

TOWN OF PINETOP-LAKESIDE, ARIZONA



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2015

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

Prepared by:

Department of Finance and Administration

TOWN OF PINETOP-LAKESIDE

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December 18, 2015

Honorable Mayor, Town Council and Citizens of the Town of Pinetop-Lakeside, Arizona:

We are pleased to submit to you the 2015 Comprehensive Annual Financial Report (CAFR) for the Town of Pinetop-Lakeside, Arizona (the Town) in accordance with the Arizona Revised Statutes, Section 9-481.

This document represents management's report to its governing body, constituents, legislative and oversight bodies, and investors and creditors. Copies of this report will sent to the Town's elected officials, made available to all management personnel, placed on the Electronic Municipal Market Access (EMMA) website for all bond rating agencies and repositories and other agencies that have expressed an interest in the Town's financial matters. Copies of this financial report will also be placed on record in the Town Clerk's official library and on the Town's website for use by the general public.

Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rest with the management of the Town. The Town has established and maintains a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of financial statements. We believe the data, as presented in this report, is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the Town on both a city-wide and fund basis. Furthermore, we believe that all disclosures necessary to enable the reader to gain an understating of the Town's financial activity and financial stability have been included.

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

An independent firm of certified public accountants, HintonBurdick, PLLC, whose report is included herein, has examined the basic financial statements and related notes. As stated in the independent auditors' report, the goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Pinetop-Lakeside, Arizona for the fiscal year ended June 30, 2015, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements for the Town of Pinetop-Lakeside, Arizona for the fiscal year ended June 30, 2015, are fairly presented, in all material respects, and are in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Town

The Town of Pinetop-Lakeside, incorporated in 1984, has a Council-Manager form of government with a seven member Town Council consisting of a Mayor and six Council Members. The Mayor is selected by the Council members from among themselves and serves a two-year term. Council members serve four-year terms, with three or four members elected every two years. The Town Council is vested with policy and legislative authority and is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of Town Manager, Town Attorney, Magistrate Judge and Town Clerk. The Town Manager is responsible for carrying out the policies and enforcing the ordinances of the Town Council, as well as overseeing the day-to-day operations of the Town.

The Town of Pinetop-Lakeside is located in Navajo County in the eastern part of the State of Arizona. It currently occupies 11.3 square miles and serves a population of 4,465 (estimated). The Town of Pinetop-Lakeside is empowered to levy a property tax on real property located within its boundaries, and to extend its corporate limits by annexation. The Town has chosen not to levy a property tax since incorporation.

The Town's economy is primarily tourism focused with the majority of local operating revenue being generated through sales and bed taxes. The impacts of the recent national and statewide economic downturn have also been felt in Pinetop-Lakeside. Although tourist activity has begun to return, the rate of growth is expected to be minimal.

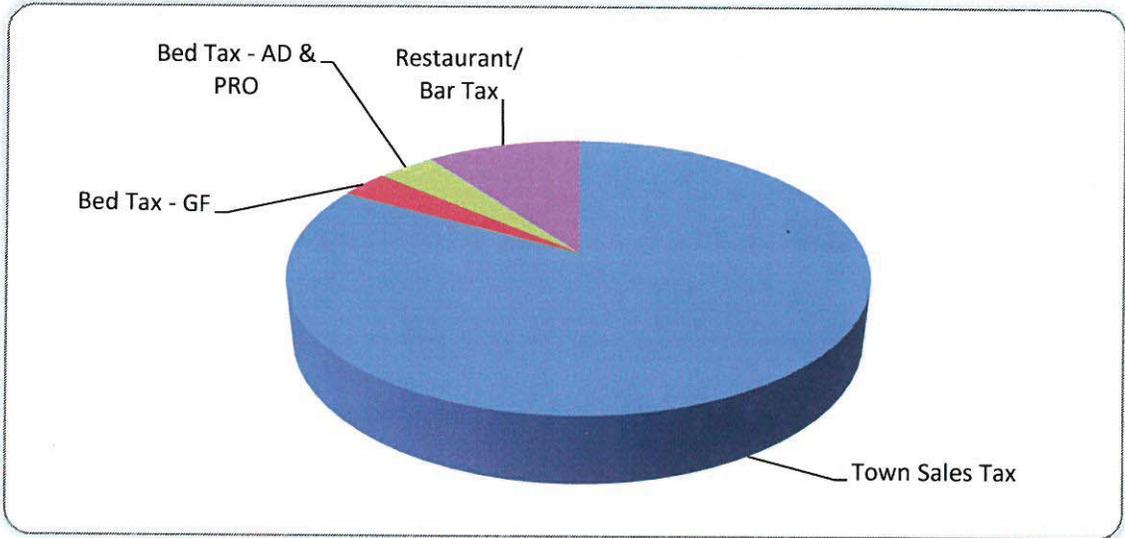
The Town of Pinetop-Lakeside provides a full range of municipal services, including police protection, snow removal, traffic control, planning and zoning services, building inspections, maintenance of streets and other infrastructure, recreational and cultural activities, and library services. The Town partners with other organizations to provide various community services that otherwise would not be cost-effective to operate as a Town function. Some partner-operated functions include the Chamber of Commerce, Humane Society, Transit services, and teen and youth programs.

The Town Council is required to adopt an initial budget for the fiscal year no later than August 15 for the fiscal year beginning on July 1. This annual budget serves as the foundation for the Town of Pinetop-Lakeside's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the Town Manager. Any other budget amendments, such as transfers between funds, require Council action.

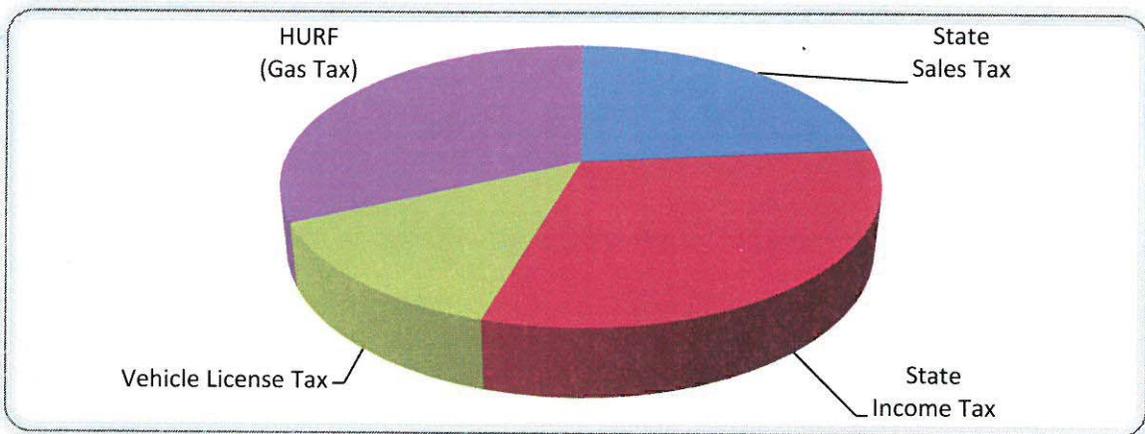
Local economy

The Town of Pinetop-Lakeside is a rural area depending heavily on the tourist trade. Major industries located within the Town's boundaries or in close proximity include a hospital, manufacturing, retail stores, several medical and legal practices, financial institutions and insurance companies. The Blue Ridge Unified School District also has a significant economic presence, employing teachers, professionals, and support staff. There is a heavy reliance on Sales tax and the economy is heavily driven by tourism and the generation of sales taxes from tourism related activities. Overall, sales tax revenues comprise approximately 59% of the Town's revenues.

The Town's sales rate is 2.50%, with general capital projects being funded from an annually adjusted transfer at levels necessary to support needed projects and allowing for allocation of funds to the most fundamental areas of service. The Town also has a 3% Bed tax (occupancy) which is allocated to the General Fund and Tourism and Promotion fund and a 2.0% Restaurant/Bar tax which is allocated to the Parks Fund.



State shared revenues received by the Town of Pinetop-Lakeside include allocations of the State-collected sales, income, and gas and motor vehicle in-lieu taxes. The sales and income taxes are placed in the Town's General Fund, where it is used to support the Town's day-to-day activities. The gas taxes are placed into the Highway Users Revenue Fund, where it is used for the Town's construction and maintenance of streets and roads. The gas tax is restricted to this type of fund. The motor vehicle tax has been assigned to support the functions of the streets and roads department by Town Council action. State shared revenues comprise approximately 20% of the Town's revenues.



Because of its location in a region with a narrow economic base, unemployment had been relatively stable until the effect of the economic downturn. Since that time, the unemployment rate has risen to a current

high of 9.2%. Although unemployment rates have started dropping nationwide, the Town of Pinetop-Lakeside remains constant at approximately 8% and over for the last four years. This rate is higher than national and State averages.

Median household incomes within the Town of Pinetop-Lakeside are slightly higher than for the state as a whole, and higher than the rest of Navajo County. According to the year 2010 census, the town's median family income was \$52,123; the county's was \$34,547, while the state's was \$51,477. The Town's population recently increased from 3,582 in 2000 to 4,282 on the Census of 2010 – 20% growth over 10 years. Due to the softening of the housing market nationwide in 2009, home construction in Pinetop-Lakeside has been nearly at a standstill since that time. The median price of a single family home in the vicinity of the Town of Pinetop-Lakeside was \$200,550.

Long-term financial planning and major initiatives

In reviewing the long-term fiscal outlook for the Town, it is evident that the Town will need to provide new funding or reallocation of sources in order to balance demands for services. Council and Staff have started the process of evaluating and prioritizing capital and programming needs and identifying possible funding strategies for those priorities. An aggressive Savings Plan to increase reserves to 12% in 2020 has been adopted by the Council in FY16, and a five year Capital Improvement Plan to maintain our infrastructure and update our equipment has been laid out by staff and presented to Council. This long-term strategy will assist the Town in developing programs and funding capital projects in a way to maintain a financially stable environment in the Town for years to come.

The Town staff and elected officials have worked cooperatively to implement cost reductions to address the changes in the overall economy experienced. The Town of Pinetop-Lakeside maintains a five-year Capital Improvement Program which serves as its planning document to ensure that its facilities, equipment, and infrastructure are well maintained and operating in peak condition. Under the guidance of the Town Council, this process gives the Town of Pinetop-Lakeside the ability to plan for its capital needs and allocate short- and long-term resources appropriately. As part of this process, the Town identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly.

Relevant financial policies

The Town of Pinetop-Lakeside has adopted a comprehensive set of financial policies. During the current year, two of these policies were particularly relevant. The Town of Pinetop-Lakeside has a policy that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to or in excess of appropriations). When estimated revenues are less than appropriations, the policy allows for the appropriation of fund balance to close the gap. In addition to the budget balancing strategies, forward looking revenue projections are conservatively estimated anticipating impacts to tourism related revenues. The forecasts are prepared to examine the Town's ability to absorb operating costs due to changes in the economy, service demands and capital improvements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Pinetop-Lakeside, Arizona for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the fourth year that the Town of Pinetop-Lakeside has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents must conform to program

standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the staff of the Town's Finance Department and along with the assistance of the Town's Department Heads. We also wish to thank the members of the Town Council for their interest and support in planning and conducting the financial affairs of the Town in a responsible and progressive manner.

Respectfully submitted,

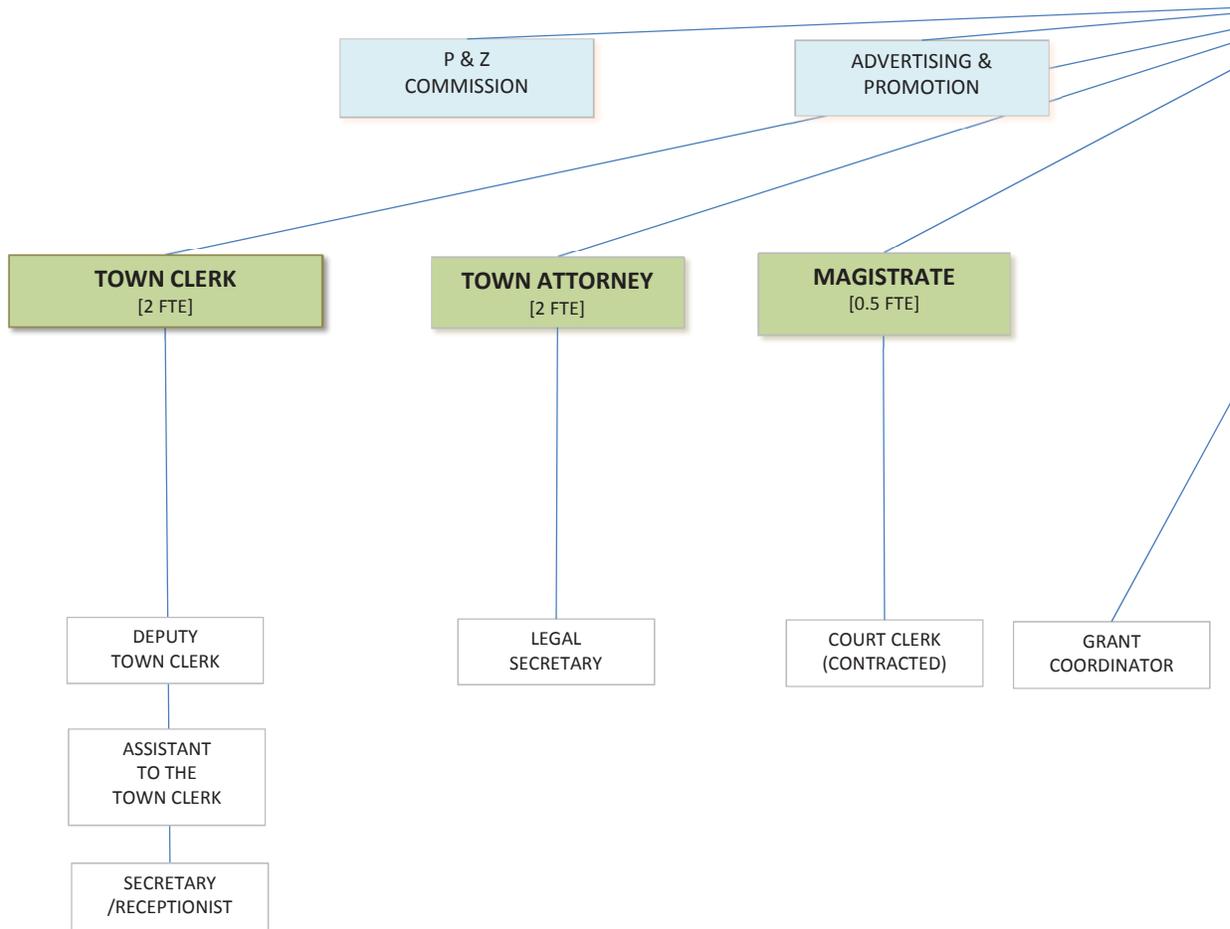


Barbara Ashley
Finance Director

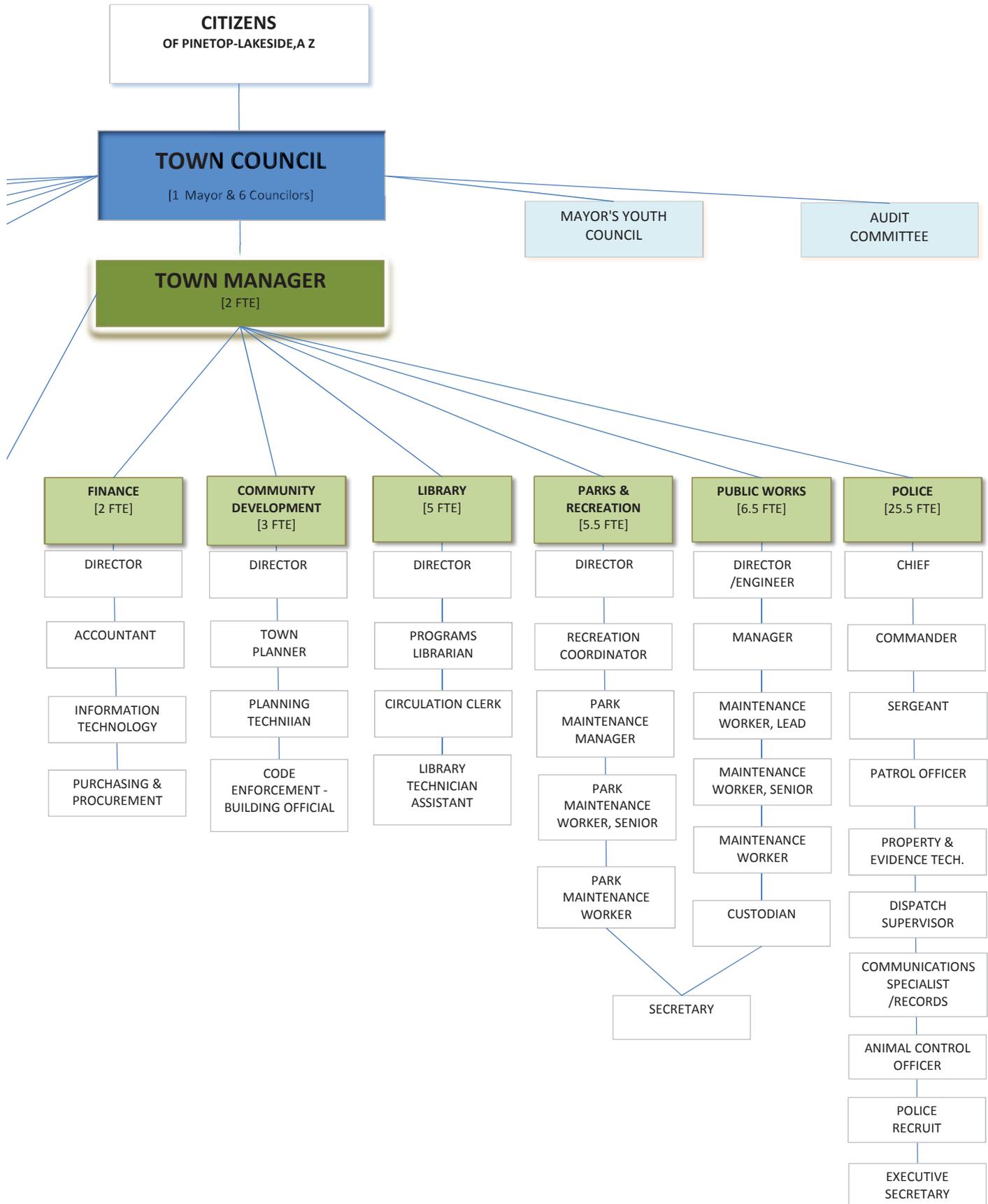
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**Town of Pinetop-Lakeside
List of Officials**

Position	Name
Mayor	Greg Smith
Vice-Mayor	Patrick Place
Council	Leslee Wessel
Council	Stephanie Irwin
Council	Roger Williams
Council	Dara Vanesian
Council	Chris Cannon
Attorney	Sims Murray, LTD.
Manager	Evelyn Racette
Town Clerk	Leah Chavez
Finance Director	Barbara Ashley
Community Development Director	Paul Esparza
Library Manager	Kendra Abel
Parks & Recreation Director	John Vuolo
Public Works Director	Kenneth M. Patterson
Police Chief	Ron Wheeler



ORGANIZATION CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Pinetop-Lakeside
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
Town Council
Pinetop-Lakeside, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Pinetop-Lakeside, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Pinetop-Lakeside, Arizona, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Highway Users Revenue Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in note 12 to the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of changes in the net pension liability and related ratios, schedule of contributions, and the schedule of agent OPEB plans' funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pinetop-Lakeside, Arizona's basic financial statements. The introductory section, major capital project fund budgetary comparisons, combining and individual non-major fund financial statements and budgetary comparisons, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The major capital project fund budgetary comparisons, and combining and individual non-major fund financial statements and budgetary comparisons are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining

and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the Town of Pinetop-Lakeside, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pinetop-Lakeside, Arizona's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
Flagstaff, Arizona
December 18, 2015

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TOWN OF PINETOP-LAKESIDE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year-Ended June 30, 2015

As management of the Town of Pinetop-Lakeside, we are proud to offer the Town's financial statements. This is a narrative of our discussion and analysis of the Town of Pinetop-Lakeside's financial performance, and provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Town's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The Town's net position decreased by \$5,720,476 mainly as a result of this year's implementation of GASB Statement No.68, *Accounting & Financial Reporting for Pensions*.
- During the year, the Town had expenses that were \$155,346 less than the \$5,962,817 generated in tax and other revenues for governmental programs.
- Total cost of all the Town's programs was \$5,807,472 with no new programs added this year.
- At the end of the current fiscal year, the Town of Pinetop-Lakeside's governmental funds reported combined ending fund balances of \$1,543,236 an increase of \$864,848.
- The general fund reported an increase of \$1,162,781.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to The Town's basic financial statements. The Town of Pinetop-Lakeside's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Pinetop-Lakeside's finances, in a manner similar to a private-sector business. The *statement of net position* presents financial information on all of the Town of Pinetop-Lakeside's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Pinetop-Lakeside is improving or deteriorating.

The *statement of activities* presents information showing how the Town of Pinetop-Lakeside's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Pinetop-Lakeside that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Pinetop-Lakeside include general government, public safety, public works/streets, culture and recreation, and economic development. The Town does not operate any business-type activities.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Pinetop-Lakeside, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Pinetop-Lakeside can be divided into one category: governmental funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Pinetop-Lakeside maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the highway users revenue fund, and the development impact fee fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Town of Pinetop-Lakeside adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-24 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-52 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town of Pinetop-Lakeside's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found starting on page 54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the budgetary comparison schedule for the major capital projects fund. These combining and individual fund statements and schedules can be found on starting on page 62 of this report.

The Town as a Whole

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined net position decreased from \$6,100,174 to \$379,698 as shown in the following condensed statement of net position as of June 30, 2015. Implementation of GASB Statement No. 68 is reflected in the chart below. (See Note 1. New Pronouncements and Note 12). Our analysis below focuses on the Net Position and Changes in Net Position of the Town's governmental activities.

Town of Pinetop-Lakeside Net Position

	Governmental activities	
	6/30/2015	6/30/2014
Current and other assets	\$ 1,982,901	\$ 1,262,552
Capital assets	5,899,824	6,231,458
Total assets	<u>7,882,725</u>	<u>7,494,010</u>
Deferred outflows of resources	1,532,518	-
Long-term liabilities outstanding	7,809,369	709,513
Other liabilities	503,165	684,323
Total liabilities	<u>8,312,534</u>	<u>1,393,836</u>
Deferred inflows of resources	723,011	-
Net position:		
Net investment in capital assets	5,295,494	5,734,415
Restricted	300,409	194,130
Unrestricted	(5,216,205)	171,629
Total net position	<u>\$ 379,698</u>	<u>\$ 6,100,174</u>

Governmental Activities

The Town's programs include: General Government, Public Safety, Public Works/Streets, Culture and Recreation, and Community (Economic) Development. Each programs' net cost (total cost less revenues generated by activities) is presented below. The net cost shows the extent to which the Town's general taxes support each of the Town's programs.

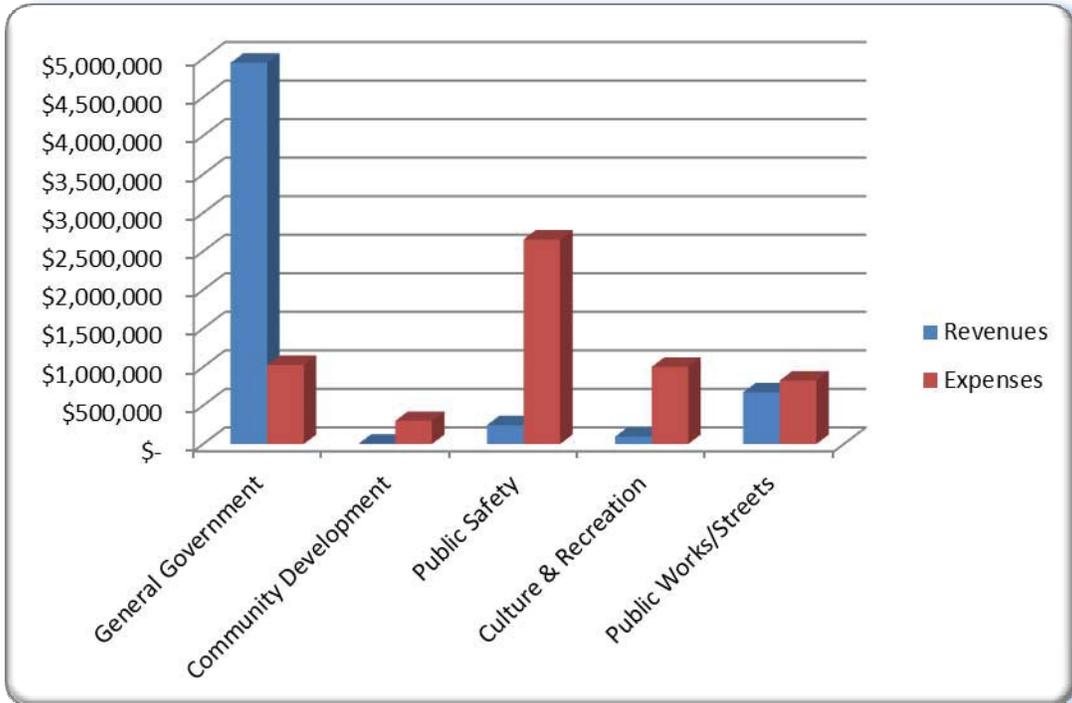
**Town of Pinetop-Lakeside
Changes in Net Position**

	Governmental activities	
	<u>6/30/2015</u>	<u>6/30/2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 308,621	\$ 334,467
Operating grants and contributions	689,368	799,252
Capital grants and contributions	233,074	129,764
General revenues:		
Sales taxes	3,543,376	3,484,164
State shared revenues	1,135,252	1,068,764
Other taxes	49,716	49,231
Other general revenues	3,411	2,512
Total revenues	<u>5,962,818</u>	<u>5,868,154</u>
Expenses:		
General government	1,025,609	1,118,223
Public safety	2,655,844	2,377,376
Public works/streets	823,575	949,805
Culture and recreation	1,001,255	1,291,630
Economic development	301,189	370,361
Interest on long-term debt	-	8,325
Total expenses	<u>5,807,472</u>	<u>6,115,720</u>
Increase (Decrease) in net position	155,346	(247,566)
Net position, beginning	6,100,174	6,330,740
Prior period adjustment	(5,875,822)	17,000
Net position, ending	<u>\$ 379,698</u>	<u>\$ 6,100,174</u>

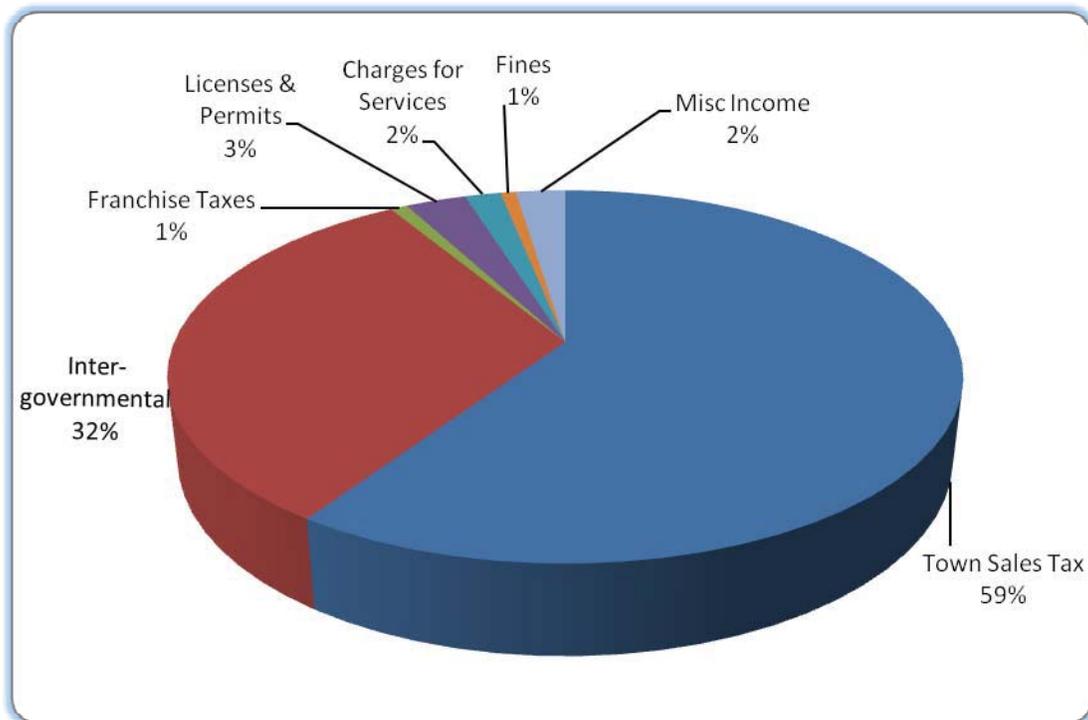
Total resources available during the year to finance governmental operations were \$12 million consisting of Net position at July 1, 2014 of \$6.1 million, General revenues of \$4.7 million, program, grants and contributions of \$1.2 million. Total Government Activities during the year were \$5.8 million combined with a prior period adjustment of \$(5,875,822); thus Governmental Net Position was decreased by \$(5,720,476).

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

Revenues and Expenses – Government Activities



Revenue by Source – Government Activities



The following table presents the cost of each of the Town’s largest programs – police, public works, and parks and recreation – as well as each program’s net cost (total cost less revenues generated by the activities). The net per capita cost shows the financial burden that was placed on the Town’s taxpayers by each of these functions, based on the Town’s official population of 4,282. It is important to remember that the Town of Pinetop-Lakeside has no property tax, so it is dependent primarily on local sales taxes for revenues. This being the case, “the taxpayers” includes all visitors who shop in our Town.

Governmental Activities

	Total Cost of Services 2015	Net Per Capita Cost of Services 2015
Public Safety	\$ 2,655,844	\$620
Public Works/Streets	823,575	192
Parks and Recreation	1,001,255	234
All Others	<u>1,326,798</u>	310
Totals	<u>\$ 5,807,472</u>	

The Town’s Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$1,543,236 which increased over last year’s total \$678,388. The Town’s uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

- The General Fund is the chief operating fund to the Town of Pinetop-Lakeside. At the end of the current fiscal year, the General fund had a surplus of \$1,162,781 unassigned. The General Fund recovered from its deficit balance at the end of last year (\$240,430) and ended the year with a surplus. The primary reasons are; interfund transfers for debt service payments were eliminated, increased collection in sales taxes and a more controlled approach to expenditures was implemented.
- In the Highway Users Revenue Fund (HURF), the FY 2015 changes were made to separate the Vehicle License Tax from the HURF fund. The Vehicle License Tax has been assigned to support the Road department by Town Council action. Thus, HURF fund balance decreased and is solely made up of HURF funds only. Delays in many anticipated road projects occurred due to staff changes. Some projects for FY 2015 have been budgeted in FY 2016 for completion. Highway Users Revenue Funds are restricted for road and street construction and improvements.
- Development Impact fee fund balance increased as there was some increase in building permits. In accordance with Town Council direction to staff to utilize existing fund balance as much as possible, some projects had to be delayed. The directive to utilize as much impact fee fund balance as possible continues into the future fiscal years.
- In January 2003, an additional 2 percent tax on restaurant and bar sales went into effect, with the proceeds of this new tax dedicated to the construction and maintenance of new recreational amenities, especially youth facilities. The revenues from this tax were used to fund the debt service and operations of the Mountain Meadow Recreation Complex and Woodland Lake Park. This tax was due to “sunset” in December 2013, but the Town Council has voted to temporarily extend the tax until June, 2016.

General Fund Budgetary Highlights

The General Fund's revenues of \$ 4,555,670 were \$1,093,005 less than budgeted revenues of \$5,648,675. The General Fund's expenditures, \$4,027,170 (including transfers) were 92% of budgeted expenditures of \$4,419,881 a variance of \$392,711. Sales tax collection was up over last year in most categories, but economic activity, especially in the area of construction, had a negative impact on tax revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2015, the Town had \$5,899,824 (net of depreciation) invested in a broad range of capital assets, including buildings, park facilities, police equipment, roads, and other assets (See Table below). This amount represents a net decrease of \$331,634 or 5.32 percent over last year.

Capital Assets at Year-End

	Governmental Activities 2015	Governmental Activities 2014
Land	\$1,104,564	\$1,104,564
Construction in Progress	4,349	-
Buildings and Improvements	2,360,304	2,548,397
Infrastructure	1,556,207	1,677,994
Equipment	<u>878,749</u>	<u>900,503</u>
Total	<u>\$5,899,824</u>	<u>\$6,231,458</u>

The Town's fiscal year 2016 capital budget calls for it to spend \$1,805,002 for capital and infrastructure projects. Most of this is contingent on grant financing; if the grants are awarded, the projects will go forward. More detailed information about the Town's capital assets is presented in Note 6 to the financial statements.

Debt

At year-end, the Town had \$7.9 million in long-term obligations, as shown in the table below.

Outstanding Debt at Year-End

	Governmental Activities 2015	Governmental Activities 2014
Revenue bonds and notes (backed by specific tax and fee revenues)	\$ 0	\$ 0
Other long-term obligations	<u>7,872,869</u>	<u>809,672</u>
Totals	<u>\$7,872,869</u>	<u>\$809,672</u>

Other obligations include accrued vacation, sick leave, implementation of the Net Pension Liabilities and capital leases. More detailed information is presented in Notes 7, 8, 9 and 12 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Pinetop-Lakeside, Arizona as well as other Arizona cities and towns, remains dependent on State shared revenues and Local sales taxes for resources. These revenue sources are economically sensitive taxes and subject to slowdowns in the economy and legislative appropriations. The Town is committed to creating and maintaining a cash reserve for general fund operations, both for financial stability and in anticipation of the capital and operational needs of the community.

The Town's elected and appointed officials consider many factors when setting the fiscal year budgets. Local sales tax collection has slightly increased in the Town of Pinetop-Lakeside, and in general is up from last year. In keeping with Town policy, projected revenues are kept roughly even with the prior year's actual receipts, modified for inflation. Economic uncertainty is driving the Town's economic decision making.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about this report, or requests for additional financial information should be addressed to: Town of Pinetop-Lakeside, Finance Department, 1360 N. Niels Hansen Lane, Lakeside, Arizona 85929, or call 928-368-8696. Or visit our website at: www.PinetopLakesideAZ.gov

BASIC FINANCIAL STATEMENTS

TOWN OF PINETOP-LAKESIDE, ARIZONA
Statement of Net Position
June 30, 2015

	Governmental Activities	Total
Assets		
Cash and cash equivalents	\$ 1,177,047	\$ 1,177,047
Investments	443,342	443,342
Receivables (net of allowance)	333,696	333,696
Prepays	14,410	14,410
Other assets	14,406	14,406
Capital assets (net of accumulated depreciation):		
Land	1,104,564	1,104,564
Buildings and improvements	754,975	754,975
Other improvements	1,605,329	1,605,329
Furniture, machinery & equipment	455,378	455,378
Vehicles	423,371	423,371
Infrastructure	1,551,858	1,551,858
Construction in progress	4,349	4,349
Total assets	<u>7,882,725</u>	<u>7,882,725</u>
Deferred outflows		
Deferred outflows related to pensions	<u>1,532,518</u>	<u>1,532,518</u>
Liabilities		
Accounts payable and other current liabilities	342,863	342,863
Unearned revenue	96,802	96,802
Noncurrent liabilities:		
Due within one year	63,500	63,500
Due in more than one year	7,809,369	7,809,369
Total liabilities	<u>8,312,534</u>	<u>8,312,534</u>
Deferred inflows		
Deferred inflows related to pensions	<u>723,011</u>	<u>723,011</u>
Net Position		
Net investment in capital assets	5,295,494	5,295,494
Restricted for:		
Capital projects	300,264	300,264
Grants/Other	145	145
Unrestricted	(5,216,205)	(5,216,205)
Total net position	<u>\$ 379,698</u>	<u>\$ 379,698</u>

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Statement of Activities
For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants &</u> <u>Contributions</u>	<u>Capital</u> <u>Grants &</u> <u>Contributions</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u>
Governmental activities:					
General government	\$ 1,025,609	\$ 215,126	\$ -	\$ -	(810,483)
Public safety	2,655,844	52,519	132,797	59,688	(2,410,840)
Public works/Streets	823,575	-	537,748	132,400	(153,427)
Culture and recreation	1,001,255	40,966	18,823	34,508	(906,958)
Economic development	301,189	10	-	6,478	(294,701)
Total governmental activities	<u>5,807,472</u>	<u>308,621</u>	<u>689,368</u>	<u>233,074</u>	<u>(4,576,409)</u>
General Revenues:					
Taxes:					
					3,543,376
					49,716
					391,327
					225,562
					518,363
					3,411
					<u>4,731,755</u>
					155,346
					6,100,174
					<u>(5,875,822)</u>
					<u>\$ 379,698</u>

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2015

Assets	General Fund	Highway Users Revenue Fund	Development Impact Fee Fund
Cash and Cash Equivalents	\$ 617,176	\$ 316,674	\$ 130,879
Investments	273,957	-	169,385
Prepays	12,026	-	-
Receivables:			
Taxes	226,042	-	-
Intergovernmental	15,449	51,380	-
Due from Other Funds	29,435	-	-
Notes and Other Assets	14,406	-	-
Total Assets	<u>\$ 1,188,491</u>	<u>\$ 368,054</u>	<u>\$ 300,264</u>
Liabilities			
Accounts Payable	\$ 62,667	\$ 7,763	\$ -
Accrued Wages and Benefits	48,359	7,532	-
Accrued Liabilities	48,589	-	-
Customer Deposits	106,525	-	-
Unearned Revenue	-	59,535	-
Due to Other Funds	-	-	-
Total Liabilities	<u>266,140</u>	<u>74,830</u>	<u>-</u>
Fund Balances			
Nonspendable:			
Prepays	12,026	-	-
Restricted for:			
Public safety	-	-	10,651
Highways and streets	-	293,224	147,396
Community and economic development	-	-	111,894
Other purposes	-	-	30,323
Assigned to:			
Community and economic development	-	-	-
Highways and streets	692,853	-	-
Unassigned	217,472	-	-
Total fund balances	<u>922,351</u>	<u>293,224</u>	<u>300,264</u>
Total Liabilities and Fund Balances	<u>\$ 1,188,491</u>	<u>\$ 368,054</u>	<u>\$ 300,264</u>

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

<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
\$ 112,318	\$ 1,177,047
-	443,342
2,384	14,410
-	226,042
40,825	107,654
-	29,435
-	14,406
<u>\$ 155,527</u>	<u>\$ 2,012,336</u>
\$ 56,112	\$ 126,542
5,254	61,145
62	48,651
-	106,525
37,267	96,802
29,435	29,435
<u>128,130</u>	<u>469,100</u>
-	12,026
-	10,651
-	440,620
-	111,894
-	30,323
27,252	27,252
-	692,853
145	217,617
<u>27,397</u>	<u>1,543,236</u>
<u>\$ 155,527</u>	<u>\$ 2,012,336</u>

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TOWN OF PINETOP-LAKESIDE, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

Total fund balances - governmental funds \$ 1,543,236

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$ 10,930,621	
Accumulated depreciation	(5,030,797)	
		5,899,824

Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.

Deferred outflows	\$ 1,532,518	
Deferred inflows	(723,011)	
		809,507

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Leases payable	\$ (604,330)	
Compensated absences	(299,611)	
Net pension liability	(6,962,741)	
Landfill closure payable	(6,187)	
		(7,872,869)

Total net position - governmental activities	\$ 379,698
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The accompanying notes are an integral part of the financial statements.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2015

REVENUES	General Fund	Highway Users Revenue Fund	Development Impact Fee Fund
Taxes	\$ 3,048,505	\$ -	\$ -
Franchise taxes	49,716	-	-
Intergovernmental revenue	1,135,251	534,753	-
Licenses, permits and fees	127,540	-	-
Charges for services	101,443	-	-
Fines and forfeitures	43,474	-	-
Interest	765	1,306	1,336
Lease income	18,732	-	-
Impact fees	-	-	47,559
Miscellaneous	30,244	91,486	-
Total Revenues	<u>4,555,670</u>	<u>627,545</u>	<u>48,895</u>
EXPENDITURES			
Current:			
General government	1,025,155	-	-
Public safety	2,034,991	-	-
Public works/streets	123,820	513,973	-
Tourism and recreation	379,021	-	-
Community and economic development	201,205	-	-
Capital outlay	101,983	10,163	-
Total Expenditures	<u>3,866,175</u>	<u>524,136</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>689,495</u>	<u>103,409</u>	<u>48,895</u>
Other Financing Sources (Uses):			
Debt issuance	101,983	-	-
Transfers in	532,298	-	57,384
Transfers out	(160,995)	(532,298)	-
Total Other Financing Sources (Uses)	<u>473,286</u>	<u>(532,298)</u>	<u>57,384</u>
Net change in fund balances	1,162,781	(428,889)	106,279
Fund Balances (deficits), Beginning of Year	<u>(240,430)</u>	<u>722,113</u>	<u>193,985</u>
Fund Balances, End of Year	<u>\$ 922,351</u>	<u>\$ 293,224</u>	<u>\$ 300,264</u>

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

Non-major Funds	Total Governmental Funds
\$ 494,871	\$ 3,543,376
-	49,716
232,642	1,902,646
-	127,540
3,190	104,633
-	43,474
4	3,411
-	18,732
-	47,559
-	121,730
<u>730,707</u>	<u>5,962,817</u>
-	1,025,155
180,865	2,215,856
77	637,870
520,563	899,584
89,791	290,996
<u>45,238</u>	<u>157,384</u>
<u>836,534</u>	<u>5,226,845</u>
<u>(105,827)</u>	<u>735,972</u>
26,893	128,876
103,611	693,293
-	<u>(693,293)</u>
<u>130,504</u>	<u>128,876</u>
24,677	864,848
<u>2,720</u>	<u>678,388</u>
<u>\$ 27,397</u>	<u>\$ 1,543,236</u>

TOWN OF PINETOP-LAKESIDE, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 864,848

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$ 190,565	
Depreciation expense	<u>(517,649)</u>	(327,084)

Governmental funds report the gross proceeds from the sale of capital assets as revenue. However, in the statement of activities, the loss on the sale of capital assets is reported net of its net book value. (4,550)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 21,914

Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position. (128,876)

Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

Pension contribution	\$ 444,852	
Pension expense	<u>(722,264)</u>	(277,412)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 6,506

Change in net position of governmental activities	<u><u>\$ 155,346</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2015

REVENUES	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		Actual
Taxes:				
Taxes	\$ 4,123,415	\$ 4,123,415	\$ 3,048,505	\$ (1,074,910)
Franchise tax	45,000	45,000	49,716	4,716
Intergovernmental Revenue	1,146,350	1,146,350	1,135,251	(11,099)
Licenses and permits	130,600	130,600	127,540	(3,060)
Charges for services	113,340	113,340	101,443	(11,897)
Fines and Forfeitures	45,000	45,000	43,474	(1,526)
Interest	1,350	1,350	765	(585)
Lease income	17,820	17,820	18,732	912
Miscellaneous	25,800	25,800	30,244	4,444
	5,648,675	5,648,675	4,555,670	(1,093,005)
 EXPENDITURES				
Current:				
General Government:				
Administration	881,295	891,497	675,540	215,957
Finance	302,260	302,260	290,290	11,970
Legal	100,500	100,500	59,325	41,175
Public Safety:				
Police	2,051,960	2,051,960	1,962,369	89,591
Animal control	10,000	10,737	10,737	-
Magistrate	64,655	64,655	61,885	2,770
Public Works/Streets	63,600	96,252	123,820	(27,568)
Tourism and recreation	481,920	481,920	379,021	102,899
Community & economic development	201,375	202,321	201,205	1,116
Capital outlay	-	-	101,983	(101,983)
	4,157,565	4,202,102	3,866,175	335,927
Excess of Revenues Over (Under) Expenditures	1,491,110	1,446,573	689,495	(757,078)
Other Financing Sources (Uses):				
Debt proceeds	-	-	101,983	101,983
Transfers in	-	-	532,298	532,298
Transfers out	(249,110)	(217,779)	(160,995)	56,784
Total Other Financing Sources (Uses)	(249,110)	(217,779)	473,286	691,065
Net change in fund balance	1,242,000	1,228,794	1,162,781	(66,013)
Fund Balance (deficit), Beginning of Year	(240,430)	(240,430)	(240,430)	-
Fund Balance, End of Year	\$ 1,001,570	\$ 988,364	\$ 922,351	\$ (66,013)

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Highway User Revenue Special Revenue Fund
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 486,475	\$ 486,475	\$ 534,753	\$ 48,278
Interest	-	-	1,306	1,306
Miscellaneous	-	-	91,486	91,486
Total Revenue	486,475	486,475	627,545	141,070
EXPENDITURES:				
Current:				
Public Works:				
Administration	10,500	10,500	4,353	6,147
Street maintenance	844,815	812,163	424,143	388,020
Street rehabilitation	251,860	251,860	45,188	206,672
Maintenance yard	34,300	34,300	32,210	2,090
Utilities	10,000	10,000	8,079	1,921
Capital Outlay	107,000	107,000	10,163	96,837
Total Expenditures	1,258,475	1,225,823	524,136	701,687
Excess of Revenues Over (Under) Expenditures	(772,000)	(739,348)	103,409	842,757
Other Financing Sources (Uses):				
Transfers in	150,000	150,000	-	(150,000)
Transfers out	-	-	(532,298)	(532,298)
Total Other Financing Sources (Uses)	150,000	150,000	(532,298)	(682,298)
Net change in fund balance	(622,000)	(589,348)	(428,889)	160,459
Fund Balance, Beginning of Year	722,113	722,113	722,113	-
Fund Balance, End of Year	\$ 100,113	\$ 132,765	\$ 293,224	\$ 160,459

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

The Town of Pinetop-Lakeside, Arizona (the Town) is a municipal corporation governed by a council elected at large, and the council appoints the mayor from among the elected council. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town. There are no discretely presented component units and one blended component unit.

Blended component unit. The Pinetop-Lakeside Municipal Property Corporation (MPC) is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the Town in obtaining financing for various projects for the Town. The MPC has been included (blended) as part of the reporting entity within the Recreation & Tourism Special Revenue fund in this financial report. All related receivables and payables between the Town and the MPC have been eliminated.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

The fund financial statements provide information about the Town's funds, including its blended component unit. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The Town does not have any enterprise or fiduciary funds.

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The **Highway User Revenue Special Revenue Fund** is used to account for the Town's share of motor fuel tax revenues and lottery proceeds which are restricted for the maintaining, repairing, and upgrading of streets.

The **Development Impact Fee Capital Project Fund** is used to account for Library, Parks, Police, Street, and General Government impact fees restricted and earmarked for development of the respective capital improvements.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Taxes, sales taxes, state shared revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Deposits and investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, obligations of the U. S. Government and other investments as allowed by Arizona State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The fair value of each share in the Local Government Investment pool is equal to \$1.

Prepaid items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Inventories

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

In accordance with GASB 34, the Town has opted not to retroactively report infrastructure assets.

Land and construction in progress are not depreciated. The other property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	10 to 40 years
Machinery and equipment	5 to 10 years
Vehicles	5 to 10 years
Streets and sidewalks	20 to 40 years

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Unearned revenue

Unearned revenues arise when potential revenue is received by the Town from various granting agencies before it has a legal claim to them or when grant monies are received prior to the incurrence of qualifying expenditures, i.e., contract and grant receipts received in excess of expenditures incurred are recognized as unearned revenue. In subsequent periods, when the revenue recognition criteria is met, or when the Town has a legal claim to the resources, the liability or unearned revenue is removed from the balance sheet and the revenue is recognized.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide financial statements. See footnote 9 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide financial statements. See footnote 9 for more information.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position flow assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Fund balance flow assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town Manager is authorized to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Sick leave is accrued for employees with ten years of service. All vacation pay is accrued when incurred in the government-wide financial statement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New pronouncements

For the year ended June 30, 2015, the Town implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the Town's government-wide financial statements (see Note 12).

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 19.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 22.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

Budgets and Budgetary Accounting

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. State law requires that, prior to April 1, the Economic Estimates Commission provides the Town with a final expenditure limit for the coming fiscal year.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

Supplementary budgetary appropriations were made during the year. The Town's budget includes \$254,446 for contingencies.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 3. Stewardship, Compliance, and Accountability, Continued

Expenditures over Appropriations

The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports on pages 23-24, 62, and 66-68 present all of the funds which incurred an excess of expenditures/ expenses over appropriations for the year ended June 30, 2015, if any.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Taxes

Normally, property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. However, the Town has not adopted any property tax levies.

Note 4. Deposits and Investments

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. At June 30, 2015, cash on hand was \$885, and the carrying amount of the Town's deposits was \$1,128,016. As of June 30, 2015, the Town's bank balance of \$1,167,090 was fully insured or collateralized.

Investments

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 4. Deposits and Investments, Continued

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investments in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P-1" by Moody's investors or "A-1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2015 the government had the following investments, ratings, and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Government			
Agencies (FHLMC, FNMA, FHLB)	\$ 439,066	AAA	1-5
Money Market Mutual Fund	4,276	N/A	less than 1
Arizona Local Government			
Investment Pool	<u>48,146</u>	(1)	0.13
Total Fair Value	<u>\$ 491,488</u>		

(1) The Town's investment in the State Treasurer's Investment Pool #5 was rated AAAF/S1+ from Standard and Poor's.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35-323) which requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323) which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services. A summary of the Town's investments and investment ratings are provided in the schedule above.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 5. Interfund Receivables, Payables and Transfers

Interfund receivables or payables result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

As of June 30, 2015, interfund receivables and payables are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 29,435	\$ -
Special Revenue Funds:		
Grant Fund	-	29,435
	\$ 29,435	\$ 29,435

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

As of June 30, 2015, interfund transfers are as follows:

	Transfers In			Total
	General Fund	Acquisition & Development	Development Impact Fee Fund	
<u>Transfers Out:</u>				
General Fund	\$ -	\$ 103,611	\$ 57,384	\$ 160,995
HURF Fund	532,298	-	-	532,298
	\$ 532,298	\$ 103,611	\$ 57,384	\$ 693,293

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer from the HURF Fund moved auto lieu tax fund balance to the general fund, where auto lieu tax will now be reported.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 6. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year:

Primary Government	Balance			Balance
Governmental Activities:	6/30/2014	Additions	Retirements	6/30/2015
Capital Assets not being Depreciated:				
Land	\$ 1,104,564	\$ -	\$ -	\$ 1,104,564
Construction in progress	-	4,349	-	4,349
Total capital assets not being depreciated	<u>1,104,564</u>	<u>4,349</u>	<u>-</u>	<u>1,108,913</u>
Capital Assets being depreciated:				
Buildings & Improvements	1,478,973	-	-	1,478,973
Improvements other than buildings	3,041,585	-	-	3,041,585
Machinery & Equipment	1,455,984	154,346	-	1,610,330
Vehicles	1,331,902	23,700	(39,026)	1,316,576
Infrastructure	2,366,074	8,170	-	2,374,244
Total capital assets being depreciated	<u>9,674,518</u>	<u>186,216</u>	<u>(39,026)</u>	<u>9,821,708</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(694,417)	(29,581)	-	(723,998)
Improvements other than buildings	(1,277,744)	(158,512)	-	(1,436,256)
Machinery & Equipment	(1,059,920)	(95,032)	-	(1,154,952)
Vehicles	(827,463)	(100,218)	34,476	(893,205)
Infrastructure	(688,080)	(134,306)	-	(822,386)
Total accumulated depreciation	<u>(4,547,624)</u>	<u>(517,649)</u>	<u>34,476</u>	<u>(5,030,797)</u>
Total Capital Assets being depreciated, net	<u>5,126,894</u>	<u>(331,433)</u>	<u>(4,550)</u>	<u>4,790,911</u>
Governmental activities capital assets, net	<u>\$ 6,231,458</u>	<u>\$ (327,084)</u>	<u>\$ (4,550)</u>	<u>\$ 5,899,824</u>

Depreciation expense was charged to the function/programs of the Town as follows:

Governmental Activities:	
General government	\$ 53,264
Public safety	89,269
Public works/streets	216,638
Culture & recreation	158,478
Total depreciation expense - governmental activities	<u>\$ 517,649</u>

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations during the year:

Governmental Activities:	Balance 6/30/2014	Additions	Retirements	Balance 6/30/2015	Current Portion
Accrued compensated absences	\$ 306,117	\$ 73,044	\$ 79,550	\$ 299,611	\$ 27,820
Net pension liabilities **	6,343,672	619,069	-	6,962,741	-
Landfill monitoring costs	6,512	-	325	6,187	325
Total other long-term debt	6,656,301	692,113	79,875	7,268,539	28,145
Capital Leases:					
Zions Bank building lease	497,043	-	20,283	476,760	21,105
John Deere equipment lease	-	26,893	1,306	25,587	4,991
Caterpillar backhoe lease	-	101,983	-	101,983	9,259
Total capital leases	497,043	128,876	21,589	604,330	35,355
 Total general long-term debt	 \$ 7,153,344	 \$ 820,989	 \$ 101,464	 \$ 7,872,869	 \$ 63,500

** Beginning balance has been restated. See footnote 12 for more information.

A description of other long-term liabilities are as follows:

The compensated absences represent the portion of employee vacation and sick leave that will not be liquidated with current assets of the governmental fund types. Each governmental funds' liability for compensated absences is liquidated by the respective fund, the majority of which is the general fund.

Net pension liabilities consist of Arizona State Retirement System and Public Safety Personnel Retirement System liabilities. See footnote 9 for more information.

Due to requirements placed on Navajo County Lone Pine Landfill by Federal and State regulatory agencies (e.g. EPA and ADEQ) in 1995, the landfill was closed and must be monitored for thirty years. Landfill monitoring costs are the Town's share of total estimated costs of closing and monitoring the Lone Pine Landfill. The remaining post-closure costs have been estimated based on engineering studies and will be revised each year based on inflation/deflation and/or technology changes.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 8. Capital Leases Payable

The Town entered into three lease agreements, which are considered capital leases in accordance with Generally Accepted Accounting Principles. The leases are reported the governmental activities of the government-wide statements.

The following is an annual schedule of future minimum lease payments with the interest of 3.2-4.0%, together with the present value of the net minimum lease payments:

June 30,	General Long-Term Debt
2016	\$ 56,353
2017	56,353
2018	56,353
2019	56,353
2020	54,872
2021-2025	245,344
2026-2030	190,143
2031-2033	60,212
Total remaining lease payments	775,983
Less amount representing interest	(171,653)
Present value of net remaining minimum lease payments	\$ 604,330

A summary of assets acquired through capital leases follows:

Governmental Activities	Cost	Accumulated Depreciation
Land	\$ 160,000	\$ -
Buildings & Improvements	380,000	(32,458)
Machinery & Equipment	130,973	(2,249)
Total	\$ 670,973	\$ (34,707)

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans

The Town contributes to the Arizona State Retirement System and Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2015, the Town reported the following aggregate amounts related to pensions for plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Governmental Activities Total
Net pension liability	\$ 2,563,523	\$ 4,399,218	\$ 6,962,741
Deferred outflows of resources	292,805	1,239,713	1,532,518
Deferred inflows of resources	649,580	73,431	723,011
Pension expense	81,172	641,092	722,264

The Town reported \$456,479 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The Town participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before July 1, 2011	Initial Membership Date On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the ASRS.

The Town's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2013	\$ 173,575	\$ 11,007	\$ 4,064
2014	167,106	9,370	3,748
2015	162,519	8,805	1,791

Pension liability – At June 30, 2015, the Town reported a liability of \$2,563,523 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The Town's proportion measured as of June 30, 2014, was 0.017325 percent, which was a decrease of 0.001736 percent from its proportion measured as of June 30, 2013.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015 the Town recognized pension expense for ASRS of \$81,172. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 130,286	\$ -
Net difference between projected and actual earnings on pension plan investments	-	448,281
Changes in proportion and differences between contributions and proportional share of contributions	-	201,299
Contributions subsequent to the measurement date	162,519	-
Total	\$ 292,805	\$ 649,580

The \$162,519 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2016	\$ (142,946)
2017	(142,946)
2018	(121,333)
2019	(112,069)
2020	-
Thereafter	-

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	63%	7.03%	4.43%
Fixed income	25%	3.20%	0.80%
Commodities	4%	4.50%	0.18%
Real Estate	8%	4.75%	0.38%
Totals	100%		5.79%
	Inflation		3.00%
	Expected arithmetic nominal return		8.79%

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of			
Net pension (asset) / liability	\$ 3,240,162	\$ 2,563,523	\$ 2,196,413

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan description – The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at www.psprs.com.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Benefits provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Employees covered by benefit terms – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	3
Active employees	12
Total	25

Contributions and annual OPEB cost – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active PSPRS members were required by statute to contribute 11.05 percent of their annual covered salary to the PSPRS and the Town was required to contribute 41.31 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 1.77 percent. In addition, the Town was required by statute to contribute at the actuarially determined rate of 19.65 percent of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the PSPRS.

For the agent plans, the Town’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

Pension	
Contributions made	\$ 282,333
 Health Insurance Premium Benefit	
Annual OPEB cost	\$ 11,627
Contributions made	\$ 11,627

Pension liability – At June 30, 2015, the Town reported a net pension liability of \$4,399,218. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Pension actuarial assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Discount rate	7.85%
Projected salary increases	4.0% to 8.0% including inflation
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.63%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	4.75%
Credit Opportunities	13.00%	8.00%
Absolute Return	4.00%	6.75%
GTAA	10.00%	5.73%
Real Assets	8.00%	5.96%
Real Estate	11.00%	6.50%
Risk Parity	4.00%	6.04%
Short Term Inv	2.00%	3.25%
Total	100.00%	

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Discount Rate –A Single Discount Rate of 7.85% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 4,750,486	\$ 1,575,565	\$ 3,174,921
Changes for the year:			
Service cost	117,492	-	117,492
Interest on total pension liability	362,813	-	362,813
Changes of benefit terms*	227,203	-	227,203
Difference between expected and actual experience in the measurement of the pension liability	277,339	-	277,339
Changes of assumptions**	945,302	-	945,302
Contributions - employer	-	300,744	(300,744)
Contributions - employee	-	66,534	(66,534)
Net investment income	-	224,497	(224,497)
Benefit payments, including refunds of employee contributions	(374,824)	(374,824)	-
Other changes	-	114,077	(114,077)
Net changes	1,555,325	331,028	1,224,297
Balances at June 30, 2015	\$ 6,305,811	\$ 1,906,593	\$ 4,399,218

* Changes of benefit terms include the payout of Retro PBI and a change in the employee contribution rate

** Changes of assumptions include a decrease in the wage assumption from 4.5% to 4.0% as well as the inclusion of an assumption to explicitly value future PBI

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Town's net pension liability calculated using the discount rate noted above, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Proportionate share of Net pension (asset) / liability	\$ 5,138,064	\$ 4,399,218	\$ 3,780,172

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015 the Town recognized pension expense for PSPRS of \$641,092. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 217,168	\$ -
Changes in assumptions	740,212	-
Net difference between projected and actual earnings on pension plan investments	-	73,431
Contributions subsequent to the measurement date	282,333	-
Total	\$ 1,239,713	\$ 73,431

The \$282,333 reported as deferred outflows of resources related to PSPRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2016	\$ 246,903
2017	246,903
2018	246,903
2019	143,240
2020	-
Thereafter	-

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as the Town and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.50%

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years follows for each of the agent plans:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2013	\$ 10,023	100%	-
	2014	10,474	100%	-
	2015	11,627	100%	-

Agent plan OPEB funded status – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	<u>Insurance Subsidy</u>
Actuarial accrued liability (AAL)	\$ 152,938
Actuarial value of plan assets	89,706
Unfunded actuarial accrued liability (UAAL)	<u>\$ 63,232</u>
Funded ratio (actuarial value of plan assets/AAL)	58.66%
Covered payroll (active plan members)	\$ 655,492
UAAL as a percentage of covered payroll	9.65%

The actuarial methods and assumptions used for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$5,000,000 per occurrence on a claims made basis.

The Arizona Municipal Risk Retention Pool is structured such that members' premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The Town continues to carry commercial insurance for other risks of loss, including workers, compensation and employee health and accident. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years. The Town is insured by SCF of Arizona for potential worker related accidents.

Note 11. Contingencies

The Town is involved with various matters of litigation from year to year. It is the opinion of Town officials that these cases will either be handled by the Town's insurance coverage or that they will not have a material affect on the Town's financial condition.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town does not anticipate any such amounts.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 12. Restatement Adjustment

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

	ASRS	PSPRS	Governmental Activities
Restatement adjustment - implementation of GASB 68:			
Net pension liability	\$ (3,168,751)	\$ (3,174,921)	\$ (6,343,672)
Deferred outflows - contributions made during fiscal year 2014	167,106	300,744	467,850
Total Restatement Adjustment	\$ (3,001,645)	\$ (2,874,177)	\$ (5,875,822)

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2015

Arizona State Retirement System

		Reporting Fiscal Year (Measurement Date)
		2015 (2014)
Proportion of the net pension liability (asset)		0.017325%
Proportionate share of the net pension liability (asset)	\$	2,563,523
Covered employee payroll	\$	1,545,034
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		165.92%
Plan fiduciary net position as a percentage of the total pension liability		69.49%

Note: the Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2015

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
Total pension liability	
Service cost	\$ 117,492
Interest on total pension liability	362,813
Changes of benefit terms	227,203
Difference between expected and actual experience of the total net pension liability	277,339
Changes of assumptions	945,302
Benefit payments, including refunds of employee contributions	(374,824)
Net change in total pension liability	1,555,325
Total pension liability - beginning	4,750,486
Total pension liability - ending (a)	\$ 6,305,811
 Plan fiduciary net position	
Contributions - employer	\$ 300,744
Contributions - employee	66,534
Net investment income	224,497
Benefit payments, including refunds of employee contributions	(374,824)
Other (net transfer)	114,077
Net change in plan fiduciary net position	331,028
Plan fiduciary net position - beginning	1,575,565
Plan fiduciary net position - ending (b)	\$ 1,906,593
 Net pension liability - ending (a) - (b)	\$ 4,399,218
 Plan fiduciary net position as a percentage of the total pension liability	30.24%
 Covered employee payroll	\$ 655,492
 Net pension liability as a percentage of covered- employee payroll	671.13%

Note: the Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Contributions
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Contractually required contribution	\$ 167,106
Contributions in relation to the contractually required contribution	\$ (167,106)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 1,545,034
Contributions as a percentage of covered-employee payroll	10.82%

Note: the Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Contributions, Continued
June 30, 2015

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
Actuarially determined contribution	\$ 300,744
Contributions in relation to the actuarially determined contribution	\$ (300,744)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 655,492
Contributions as a percentage of covered-employee payroll	45.88%

Note: the Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Required Supplementary Information
Notes to the Pension Plan Schedules
June 30, 2015

NOTE 1. Actuarially Determined Contribution Rates

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, the projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

Public Safety Personnel Retirement System
Health Insurance Premium Benefit

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll
Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	[(b)-(a)] / (c)
2012	-	126,548	126,548	0.0%	542,880	23.31%
2013	-	134,778	134,778	0.0%	601,562	22.40%
2014	89,706	152,938	63,232	58.66%	655,492	9.65%
2015	**	**	**	**	**	**

** The June 30, 2015 information was not yet available at the time the financial statements were issued.

See accompanying notes to schedule of agent OPEB plans' funding progress.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

NOTE 1. Factors that Affect the Identification of Trends

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

- **Development Impact Fees Capital Projects Fund** – This fund is used to account for Library, Parks, Police, Street, and General Government impact fees restricted or earmarked for development of the respective capital improvements.

TOWN OF PINETOP-LAKESIDE, ARIZONA
DEVELOPMENT IMPACT FEE
CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Impact fees	\$ 33,200	\$ 33,200	\$ 47,559	\$ 14,359
Interest	500	500	1,336	836
Total Revenue	<u>33,700</u>	<u>33,700</u>	<u>48,895</u>	<u>15,195</u>
EXPENDITURES:				
Capital Outlay	25,540	25,540	-	25,540
Total Expenditures	<u>25,540</u>	<u>25,540</u>	<u>-</u>	<u>25,540</u>
Excess of Revenues Over (Under) Expenditures	<u>8,160</u>	<u>8,160</u>	<u>48,895</u>	<u>40,735</u>
Other Financing Sources (Uses):				
Transfers in:	-	-	57,384	57,384
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>57,384</u>	<u>57,384</u>
Net Change in Fund Balance	8,160	8,160	106,279	98,119
Fund Balance, Beginning of Year	<u>193,985</u>	<u>193,985</u>	<u>193,985</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 202,145</u>	<u>\$ 202,145</u>	<u>\$ 300,264</u>	<u>\$ 98,119</u>

SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS
AND BUDGETARY COMPARISON SCHEDULES

Non-major Governmental Fund

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- **Grants Fund** – This fund is used to account for various federal and state grants and other contributions that are restricted for public safety, public works/streets, tourism and recreation, and community and economic development.
- **Recreation & Tourism** – This fund is used to account for revenues derived from specific taxes, grant or other restricted revenue sources. Town ordinances or Federal and state statutes specify the use and limitation of each revenue source.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

- **Acquisition and Development Fund** – This fund is used for community and economic development projects, debt service on recreational facilities and the acquisition and construction of major capital facilities other than those funded by user fees and proprietary funds and trust funds.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2015

	<u>Grants Fund</u>	<u>Recreation and Tourism Fund</u>	<u>Acquisition & Development Fund</u>	<u>Total</u>
Assets				
Cash	\$ -	\$ 68,285	\$ 44,033	\$ 112,318
Due from other governments	40,825	-	-	40,825
Prepaid expense	2,384	-	-	2,384
Total Assets	<u>\$ 43,209</u>	<u>\$ 68,285</u>	<u>\$ 44,033</u>	<u>\$ 155,527</u>
Liabilities				
Accounts payable	\$ -	\$ 37,079	\$ 19,033	\$ 56,112
Accrued wages and benefits	1,300	3,954	-	5,254
Accrued liabilities	62	-	-	62
Unearned revenue	12,267	-	25,000	37,267
Due to other funds	29,435	-	-	29,435
Total Liabilities	<u>43,064</u>	<u>41,033</u>	<u>44,033</u>	<u>128,130</u>
Fund Balance				
Assigned for community and economic development	-	27,252	-	27,252
Unassigned	145	-	-	145
Total Fund Balances	<u>145</u>	<u>27,252</u>	<u>-</u>	<u>27,397</u>
Total Liabilities and Fund Balances	<u>\$ 43,209</u>	<u>\$ 68,285</u>	<u>\$ 44,033</u>	<u>\$ 155,527</u>

TOWN OF PINETOP-LAKESIDE, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2015

REVENUES	<u>Grants Fund</u>	<u>Recreation and Tourism Fund</u>	<u>Acquisition & Development Fund</u>	<u>Total</u>
Taxes	\$ -	\$ 494,871	\$ -	\$ 494,871
Intergovernmental revenue	232,642	-	-	232,642
Charges for services	-	3,190	-	3,190
Interest	-	-	4	4
Total Revenues	<u>232,642</u>	<u>498,061</u>	<u>4</u>	<u>730,707</u>
EXPENDITURES				
Current:				
Public safety	180,865	-	-	180,865
Public works/streets	77	-	-	77
Tourism and recreation	20,299	500,264	-	520,563
Community and economic development	6,401	-	83,390	89,791
Capital outlay	<u>25,000</u>	<u>-</u>	<u>20,238</u>	<u>45,238</u>
Total Expenditures	<u>232,642</u>	<u>500,264</u>	<u>103,628</u>	<u>836,534</u>
Excess of Revenues				
Over (Under) Expenditures	<u>-</u>	<u>(2,203)</u>	<u>(103,624)</u>	<u>(105,827)</u>
Other Financing Sources (Uses):				
Debt issuance	-	26,893	-	26,893
Transfers in	<u>-</u>	<u>-</u>	<u>103,611</u>	<u>103,611</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>26,893</u>	<u>103,611</u>	<u>130,504</u>
Net change in fund balances	-	24,690	(13)	24,677
Fund Balances, Beginning of Year	<u>145</u>	<u>2,562</u>	<u>13</u>	<u>2,720</u>
Fund Balances, End of Year	<u>\$ 145</u>	<u>\$ 27,252</u>	<u>\$ -</u>	<u>\$ 27,397</u>

TOWN OF PINETOP-LAKESIDE, ARIZONA
GRANTS
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 2,956,360	\$ 2,956,360	\$ 232,642	\$ (2,723,718)
Total Revenue	<u>2,956,360</u>	<u>2,956,360</u>	<u>232,642</u>	<u>(2,723,718)</u>
EXPENDITURES:				
Current:				
General government	20,000	20,000	-	20,000
Public safety	1,547,250	1,547,250	180,865	1,366,385
Public works	153,225	153,225	77	153,148
Tourism and recreation	842,240	842,240	20,299	821,941
Economic development	436,145	436,145	6,401	429,744
Capital outlay	-	-	25,000	(25,000)
Total Expenditures	<u>2,998,860</u>	<u>2,998,860</u>	<u>232,642</u>	<u>2,766,218</u>
Excess of Revenues Over (Under) Expenditures	<u>(42,500)</u>	<u>(42,500)</u>	<u>-</u>	<u>42,500</u>
Other Financing Sources (Uses):				
Transfers in	<u>42,500</u>	<u>42,500</u>	<u>-</u>	<u>(42,500)</u>
Total Other Financing Sources	<u>42,500</u>	<u>42,500</u>	<u>-</u>	<u>(42,500)</u>
Net change in fund balances	-	-	-	-
Fund Balance, Beginning of Year	<u>145</u>	<u>145</u>	<u>145</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 145</u>	<u>\$ 145</u>	<u>\$ 145</u>	<u>\$ -</u>

TOWN OF PINETOP-LAKESIDE, ARIZONA
RECREATION & TOURISM
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 510,000	\$ 510,000	\$ 494,871	\$ (15,129)
Charges for services	3,050	3,050	3,190	140
Investment earnings	10	10	-	(10)
Miscellaneous	300	300	-	(300)
Total Revenue	<u>513,360</u>	<u>513,360</u>	<u>498,061</u>	<u>(15,299)</u>
EXPENDITURES:				
Current:				
Tourism and recreation	541,490	541,490	500,264	41,226
Total Expenditures	<u>541,490</u>	<u>541,490</u>	<u>500,264</u>	<u>41,226</u>
Excess of Revenues				
Over (Under) Expenditures	<u>(28,130)</u>	<u>(28,130)</u>	<u>(2,203)</u>	<u>25,927</u>
Other Financing Sources (Uses):				
Debt proceeds	-	-	26,893	26,893
Transfers in	28,130	28,130	-	(28,130)
Total Other Financing Sources (Uses):	<u>28,130</u>	<u>28,130</u>	<u>26,893</u>	<u>(1,237)</u>
Net change in fund balance	-	-	24,690	24,690
Fund Balance, Beginning of Year	<u>2,562</u>	<u>2,562</u>	<u>2,562</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,562</u></u>	<u><u>\$ 2,562</u></u>	<u><u>\$ 27,252</u></u>	<u><u>\$ 24,690</u></u>

TOWN OF PINETOP-LAKESIDE, ARIZONA
ACQUISITION & DEVELOPMENT
CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Investment earnings	\$ 20	\$ 20	\$ 4	\$ (16)
Total Revenue	20	20	4	(16)
EXPENDITURES:				
Current:				
Community and economic development	71,000	71,000	83,390	(12,390)
Capital Outlay	-	19,446	20,238	(792)
Total Expenditures	71,000	90,446	103,628	(13,182)
Excess of Revenues Over (Under) Expenditures	(70,980)	(90,426)	(103,624)	(13,198)
Other Financing Sources (Uses):				
Transfers in	70,980	70,980	103,611	32,631
Total Other Financing Sources (Uses):	70,980	70,980	103,611	32,631
Net Change in Fund Balance	-	(19,446)	(13)	19,433
Fund Balance, Beginning of Year	13	13	13	-
Fund Balance, End of Year	\$ 13	\$ (19,433)	\$ -	\$ 19,433

STATISTICAL SECTION

This part of the Town of Pinetop-Lakeside’s financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends	71
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well being have changed over time.</i>	
Revenue Capacity	76
<i>These schedules contain information to help the reader assess the government’s most significant local revenues source, the sales tax.</i>	
Debt Capacity	78
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	82
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information	83
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs</i>	

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Town of Pinetop-Lakeside, Arizona
Financial Trends
Net Position by Component
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$ 2,306,592	\$ 2,446,763	\$ 3,645,436	\$ 5,211,655	\$ 5,251,690	\$ 5,218,619	\$ 5,880,494	\$ 6,005,581	\$ 5,734,415	\$ 5,295,494
Restricted	4,616	143,549	87,907	(193,631)	120,729	852,357	667,609	788,771	194,130	300,409
Unrestricted	1,866,003	2,087,130	1,607,277	1,016,611	523,277	68,198	(58,958)	(463,612)	171,629	(5,216,205)
Total governmental activities net position	\$ 4,177,211	\$ 4,677,442	\$ 5,340,620	\$ 6,034,635	\$ 5,895,696	\$ 6,139,174	\$ 6,489,145	\$ 6,330,740	\$ 6,100,174	\$ 379,698
Primary government										
Net investment in capital assets	\$ 2,306,592	\$ 2,446,763	\$ 3,645,436	\$ 5,211,655	\$ 5,251,690	\$ 5,218,619	\$ 5,880,494	6,005,581	5,734,415	5,295,494
Restricted	4,616	143,549	87,907	(193,631)	120,729	852,357	667,609	788,771	194,130	300,409
Unrestricted	1,866,003	2,087,130	1,607,277	1,016,611	523,277	68,198	(58,958)	(463,612)	171,629	(5,216,205)
Total primary government net position	\$ 4,177,211	\$ 4,677,442	\$ 5,340,620	\$ 6,034,635	\$ 5,895,696	\$ 6,139,174	\$ 6,489,145	\$ 6,330,740	\$ 6,100,174	\$ 379,698

Town of Pinetop-Lakeside, Arizona
Financial Trends
Changes in Net Position
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

Expenses	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities:										
General government	\$ 1,155,805	\$ 1,278,191	\$ 1,064,940	\$ 1,201,412	\$ 1,194,493	\$ 1,263,351	\$ 1,235,522	\$ 1,240,409	\$ 1,152,393	\$ 1,025,609
Public safety	1,464,137	1,685,909	1,770,291	2,041,011	1,991,096	2,038,235	2,091,653	2,239,765	2,362,975	2,655,844
Public works/Streets	1,541,117	1,115,192	1,321,052	816,470	784,839	757,453	1,143,070	790,877	943,183	823,575
Culture and recreation	841,133	1,055,169	1,238,971	1,003,582	950,846	947,880	995,126	1,132,279	1,282,073	1,001,255
Economic development	816,522	636,314	875,855	927,805	647,267	439,196	394,438	403,912	366,771	301,189
Interest on long-term debt	110,037	109,043	103,544	87,580	68,112	52,853	38,793	24,294	8,325	-
Total governmental activities expenses	5,928,751	5,879,818	6,374,653	6,077,860	5,636,653	5,498,968	5,898,602	5,831,536	6,115,720	5,807,472
Total primary government expenses	\$ 5,928,751	\$ 5,879,818	\$ 6,374,653	\$ 6,077,860	\$ 5,636,653	\$ 5,498,968	\$ 5,898,602	\$ 5,831,536	\$ 6,115,720	\$ 5,807,472
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	584,839	502,021	300,060	277,154	244,658	443,713	312,155	234,243	236,111	215,126
Public safety	54,104	67,188	64,053	75,207	66,321	51,755	83,198	91,322	75,839	52,519
Public works/Streets	-	-	-	-	-	-	-	-	-	-
Culture and recreation	44,186	33,902	30,586	28,337	36,834	23,175	24,818	23,237	22,517	40,966
Economic development	-	-	-	-	-	-	-	9,404	-	10
Operating grants and contributions	753,841	824,993	750,842	699,134	569,216	682,175	738,207	688,041	799,252	689,368
Capital grants and contributions	183,119	139,057	352,032	829,702	201,738	206,600	751,168	293,116	129,764	233,074
Total governmental activities program revenues	1,620,089	1,567,161	1,497,573	1,909,534	1,118,767	1,407,418	1,909,546	1,339,363	1,263,483	1,231,063
Total primary government program revenues	\$ 1,620,089	\$ 1,567,161	\$ 1,497,573	\$ 1,909,534	\$ 1,118,767	\$ 1,407,418	\$ 1,909,546	\$ 1,339,363	\$ 1,263,483	\$ 1,231,063

(continued)

Town of Pinetop-Lakeside, Arizona
Changes in Net Position
Last Ten Fiscal Years
(Continued)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net (expense)/revenue										
Governmental activities	\$ (4,308,662)	\$ (4,312,657)	\$ (4,877,080)	\$ (4,168,326)	\$ (4,517,886)	\$ (4,091,550)	\$ (3,989,056)	\$ (4,492,173)	\$ (4,852,237)	\$ (4,576,409)
Total primary government net expense	\$ (4,308,662)	\$ (4,312,657)	\$ (4,877,080)	\$ (4,168,326)	\$ (4,517,886)	\$ (4,091,550)	\$ (3,989,056)	\$ (4,492,173)	\$ (4,852,237)	\$ (4,576,409)
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	\$ 3,605,635	\$ 4,187,256	\$ 4,180,995	3,576,365	\$ 3,256,167	\$ 3,335,049	\$ 3,373,567	\$ 3,286,485	\$ 3,484,164	\$ 3,543,376
Franchise taxes	48,984	54,119	55,860	57,091	54,814	52,327	50,930	48,550	49,231	49,716
State revenue sharing	375,033	472,876	586,141	622,764	537,745	405,391	361,404	437,397	477,283	518,363
State sales taxes	382,949	395,872	382,780	331,381	305,650	319,406	334,597	350,490	372,717	391,327
Auto-in-lieu	229,725	248,658	248,521	238,361	216,864	215,174	213,147	210,755	218,764	225,562
Investment earnings	49,611	87,345	85,961	31,376	5,103	7,681	5,382	91	2,512	3,411
Other	55,637	86,185	-	5,003	2,604	-	-	-	-	-
Total governmental activities	4,747,574	5,532,311	5,540,258	4,862,341	4,378,947	4,335,028	4,339,027	4,333,768	4,604,671	4,731,755
Total Primary government	\$ 4,747,574	\$ 5,532,311	\$ 5,540,258	\$ 4,862,341	\$ 4,378,947	\$ 4,335,028	\$ 4,339,027	\$ 4,333,768	\$ 4,604,671	\$ 4,731,755
Change in Net Position										
Governmental activities	\$ 438,912	\$ 1,219,654	\$ 663,178	\$ 694,015	\$ (138,939)	\$ 243,478	\$ 349,971	\$ (158,405)	\$ (247,566)	\$ 155,346
Total primary government	\$ 438,912	\$ 1,219,654	\$ 663,178	\$ 694,015	\$ (138,939)	\$ 243,478	\$ 349,971	\$ (158,405)	\$ (247,566)	\$ 155,346

Town of Pinetop-Lakeside, Arizona
Financial Trends
Fund Balances of Governmental Funds
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General fund										
Nonspendable	\$ 57,936	\$ 81,962	\$ 50,013	\$ 118,408	\$ 32,820	\$ 110,954	\$ 31,496	\$ 21,651	\$ 14,458	\$ 12,026
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	692,853
Unassigned	1,640,370	2,123,946	1,367,371	703,189	373,973	176,884	133,020	(272,671)	(254,888)	217,472
Total general fund	\$ 1,698,306	\$ 2,205,908	\$ 1,417,384	\$ 821,597	\$ 406,793	\$ 287,838	\$ 164,516	\$ (251,020)	\$ (240,430)	\$ 922,351
All other governmental funds										
Restricted:										
Public safety	\$ -	\$ 18,497	\$ 36,390	\$ 45,779	\$ 46,248	\$ 58,764	\$ 14,952	\$ -	\$ 4,239	\$ 10,651
Highways and streets	-	44,974	251,397	133,450	243,838	614,218	537,341	671,045	819,951	440,620
Community and economic development	-	28,220	46,205	45,260	53,373	54,474	59,602	65,573	86,032	111,894
Other	-	51,858	70,741	59,911	89,121	124,901	55,714	52,153	6,021	30,323
Committed for:										
Tourism and recreation	-	-	-	65,703	27,588	20,203	20,593	-	-	-
Assigned for:										
Community and economic development	-	-	-	-	-	-	-	13	13	27,252
Unassigned, reported in:										
Special revenue funds	265,678	(6,606)	-	(193,631)	-	-	-	(8,137)	2,707	145
Capital projects funds	-	-	-	-	-	-	-	-	-	-
	\$ 265,678	\$ 136,943	\$ 404,733	\$ 156,472	\$ 460,168	\$ 872,560	\$ 688,202	\$ 780,647	\$ 918,963	\$ 620,885

reported as reserved are reported as restricted and balances previously reported as unreserved are reported as unassigned, restricted, committed or assigned as applicable.

* Both restricted and committed fund balances for capital outlay are reported as restricted previous to 2007.

Town of Pinetop-Lakeside, Arizona
Financial Trends
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues										
Taxes	\$ 3,605,636	\$ 4,187,256	\$ 4,180,994	\$ 3,576,365	\$ 3,256,167	\$ 3,335,050	\$ 3,373,568	\$ 3,286,485	\$ 3,484,164	\$ 3,543,376
Franchise taxes	48,984	54,119	55,860	57,092	54,814	52,327	50,930	48,550	49,231	49,716
Intergovernmental	1,924,667	1,941,087	2,029,959	2,240,232	1,810,130	1,666,312	1,920,673	1,952,454	1,942,947	1,902,646
Licenses, permits, and fees	466,493	370,663	179,177	116,741	101,349	106,442	93,428	126,153	141,228	127,540
Charges for services	73,439	80,375	123,241	110,771	130,385	109,367	109,043	119,806	107,562	104,633
Fines and forfeitures	49,620	63,665	59,492	71,407	63,116	49,720	82,131	53,239	47,674	43,474
Interest	49,610	87,345	85,960	31,376	5,103	7,681	5,382	91	2,512	3,411
Lease income	17,829	18,140	17,823	17,820	17,820	17,820	22,275	17,820	17,820	18,732
Impact fees	-	139,057	184,230	59,510	19,738	81,434	13,102	19,553	36,974	47,559
Other	76,348	157,763	121,094	490,561	39,091	316,291	127,241	48,981	38,043	121,730
Total Revenues	\$ 6,312,626	\$ 7,099,470	\$ 7,037,830	\$ 6,771,875	\$ 5,497,713	\$ 5,742,444	\$ 5,797,773	\$ 5,673,132	\$ 5,868,155	\$ 5,962,817
Expenditures										
Current:										
General government	\$ 1,136,972	\$ 1,297,984	\$ 1,198,102	\$ 1,215,854	\$ 1,159,361	\$ 1,135,419	\$ 1,142,334	\$ 1,149,334	\$ 1,045,142	\$ 1,025,155
Public safety	1,469,481	1,666,616	1,847,878	1,938,776	1,873,364	1,961,851	2,215,692	2,167,567	2,197,726	2,215,856
Public works/streets	1,444,619	1,441,777	1,672,565	1,879,964	612,841	600,760	985,898	822,572	604,730	637,870
Tourism and recreation	800,308	970,118	1,120,125	1,030,831	795,263	878,006	847,481	979,971	1,122,825	899,584
Community and economic development	814,428	634,330	870,400	924,902	597,683	437,464	394,736	406,802	439,094	290,996
Capital outlay	189,649	401,904	363,822	233,542	99,807	57,654	712,874	131,674	133,552	157,384
Debt service										
Principal	763,300	327,867	382,128	370,793	402,389	325,000	381,415	374,009	185,000	-
Interest and fiscal charges	151,778	109,043	103,544	87,580	68,112	52,853	38,793	24,294	8,325	-
Total expenditures	6,770,535	6,849,639	7,558,564	7,682,242	5,608,820	5,449,007	6,719,223	6,056,223	5,736,394	5,226,845
Revenues over (under) expenditures	(457,909)	249,831	(520,734)	(910,367)	(111,107)	293,437	(921,450)	(383,091)	131,761	735,972
Other finance sources (Uses)										
Proceeds of long-term debt issuance	-	129,036	-	66,319	-	-	613,770	60,000	-	128,876
Proceeds from sale of capital assets	781,113	-	-	-	-	-	-	-	-	-
Transfers in	486,342	410,100	952,259	984,673	533,849	451,603	428,686	537,635	402,969	693,293
Transfers out	(486,342)	(410,100)	(952,259)	(984,673)	(533,849)	(451,603)	(428,686)	(537,635)	(402,969)	(693,293)
Total other finance sources (uses)	781,113	129,036	-	66,319	-	-	613,770	60,000	-	128,876
Net change in fund balances	\$ 323,204	\$ 378,867	\$ (520,734)	\$ (844,048)	\$ (111,107)	\$ 293,437	\$ (307,680)	\$ (323,091)	\$ 131,761	\$ 864,848
Debt service as a percentage of noncapital expenditures	14.01%	7.36%	7.56%	7.54%	8.44%	7.07%	7.30%	6.98%	3.39%	0.00%

Town of Pinetop-Lakeside, Arizona
Revenue Capacity
General Government Tax Revenues by Source
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

Fiscal Year	State Shared Sales Tax	City Sales Tax	Franchise Tax	Motor Fuel Tax	Vehicle License Tax	State Shared Income Tax
2006	\$ 382,949	\$ 3,659,494	\$ 48,984	\$ 582,147	\$ 229,725	\$ 375,033
2007	395,872	3,963,230	54,119	610,703	248,658	472,876
2008	382,780	4,198,925	55,860	590,551	248,521	586,141
2009	331,381	3,606,796	57,092	533,436	238,361	622,764
2010	305,650	3,256,167	54,814	498,319	216,864	537,745
2011	319,406	3,335,049	52,327	513,738	215,174	405,391
2012	334,597	3,373,567	50,930	429,242	213,147	361,404
2013	350,490	3,286,485	48,550	470,581	210,755	437,397
2014	372,717	3,484,164	49,231	494,840	218,764	477,283
2015	391,327	3,543,376	49,716	534,753	225,562	518,363

Source: The Town of Pinetop-Lakeside, Arizona's Financial Services Department.

Town of Pinetop-Lakeside, Arizona
Revenue Capacity
Local Sales Tax Revenue by Industry
Last Six Fiscal Years (Unaudited)

	2010		2011		2012		2013		2014		2015	
	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total
Communication & Utilities	251,042	7.7%	264,629	7.9%	268,981	8.0%	279,845	8.5%	305,623	8.8%	290,537	8.2%
Construction	222,624	6.8%	270,420	8.1%	230,097	6.8%	122,646	3.7%	222,033	6.4%	218,496	6.2%
Manufacturing	113,564	3.5%	116,963	3.5%	114,541	3.4%	107,925	3.3%	125,562	3.6%	150,686	4.3%
Retail	1,238,356	38.0%	1,257,632	37.7%	1,299,885	38.5%	1,333,417	40.6%	1,293,976	37.1%	1,341,772	37.9%
Real Estate Leasing	210,426	6.5%	175,397	5.3%	179,001	5.3%	153,831	4.7%	156,033	4.5%	159,388	4.5%
Restaurant & Bar	717,512	22.0%	717,337	21.5%	718,311	21.3%	758,904	23.1%	768,373	22.1%	808,379	22.8%
Accommodation	211,801	6.5%	198,457	6.0%	193,127	5.7%	210,043	6.4%	245,388	7.0%	248,587	7.0%
Services	171,405	5.3%	159,191	4.8%	143,600	4.3%	134,278	4.1%	182,574	5.2%	143,359	4.0%
All Other	119,391	3.7%	175,024	5.2%	228,389	6.8%	185,596	5.6%	184,602	5.3%	182,172	5.1%
Total	3,256,122	100.0%	3,335,050	100.0%	3,375,932	100.0%	3,286,485	100.0%	3,484,163	100.0%	3,543,376	100.0%
	-8.95%		2.42%		1.23%		-2.65%		6.01%		1.70%	
	down from prior year		up from prior year		up from prior year		down from prior year		up from prior year		up from prior year	

Source: Arizona Department of Revenue

Note: Fiscal Year 2012 amounts reflect receipts through July 2012

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the town's tax revenues.

Town of Pinetop-Lakeside, Arizona
Debt Capacity
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Governmental Activities			Total Government Debt	Percentage of Personal Income	Population	Per Capita ⁽¹⁾
	Revenue Bonds	General Obligaion Debt	Capital Leases				
2006	2,365,000	95,838	54,166	2,515,004	111.24%	4,540	554
2007	2,090,000	69,541	156,632	2,316,173	96.00%	4,758	487
2008	1,805,000	156,134	89,390	2,050,524	80.74%	4,769	430
2009	1,510,000	65,872	86,997	1,662,869	63.13%	4,805	346
2010	1,200,000	-	-	1,200,000	43.75%	4,282 *	280
2011	875,000	-	-	875,000	31.00%	4,269 *	205
2012	540,000	-	560,741	1,100,741	37.90%	4,303 *	256
2013	185,000	-	561,102	746,102	24.97%	4,389 *	170
2014	-	-	497,043	497,043	16.16%	4,303 *	116
2015	-	-	604,330	604,330	19.65%	4,370 *	138

* Population adjusted to results of 2010 US Census

(1) Population numbers prior to 2010 are based on Arizona Department of Economic Security estimates.

Town of Pinetop-Lakeside, Arizona
Debt Capacity
Direct and Overlapping Governmental Activities Debt
(Unaudited)

Governmental Unit	Net Debt Outstanding (1)(2)	Percentage Applicable to the Town of Pinetop-Lakeside	Amount Applicable to the Town of Pinetop-Lakeside
Blue Ridge Unified School District #32	\$ 21,100,000	21.4%	\$ 4,521,730
Pinetop-Lakeside Sanitary District	19,378	79.0%	15,309
Pinetop Fire District	5,430,875	85.0%	4,616,244
Lakeside Fire District	-	31.0%	-
Subtotal, overlapping debt			9,153,282
Town direct debt			604,330
Total direct and overlapping debt			\$ 9,153,282

(1) Includes general obligation bonds outstanding

(2) Amounts are per June 30, 2013, information for June 30, 2015 was not available.

Source: Navajo County Finance Department

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the taxpayers of the Town of Pinetop-Lakeside. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the taxpayers should be taken into account.

Town of Pinetop-Lakeside, Arizona
Debt Capacity
Pledged-Revenue Coverage
Last Ten Fiscal Years (Unaudited)

Municipal Property Corporation Bonds Payable

Fiscal Year	Excise Tax Revenues	Principal	Interest	Total	Coverage
2006	4,647,201	135,000	61,650	196,650	23.63
2007	5,080,636	140,000	56,250	196,250	25.89
2008	5,416,367	145,000	50,370	195,370	27.72
2009	4,799,302	150,000	44,280	194,280	24.70
2010	4,316,426	155,000	37,830	192,830	22.38
2011	4,275,020	165,000	31,165	196,165	21.79
2012	4,282,714	170,000	23,905	193,905	22.09
2013	4,285,127	180,000	16,425	196,425	21.82
2014	4,552,929	185,000	8,325	193,325	23.55
2015	-	-	-	-	-

GADA Loan

Fiscal Year	Excise Tax Revenues	Principal	Interest	Total	Coverage
2006	4,647,201	130,000	52,663	182,663	25.44
2007	5,080,636	135,000	46,813	181,813	27.94
2008	5,416,367	140,000	40,738	180,738	29.97
2009	4,799,302	145,000	34,438	179,438	26.75
2010	4,316,426	155,000	28,275	183,275	23.55
2011	4,275,020	160,000	21,688	181,688	23.53
2012	4,282,714	165,000	14,888	179,888	23.81
2013	4,285,127	175,000	7,875	182,875	23.43
2014	4,552,929	-	-	-	-

Source: The Town of Pinetop-Lakeside, Arizona's Financial Services Department

Town of Pinetop-Lakeside, Arizona
Demographic and Economic Information
Demographic Statistics - Population Statistics, Unemployment Averages
Last Ten Fiscal Years (Unaudited)

Calendar Year	Town of Pinetop-Lakeside Population (1)	Navajo County Population (1)	Personal Income Navajo County (2) (in thousands)	Navajo County Per Capita Personal Income	Pinetop-Lakeside Per Capita Income (4)	Pinetop-Lakeside Public School Enrollment (5)	Unemployment Averages (3)		
							Town of Pinetop-Lakeside	Navajo County	State of Arizona
2006	4,333 *	109,000	2,260,966	\$ 20,743	\$ 23,044	2,690	3.5%	7.2%	4.1%
2007	4,486 *	110,999	2,412,656	\$ 21,736	\$ 23,963	2,690	3.0%	6.2%	3.7%
2008	4,503 *	112,348	2,539,509	\$ 22,604	\$ 24,883	2,617	4.4%	9.8%	6.0%
2009	4,522 *	112,975	2,634,137	\$ 23,316	\$ 25,509	2,600	6.6%	15.2%	9.9%
2010	4,282	107,677	2,742,716	\$ 25,472	\$ 26,720	2,462	7.8%	16.0%	10.5%
2011	4,269 *	107,226	2,822,255	\$ 26,321	\$ 27,645	2,344	7.7%	16.0%	9.5%
2012	4,303 *	107,923	2,904,100	\$ 26,909	\$ 28,561	2,308	8.2%	15.1%	8.3%
2013	4,389 *	109,028	2,988,319	\$ 27,409	\$ 28,561	2,335	8.2%	14.8%	8.3%
2014	4,465 *	110,142	3,074,980	\$ 27,918	\$ 26,393	2,137	8.1%	15.5%	6.9%
2015	4,370 *	109,671	3,164,155	\$ 27,918	\$ 28,058	2,153	9.2%	9.0%	6.9%

(1) Source: U.S. Department of Commerce estimates, Bureau of the Census; Arizona Department of Administration estimates.
 * Population estimated except for 2010 Census.

(2) Source: US Department of Commerce, Bureau of Economic Analysis Unit (2004-2009).
 2010-2015 county data unavailable and estimated based on statewide information

(3) Source: WWW.AZSTATS.GOV

(4) Source: Arizona Department of Administration; Bureau of the Census American FactFinder
 2003 and 2010 per capita income come from the Census Bureau, all other years are estimated.

(5) Source: Blue Ridge Unified School District #32

Town of Pinetop-Lakeside, Arizona
Operating Information
Full Time Equivalent Employees by Function
Last Ten Fiscal Years (Unaudited)

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	17	18	18	18	14	14	12	12.5	12.5	12.5
Public Safety										
Officers	14	14	14	14	14	15	17	17	17	17
Civilians	10	10	10	9.5	7.5	7.5	7.5	7.5	7.5	7.5
Streets	6	6	6	5	6.5	6.5	6.5	5.5	5.5	5.5
Parks and Recreation	8	8	8	7	6.5	6.5	6.5	6.5	6.5	6.5
Library	5	5	5	5	5	5	5	5	5	5
Total	60	61	61	58.5	53.5	54.5	54.5	54.0	54.0	54.0

Source: Town of Pinetop-Lakeside, Arizona

Town of Pinetop-Lakeside, Arizona
Operating Information
Construction/Building Permit Activity
Last Ten Calendar Years (Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Building Permits										
Residential	93	162	98	36	23	10	9	9	10	18
Commercial	14	9	11	5	1	2	1	1	1	0
Value of Construction										
Residential	\$18,317,000	\$39,137,000	\$27,796,000	\$12,055,000	\$ 6,039,000	\$ 3,610,000	\$ 3,749,000	\$ 2,545,000	\$ 3,313,000	\$ 4,725,000
Commercial	4,166,000	3,232,000	3,695,000	22,688,000	97,000	6,900,000	2,783,000	988,000	1,238,000	455,000
Total	\$22,483,000	\$42,369,000	\$31,491,000	\$34,743,000	\$ 6,136,000	\$10,510,000	\$ 6,532,000	\$ 3,533,000	\$ 4,551,000	\$ 5,180,000

*2013 is the most recent completed year of record keeping

Source: Town of Pinetop-Lakeside Building Department

Town of Pinetop-Lakeside, Arizona
Operating Information
Capital Asset Statistics by Function
Last Ten Fiscal Years (Unaudited)

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Other Public Works										
Streets (Miles)	45	45	45	45	45	45	45	45	45	45
Highways (Miles)	5	5	5	5	5	5	5	5	5	5
Traffic lights	6	6	6	6	6	6	6	6	6	6
Parks and Recreation										
Acreage	684	150	150	150	150	150	150	150	150	150
Playgrounds	3	3	3	3	3	3	3	3	3	3
Baseball and Softball Diamonds	4	4	4	4	4	4	4	4	4	4
Football and Soccer Fields	5	5	5	5	5	5	5	5	5	5

Source: Town of Pinetop-Lakeside, Arizona

Town of Pinetop-Lakeside, Arizona
Operating Information
Operating Indicators by Function
Last Ten Fiscal Years (Unaudited)

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government											
Building Permits Issued	171	109	41	24	12	10	10	10	18	*	*
Building Inspections Conducted	171	109	41	24	12	10	10	10	18	*	*
Police											
Physical Arrests	*	*	*	*	444	670	599	529	387	395	395
Parking Violations	*	*	*	*	0	4	0	0	1	0	0
Traffic Violations	*	*	*	*	1,760	1,882	2,551	2,010	1,438	3,376	3,376
Calls for Service	*	*	*	*	7,994	8,430	9,752	10,787	7,991	8,209	8,209
Streets **											
Street Resurfacing (Miles)	0	0	2	1	0	1	2	2	10	1	1
Potholes Repaired**	575	700	900	1,100	1,200	1,215	1,350	1,500	1,620	1,740	1,200
Street Sweeping (Miles)	50	1,135	1,135	1,135	1,135	1,135	1,135	1,135	1,135	1,135	1,135
Culture and recreation											
Parks acreage	148	148	148	148	148	148	148	148	148	148	148
Ball fields	7	7	7	7	7	7	7	7	7	7	7

Source: Town of Pinetop-Lakeside, Arizona

* Information not available.

** These are estimates based on material purchaes.

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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**Independent Auditor’s Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Mayor and
Town Council
Pinetop-Lakeside, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Pinetop-Lakeside, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements and have issued our report thereon dated December 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Pinetop-Lakeside, Arizona’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described

in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies.

2007-001. Segregation of Duties

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC
Flagstaff, Arizona
December 18, 2015

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
Town Council
Pinetop-Lakeside, Arizona

We have audited the basic financial statements of the Town of Pinetop-Lakeside, Arizona for the year ended June 30, 2015, and have issued our report thereon dated December 18, 2015. Our audit also included test work on the Town of Pinetop-Lakeside's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the Town of Pinetop-Lakeside is responsible for the Town's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The Town of Pinetop-Lakeside has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the Town of Pinetop-Lakeside pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the Town's compliance with annual expenditure limitations has been issued separately with the Town's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Town of Pinetop-Lakeside complied, in all material respects, with the requirements identified above for the year ended June 30, 2015.



HintonBurdick, PLLC
Flagstaff, Arizona
December 18, 2015

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