

**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**ANNUAL EXPENDITURE LIMITATION REPORT**  
**JUNE 30, 2018**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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## Independent Accountants' Report

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

We have examined the accompanying annual expenditure limitation report of the Town of Pinetop-Lakeside, Arizona, for the fiscal year ended June 30, 2018, and the related notes to the report. The Town's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Items in this report have been amended from the originally issued Annual Expenditure Limitation Report to correct the expenditure limitation, correct exclusions claimed in part II and to report exclusion carryforwards. The expenditure limit in Part I on line 1 and exclusions claimed in Part II for Debt proceeds, interest income, and prior years carryforwards have been restated. In addition, Notes 2 and 3 have been amended and Notes 7 and 8 have been added.

In our opinion, the annual expenditure limitation report referred to above is presented in accordance with the uniform expenditure reporting system as described in note 1 in all material respects.

HintonBurdick, PLLC

Gilbert, Arizona

March 27, 2019, except for items restated as discussed above, for which the date is February 17, 2022



**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**Annual Expenditure Limitation Report – Part II**  
**Fiscal Year Ended June 30, 2018**

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation Line D	\$ 8,978,722	\$ -	\$ -	\$ 8,978,722
B. Less exclusions claimed:				
1. Debt proceeds	1,198,405	-	-	1,198,405
2. Debt service requirements	558,442	-	-	558,442
3. Dividends, interest, and gains on the sale or redemption of investment securities	663	-	-	663
4. Trustee or custodian	-	-	-	-
5. Grants and aid from the Federal government	101,794	-	-	101,794
6. Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	26,576	-	-	26,576
7. Amounts received from the State of Arizona	216,971	-	-	216,971
8. Quasi-external interfund transactions	-	-	-	-
9. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-	-	-	-
10. Highway user revenues in excess of those received in fiscal year 1979-80	608,381	-	-	608,381
11. Contracts with other political subdivisions	40,662	-	-	40,662
12. Refunds, reimbursements, and other recoveries	-	-	-	-
13. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-
14. Prior years carryforward	245,000	-	-	245,000
15. Qualifying capital improvement expenditures repaid in accordance with A.R.S. §41-1279.07	-	-	-	-
16. Total exclusions claimed	<u>2,996,894</u>	<u>-</u>	<u>-</u>	<u>2,996,894</u>
C. Amount subject to the expenditure limitation (If an individual fund type amount is negative, reduce ) exclusions claimed to net to zero.)	<u>\$ 5,981,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,981,828</u>
	<u>\$ 5,981,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,981,828</u>

See accompanying notes to report.

**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**Annual Expenditure Limitation Report – Reconciliation**  
**Fiscal Year Ended June 30, 2018**

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	\$ 9,171,081	\$ -	\$ -	\$ 9,171,081
B. Subtractions:				
1. Items not requiring use of working capital:				
Depreciation	-	-	-	-
Loss on disposal of capital assets	-	-	-	-
Bad debt expense	-	-	-	-
Pension and other postemployment benefits expense	-	-	-	-
Claims incurred but not reported	-	-	-	-
Landfill closure and postclosure care costs	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes	-	-	-	-
3. Required fees paid to the Arizona Department of Revenue				
4. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	192,359	-	-	192,359
5. Involuntary court judgments	-	-	-	-
6. Total subtractions	192,359	-	-	192,359
C. Additions:				
1. Principal payments on long-term debt	-	-	-	-
2. Acquisition of capital assets	-	-	-	-
3. Amounts paid in the current year but reported as expenses in previous years:				
Claims previously recognized as IBNR	-	-	-	-
Landfill closure and postclosure care costs	-	-	-	-
Pension and OPEB contributions paid in the current year	-	-	-	-
4. Total additions	-	-	-	-
D. Amounts reported on Part II, Line A	\$ 8,978,722	\$ -	\$ -	\$ 8,978,722

See accompanying notes to report.

**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**Notes to Annual Expenditure Limitation Report**  
**Fiscal Year Ended June 30, 2018**

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

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

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

**Note 2. Debt Service Requirements**

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

Bonded indebtedness	\$ -
Other long-term obligations	558,442
Total	<u>\$ 558,442</u>
Consist of:	
Principal retirement	\$ 534,457
Interest expense	23,985
Total	<u>\$ 558,442</u>
Reported in financial statements as:	
Debt service - principal	\$ 523,606
Debt service - interest	15,350
Recreation and tourism fund expenditures	6,565
General fund general government expenditures	6,881
Capital projects fund capital outlay	6,040
Total	<u>\$ 558,442</u>

**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**Notes to Annual Expenditure Limitation Report**  
**Fiscal Year Ended June 30, 2018**

**Note 3. Investment Income and Carryforwards**

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 in the HURF fund and capital projects fund. The remaining interest income is being carried forward.

	General Fund	HURF Fund	Capital Projects Fund	Development Impact Fee Fund	Acquisition and Development Fund	Total
Prior year carryforward balance	\$ 518	\$ -	\$ -	\$ 66	\$ 11	\$ 595
Interest income received	956	36	627	43	9	1,671
Interest income utilized	-	(36)	(627)	-	-	(663)
Carryforward to 2018-2019	<u>\$ 1,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109</u>	<u>\$ 20</u>	<u>\$ 1,603</u>

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

The exclusions claimed in Part II for grants, aid, and contributions from private organizations consists of \$16,576 received in library donations and \$10,000 received from tribal organizations reported in intergovernmental revenue.

**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**Notes to Annual Expenditure Limitation Report**  
**Fiscal Year Ended June 30, 2018**

**Note 5. Reconciliation of Intergovernmental Revenue**

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:

Description	Governmental Funds
Grants and aid from the Federal government	\$ 101,794
Amounts received from the State	216,971
Highway user revenues received in current fiscal year	608,381
Miscellaneous Grants and Contributions	26,576
Other revenues (nonexcludable):	
State Income Tax	542,257
State Sales Tax	410,416
Total intergovernmental revenues as reported in the financial statements	\$ 1,906,395

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

The exclusion claimed on Part II, Line 11 of \$40,662 consists of dispatch services included in the financial statements under general government as charges for services.

**TOWN OF PINETOP-LAKESIDE, ARIZONA**  
**Notes to Annual Expenditure Limitation Report**  
**Fiscal Year Ended June 30, 2018**

**Note 7. HURF Revenue and Carryforwards**

The exclusion claimed on Part II for prior years carryforward consists of \$245,000 utilized from prior year highway user revenues.

A schedule of highway user revenues being excluded in Part II and the amount carried forward to next year is as follows:

Highway User Revenue Funds:	
Prior year carryforward balance	\$ 362,094
HURF received current fiscal year	608,381
Less amount received 1979-80	-
Subtotal	<u>970,475</u>
HURF revenues expended in the current fiscal year	(608,381)
Utilization of prior year carryforward balance	<u>(245,000)</u>
HURF carryforward to 2018-19	<u><u>\$ 117,094</u></u>

**Note 8. Debt Proceeds and Carryforwards**

The exclusions claimed in Part II line B.1 for debt proceeds are summarized as follows:

Debt Proceeds - revenue bond and premium	\$ 1,987,852
Less debt proceeds utilized to pay off other debt	<u>(428,908)</u>
Excludable revenues received in current year	1,558,944
Excludable revenues expended in current year	<u>(1,198,405)</u>
Ending carryforward balance	<u><u>\$ 360,539</u></u>

The carryforward balance of \$360,539 consists of unspent debt proceeds. These unspent debt proceeds do not reconcile directly to the financial statements because they are erroneously presented in the financial statements. The \$360,539 should have been reported as restricted cash in the capital projects fund and an interfund loan from the general fund should have been recorded to cover cash utilized in the capital projects fund for other projects not related to the debt issuance.