

**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT**  
**JUNE 30, 2012**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**Independent Auditors' Report on AELR**

The Auditor General of the State of Arizona and  
The Honorable Mayor and Town Council  
Town of Pinetop-Lakeside, Arizona

We have audited the financial statements of the Town of Pinetop-Lakeside, Arizona, as of and for the year ended June 30, 2012, and have issued our separate report thereon dated October 23, 2012. We have also audited the accompanying Annual Expenditure Limitation Report of the Town of Pinetop-Lakeside, Arizona, for the year ended June 30, 2012. This report is the responsibility of the Town of Pinetop-Lakeside, Arizona's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual expenditure limitation report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Expenditure Limitation Report of the Town of Pinetop-Lakeside, Arizona, for the year ended June 30, 2012, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

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

*HintonBurdick, PLLC*

HintonBurdick, PLLC  
October 23, 2012

**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**Annual Expenditure Limitation Report – Part I**  
**Year Ended June 30, 2012**

1. Economic Estimates Commission expenditure limitation	\$ 5,416,296	
2. Voter-approved alternative expenditure limitation	<u>-</u>	
3. Enter applicable amount from line 1 or line 2		\$ 5,416,296
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	4,515,081	
5. Board-authorized expenditures necessitated by a disaster declared by the Governor (Article IX, Sec. 20(2)(a), Arizona Constitution)	N/A	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor (Article IX, Sec. 20(2)(b), Arizona Constitution)	N/A	
7. Prior-year voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Article IX, Sec. 20(2)(c), Arizona Constitution)	<u>N/A</u>	
8. Subtotal	4,515,081	
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters (Article IX, Sec. 20(2)(b), Arizona Constitution)	<u>N/A</u>	
10. Total adjusted amount subject to the expenditure limitation		<u>4,515,081</u>
11. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation)		<u><u>\$ 901,215</u></u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: 

Name and Title: J. Kent Brooksby, Finance Director/Treasurer

Telephone Number: (928) 368-8696 Date: 28 Nov 2012

See accompanying notes to report.

**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**Annual Expenditure Limitation Report – Part II**  
**Year Ended June 30, 2012**

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation Line D	\$ 6,105,453	\$ -	\$ -	\$ 6,105,453
B. Less exclusions claimed:				
1. Bond proceeds	-	-	-	-
Debt service requirements on bonded indebtedness	193,905	-	-	193,905
Proceeds from other long-term obligations	-	-	-	-
Debt service requirements on other long-term obligations	240,316	-	-	240,316
2. Dividends, interest and gains on the sale or redemption of investment securities	5,382	-	-	5,382
3. Trustee or custodian	-	-	-	-
4. Grants and aid from the Federal government	445,105	-	-	445,105
5. Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	41,136	-	-	41,136
6. Amounts received from the State of Arizona	97,719	-	-	97,719
7. Quasi-external interfund transactions	-	-	-	-
8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-	-	-	-
9. Highway user revenues in excess of those received in fiscal year 1979-80	429,242	-	-	429,242
10. Contracts with other political subdivisions	137,567	-	-	137,567
11. Refunds, reimbursements, and other recoveries	-	-	-	-
12. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-
13. Prior years carryforward	-	-	-	-
14. Total exclusions claimed	<u>1,590,372</u>	<u>-</u>	<u>-</u>	<u>1,590,372</u>
C. Amount subject to the expenditure limitation (If an individual fund type amount is negative, reduce ) exclusions claimed to net to zero.)	<u>\$ 4,515,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,515,081</u>
	<u>\$ 4,515,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,515,081</u>

See accompanying notes to report.

**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**Annual Expenditure Limitation Report – Reconciliation**  
**Year Ended June 30, 2012**

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items and extraordinary items reported within the financial statements	\$ 6,719,223	\$ -	\$ -	\$ 6,719,223
B. Subtractions:				
1. Items not requiring use of working capital:				
Depreciation	-	-	-	-
Loss on disposal of capital assets	-	-	-	-
Bad debt expense	-	-	-	-
Claims incurred but not reported	-	-	-	-
Landfill closure and postclosure care costs	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes	-	-	-	-
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	613,770	-	-	613,770
4. Involuntary court judgments	-	-	-	-
5. Total subtractions	613,770	-	-	613,770
C. Additions:				
1. Principal payments on long-term debt	-	-	-	-
2. Acquisition of capital assets	-	-	-	-
3. Claims paid in the current year but reported as expenses incurred but not reported in previous years	-	-	-	-
4. Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years	-	-	-	-
5. Total additions	-	-	-	-
D. Amounts reported on Part II, Line A	<u>\$ 6,105,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,105,453</u>

See accompanying notes to report.

**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2012**

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**Note 1. Summary of Significant Accounting Policies**

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The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07, which excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20 from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed in Part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds.

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**Note 2. Debt Service Requirements**

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The exclusions claimed in Part II for debt service requirements are summarized as follows:

Bond indebtedness	\$193,905
Other long-term obligations	240,316
Total	<u>\$434,221</u>
Consist of:	
Principal retirement	388,029
Interest expense	46,192
Total	<u>\$434,221</u>

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**Note 3. Investment Income**

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The exclusions claimed in Part II for dividends, interest and gains on the sale or redemption of investment securities consists of interest earned on investments.

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**Note 4. Grants, Aid, Contributions, or Gifts from a Private Agency**

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The exclusions claimed in Part II for grants, aid, and contributions from private organizations consists of \$39,459 received from tribal organizations reported in intergovernmental revenue and \$1,677 received in library donations reported in other revenue.

**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2012**

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**Note 5. Reconciliation of Intergovernmental Revenue**

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The following schedule presents revenue from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, and highway user revenues in the Governmental Funds:

<u>Description</u>	<u>Governmental Funds</u>
Grants and aid from the Federal government	\$445,105
Amounts received from the State	97,719
Highway user revenues in excess of those received in fiscal year 1979-80	429,242
Miscellaneous Grants and Contributions	39,459
Other revenues (nonexcludable):	
State Income Tax	361,404
State Sales Tax	334,597
Auto Lieu Tax	213,147
Total intergovernmental revenues as reported in the financial statements	<u><u>\$1,920,673</u></u>

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**Note 6. Contracts with other Political Subdivisions**

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The exclusion claimed on Part II, Line B.10 of \$137,567 which consists of \$81,324 for dispatch services, \$22,275 for a lease with Apache County and \$33,968 for a public transit agreement with Show Low are included in the financial statements under general government as charges for services.

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**Note 7. Reconciliation Subtractions and Additions**

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The subtraction of \$613,770 capital leases consists of a \$480,000 and a \$133,700 capital lease acquired during the current fiscal year.