other net position, including that which has been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net position provides information about the Casino's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital contributions. Operating revenues and expenses result from providing services in connection with the Casino's principal ongoing operations. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

A statement of cash flows provides information about the Casino's sources and uses of cash during the year. Changes in cash are classified as operating, noncapital financing, capital financing, or investing.

The accompanying financial statements have been prepared in accordance with the reporting model defined by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, except that the Casino has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, the basic financial statements (Management's Discussion and Analysis is a narrative of the financial highlights for the year).

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Casino considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventory is carried at the lower of cost or market using the first-in, first-out inventory valuation method.

Capital Assets

Capital assets are carried at historical cost. Capital assets are defined by the Casino as assets with an initial, individual cost of \$500 or more. Depreciation is provided on the

Havasu Landing Casino
Notes to Financial Statements
December 31, 2015 and 2014

straight-line method at rates that are based upon the estimated useful lives of the assets. The estimated useful lives of capital assets are as follows:

Buildings and improvements	7-20 years
Land improvements	7-20 years
Slot machines	3-5 years
Furniture and equipment	3-7 years
Transportation equipment	3-7 years

Maintenance and repair of property and equipment are charged to expense as incurred. Renewal and betterments are treated as capital additions and depreciated accordingly.

Impairment of Long-Lived Assets

The Casino reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Federal Income Taxes

The Chemehuevi Indian Tribe is a recognized Indian Nation and is exempt from federal and state income taxes. Accordingly, no provision for federal and state income taxes has been made in the financial statements.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Havasus Landing Casino
Notes to Financial Statements
December 31, 2015 and 2014

2) Cash

The Casino's cash on hand, carrying amount of cash in bank, and bank balance at December 31 were as follows:

	2015	2014
Cash on hand	\$ 1,623,909	\$ 1,011,413
Carrying amount of cash in bank	9,620,638	10,376,718
Bank balance	9,739,096	10,437,760

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Casino's deposits may not be returned to it. The Casino does not have a formal policy with respect to custodial credit risk. As of December 31, 2015 and 2014, \$1,046,349 and \$10,088,000, respectively, was either insured by Federal Deposit Insurance Corporation (FDIC) coverage or collateralized by pledged securities, and \$8,692,747 and \$349,760, respectively, was uninsured and uncollateralized and was exposed to custodial credit risk.

Restricted Cash—As of December 31, 2015, the Chemehuevi Indian Tribe is in progress with a development project for a new casino and hotel enterprise fund, which will be a separate enterprise fund from Havasu Landing Casino. Upon opening of the new casino and hotel, it has not yet been determined what the Tribe will do with the existing facilities of the Havasu Landing Casino.

Pursuant to the long-term debt financing arrangements of the Tribe's new casino and hotel project, the Casino was required to set aside funds of \$2,100,000 in a restricted cash account as collateral on the project. Funds set aside in this account cannot be accessed or utilized by the Casino until the debt restrictions are released as the project progresses. As of December 31, 2015, construction has not yet begun on the project. Once started, the construction phase is expected to last approximately 12 months.

Havasu Landing Casino
Notes to Financial Statements
December 31, 2015 and 2014

3) Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated</i>				
Land	\$ 2,727,385	\$ -	\$ -	\$ 2,727,385
Total capital assets not being depreciated	<u>2,727,385</u>	<u>-</u>	<u>-</u>	<u>2,727,385</u>
<i>Capital assets being depreciated</i>				
Land improvements	131,665	-	-	131,665
Buildings and improvements	3,100,048	-	-	3,100,048
Slot machines	3,940,779	293,440	(247,594)	3,986,625
Furniture and equipment	2,645,269	69,146	(3,824)	2,710,591
Transportation equipment	<u>110,590</u>	<u>-</u>	<u>-</u>	<u>110,590</u>
Total capital assets being depreciated	<u>9,928,351</u>	<u>362,586</u>	<u>(251,418)</u>	<u>10,039,519</u>
Less accumulated depreciation				
Land improvements	(80,726)	(7,917)	-	(88,643)
Buildings and improvements	(2,186,983)	(148,670)	-	(2,335,653)
Slot machines	(3,708,443)	(231,246)	247,594	(3,692,095)
Furniture and equipment	(2,360,328)	(135,235)	3,824	(2,491,739)
Transportation equipment	<u>(109,450)</u>	<u>(1,142)</u>	<u>-</u>	<u>(110,592)</u>
Total accumulated depreciation	<u>(8,445,930)</u>	<u>(524,210)</u>	<u>251,418</u>	<u>(8,718,722)</u>
Total capital assets being depreciated, net	<u>1,482,421</u>	<u>(161,624)</u>	<u>-</u>	<u>1,320,797</u>
Capital assets, net	<u>\$ 4,209,806</u>	<u>\$ (161,624)</u>	<u>\$ -</u>	<u>\$ 4,048,182</u>

Havasu Landing Casino
Notes to Financial Statements
December 31, 2015 and 2014

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated</i>				
Land	\$ 2,100,485	\$ 626,900	\$ -	\$ 2,727,385
Total capital assets not being depreciated	<u>2,100,485</u>	<u>626,900</u>	<u>-</u>	<u>2,727,385</u>
<i>Capital assets being depreciated</i>				
Land improvements	131,665	-	-	131,665
Buildings and improvements	3,047,384	52,664	-	3,100,048
Slot machines	3,783,496	201,001	(43,718)	3,940,779
Furniture and equipment	2,614,852	30,417	-	2,645,269
Transportation equipment	110,590	-	-	110,590
Total capital assets being depreciated	<u>9,687,987</u>	<u>284,082</u>	<u>(43,718)</u>	<u>9,928,351</u>
Less accumulated depreciation				
Land improvements	(72,809)	(7,917)	-	(80,726)
Buildings and improvements	(2,036,935)	(150,048)	-	(2,186,983)
Slot machines	(3,569,283)	(182,878)	43,718	(3,708,443)
Furniture and equipment	(2,194,986)	(165,342)	-	(2,360,328)
Transportation equipment	(95,751)	(13,699)	-	(109,450)
Total accumulated depreciation	<u>(7,969,764)</u>	<u>(519,884)</u>	<u>43,718</u>	<u>(8,445,930)</u>
Total capital assets being depreciated, net	<u>1,718,223</u>	<u>(235,802)</u>	<u>-</u>	<u>1,482,421</u>
Capital assets, net	<u>\$ 3,818,708</u>	<u>\$ 391,098</u>	<u>\$ -</u>	<u>\$ 4,209,806</u>

Havasu Landing Casino
Notes to Financial Statements
December 31, 2015 and 2014

4) Interfund Notes Receivable

Interfund notes receivable as of December 31 consisted of the following:

	2015	2014
<i>Havasu Landing Resort</i>		
On November 11, 2008, the Casino entered into an agreement with Havasu Landing Resort to loan the Resort an amount not to exceed \$850,000, at an annual interest rate of 7%. Interest on the unpaid principal balance accrues from the date the funds are first advanced. Payment of principal and interest of \$11,504 is due the 15th day of the each month and every month thereafter until paid in full. The loan was repaid in full in fiscal year 2015.	\$ -	\$ 175,253
<i>Chemehuevi Indian Tribe's General Fund</i>		
On December 1, 2008, the Casino entered into a loan agreement with Chemehuevi Indian Tribe to loan the Tribe's General Fund \$1,680,000, at an annual interest rate of 5%, to fund the purchase of real property, including a ferry dock, in Lake Havasu City, Arizona. Payments of principal and interest are payable in equal installments of \$11,087 on the 1st day of each month and every month thereafter until paid in full.	1,264,113	1,332,045
On November 17, 2015, the Casino entered into a loan agreement with Chemehuevi Indian Tribe to loan the Tribe's General Fund \$2,326,994, at no interest, to make per capita distributions. The loan is due in full 120 days after issuance, dependent on the Tribe securing its financing on the new casino and hotel project.	<u>2,326,994</u>	<u>-</u>
Total interfund notes receivable	3,591,107	1,507,298
Less current portion	<u>(2,398,457)</u>	<u>(197,884)</u>
Noncurrent portion	<u>\$ 1,192,650</u>	<u>\$ 1,309,414</u>

Havasu Landing Casino
Notes to Financial Statements
December 31, 2015 and 2014

5) Interfund Receivables, Payables and Transfers

Interfund payables at December 31 were as follows:

	<u>2015</u>	<u>2014</u>
Chemehuevi Indian Tribe's—		
General fund	\$ 140,486	\$ 218,591
Havasu Landing Resort enterprise fund	<u>46,665</u>	<u>39,997</u>
Totals	<u>\$ 187,151</u>	<u>\$ 258,588</u>

Interfund payable balances resulted from the time lag between the dates that interfund goods or services were provided or reimbursable expenses occur and payments between the funds were made.

Transfers to other funds for the years ending December 31 were as follows:

	<u>2015</u>	<u>2014</u>
Chemehuevi Indian Tribe's—		
General fund	\$ 2,445,349	\$ 1,840,373
Havasu Landing Resort enterprise fund	<u>-</u>	<u>129,756</u>
Totals	<u>\$ 2,445,349</u>	<u>\$ 1,970,129</u>

The transfers to the Chemehuevi Indian Tribe's general fund in 2015 and 2014 were to fund the activities of the general fund and were determined and set by the Tribal Council. In addition, in fiscal year 2015, the transfers to the Tribe included \$399,842 of fees paid pursuant to the Tribe's new casino and hotel enterprise fund project (see Note 2).

The transfers to the Havasu Landing Resort enterprise fund in 2014 were used by the Resort for capital improvements to its ferry boat.

6) Risk Management

The Casino is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Casino carries commercial insurance for all such risks of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Supplemental Information

Havasu Landing Casino
Schedules of Other Operating Expenses
For the Years Ended December 31,

	<u>2015</u>	<u>2014</u>
Admin / ferry	\$ 440,049	\$ 409,435
Surveillance	314,202	383,853
Revenue share	435,853	378,768
Supplies	152,445	169,890
Electricity	172,838	159,948
Repairs and maintenance	189,258	153,241
Promotion	83,322	90,827
Entertainment	58,265	61,820
Insurance	61,579	59,998
Bank and credit card fees	59,939	53,089
Accounting and legal fees	56,570	53,060
Other utilities	51,099	52,806
Property taxes	18,097	27,557
Advertising	39,347	23,765
Telephone	17,366	18,465
Small equipment expense	15,049	12,590
Alarm and armor services	8,118	11,227
Contributions and donations	10,336	10,072
Office supplies	10,179	9,755
Printing and copying	2,103	2,278
Licenses and permits	1,458	1,614
Uniforms	4,802	912
Other	27,622	21,658
	<u>\$ 2,229,896</u>	<u>\$ 2,166,628</u>