

TOWN OF PINETOP-LAKESIDE, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2019
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, 2019, 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 exclusions claimed in part II and to report exclusion carryforwards. The exclusions claimed in Part II for interest income, contributions and grants from private organizations, and carryforwards have been restated. In addition, Notes 2, 3, 4, and 5 have been amended and Notes 8 and 9 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

December 18, 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, 2019

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation Line D	\$ 7,967,401	\$ 218,208	\$ -	\$ 8,185,609
B. Less exclusions claimed:				
1. Debt proceeds	-	210,000	-	210,000
2. Debt service requirements	321,934	-	-	321,934
3. Dividends, interest, and gains on the sale or redemption of investment securities	1,976	-	-	1,976
4. Trustee or custodian	-	-	-	-
5. Grants and aid from the federal government	114,120	-	-	114,120
6. Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	11,118	-	-	11,118
7. Amounts received from the State of Arizona	93,438	-	-	93,438
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	656,359	-	-	656,359
11. Contracts with other political subdivisions	124,866	-	-	124,866
12. Refunds, reimbursements, and other recoveries	-	-	-	-
13. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-
14. Prior years carryforward	479,216	-	-	479,216
15. Qualifying capital improvement expenditures repaid in accordance with A.R.S. §41-1279.07	-	-	-	-
16. Total exclusions claimed	<u>1,803,027</u>	<u>210,000</u>	<u>-</u>	<u>2,013,027</u>
C. Amount subject to the expenditure limitation	<u>\$ 6,164,374</u>	<u>\$ 8,208</u>	<u>\$ -</u>	<u>\$ 6,172,582</u>

See accompanying notes to report.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Annual Expenditure Limitation Report – Reconciliation
Fiscal Year Ended June 30, 2019

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	\$ 8,333,432	\$ 17,438	\$ -	\$ 8,350,870
B. Subtractions:				
1. Items not requiring use of working capital:				
Depreciation	-	935	-	935
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	366,031	-	-	366,031
5. Involuntary court judgments	-	-	-	-
6. Total subtractions	366,031	935	-	366,966
C. Additions:				
1. Principal payments on long-term debt	-	-	-	-
2. Acquisition of capital assets	-	201,705	-	201,705
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	-	-	-	-
4. Pension and OPEB contributions paid in the current year	-	-	-	-
5. Total additions	-	201,705	-	201,705
D. Amounts reported on Part II, Line A	\$ 7,967,401	\$ 218,208	\$ -	\$ 8,185,609

See accompanying notes to report.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to Annual Expenditure Limitation Report
Fiscal Year Ended June 30, 2019

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; statement of revenues, expenses, and changes in fund net position for the proprietary funds; and statement of cash flows for the proprietary funds.

Note 2. Debt Service Requirements

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

Bond indebtedness	\$ 104,468
Other long-term obligations	217,466
Total	<u>\$ 321,934</u>
Consist of:	
Principal retirement	\$ 227,141
Interest expense	94,793
Total	<u>\$ 321,934</u>
Reported in financial statements as:	
Debt service - principal	\$ 189,872
Debt service - interest	100,556
Recreation and tourism fund current expenditures	31,506
Total	<u>\$ 321,934</u>

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to Annual Expenditure Limitation Report
Fiscal Year Ended June 30, 2019

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 that were utilized in the following funds.

	General Fund	Capital Projects Fund	Development Impact Fee Fund	Acquisition and Development Fund	Total
Prior year carryforward balance	\$ 1,474	\$ -	\$ 109	\$ 20	\$ 1,603
Interest income received	1,404	572	-	7	1,983
Interest income utilized	(1,404)	(572)	-	-	(1,976)
Carryforward utilized	(1,474)	-	(109)	-	(1,583)
Carryforward to 2019-2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 27</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 \$618 received in library donations and \$10,500 received from tribal organizations reported in intergovernmental revenue.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to Annual Expenditure Limitation Report
Fiscal Year Ended June 30, 2019

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:

<u>Description</u>	<u>Governmental Funds</u>
Grants and aid from the Federal Government	\$ 114,120
Amounts received from the State	93,438
Highway user revenues in excess of those received in fiscal year 1979-80	656,359
Miscellaneous Grants and Contributions	11,118
Other revenues (nonexcludable):	
State Income Tax	528,117
State Sales Tax	439,263
Unspent donation revenue	5,926
Total intergovernmental revenues as reported in the financial statements	<u>\$ 1,848,341</u>

Note 6. Contracts with other Political Subdivisions

The exclusion claimed on Part II, Line B.11 of \$124,866 consists of \$10,166 for dispatch services included in the financial statements under general government as charges for services and \$114,700 for contributions to pay for the court building remodel costs included in the financial statements as miscellaneous revenue.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to Annual Expenditure Limitation Report
Fiscal Year Ended June 30, 2019

Note 7. Reconciliation – Subtraction and Additions

The subtraction for depreciation and the addition for acquisition of capital assets are all provided in the Statement of Cash Flows for the Proprietary Funds. The subtraction for capital lease expenditures at the inception of the lease are provided in the financial statement footnote 7.

Note 8. HURF Revenue and Carryforwards

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	\$ 117,094
HURF received current fiscal year	656,359
Less amount received 1979-80	<u>-</u>
Subtotal	<u>773,453</u>
HURF revenues expended in the current fiscal year	(656,359)
Utilization of prior year carryforward	<u>(117,094)</u>
Carryforward to 2019-20	<u><u>\$ -</u></u>

Note 9. Prior Years Carryforward

The exclusion claimed on Part II, Line B.14 of \$479,216 consists of \$360,539 debt proceeds received in the capital projects fund in fiscal year 2018 that wasn't spent until fiscal year 2019, \$1,583 of interest income carry forward as shown in Note 3, and \$117,094 of HURF carryforward utilized as shown in Note 8.