
Havasu Landing Resort

(An Enterprise of the Chemehuevi Indian Tribe)

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



CPAs | Business & Financial Advisors

Havasu Landing Resort

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Havasu Landing Resort (the "Resort"), 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 Resort 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 Resort 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 accompanying 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.

REDW LLC

Phoenix, Arizona
April 1, 2016

Financial Statements

Havasu Landing Resort
Statements of Net Position
December 31,

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 2,705,482 | \$ 2,143,583 |
| Accounts receivable | 65,060 | 14,897 |
| Due from other funds | 46,665 | 39,997 |
| Inventories | 455,430 | 438,658 |
| Deposits | 75,000 | 75,000 |
| Prepaid expenses | <u>41,966</u> | <u>44,546</u> |
| Total current assets | <u>3,389,603</u> | <u>2,756,681</u> |
| Noncurrent assets | | |
| Capital assets, not being depreciated | 1,519,262 | 1,677,534 |
| Capital assets, net of accumulated depreciation | 5,317,938 | 5,151,594 |
| Other assets | <u>154,325</u> | <u>119,560</u> |
| Total noncurrent assets | <u>6,991,525</u> | <u>6,948,688</u> |
| Total assets | <u>10,381,128</u> | <u>9,705,369</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 24,164 | 68,343 |
| Due to other funds | 57,027 | 60,502 |
| Accrued payroll and related expenses | 51,699 | 37,489 |
| Interfund note payable, current portion | - | 129,899 |
| Accrued vacation | 40,251 | 33,283 |
| Deposits collected | 538,665 | 531,426 |
| Unearned revenue | <u>120,141</u> | <u>163,197</u> |
| Total current liabilities | 831,947 | 1,024,139 |
| Noncurrent liabilities | | |
| Interfund note payable | <u>-</u> | <u>45,353</u> |
| Total liabilities | <u>831,947</u> | <u>1,069,492</u> |
| Net Position | | |
| Net investment in capital assets | 6,837,200 | 6,829,128 |
| Unrestricted | <u>2,711,981</u> | <u>1,806,749</u> |
| Total net position | <u>\$ 9,549,181</u> | <u>\$ 8,635,877</u> |

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

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

| | 2015 | 2014 |
|---|--------------|--------------|
| Operating Revenues | | |
| Retail sales | \$ 3,453,469 | \$ 3,510,392 |
| Rentals | 2,948,194 | 2,844,882 |
| Ferry boat ride revenue | 224,016 | 219,724 |
| Electricity and gas | 114,737 | 89,507 |
| Fees, licenses, and permits | 199,011 | 186,989 |
| Other | 268,495 | 267,319 |
| Total operating revenues | 7,207,922 | 7,118,813 |
| Operating Expenses | | |
| Cost of sales | 2,443,253 | 2,662,850 |
| Payroll and related | 2,078,694 | 2,031,794 |
| Depreciation | 650,583 | 492,909 |
| Other | 854,331 | 887,799 |
| Total operating expenses | 6,026,861 | 6,075,352 |
| Operating income | 1,181,061 | 1,043,461 |
| Nonoperating Revenues (Expenses) | | |
| Interest revenue | 40,311 | 32,258 |
| Interest expense | (7,428) | (16,910) |
| Total nonoperating revenues (expenses) | 32,883 | 15,348 |
| Income before transfers | 1,213,944 | 1,058,809 |
| Transfers | | |
| Transfers in | - | 151,406 |
| Transfers out | (300,640) | (290,878) |
| Change in net position | 913,304 | 919,337 |
| Net position, beginning of year | 8,635,877 | 7,716,540 |
| Net position, end of year | \$ 9,549,181 | \$ 8,635,877 |

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

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

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Cash received from customers | \$ 7,121,942 | \$ 7,200,935 |
| Cash paid to suppliers | (3,763,707) | (3,901,347) |
| Cash paid to employees | <u>(1,694,672)</u> | <u>(1,726,459)</u> |
| Net cash provided by operating activities | <u>1,663,563</u> | <u>1,573,129</u> |
| Cash flows from noncapital financing activities | | |
| Transfers to other funds | (300,640) | (290,878) |
| Transfers from other funds | <u>-</u> | <u>151,406</u> |
| Net cash used by noncapital financing activities | <u>(300,640)</u> | <u>(139,472)</u> |
| Cash flows from capital and related financing activities | | |
| Acquisition of capital assets | (658,655) | (1,051,298) |
| Principal payments on interfund note payable | (175,252) | (121,142) |
| Interest payments on interfund note payable | <u>(7,428)</u> | <u>(16,910)</u> |
| Net cash used by capital and related financing activities | <u>(841,335)</u> | <u>(1,189,350)</u> |
| Cash flows from investing activities | | |
| Interest received | <u>40,311</u> | <u>32,258</u> |
| Net cash provided by investing activities | <u>40,311</u> | <u>32,258</u> |
| Net increase in cash | 561,899 | 276,565 |
| Cash, beginning of year | <u>2,143,583</u> | <u>1,867,018</u> |
| Cash, end of year | <u>\$ 2,705,482</u> | <u>\$ 2,143,583</u> |

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

Havasu Landing Resort
Statements of Cash Flows — continued
For the Years Ended December 31,

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | <u>\$ 1,181,061</u> | <u>\$ 1,043,461</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 650,583 | 492,909 |
| Changes in assets and liabilities | | |
| Accounts receivable | (50,163) | 30,733 |
| Inventories | (16,772) | (58,221) |
| Prepaid expenses | 2,580 | (11,707) |
| Due from other funds | (6,668) | (16,686) |
| Other assets | (34,765) | (24,640) |
| Accounts payable | (44,179) | 35,868 |
| Accrued payroll and related expenses | 14,210 | 1,480 |
| Accrued vacation | 6,968 | (7,299) |
| Deposits collected | 7,239 | 39,115 |
| Due to other funds | (3,475) | 35,842 |
| Unearned revenue | (43,056) | 12,274 |
| Total adjustments | <u>482,502</u> | <u>529,668</u> |
| Net cash provided by operating activities | <u>\$ 1,663,563</u> | <u>\$ 1,573,129</u> |

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

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

1) Summary of Significant Accounting Policies

Havasu Landing Resort (the “Resort”) is an unincorporated enterprise owned by the Chemehuevi Indian Tribe and formed in 1976, for the purpose of owning and operating rental properties and retail establishments. The enterprise has its principal place of business on land located on the Chemehuevi Indian Reservation near Havasu Lake, California.

The financial statements of the Resort, 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 Resort’s financial statements present only the financial position, changes in financial position and cash flows of the Resort 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 Resort’s activities are similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

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.

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 Resort 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 the Resort’s obligations. Net investment in capital assets 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.

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

A statement of revenues, expenses, and changes in net position provides information about the Resort'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 Resort'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 Resort'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 Resort 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 Resort considers highly liquid debt instruments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets are carried at historic cost. The Resort defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Depreciation is provided on the straight-line method at rates which are based upon the estimated lives of the assets. The estimated lives on depreciable properties are:

| | |
|---------------------------|------------|
| Land improvements | 3-30 years |
| Building and improvements | 3-25 years |
| Furniture and equipment | 3-20 years |
| Transportation vehicle | 3-10 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.

Havasu Landing Resort

Notes to Financial Statements

December 31, 2015 and 2014

Impairment of Long-Lived Assets

The Resort 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.

Concentration of Credit Risk

The Resort's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. The Resort places its cash with high credit-worthy institutions. The Resort routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable credit risk exposure is limited.

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.

New Accounting Pronouncement

The following GASB pronouncement has been issued, but is not yet effective at December 31, 2015:

- ◆ GASB Statement No. 72, *Fair Value Measurement and Application*

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

2) Cash

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

| | <u>2015</u> | <u>2014</u> |
|---------------------------------|---------------------|---------------------|
| Cash on hand | \$ 30,100 | \$ 27,500 |
| Carrying amount of cash in bank | <u>2,675,382</u> | <u>2,116,083</u> |
| Total cash | <u>\$ 2,705,482</u> | <u>\$ 2,143,583</u> |
| Bank balance | <u>\$ 2,666,071</u> | <u>\$ 2,080,778</u> |

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Resort's deposits may not be returned to it. The Resort does not have a deposit policy for custodial credit risk.

Of the Resort's bank balances at December 31, 2015 and 2014, \$250,000 in each year, respectively, was either insured by Federal Deposit Insurance Corporation (FDIC) coverage, and \$2,416,071 and \$1,830,778, respectively, was uninsured and uncollateralized and was exposed to custodial credit risk.

3) Accounts Receivable

At December 31, accounts receivable consisted of the following:

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|------------------|------------------|
| Rent receivables | \$ 34,883 | \$ 16,874 |
| Other receivables | <u>35,677</u> | <u>3,523</u> |
| | 70,560 | 20,397 |
| Less allowance for uncollectibles | <u>(5,500)</u> | <u>(5,500)</u> |
| Total | <u>\$ 65,060</u> | <u>\$ 14,897</u> |

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

4) Inventories

At December 31, a departmental breakdown of inventories was as follows:

| | <u>2015</u> | <u>2014</u> |
|------------------|-------------------|-------------------|
| Grocery store | \$ 212,852 | \$ 179,198 |
| Hardware store | 134,396 | 153,996 |
| Marina/boathouse | 55,374 | 58,968 |
| Spare boat parts | 46,173 | 32,714 |
| Deli | <u>6,635</u> | <u>13,782</u> |
| Total | <u>\$ 455,430</u> | <u>\$ 438,658</u> |

5) 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> | | | | |
| Construction in progress | \$ 177,302 | \$ 658,655 | \$ (816,927) | \$ 19,030 |
| Land | <u>1,500,232</u> | <u>-</u> | <u>-</u> | <u>1,500,232</u> |
| Total capital assets not being depreciated | <u>1,677,534</u> | <u>658,655</u> | <u>(816,927)</u> | <u>1,519,262</u> |
| <i>Capital assets being depreciated</i> | | | | |
| Land improvements | 5,538,082 | 268,813 | - | 5,806,895 |
| Buildings and improvements | 3,346,509 | 277,701 | - | 3,624,210 |
| Furniture and equipment | 2,344,235 | 61,190 | - | 2,405,425 |
| Transportation vehicle | <u>2,265,369</u> | <u>209,223</u> | <u>(9,425)</u> | <u>2,465,167</u> |
| Total capital assets being depreciated | <u>13,494,195</u> | <u>816,927</u> | <u>(9,425)</u> | <u>14,301,697</u> |
| Less accumulated depreciation | | | | |
| Land improvements | (3,954,412) | (171,046) | - | (4,125,458) |
| Buildings and improvements | (1,673,907) | (124,015) | - | (1,797,922) |
| Furniture and equipment | (1,325,482) | (126,305) | - | (1,451,787) |
| Transportation vehicle | <u>(1,388,800)</u> | <u>(229,217)</u> | <u>9,425</u> | <u>(1,608,592)</u> |
| Total accumulated depreciation | <u>(8,342,601)</u> | <u>(650,583)</u> | <u>9,425</u> | <u>(8,983,759)</u> |
| Total capital assets being depreciated, net | <u>5,151,594</u> | <u>166,344</u> | <u>-</u> | <u>5,317,938</u> |
| Capital assets, net | <u>\$ 6,829,128</u> | <u>\$ 824,999</u> | <u>\$ (816,927)</u> | <u>\$ 6,837,200</u> |

Havasu Landing Resort
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> | | | | |
| Construction in progress | \$ 4,134 | \$ 1,051,298 | \$ (878,130) | \$ 177,302 |
| Land | <u>1,500,232</u> | <u>-</u> | <u>-</u> | <u>1,500,232</u> |
| Total capital assets not being depreciated | <u>1,504,366</u> | <u>1,051,298</u> | <u>(878,130)</u> | <u>1,677,534</u> |
| <i>Capital assets being depreciated</i> | | | | |
| Land improvements | 5,118,300 | 419,782 | - | 5,538,082 |
| Buildings and improvements | 3,195,939 | 150,570 | - | 3,346,509 |
| Furniture and equipment | 2,265,923 | 78,312 | - | 2,344,235 |
| Transportation vehicle | <u>2,035,903</u> | <u>229,466</u> | <u>-</u> | <u>2,265,369</u> |
| Total capital assets being depreciated | <u>12,616,065</u> | <u>878,130</u> | <u>-</u> | <u>13,494,195</u> |
| Less accumulated depreciation | | | | |
| Land improvements | (3,795,201) | (159,211) | - | (3,954,412) |
| Buildings and improvements | (1,555,594) | (118,313) | - | (1,673,907) |
| Furniture and equipment | (1,193,847) | (131,635) | - | (1,325,482) |
| Transportation vehicle | <u>(1,305,050)</u> | <u>(83,750)</u> | <u>-</u> | <u>(1,388,800)</u> |
| Total accumulated depreciation | <u>(7,849,692)</u> | <u>(492,909)</u> | <u>-</u> | <u>(8,342,601)</u> |
| Total capital assets being depreciated, net | <u>4,766,373</u> | <u>385,221</u> | <u>-</u> | <u>5,151,594</u> |
| Capital assets, net | <u>\$ 6,270,739</u> | <u>\$ 1,436,519</u> | <u>\$ (878,130)</u> | <u>\$ 6,829,128</u> |

6) Interfund Balances and Transfers

At December 31, interfund receivables and payables consisted of the following:

| | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
| Due from Havasu Landing Casino | \$ 46,665 | \$ 39,997 |
| Due to Chemehuevi Indian Tribe's general fund | 57,027 | 60,502 |

Interfund balances resulted from the time lag between the dates that interfund goods or services are provided or reimbursable expenses occur, transactions are recorded in the accounting system, and payments between funds are made.

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

For the years ending December 31, transfers in and out consisted of the following:

| | 2015 | 2014 |
|---|-------------------|------------|
| Transfers to Chemehuevi Indian Tribe's general fund | \$ 300,640 | \$ 290,878 |
| Transfers from Havasu Landing Casino | - | 151,406 |

The transfers to Chemehuevi Indian Tribe's general fund were to fund the activities of the general fund and are determined based on an established percentage of the Resort's campground and trailer park revenues. The transfers from Havasu Landing Casino in 2014 were to help fund new engines for the Resort's ferry boat.

7) Interfund Note Payable

Long-term liability activity for the year ended December 31, 2015, was as follows:

| | Beginning Balance | Borrowings | Repayments | Ending Balance | Amounts Due One Year |
|------------------------|----------------------|-------------|---------------------|-------------------|----------------------------|
| Interfund note payable | <u>\$ 175,252</u> | <u>\$ -</u> | <u>\$ (175,252)</u> | <u>\$ -</u> | <u>\$ -</u> |

Long-term liability activity for the year ended December 31, 2014, was as follows:

| | Beginning Balance | Borrowings | Repayments | Ending Balance | Amounts Due One Year |
|------------------------|----------------------|-------------|---------------------|-------------------|----------------------------|
| Interfund note payable | <u>\$ 296,394</u> | <u>\$ -</u> | <u>\$ (121,142)</u> | <u>\$ 175,252</u> | <u>\$ 129,899</u> |

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

The interfund note payable as of December 31 consisted of the following:

| | 2015 | 2014 |
|---|------|------------|
| <i>Havasu Landing Casino</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%, to fund the purchase of equipment for a new grocery store. On November 17, 2008, the Resort drew down its first advance in the amount of \$197,000. In February and March 2009, the Resort drew down an additional \$565,243, with total draw downs totaling \$762,243. Interest on the unpaid principal balance accrues from the date the funds are first advanced. Payment of principal and interest commenced on May 15, 2009, and continues thereafter in equal payments of \$11,504 on the 15th day of each and every month thereafter until paid in full. | \$ - | \$ 175,252 |
| Less current portion | - | (129,899) |
| Noncurrent portion | - | \$ 45,353 |

8) Rent Leases

The Resort rents mobile home sites to individuals. At December 31, 2015, there were approximately 428 sites rented, most with ten year leases. A small portion of the sites are rented under leases of less than ten years. Although the leases are cancelable, very few tenants vacate prior to completion of the lease term because leases may be passed on to the buyer of a tenant's mobile home. The current leases expire at various times ranging from 2015 through 2023. Based on those agreements, the minimum annual lease payments to be received during the next five years and thereafter are as follows:

| Years Ended December 31, | | |
|--------------------------|----|-----------|
| 2016 | \$ | 2,144,708 |
| 2017 | | 1,799,169 |
| 2018 | | 1,780,584 |
| 2019 | | 1,765,173 |
| 2020 | | 1,588,166 |
| Thereafter | | 3,536,751 |

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

9) Commitments and Contingencies

On April 2, 2014, the Resort entered into an agreement with First American LLC for the purchase motor fuels for resale. The term of this agreement is for 10 years from the effective date of the agreement. The agreement does not specify a minimum amount of motor fuels which must be purchased from First American LLC.

10) Risk Management

The Resort 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 Resort 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 Resort
Schedules of Other Operating Expenses
For the Years Ending December 31,

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Passenger boat fuel and oil | \$ 199,352 | \$ 259,656 |
| General insurance | 167,951 | 164,773 |
| Miscellaneous | 146,950 | 122,598 |
| Electricity | 146,759 | 147,160 |
| Maintenance and repairs | 110,573 | 128,775 |
| Supplies | 101,346 | 108,686 |
| Credit card charges | 54,237 | 47,726 |
| Water and sewer | 45,553 | 51,133 |
| Vehicle repair and maintenance | 43,293 | 35,996 |
| Contract labor | 38,929 | 26,605 |
| Telephone | 38,894 | 35,670 |
| Solid waste | 38,824 | 47,707 |
| Passenger boat dock rental | 36,000 | 36,000 |
| Professional services | 34,013 | 27,954 |
| Vehicle gas and oil | 24,792 | 32,864 |
| Equipment rental | 18,329 | 20,619 |
| Advisory board payments | 18,006 | 14,412 |
| Taxes and licenses | 17,185 | 17,378 |
| Payroll service charges | 17,171 | 14,568 |
| Uniforms | 11,521 | 7,983 |
| Armored car service | 11,391 | 11,629 |
| Dues and subscriptions | 10,828 | 10,689 |
| Environmental health expense | 9,996 | 9,996 |
| Fire protection service | 8,456 | 7,902 |
| Entertainment | 6,782 | 4,283 |
| Postage | 6,364 | 5,858 |
| Propane | 6,188 | 11,011 |
| Advertising and promotion | 4,611 | 7,428 |
| Allocation of operating expenses to other funds | <u>(519,963)</u> | <u>(529,260)</u> |
| Total other operating expenses | <u>\$ 854,331</u> | <u>\$ 887,799</u> |