

TOWN OF PINETOP-LAKESIDE, ARIZONA



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2021

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

Prepared by:

Department of Finance and Administration

TOWN OF PINETOP-LAKESIDE

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March 4, 2022

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

We are pleased to submit to you the 2021 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, legislative and oversight bodies, constituents, and investors and creditors. Copies of this report will be 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 of 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, Hinton Burdick, 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, 2021, 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 unmodified opinion that the financial statements for the Town of Pinetop-Lakeside, Arizona for the fiscal year ended June 30, 2021, 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 current Mayor was directly elected by the voters, and her initial two-year term began in November 2018. She was elected to another two-year term in November 2020. 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 4,044 (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 global pandemic which began in 2020 caused large parts of the country to suffer huge economic losses. However, we did not experience this in the Town. Due to the pandemic and travel restrictions, Arizonans stayed closer to home and more people than ever came to visit us throughout the summer. Our local economy has remained strong, reflected by our increase in local tax revenue.

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 Senior Center, Humane Society, Transit services, and teen and youth programs.

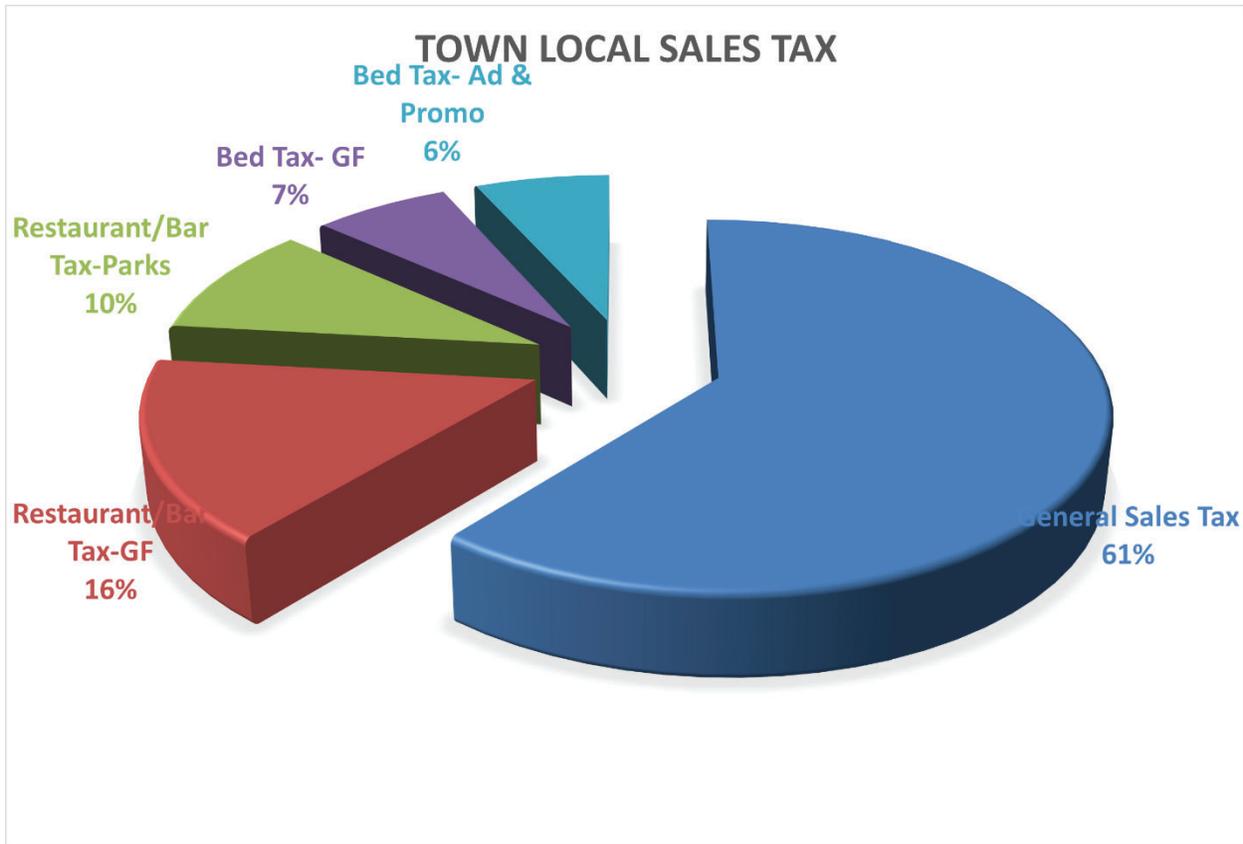
The Town Council is required to adopt an initial budget for the fiscal year no later than the third Monday in July for the fiscal year beginning on July 1. This annual budget serves as the foundation for the Town of Pinetop-Lakeside's financial planning and control. The budget is prepared by fund, function (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

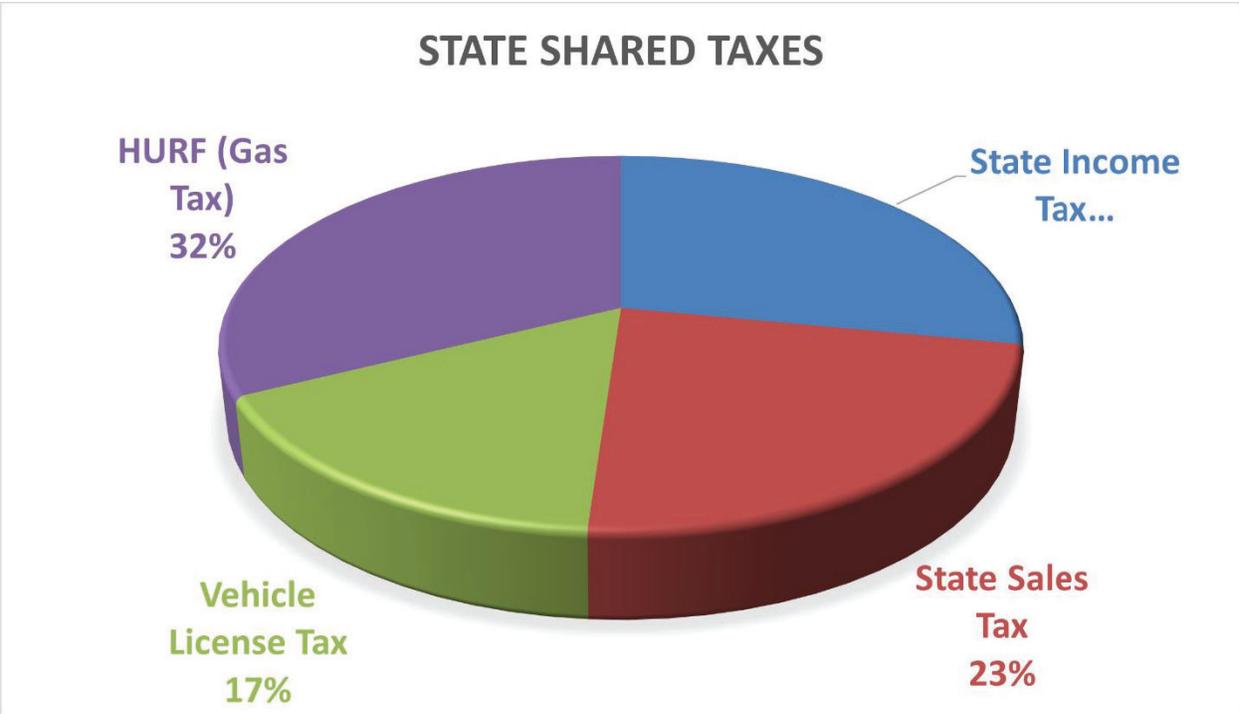
The Town of Pinetop-Lakeside is a rural area depending heavily on the tourist trade. Major industries located within the Town's boundaries or in close proximity include a hospital, manufacturing, retail stores, several medical and legal practices, financial institutions and insurance companies. The Blue 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 for this year comprised approximately 62% of the Town's revenues.

The Town's sales tax rate is 3.00%, 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 Tourism Advertising 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, income and vehicle 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 Streets 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. State shared revenues comprised approximately 21% of the Town's revenues this fiscal year.



Because of its location in a region with a narrow economic base, unemployment has been relatively stable. However, the Town as well as the rest of the country, has seen a significant increase in the unemployment rate due to the global pandemic which began at the start of 2020. Currently, the unemployment rate is estimated to be 9.9%.

Median household incomes within the Town of Pinetop-Lakeside are slightly lower than for the State as a whole, and higher than the rest of Navajo County. According to the year 2020 census, the Town’s median household income was \$56,050; the County’s was \$38,897, while the State’s was \$62,055. The Town’s population recently decreased from 4,282 in 2010 to 4,030 on the Census of 2020 – 6% decline over 10 years. Due to the softening of the housing market nationwide in 2009, home construction in Pinetop-Lakeside had been nearly at a standstill since that time. However, the Town has seen a significant jump in the amount of both residential and commercial construction in the last few years. The median price of a single-family home in the vicinity of the Town of Pinetop-Lakeside was \$224,100.

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 begun the process of evaluating and prioritizing capital and programming needs and identifying possible funding strategies for those priorities. A five-year Capital Improvement Plan to maintain our infrastructure and update our equipment has been laid out by staff and presented to Council. The Town had recognized two major issues that needed to be addressed: (1) the need for an adequate Town Hall building, and (2) the need to address our deteriorating streets. These issues were both addressed during the 2017-2018 fiscal year. First, the Town sold revenue bonds and bought a new Town Hall building in December 2017. Second, the Town increased the sales tax (or TPT) rate on most items from 2.5% to 3.0%. The increase of .5% was dedicated to the Streets Fund to address deteriorating roads. This year, our most pressing needs were to plan for a new or renovated Police Department facility, and to get control of our unfunded Police Department retirement liability. Towards this end, the Town Council, staff and advisors worked most of

the year to come up with a solution. On July 1, 2021, the Town issued new debt in the form of revenue bonds totaling \$9,645,000. Of this total, \$2,880,000 are tax exempt obligations whereby the proceeds will be used to build and renovate our existing Police Department Facility. Additionally, \$6,765,000 of the new debt are taxable obligations used to pay down our unfunded Police Department retirement liability to the Arizona Public Safety Personnel Retirement System. This debt will be paid off over twenty-five years.

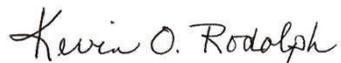
The Town staff and elected officials have worked cooperatively to implement the most efficient operations for the Town as possible. The Town of Pinetop-Lakeside maintains a five-year Capital Improvement Program which serves as its planning document to ensure that its facilities, equipment, and infrastructure 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 last few years, 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.

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, 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,

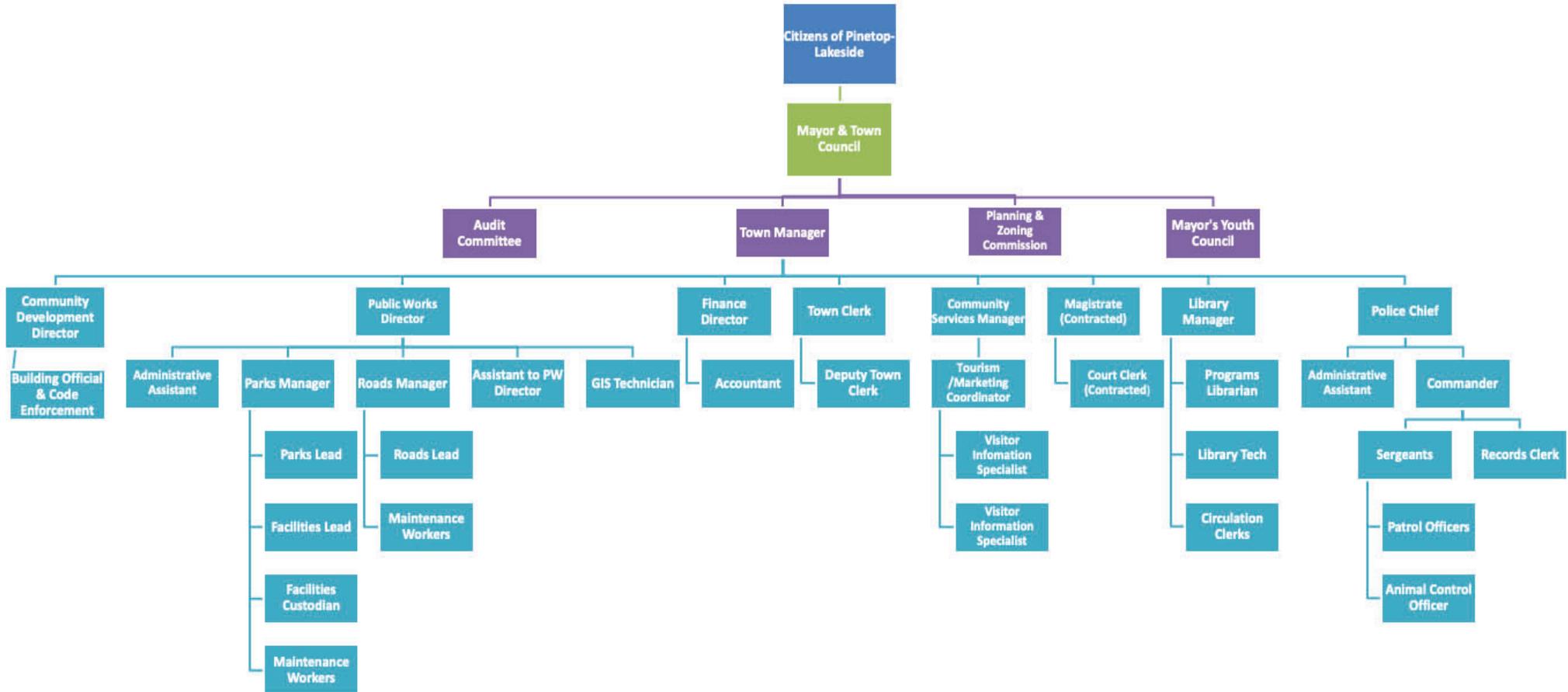


Kevin O. Rodolph, CPA
Finance Director

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

| Position | Name |
|---------------------------------------|----------------------|
| Mayor | Stephanie Irwin |
| Vice-Mayor | Jerry Smith |
| Council | Sterling Beus |
| Council | Paul Watson |
| Council | Mazie Hastings |
| Council | Lynn Krigbaum |
| Council | Jim Snitzer |
| Attorney | Sims Mackin, LTD. |
| Town Manager | Keith Johnson |
| Town Clerk | Jill Akins |
| Finance Director | Kevin Rodolph |
| Community Development Director | Vacant |
| Library Manager | Betsy Peck |
| Community Services Manager | Anthony Alba |
| Public Works Director | Kenneth M. Patterson |
| Police Chief | Daniel Barnes |





Government Finance Officers Association

Certificate of
Achievement
for Excellence
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Presented to

**Town of Pinetop-Lakeside
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

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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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pinetop-Lakeside, Arizona, as of and for the fiscal year ended June 30, 2021, 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.

Auditors' 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 auditors' 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 auditors consider 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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pinetop-Lakeside, Arizona, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and OPEB schedules, and budgetary comparison information 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, budgetary comparison for the capital projects fund, 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 budgetary comparison for the capital projects fund and the 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 budgetary comparison for the capital projects fund and 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 January 21, 2022, 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.



HintonBurdick, PLLC
Gilbert, Arizona
January 21, 2022

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**TOWN OF PINETOP-LAKESIDE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year-Ended June 30, 2021**

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, 2021. Please read it in conjunction with the Town's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The Town's total net position increased by \$2,322,972 due mainly to this year's operations as well as the large amount of federal funding received from the CARES Act and increased sales tax revenues.
- During the year, the Town had expenses that were \$2,332,294 less than the \$10,941,336 generated in tax and other revenues for governmental programs.
- For business activities during the year, the Town had expenses that were \$9,322 more than the revenue (including transfers) of \$171,604.
- Total cost of all the Town's programs was \$8,758,460 including one business-type activity program added last year for solid waste.
- At the end of the current fiscal year, the Town of Pinetop-Lakeside's governmental funds reported combined ending fund balances of \$4,499,740 an increase of \$2,629,804.
- The general fund reported an increase of \$2,294,866.

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 business-type activities of the Town of Pinetop-Lakeside include a solid waste operation.

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 two categories: governmental funds and proprietary 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 seven 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, the recreation and tourism fund, and the capital projects 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 16-19 of this report.

Proprietary Funds. The Town of Pinetop-Lakeside maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Pinetop-Lakeside uses enterprises funds to account for its solid waste operation. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the solid waste operation, which is considered to be a major fund of the Town of Pinetop-Lakeside.

The basic proprietary fund financial statements can be found on pages 20-22 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 beginning on page 23 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 pension and OPEB plans and major special revenue funds. Required supplementary information can be found beginning on page 56 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 funds. These combining and individual fund statements and schedules can be found beginning on page 73 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 increased from \$2,322,972 to \$6,258,809 as shown in the following condensed Statement of Net Position as of June 30, 2021. 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 | | Business-type activities | | Total | |
|-----------------------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|
| | 06/30/21 | 06/30/20 | 06/30/21 | 06/30/20 | 06/30/21 | 06/30/20 |
| Current and other assets | \$ 5,111,397 | \$ 2,371,178 | \$ 169 | \$ 100 | \$ 5,111,566 | \$ 2,371,278 |
| Capital assets | 12,518,075 | 12,305,818 | 210,858 | 224,300 | 12,728,933 | 12,530,118 |
| Total assets | <u>17,629,472</u> | <u>14,676,996</u> | <u>211,027</u> | <u>224,400</u> | <u>17,840,499</u> | <u>14,901,396</u> |
| Deferred outflows of resources | 1,473,145 | 1,449,188 | 3,215 | - | 1,476,360 | 1,449,188 |
| Long-term liabilities outstanding | 12,007,549 | 11,167,480 | 195,287 | 196,135 | 12,202,836 | 11,363,615 |
| Other liabilities | 637,358 | 537,241 | 9,832 | 10,276 | 647,190 | 547,517 |
| Total liabilities | <u>12,644,907</u> | <u>11,704,721</u> | <u>205,119</u> | <u>206,411</u> | <u>12,850,026</u> | <u>11,911,132</u> |
| Deferred inflows of resources | <u>207,568</u> | <u>503,615</u> | <u>456</u> | <u>-</u> | <u>208,024</u> | <u>503,615</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 10,342,064 | 9,923,564 | 37,838 | 32,727 | 10,379,902 | 9,956,291 |
| Restricted | 708,600 | 475,779 | - | - | 708,600 | 475,779 |
| Unrestricted | <u>(4,800,522)</u> | <u>(6,481,495)</u> | <u>(29,171)</u> | <u>(14,738)</u> | <u>(4,829,693)</u> | <u>(6,496,233)</u> |
| Total net position | <u>\$ 6,250,142</u> | <u>\$ 3,917,848</u> | <u>\$ 8,667</u> | <u>\$ 17,989</u> | <u>\$ 6,258,809</u> | <u>\$ 3,935,837</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.

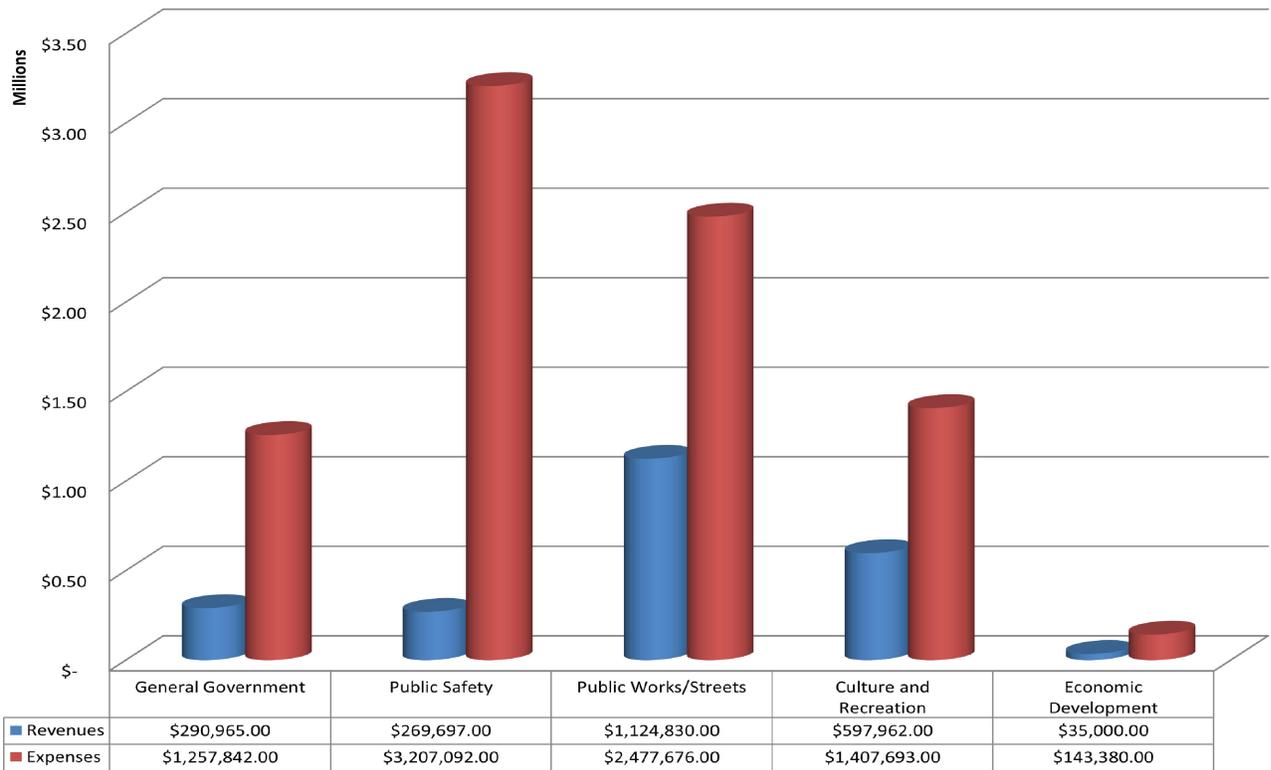
**Town of Pinetop-Lakeside
Changes in Net Position**

| | Governmental activities | | Business-type activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|------------------|---------------------|---------------------|
| | 06/30/21 | 06/30/20 | 06/30/21 | 06/30/20 | 06/30/21 | 06/30/20 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 392,828 | \$ 291,643 | \$ 140,096 | \$ 88,812 | \$ 532,924 | \$ 380,455 |
| Operating grants and contributions | 1,500,634 | 1,324,480 | - | - | 1,500,634 | 1,324,480 |
| Capital grants and contributions | 424,992 | 2,823,399 | - | - | 424,992 | 2,823,399 |
| General revenues: | | | | | | |
| Sales taxes | 6,788,907 | 4,863,571 | - | - | 6,788,907 | 4,863,571 |
| State shared revenues | 1,557,007 | 1,334,927 | - | - | 1,557,007 | 1,334,927 |
| Other taxes | 251,176 | 242,871 | - | - | 251,176 | 242,871 |
| Other general revenues | 25,792 | 1,336 | - | - | 25,792 | 1,336 |
| Total revenues | <u>10,941,336</u> | <u>10,882,227</u> | <u>140,096</u> | <u>88,812</u> | <u>11,081,432</u> | <u>10,971,039</u> |
| Expenses: | | | | | | |
| General government | 1,257,842 | 1,391,933 | - | - | 1,257,842 | 1,391,933 |
| Public safety | 3,207,092 | 2,855,218 | - | - | 3,207,092 | 2,855,218 |
| Public works/streets | 2,477,676 | 2,686,500 | - | - | 2,477,676 | 2,686,500 |
| Culture and recreation | 1,407,693 | 1,066,822 | - | - | 1,407,693 | 1,066,822 |
| Economic development | 143,380 | 130,288 | - | - | 143,380 | 130,288 |
| Interest on long-term debt | 83,851 | 93,834 | - | - | 83,851 | 93,834 |
| Solid waste | - | - | 180,926 | 161,831 | 180,926 | 161,831 |
| Total expenses | <u>8,577,534</u> | <u>8,224,595</u> | <u>180,926</u> | <u>161,831</u> | <u>8,758,460</u> | <u>8,386,426</u> |
| Increase (Decrease) in net position before transfers | 2,363,802 | 2,657,632 | (40,830) | (73,019) | 2,322,972 | 2,584,613 |
| Transfers | (31,508) | (103,638) | 31,508 | 103,638 | - | - |
| Increase (Decrease) in net position | 2,332,294 | 2,553,994 | (9,322) | 30,619 | 2,322,972 | 2,584,613 |
| Net position, beginning | <u>3,917,848</u> | <u>1,363,854</u> | <u>17,989</u> | <u>(12,630)</u> | <u>3,935,837</u> | <u>1,351,224</u> |
| Net position, ending | <u>\$ 6,250,142</u> | <u>\$ 3,917,848</u> | <u>\$ 8,667</u> | <u>\$ 17,989</u> | <u>\$ 6,258,809</u> | <u>\$ 3,935,837</u> |

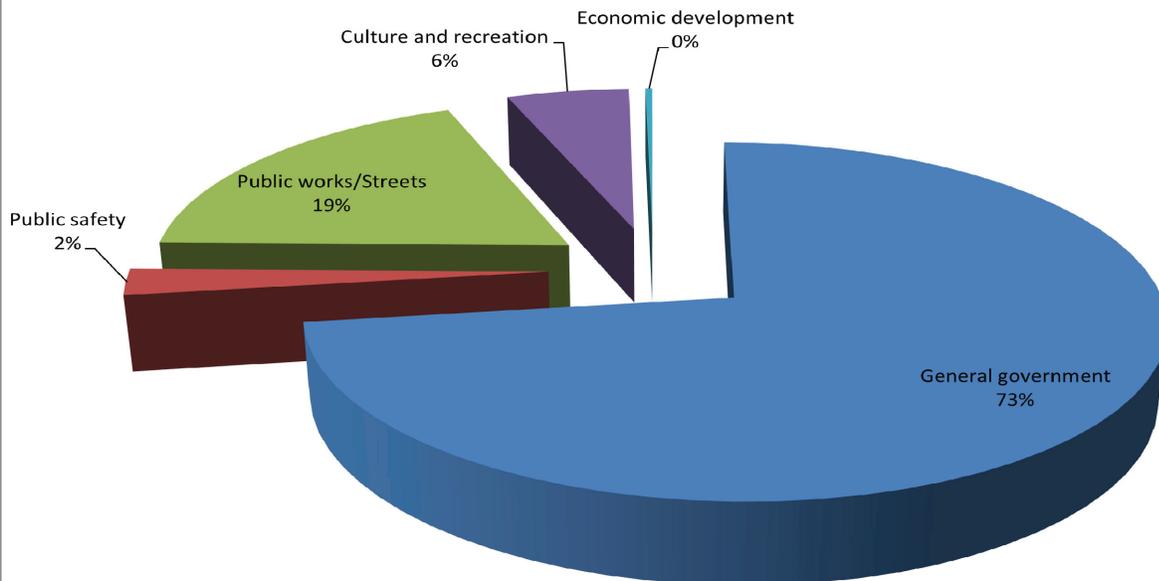
Total resources available during the year to finance governmental operations were \$14.8 million consisting of net position at July 1, 2020 of \$3,917,848, general revenues of \$8.6 million, and program revenues of \$2.3 million. Total Government Activities during the year were \$8.6 million; thus Governmental Net Position increased by \$2,332,294.

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

Expenses and Program Revenues - Governmental Activities



Revenue By Source - Governmental Activities



The following table presents the cost of each of the Town’s largest programs – police, public works, and general government – 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 estimated population of 4,044. 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 2021 | Net Per Capita Cost of Services 2021 |
|----------------------|--|---|
| Public Safety | \$ 3,207,092 | \$793 |
| Public Works/Streets | 2,477,676 | 613 |
| General Government | 1,257,842 | 311 |
| All Others | 1,634,924 | 404 |
| Totals | <u>\$ 8,577,534</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 \$4,499,740 which increased from last year’s total by \$2,629,804. The Town 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 in operations of \$2,294,866.
- The Highway Users Revenue Fund (HURF) had a surplus in operations of \$350,321 during 2021. This was due in large part to our local sales tax being up over 30% from the previous year. The fund balance at year end remains strong at \$635,834. HURF funds are restricted for road and street construction and improvements.
- The Recreation and Tourism Fund had a surplus in operations of \$100,880 for the year. The revenue in this fund is provided by our special, incremental sales taxes which are an additional 3% levied on hotels/motels, and 2% levied on restaurant and bar sales.
- Non-major funds, which includes the Capital Projects Fund, had a deficit in operations of (\$118,233) for the year. The deficit was due to planned spending of beginning cash balance. Revenue recognized in this fund is mostly transfers from other funds, so changes in fund balance will be minimal.
- 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 are used to fund the debt service and operations of the Mountain Meadow Recreation Complex and Woodland Lake Park.

General Fund Budgetary Highlights

The General Fund's revenues of \$7,435,320 were \$1,311,780 more than budgeted revenues of \$6,123,540. The General Fund's expenditures, \$5,140,454 (including transfers), were 87% of budgeted expenditures and transfers of \$5,887,876 a variance of \$747,422. While the COVID-19 pandemic was hard on large parts of the country economically, it had just the opposite effect on the Town. Our tourist and visitor counts were up significantly which contributed to our local sales taxes being up over 30% from last year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2021, the Town had \$12,518,075 (net of depreciation) invested in a broad range of capital assets, including buildings, park facilities, police equipment, roads, and other assets (See Table below), in Governmental Activities. The Town also had \$210,858 invested in capital assets in our Business-type Activity which is our solid waste operation.

Capital Assets at Year-End

| | Governmental Activities | Business-type Activities |
|----------------------------|----------------------------|-----------------------------|
| | 2021 | 2021 |
| Land | \$2,670,721 | \$54,550 |
| Construction in Progress | 32,422 | - |
| Buildings and Improvements | 2,495,138 | 49,562 |
| Infrastructure | 6,007,382 | - |
| Equipment | <u>1,312,412</u> | <u>106,746</u> |
| Total | <u>\$12,518,075</u> | <u>\$210,858</u> |

Debt

At year-end, the Town had \$12.0 million in long-term obligations in Governmental Activities and \$195,000 in Business-type Activities as shown in the table below.

Outstanding Debt at Year-End

| | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| | 2021 | 2021 |
| Revenue bonds and notes (backed by specific tax and fee revenues) | \$1,843,022 | \$173,020 |
| Other long-term obligations | <u>10,164,527</u> | <u>22,267</u> |
| Totals | <u>\$12,007,549</u> | <u>\$195,287</u> |

Other obligations include accrued vacation, sick leave, net pension/OPEB liabilities and capital leases. More detailed information is presented in Notes 7, 8 and 9 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 up turns and 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. During this fiscal year, large parts of the country suffered huge economic losses because of the global pandemic. However, we did not experience this in the Town. Because of the pandemic, Arizonans seemed to stay closer to home, and more people than ever came to visit us throughout the summer. New home construction is in full swing as well. However, due to uncertainty on how long this boom period will last, the Town budgeted expenditures conservatively. This coupled with our strong tourism revenue and Federal CARES Act funding led us to increase our overall fund balance by \$2,629,804.

The Town's elected and appointed officials consider many factors when setting the fiscal year budgets. Local sales tax collection in the Town of Pinetop-Lakeside remains strong as compared to prior years. In keeping with Town policy, projected revenues are kept roughly even with the prior year's actual receipts, modified for inflation and other anticipated factors.

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, 325 W. White Mountain Blvd, 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, 2021

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 4,401,545 | \$ 100 | \$ 4,401,645 |
| Receivables (net of allowance) | 645,103 | - | 645,103 |
| Prepays | 12,827 | - | 12,827 |
| Other assets | 39,679 | - | 39,679 |
| Net pension/OPEB asset | 12,243 | 69 | 12,312 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 2,670,721 | 54,550 | 2,725,271 |
| Buildings and improvements | 2,495,138 | 6,335 | 2,501,473 |
| Other improvements | 1,748,965 | 43,227 | 1,792,192 |
| Furniture, machinery & equipment | 793,561 | 79,038 | 872,599 |
| Vehicles | 518,851 | 27,708 | 546,559 |
| Infrastructure | 4,258,417 | - | 4,258,417 |
| Construction in progress | 32,422 | - | 32,422 |
| Total assets | <u>17,629,472</u> | <u>211,027</u> | <u>17,840,499</u> |
| Deferred outflows | | | |
| Deferred outflows related to pensions | <u>1,473,145</u> | <u>3,215</u> | <u>1,476,360</u> |
| Liabilities | | | |
| Accounts payable and other current liabilities | 442,260 | 7,183 | 449,443 |
| Unearned revenue | 23,950 | - | 23,950 |
| Accrued interest payable | 37,944 | 2,649 | 40,593 |
| Deposits payable | 133,204 | - | 133,204 |
| Noncurrent liabilities: | | | |
| Due within one year | 203,778 | 19,861 | 223,639 |
| Due in more than one year | 2,192,179 | 158,759 | 2,350,938 |
| Net pension and OPEB liabilities | <u>9,611,592</u> | <u>16,667</u> | <u>9,628,259</u> |
| Total liabilities | <u>12,644,907</u> | <u>205,119</u> | <u>12,850,026</u> |
| Deferred inflows | | | |
| Deferred inflows related to pensions | <u>207,568</u> | <u>456</u> | <u>208,024</u> |
| Net Position | | | |
| Net investment in capital assets | 10,342,064 | 37,838 | 10,379,902 |
| Restricted for: | | | |
| Capital projects | 58,862 | - | 58,862 |
| Public works/Streets | 635,886 | - | 635,886 |
| Grants/Other | 13,852 | - | 13,852 |
| Unrestricted | <u>(4,800,522)</u> | <u>(29,171)</u> | <u>(4,829,693)</u> |
| Total net position (deficit) | <u>\$ 6,250,142</u> | <u>\$ 8,667</u> | <u>\$ 6,258,809</u> |

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Statement of Activities
For the Fiscal Year Ended June 30, 2021

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------------|---------------------|----------------------|----------------------------------|--------------------------------|---|--------------------------------|---------------------|
| | | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Total Governmental Activities | Total Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 1,257,842 | \$ 285,715 | \$ - | \$ 5,250 | \$ (966,877) | \$ - | \$ (966,877) |
| Public safety | 3,207,092 | 52,992 | 176,705 | 40,000 | (2,937,395) | - | (2,937,395) |
| Public works/Streets | 2,477,676 | - | 747,486 | 377,344 | (1,352,846) | - | (1,352,846) |
| Culture and recreation | 1,407,693 | 19,121 | 576,443 | 2,398 | (809,731) | - | (809,731) |
| Economic development | 143,380 | 35,000 | - | - | (108,380) | - | (108,380) |
| Interest on long-term debt | 83,851 | - | - | - | (83,851) | - | (83,851) |
| Total governmental activities | <u>8,577,534</u> | <u>392,828</u> | <u>1,500,634</u> | <u>424,992</u> | <u>(6,259,080)</u> | <u>-</u> | <u>(6,259,080)</u> |
| Business-type activities: | | | | | | | |
| Solid waste | 180,926 | 140,096 | - | - | - | (40,830) | (40,830) |
| Total business-type activities | <u>180,926</u> | <u>140,096</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(40,830)</u> | <u>(40,830)</u> |
| Total primary government | <u>\$ 8,758,460</u> | <u>\$ 532,924</u> | <u>\$ 1,500,634</u> | <u>\$ 424,992</u> | <u>(6,259,080)</u> | <u>(40,830)</u> | <u>(6,299,910)</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| City sales tax | | | | | 6,788,907 | - | 6,788,907 |
| Franchise tax | | | | | 251,176 | - | 251,176 |
| State sales tax (unrestricted) | | | | | 530,171 | - | 530,171 |
| Auto lieu tax (unrestricted) | | | | | 379,334 | - | 379,334 |
| State revenue sharing (unrestricted) | | | | | 647,502 | - | 647,502 |
| Unrestricted investment earnings | | | | | 119 | - | 119 |
| Gain (loss) on sale of assets | | | | | 25,673 | - | 25,673 |
| Transfers | | | | | (31,508) | 31,508 | - |
| Total general revenues & transfers | | | | | <u>8,591,374</u> | <u>31,508</u> | <u>8,622,882</u> |
| Change in net position | | | | | 2,332,294 | (9,322) | 2,322,972 |
| Net position - beginning | | | | | <u>3,917,848</u> | <u>17,989</u> | <u>3,935,837</u> |
| Net position - ending | | | | | <u>\$ 6,250,142</u> | <u>\$ 8,667</u> | <u>\$ 6,258,809</u> |

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2021

| Assets | General Fund | Highway Users Revenue Fund | Recreation and Tourism Fund | Grants Fund | Non-major Funds | Total Governmental Funds |
|--|-------------------------|---|--|--------------------|----------------------------|---|
| Cash and Cash Equivalents | \$ 3,066,297 | \$ 505,741 | \$ 620,146 | \$ 30,396 | \$ 178,965 | \$ 4,401,545 |
| Prepays | 7,827 | - | 5,000 | - | - | 12,827 |
| Receivables: | | | | | | |
| Taxes | 351,086 | - | - | - | - | 351,086 |
| Intergovernmental | 63,947 | 170,531 | - | 59,539 | - | 294,017 |
| Notes and Other Assets | - | - | 39,679 | - | - | 39,679 |
| Total Assets | \$ 3,489,157 | \$ 676,272 | \$ 664,825 | \$ 89,935 | \$ 178,965 | \$ 5,099,154 |
| Liabilities | | | | | | |
| Accounts Payable | \$ 201,171 | \$ 23,677 | \$ 35,229 | \$ - | \$ - | \$ 260,077 |
| Accrued Wages and Benefits | 161,983 | 16,741 | 3,416 | - | - | 182,140 |
| Accrued Liabilities | 43 | - | - | - | - | 43 |
| Unearned Revenue | 1,450 | - | - | 22,500 | - | 23,950 |
| Deposits | 133,204 | - | - | - | - | 133,204 |
| Total Liabilities | 497,851 | 40,418 | 38,645 | 22,500 | - | 599,414 |
| Fund Balances | | | | | | |
| Nonspendable: | | | | | | |
| Prepays | 7,827 | - | 5,000 | - | - | 12,827 |
| Restricted for: | | | | | | |
| Highways and streets | - | 635,854 | - | - | 32 | 635,886 |
| Tourism and recreation | - | - | - | 13,852 | - | 13,852 |
| Community and economic development | - | - | - | - | 58,862 | 58,862 |
| Committed to: | | | | | | |
| Tourism and recreation | - | - | 621,180 | - | - | 621,180 |
| Assigned to: | | | | | | |
| Community and economic development | - | - | - | - | 10,136 | 10,136 |
| Highways and streets | - | - | - | 51,678 | - | 51,678 |
| Other purposes | - | - | - | 1,905 | 109,935 | 111,840 |
| Unassigned | 2,983,479 | - | - | - | - | 2,983,479 |
| Total fund balances | 2,991,306 | 635,854 | 626,180 | 67,435 | 178,965 | 4,499,740 |
| Total Liabilities and Fund Balances | \$ 3,489,157 | \$ 676,272 | \$ 664,825 | \$ 89,935 | \$ 178,965 | \$ 5,099,154 |

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2021

| | | |
|--|----|-----------|
| Total fund balances - governmental funds | \$ | 4,499,740 |
|--|----|-----------|

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 | \$ | 20,303,943 | |
| Accumulated depreciation | | (7,785,868) | |
| | | | 12,518,075 |

Net OPEB asset is not an available resource and, therefore is not reported in the funds.

12,243

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

| | | | |
|-------------------|----|-----------|-----------|
| Deferred outflows | \$ | 1,473,145 | |
| Deferred inflows | | (207,568) | |
| | | | 1,265,577 |

Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in the governmental funds balance sheet.

(37,944)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

| | | | |
|------------------------------|----|-------------|--------------|
| Bonds payable | \$ | (1,770,000) | |
| Bond premium | | (73,022) | |
| Leases payable | | (332,989) | |
| Compensated absences | | (215,713) | |
| Net pension/OPEB liabilities | | (9,611,592) | |
| Landfill closure payable | | (4,233) | |
| | | | (12,007,549) |

Total net position - governmental activities

\$ 6,250,142

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 Fiscal Year Ended June 30, 2021

| REVENUES | General Fund | Highway Users Revenue Fund | Recreation and Tourism Fund | Grants Fund | Non-major Funds | Total Governmental Funds |
|--|-------------------------|---|--|--------------------|----------------------------|---|
| Taxes | \$ 5,112,203 | \$ 946,237 | \$ 1,118,620 | \$ - | \$ - | \$ 7,177,060 |
| Franchise taxes | 251,176 | - | - | - | - | 251,176 |
| Intergovernmental revenue | 1,681,925 | 851,704 | - | 536,585 | 35,000 | 3,105,214 |
| Licenses, permits and fees | 262,705 | - | - | - | - | 262,705 |
| Charges for services | 37,084 | - | 1,875 | - | - | 38,959 |
| Fines and forfeitures | 50,026 | - | - | - | - | 50,026 |
| Interest | 78 | - | 25 | - | 17 | 120 |
| Miscellaneous | 28,103 | - | 2,300 | - | - | 30,403 |
| Total Revenues | <u>7,423,300</u> | <u>1,797,941</u> | <u>1,122,820</u> | <u>536,585</u> | <u>35,017</u> | <u>10,915,663</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 1,038,511 | - | - | - | - | 1,038,511 |
| Public safety | 2,352,754 | - | - | 202,021 | - | 2,554,775 |
| Public works/streets | 879,261 | 1,007,542 | - | 562,328 | - | 2,449,131 |
| Tourism and recreation | 369,926 | - | 910,248 | 97,255 | - | 1,377,429 |
| Community and economic development | 128,195 | - | - | - | 138 | 128,333 |
| Capital outlay | 170,162 | - | - | - | 268,742 | 438,904 |
| Debt Service: | | | | | | |
| Principal | - | - | - | - | 246,508 | 246,508 |
| Interest | - | - | - | - | 89,507 | 89,507 |
| Total Expenditures | <u>4,938,809</u> | <u>1,007,542</u> | <u>910,248</u> | <u>861,604</u> | <u>604,895</u> | <u>8,323,098</u> |
| Excess of Revenues | | | | | | |
| Over (Under) Expenditures | <u>2,484,491</u> | <u>790,399</u> | <u>212,572</u> | <u>(325,019)</u> | <u>(569,878)</u> | <u>2,592,565</u> |
| Other Financing Sources (Uses): | | | | | | |
| Debt issuance | - | - | - | - | 43,074 | 43,074 |
| Sale of capital assets | 12,020 | 9,876 | 3,777 | - | - | 25,673 |
| Transfers in | - | - | - | 326,989 | 408,571 | 735,560 |
| Transfers out | (201,645) | (449,954) | (115,469) | - | - | (767,068) |
| Total Other Financing Sources (Uses) | <u>(189,625)</u> | <u>(440,078)</u> | <u>(111,692)</u> | <u>326,989</u> | <u>451,645</u> | <u>37,239</u> |
| Net change in fund balances | 2,294,866 | 350,321 | 100,880 | 1,970 | (118,233) | 2,629,804 |
| Fund Balances, Beginning of Year | <u>696,440</u> | <u>285,533</u> | <u>525,300</u> | <u>65,465</u> | <u>297,198</u> | <u>1,869,936</u> |
| Fund Balances, End of Year | <u>\$ 2,991,306</u> | <u>\$ 635,854</u> | <u>\$ 626,180</u> | <u>\$ 67,435</u> | <u>\$ 178,965</u> | <u>\$ 4,499,740</u> |

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

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 Fiscal Year Ended June 30, 2021

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

| | | |
|---|-----------|--------------------|
| Net change in fund balances - total governmental funds | \$ | 2,629,804 |
| <p>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. The following is the difference between depreciation expense and capital outlay in the current period.</p> | | |
| Capital outlay | \$ | 1,045,460 |
| Depreciation expense | | <u>(833,204)</u> |
| | | 212,256 |
| 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. | | 246,836 |
| Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position. | | (43,074) |
| Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. | | 2,809 |
| Accrued Interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities. | | 2,847 |
| <p>Pension/OPEB 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/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.</p> | | |
| Pension/OPEB contribution | \$ | 553,664 |
| Pension/OPEB expense | | <u>(1,251,062)</u> |
| | | (697,398) |
| Compensated absences 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. | | (21,786) |
| Change in net position of governmental activities | <u>\$</u> | <u>2,332,294</u> |

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Statement of Net Position
Proprietary Fund
June 30, 2021

| Assets | Solid Waste Fund |
|---|-----------------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 100 |
| Total current assets | 100 |
| Noncurrent assets: | |
| Net pension/OPEB asset | 69 |
| Capital assets: | |
| Land | 54,550 |
| Buildings and improvements | 7,356 |
| Improvements other than buildings | 48,254 |
| Machinery and equipment | 92,518 |
| Vehicles | 35,000 |
| Less accumulated depreciation | (26,820) |
| Total noncurrent assets | 210,927 |
| Total assets | 211,027 |
| Deferred Outflows of Resources | |
| Deferred outflows related to pensions | 3,215 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 3,618 |
| Accrued wages and benefits | 3,565 |
| Accrued interest | 2,649 |
| Compensated absences - current | 560 |
| Leases payable - current | 19,301 |
| Total current liabilities | 29,693 |
| Noncurrent liabilities: | |
| Compensated absences | 5,040 |
| Net pension liability | 16,667 |
| Leases payable | 153,719 |
| Total noncurrent liabilities | 175,426 |
| Total liabilities | 205,119 |
| Deferred Inflows related to pensions | |
| Deferred inflows related to pensions | 456 |
| Net Position | |
| Net investment in capital assets | 37,838 |
| Unrestricted | (29,171) |
| Total net position | \$ 8,667 |

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

| | Solid Waste Fund |
|--|-----------------------------|
| Operating revenues: | |
| Charges for services | \$ 140,096 |
| Total revenue | 140,096 |
| Operating expenses: | |
| Salaries | 71,857 |
| Benefits | 48,334 |
| Services and supplies | 39,601 |
| Depreciation | 13,442 |
| Total operating expenses | 173,234 |
| Operating income (loss) | (33,138) |
| Nonoperating revenues (expenses): | |
| Interest expense | (7,692) |
| Total nonoperating revenues(expenses) | (7,692) |
| Income (loss) before contributions and transfers | (40,830) |
| Transfers in | 31,508 |
| Change in net position | (9,322) |
| Net position - beginning | 17,989 |
| Net position - ending | \$ 8,667 |

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

| | Solid Waste Fund |
|--|-----------------------------|
| Cash Flows From Operating Activities: | |
| Cash received from customers, service fees | \$ 140,096 |
| Cash paid to suppliers | (40,866) |
| Cash paid to employees | (104,202) |
| Net cash flows from operating activities | (4,972) |
| Cash Flows From Noncapital Financing Activities: | |
| Transfers from other funds | 31,508 |
| Net cash flows from noncapital financing activities | 31,508 |
| Cash Flows From Capital and Related Financing Activities: | |
| Principal paid on long-term debt | (18,553) |
| Interest paid | (7,983) |
| Net cash flows from capital and related financing activities | (26,536) |
| Net change in cash and cash equivalents | - |
| Cash and cash equivalents, beginning of year | 100 |
| Cash and cash equivalents, end of year | \$ 100 |
| Reconciliation of Operating Income to Net Cash Flows from Operating Activities: | |
| Net operating income (loss) | \$ (33,138) |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation/amortization | 13,442 |
| Pension/OPEB expense | 15,166 |
| Employer pension/OPEB contributions | (1,327) |
| Changes in operating assets and liabilities: | |
| Increase/(decrease) in accounts payable | (1,265) |
| Increase/(Decrease) in accrued liabilities | 2,150 |
| Net cash flows from operating activities | \$ (4,972) |

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

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

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, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary 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, 2021

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 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 Users 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 **Recreation and Tourism 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.

The **Grants 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.

The Town reports the following major enterprise funds:

The **Solid Waste Fund** is used to account for the recycling and trash collection center activity.

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. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 1. Summary of Significant Accounting Policies, Continued

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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

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. Investments in the Local Government Investment Pool are valued at the pool's share price multiplied by the number of shares held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares.

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 or business-type activities 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 acquisition 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.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 1. Summary of Significant Accounting Policies, Continued

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 |

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/OPEB 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/OPEB related items reported on the government-wide financial statements. See footnote 9 for more information.

Pensions and other postemployment benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 1. Summary of Significant Accounting Policies, Continued

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.

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.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 1. Summary of Significant Accounting Policies, Continued

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.

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.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the solid waste fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Tax Abatements

The Town has not entered into any tax abatement agreements and the Town is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the Town's tax revenues.

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.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

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 17.

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 19.

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.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 3. Stewardship, Compliance, and Accountability, Continued

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 \$1,029,960 for contingencies.

Expenditures over Appropriations

The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the funds which incurred an excess of expenditures/expenses over appropriations for the fiscal year ended June 30, 2021, 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.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

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, 2021, cash on hand was \$1,125, and the carrying amount of the Town's deposits was \$3,787,240. As of June 30, 2021, the Town's bank balance of \$4,287,126 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. The State Board of Investments provides oversight for the State Treasurer's investment pools. 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.

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, 2021 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> |
|--------------------------|-------------------|---------------|--|
| Wells Fargo Bank | | | |
| Certificate of Deposit | \$ 473,243 | N/A | less than 1 |
| U.S. Treasury Securities | 88,650 | (1) | 0.13 |
| Arizona Local Government | | | |
| Investment Pool | <u>51,385</u> | (2) | 0.18 |
| Total Fair Value | <u>\$ 613,278</u> | | |

(1) The Town's investment in the U.S. Treasury Securities was rated AAA from Moody's.

(2) The Town's investment in the State Treasurer's Investment Pool #5 was rated AAA from Moody's.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 4. Deposits and Investments, Continued

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2021:

- U.S. Treasury Securities are valued using quoted market prices (Level 1 inputs).
- Arizona Local Governmental Investment Pool is valued using quoted market prices (Level 2 inputs).

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, 2021

Note 5. Interfund Receivables, Payables and Transfers

As of June 30, 2021, interfund transfers are as follows:

| | Transfers In | | | |
|----------------------|--------------------------|-------------|-------------|------------|
| Transfers Out | Capital Projects Fund | Grants Fund | Solid Waste | Total |
| General Fund | \$ 143,148 | \$ 26,989 | \$ 31,508 | \$ 201,645 |
| HURF Fund | 149,954 | 300,000 | - | 449,954 |
| Recreation Fund | 115,469 | - | - | 115,469 |
| | \$ 408,571 | \$ 326,989 | \$ 31,508 | \$ 767,068 |

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.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 6. Capital Assets

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

| Governmental Activities: | Balance 06/30/20 | Additions | Retirements | Balance 06/30/21 |
|--|-----------------------------|---------------------|----------------------|-----------------------------|
| Capital Assets not being Depreciated: | | | | |
| Land | \$ 2,670,721 | \$ - | \$ - | \$ 2,670,721 |
| Construction in progress | 830,332 | 585,761 | (1,383,671) | 32,422 |
| Total capital assets not being depreciated | <u>3,501,053</u> | <u>585,761</u> | <u>(1,383,671)</u> | <u>2,703,143</u> |
| Capital Assets being Depreciated: | | | | |
| Buildings & Improvements | 3,217,589 | 12,224 | - | 3,229,813 |
| Improvements other than buildings | 3,877,566 | 215,879 | - | 4,093,445 |
| Machinery & Equipment | 2,017,954 | 190,905 | (10,704) | 2,198,155 |
| Vehicles | 1,863,470 | - | (101,254) | 1,762,216 |
| Infrastructure | 4,892,808 | 1,424,363 | - | 6,317,171 |
| Total capital assets being depreciated | <u>15,869,387</u> | <u>1,843,371</u> | <u>(111,958)</u> | <u>17,600,800</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings & Improvements | (656,014) | (78,661) | - | (734,675) |
| Improvements other than buildings | (2,182,970) | (161,510) | - | (2,344,480) |
| Machinery & Equipment | (1,279,544) | (135,754) | 10,704 | (1,404,594) |
| Vehicles | (1,200,911) | (143,708) | 101,254 | (1,243,365) |
| Infrastructure | (1,745,183) | (313,571) | - | (2,058,754) |
| Total accumulated depreciation | <u>(7,064,622)</u> | <u>(833,204)</u> | <u>111,958</u> | <u>(7,785,868)</u> |
| Total Capital Assets being depreciated, net | <u>8,804,765</u> | <u>1,010,167</u> | <u>-</u> | <u>9,814,932</u> |
| Governmental activities capital assets, net | <u>\$ 12,305,818</u> | <u>\$ 1,595,928</u> | <u>\$(1,383,671)</u> | <u>\$12,518,075</u> |

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

| | |
|--|-------------------|
| Governmental Activities: | |
| General government | \$ 72,599 |
| Public safety | 167,575 |
| Public works/streets | 414,800 |
| Culture & recreation | 178,230 |
| Total depreciation expense - governmental activities | <u>\$ 833,204</u> |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 6. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year:

| Business-Type Activities: | Balance 06/30/20 | Additions | Retirements | Balance 06/30/21 |
|--|-----------------------------|--------------------|--------------------|-----------------------------|
| Capital Assets not being Depreciated: | | | | |
| Land | \$ 54,550 | \$ - | \$ - | \$ 54,550 |
| Total capital assets not being depreciated | <u>54,550</u> | <u>-</u> | <u>-</u> | <u>54,550</u> |
| Capital Assets being Depreciated: | | | | |
| Buildings & Improvements | 7,356 | - | - | 7,356 |
| Improvements other than buildings | 48,254 | - | - | 48,254 |
| Machinery & Equipment | 92,518 | - | - | 92,518 |
| Vehicles | 35,000 | - | - | 35,000 |
| Total capital assets being depreciated | <u>183,128</u> | <u>-</u> | <u>-</u> | <u>183,128</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings & Improvements | (531) | (490) | - | (1,021) |
| Improvements other than buildings | (2,614) | (2,413) | - | (5,027) |
| Machinery & Equipment | (6,441) | (7,039) | - | (13,480) |
| Vehicles | (3,792) | (3,500) | - | (7,292) |
| Total accumulated depreciation | <u>(13,378)</u> | <u>(13,442)</u> | <u>-</u> | <u>(26,820)</u> |
| Total Capital Assets being depreciated, net | <u>169,750</u> | <u>(13,442)</u> | <u>-</u> | <u>156,308</u> |
| Business-type activities capital assets, net | <u>\$ 224,300</u> | <u>\$ (13,442)</u> | <u>\$ -</u> | <u>\$ 210,858</u> |

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

| | |
|---|------------------|
| Business-Type Activities: | |
| Solid waste | <u>\$ 13,442</u> |
| Total depreciation expense - business-type activities | <u>\$ 13,442</u> |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 7. Long-Term Liabilities

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

| Governmental Activities: | Balance 06/30/20 | Additions | Retirements | Balance 06/30/21 | Current Portion |
|---|-----------------------------|---------------------|--------------------|-----------------------------|----------------------------|
| Accrued compensated absences | \$ 193,927 | \$ 41,179 | \$ 19,393 | \$ 215,713 | \$ 21,571 |
| Net pension/OPEB liabilities | 8,586,740 | 1,024,852 | - | 9,611,592 | - |
| Capital leases | 481,423 | 43,074 | 191,508 | 332,989 | 124,072 |
| Landfill monitoring costs | 4,559 | - | 326 | 4,233 | 326 |
| Total other long-term liabilities | <u>9,266,649</u> | <u>1,109,105</u> | <u>211,227</u> | <u>10,164,527</u> | <u>145,969</u> |
| Public Offering Revenue Bonds: | | | | | |
| Pledged revenue bonds, series 2017 | 1,825,000 | - | 55,000 | 1,770,000 | 55,000 |
| Bond premium | 75,831 | - | 2,809 | 73,022 | 2,809 |
| Net bonds payable | <u>1,900,831</u> | <u>-</u> | <u>57,809</u> | <u>1,843,022</u> | <u>57,809</u> |
| Total governmental activities long-term liabilities | <u>\$ 11,167,480</u> | <u>\$ 1,109,105</u> | <u>\$ 269,036</u> | <u>\$ 12,007,549</u> | <u>\$ 203,778</u> |
| Business Type Activities: | | | | | |
| Accrued compensated absences | \$ 4,562 | \$ 1,494 | 456 | \$ 5,600 | \$ 560 |
| Net pension/OPEB liabilities | - | 16,667 | - | 16,667 | - |
| Capital leases | 191,573 | - | 18,553 | 173,020 | 19,301 |
| Total business type long-term liabilities | <u>\$ 196,135</u> | <u>\$ 18,161</u> | <u>\$ 19,009</u> | <u>\$ 195,287</u> | <u>\$ 19,861</u> |

Resources used to liquidate net pension liabilities, OPEB liabilities, and compensated absences are paid by the same funds as the employee's salary, with the largest components coming from the general fund.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 7. Long-Term Liabilities, Continued

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

The City has no unused lines of credit as of June 30, 2021.

Other than pledged revenues for the series 2017 revenue bonds as noted in the schedule on the following page, none of the City's bonds contain pledged assets, finance related events of default finance related termination events, acceleration clauses, and/or subjective acceleration clauses.

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. Each governmental funds' liability for net pension liabilities is liquidated by the respective fund, the majority of which is the general fund.

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.

Revenue Bonds:

| | |
|--|----------------------------|
| Pledged Revenue and Revenue Refunding Bonds, Series 2017 due in annual principal and semi-annual interest installments, bearing interest at 3% to 4%, maturing July 1, 2047. | \$ 1,770,000 |
| Bond premiums | <u>73,022</u> |
| Total bonds payable | 1,843,022 |
| Less: current portion | <u>(57,809)</u> |
| Total Revenue Bonds net of current portion | <u><u>\$ 1,785,213</u></u> |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 7. Long-Term Liabilities, Continued

Revenue Bonds debt service maturities are as follows:

| Year Ended June 30, | Governmental Activities | | Total |
|------------------------|-------------------------|-------------------|---------------------|
| | Principal | Interest | |
| 2022 | \$ 55,000 | \$ 66,200 | \$ 123,125 |
| 2023 | 55,000 | 64,000 | 121,200 |
| 2024 | 60,000 | 61,700 | 119,000 |
| 2025 | 60,000 | 59,300 | 121,700 |
| 2026 | 60,000 | 56,900 | 119,300 |
| 2027-2031 | 360,000 | 243,300 | 597,300 |
| 2032-2036 | 305,000 | 173,200 | 515,900 |
| 2037-2041 | 300,000 | 117,663 | 418,700 |
| 2042-2046 | 355,000 | 59,938 | 417,188 |
| 2047 | 160,000 | 5,599 | 247,512 |
| Total | <u>\$ 1,770,000</u> | <u>\$ 907,800</u> | <u>\$ 2,800,925</u> |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 8. Capital Leases Payable

The Town entered into lease agreements, which are considered capital leases in accordance with Generally Accepted Accounting Principles. The following is an annual schedule of future minimum lease payments with the interest of 0.857%-6.99%, together with the present value of the net minimum lease payments:

| June 30, | Governmental Activities | Business-Type Activities |
|--|----------------------------|-----------------------------|
| 2022 | \$ 137,354 | \$ 26,551 |
| 2023 | 167,617 | 26,551 |
| 2024 | 21,605 | 26,551 |
| 2025 | 21,605 | 26,551 |
| 2026 | 5,869 | 26,551 |
| 2027-2031 | - | 51,981 |
| 2032-2036 | - | 31,188 |
| Total remaining lease payments | 354,050 | 215,924 |
| Less amount representing interest | (21,061) | (42,904) |
| Present value of net remaining minimum lease payments | <u>\$ 332,989</u> | <u>\$ 173,020</u> |

A summary of assets acquired through capital leases follows:

| Governmental Activities | Cost | Accumulated Depreciation |
|-----------------------------------|-------------------|-----------------------------|
| Machinery & equipment | \$ 724,323 | \$ (294,326) |
| Total | <u>\$ 724,323</u> | <u>\$ (294,326)</u> |
| | | |
| Business-Type Activities | Cost | Accumulated Depreciation |
| Land | \$ 54,550 | \$ - |
| Buildings and improvements | 7,356 | (1,021) |
| Improvements other than buildings | 48,254 | (5,027) |
| Machinery & equipment | 66,411 | (9,257) |
| Vehicles | 35,000 | (7,292) |
| Total | <u>\$ 211,571</u> | <u>\$ (22,597)</u> |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 9. Pensions and Other Postemployment Benefits

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, 2021, 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 | Business-Type Activities Total |
|--|-------------|--------------|--|---|
| Net OPEB asset | \$ 12,312 | \$ - | \$ 12,243 | \$ 69 |
| Net pension liabilities | 2,942,043 | 6,581,058 | 9,506,508 | 16,593 |
| Net OPEB liabilities | 13,056 | 92,102 | 105,084 | 74 |
| Deferred outflows of resources | 569,829 | 906,530 | 1,473,145 | 3,215 |
| Deferred inflows of resources | 80,782 | 127,242 | 207,568 | 456 |
| Pension/OPEB expense | 372,773 | 899,314 | 1,269,984 | 2,103 |

The Town reported \$553,664 of pension and OPEB contributions expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – Town employees participate 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, 2021

Note 9. Pensions and Other Postemployment Benefits, 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 retirement benefit option determines the survivor benefit. 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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

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, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 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 10.21 percent (10.14 percent for retirement and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill.

The Town's contributions for the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2021, were \$224,218, \$7,506, and \$3,464, respectively.

Liability – At June 30, 2021, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

| | Net pension/OPEB (asset) liability |
|----------------------------------|---|
| Pension | \$ 2,942,043 |
| Health insurance premium benefit | (12,312) |
| Long-term disability | 13,056 |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 9. Pensions and Other Postemployment Benefits, Continued

The net asset and net liabilities were measured as of June 30, 2020. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020.

The Town's proportion of the net asset or net 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, 2020. The Town's proportions measured as of June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

| | Proportion June 30, 2019 | Proportion June 30, 2020 | Increase (decrease) from June 30, 2019 |
|----------------------------------|-----------------------------|-----------------------------|--|
| Pension | 0.01699% | 0.01698% | -0.00001% |
| Health insurance premium benefit | 0.01734% | 0.01739% | 0.00005% |
| Long-term disability | 0.01723% | 0.01721% | -0.00002% |

Expense – For the year ended June 30, 2021, the Town recognized the following pension and OPEB expense:

| | Pension/OPEB Expense |
|----------------------------------|-----------------------------|
| Pension | \$ 364,628 |
| Health insurance premium benefit | 3,924 |
| Long-term disability | 4,221 |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 9. Pensions and Other Postemployment Benefits, Continued

Deferred outflows/inflows of resources—At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

| | Pension | | Health Insurance Premium Benefit | | Long-Term Disability | |
|--|--------------------------------|-------------------------------|----------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 26,616 | \$ - | \$ - | \$ 24,260 | \$ 1,136 | \$ 336 |
| Changes of assumptions or other inputs | - | - | 6,826 | - | 1,407 | - |
| Net difference between projected and actual earnings on pension plan investments | 283,763 | - | 12,597 | - | 1,437 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | 55,814 | 92 | 21 | 767 | 351 |
| Contributions subsequent to the measurement date | 224,218 | - | 7,506 | - | 3,464 | - |
| Total | \$ 534,597 | \$ 55,814 | \$ 27,021 | \$ 24,281 | \$ 8,211 | \$ 687 |

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

| Year Ended June 30, | Pension | Health Insurance Premium Benefit | Long-term disability |
|---------------------|-------------|----------------------------------|----------------------|
| 2022 | \$ (22,205) | \$ (2,587) | \$ 688 |
| 2023 | 86,363 | 80 | 923 |
| 2024 | 102,640 | 646 | 966 |
| 2025 | 87,767 | (676) | 877 |
| 2026 | - | (2,229) | 504 |
| Thereafter | - | - | 102 |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 9. Pensions and Other Postemployment Benefits, Continued

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

| | |
|-----------------------------|---|
| Actuarial valuation date | June 30, 2019 |
| Actuarial roll forward date | June 30, 2020 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.5% |
| Projected salary increases | 2.7-7.2% for pensions/not applicable for OPEB |
| Inflation | 2.3% |
| Permanent benefit increase | Included for pensions/not applicable for OPEB |
| Mortality rates | 2017 SRA Scale U-MP for pensions and health insurance premium benefit |
| Recovery rates | 2012 GLDT for long-term disability |
| Healthcare cost trend rate | Not applicable |

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent 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 geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
|--|--------------------------|---|
| Equity | 50% | 6.39% |
| Fixed Income - credit | 20% | 5.44% |
| Fixed income – interest rate sensitive | 10% | 0.22% |
| Real estate | 20% | 5.85% |
| Totals | 100% | |

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 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 plans' 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 9. Pensions and Other Postemployment Benefits, Continued

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the Town's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|------------------------|--------------------------|------------------------|
| Proportionate share of | | | |
| Net pension liability | \$ 4,023,204 | \$ 2,942,043 | \$ 2,038,248 |
| Net insurance premium benefit liability (asset) | 16,155 | (12,312) | (36,538) |
| Net long-term disability liability | 14,255 | 13,056 | 11,892 |

Plan fiduciary net position – Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan description – Town police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2018, participate in the agent plans, and those who became PSPRS members on or after July 1, 2018, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further discussed because of their relative insignificant to the Town's financial statements.

The PSPRS issues a publically available financial report that includes financial statements and required supplementary information for the PSPRS plan. The report is available on the PSPRS website at www.psprs.com

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 9. Pensions and Other Postemployment Benefits, 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 and before July 1, 2017 |
|--|--|--|
| Retirement and Disability | | |
| Years of service and age required to receive benefit | 20 years of service, any age 15 years of service, age 62 | 25 years of service or 15 years of credited service, 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% | 1.5% to 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 inflation. 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, 2021

Note 9. Pensions and Other Postemployment Benefits, Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms – At June 30, 2021, the following employees were covered by the agent plans’ benefit terms:

| PSPRS - Police | <u>Pension</u> | <u>Health</u> |
|--|----------------|---------------|
| Inactive employees or beneficiaries currently receiving benefits | 14 | 14 |
| Inactive employees entitled to but not yet receiving benefits | 3 | 0 |
| Active employees | 7 | 7 |
| Total | <u>24</u> | <u>21</u> |

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS 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. Contribution rates for the year ended June 30, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

| | <u>Active member - Pension</u> | <u>City - Pension</u> | <u>City-Health insurance premium</u> |
|------------------------|------------------------------------|-----------------------|--|
| PSPRS Police | 7.65-11.65% | 73.21% | 1.37% |
| PSPRS Tier 3 risk pool | 9.21% | 9.21% | 0.14% |

In addition, statute required the Town to contribute at the actuarially determined rate of 32.79% of the annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the PSPRS would typically fill and employees participating in the PSPRS Tier 3 Risk Pool in addition to the Town’s required contributions to the PSPRS Tier 3 Risk Pool.

The Town’s contributions to the plans for the year ended June 30, 2021 were:

| | <u>Pension</u> | <u>Health Insurance Premium Benefit</u> |
|------------------------|----------------|---|
| PSPRS | \$ 348,742 | \$ 6,526 |
| PSPRS Tier 3 risk pool | 137,849 | 2,095 |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 9. Pensions and Other Postemployment Benefits, Continued

During the fiscal year 2021, the Town paid for PSPRS pension and OPEB contributions 100% from the general fund.

Liability – At June 30, 2021, the Town reported the following assets and liabilities.

| | <u>Net pension (asset) liability</u> | <u>Net OPEB (asset) liability</u> |
|--------------|--|---------------------------------------|
| PSPRS Police | \$ 6,581,058 | \$ 92,102 |

The net assets and net liabilities were measured as of June 30, 2020, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

| | |
|----------------------------|--|
| Actuarial valuation date | June 30, 2020 |
| Actuarial cost method | Entry Age Normal |
| Investment rate of return | 7.3% |
| Wage inflation | 3.5% for pensions/not applicable for OPEB |
| Price Inflation | 2.5% for pensions/not applicable for OPEB |
| Cost-of-living adjustment | 1.75% for pensions/not applicable for OPEB |
| Mortality rates | PubS-2010 tables |
| Healthcare cost trend rate | Not applicable |

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 9. Pensions and Other Postemployment Benefits, Continued

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometric 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 Geometric Real Rate of Return</u> |
|-------------------------------------|--------------------------|---|
| U.S. public equity | 23% | 4.93% |
| International public equity | 15% | 6.09% |
| Global private equity | 18% | 8.42% |
| Other assets (capital appreciation) | 7% | 5.61% |
| Core bonds | 2% | 0.22% |
| Private credit | 22% | 5.31% |
| Diversifying strategies | 12% | 3.22% |
| Cash - Mellon | 1% | -0.60% |
| Total | <u>100.00%</u> | |

Discount Rate – At June 30, 2020, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.30 percent. The projection of cash flows used to determine this 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 plans’ 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 9. Pensions and Other Postemployment Benefits, Continued

Changes in the Net Pension/OPEB Liability

| PSPRS-Police | Pension | | | Health insurance premium benefit | | |
|--|--------------------------------|------------------------------------|------------------------------------|----------------------------------|------------------------------------|---------------------------------|
| | Increase (decrease) | | | Increase (decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2020 | \$ 8,606,805 | \$ 2,588,776 | \$ 6,018,029 | \$ 176,291 | \$ 91,047 | \$ 85,244 |
| Adjustment to beginning of year | | - | - | | - | - |
| Changes for the year: | | | | | | |
| Service cost | 88,682 | - | 88,682 | 2,616 | - | 2,616 |
| Interest on total pension/OPEB liability | 612,087 | - | 612,087 | 12,709 | - | 12,709 |
| Changes of benefit terms | - | - | - | - | - | - |
| Difference between expected and actual experience in the measurement of the pension/OPEB liability | 215,877 | - | 215,877 | 894 | - | 894 |
| Changes of assumptions | - | - | - | - | - | - |
| Contributions - employer | - | 281,483 | (281,483) | - | 8,407 | (8,407) |
| Contributions - employee | - | 43,459 | (43,459) | - | - | - |
| Net investment income | - | 31,221 | (31,221) | - | 1,038 | (1,038) |
| Benefit payments, including refunds of employee contributions | (621,473) | (621,473) | - | (14,337) | (14,337) | - |
| Plan administrative expenses | - | (2,546) | 2,546 | - | (84) | 84 |
| Other changes* | - | - | - | - | - | - |
| Net changes | 295,173 | (267,856) | 563,029 | 1,882 | (4,976) | 6,858 |
| Balances at June 30, 2021 | \$ 8,901,978 | \$ 2,320,920 | \$ 6,581,058 | \$ 178,173 | \$ 86,071 | \$ 92,102 |

Sensitivity of the Town's net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the Town's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.3 percent, as well as what the Town's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

| | 1% Decrease (6.30%) | Discount Rate (7.30%) | 1% Increase (8.30%) |
|---------------------------------|------------------------|--------------------------|------------------------|
| PSPRS-Police | | | |
| Net pension (asset) / liability | \$ 7,715,424 | \$ 6,581,058 | \$ 5,652,839 |
| Net OPEB (asset)/ liability | 109,637 | 92,102 | 77,194 |

Plan fiduciary net position – Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial report.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

Note 9. Pensions and Other Postemployment Benefits, Continued

Expense – For the year ended June 30, 2021, the Town recognized the following pension and OPEB expense:

| | Pension expense | OPEB expense |
|--------------|-----------------|--------------|
| PSPRS Police | \$ 901,425 | \$ (2,111) |

Deferred outflows/inflows of resources – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

| PSPRS - Police | Pension | | Health Insurance Premium Benefit | |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 309,392 | \$ 94,212 | \$ 7,394 | \$ 32,286 |
| Changes in assumptions | 94,472 | - | 1,584 | 744 |
| Net difference between projected and actual earnings on pension/OPEB plan investments | 133,748 | - | 4,672 | - |
| Contributions subsequent to the measurement date | 348,742 | - | 6,526 | - |
| Total | \$ 886,354 | \$ 94,212 | \$ 20,176 | \$ 33,030 |

The amounts 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, 2022. 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:

| Year Ended June 30 | PSPRS - Police | |
|-----------------------|----------------|---|
| | Pension | Health Insurance Premium Benefit |
| 2022 | \$ 280,801 | \$ (10,951) |
| 2023 | 94,112 | (11,136) |
| 2024 | 39,118 | 1,629 |
| 2025 | 29,369 | 1,078 |
| 2026 | - | - |
| Thereafter | - | - |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Notes to the Financial Statements
June 30, 2021

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 effect 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.

Note 12. Subsequent Events

On July 1, 2021, the Town issued \$9,645,000 in Series 2021 Revenue Bonds. The bond proceeds of \$6,765,000 will be used to pay down the unfunded liability in the Public Safety Personnel Retirement Pension Plan. The bond proceeds of \$2,880,000 will be used as financing to construct a new police department building.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2021

| ASRS - Pension | Reporting Fiscal Year (Measurement Date) | | | | | | |
|---|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) |
| Proportion of the net pension liability (asset) | 0.016980% | 0.016990% | 0.018170% | 0.015230% | 0.015500% | 0.016210% | 0.017325% |
| Proportionate share of the net pension liability (asset) | \$ 2,942,043 | \$ 2,472,243 | \$ 2,534,076 | \$ 2,372,537 | \$ 2,501,856 | \$ 2,525,107 | \$ 2,563,253 |
| Covered payroll | \$ 1,856,043 | \$ 1,787,975 | \$ 1,734,509 | \$ 1,482,748 | \$ 1,444,948 | \$ 1,492,080 | \$ 1,545,034 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 158.51% | 138.27% | 146.10% | 160.01% | 173.15% | 169.23% | 165.90% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.33% | 73.24% | 73.40% | 69.92% | 67.06% | 68.35% | 69.49% |

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of the Proportionate Share of the Net OPEB Liability
June 30, 2021

| ASRS - Health insurance premium benefit | Reporting Fiscal Year (Measurement Date) | | | | |
|--|---|------------------------|------------------------|------------------------|------------------------|
| | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) |
| Proportion of the net OPEB (asset) | 0.017390% | 0.017340% | 0.018510% | 0.015410% | 0.015410% |
| Proportionate share of the net OPEB (asset) | \$ (12,312) | \$ (4,792) | \$ (6,662) | \$ (8,389) | \$ 4,456 |
| Covered payroll | \$ 1,856,043 | \$ 1,787,975 | \$ 1,734,509 | \$ 1,482,748 | \$ 1,444,948 |
| Proportionate share of the net OPEB (asset) as a percentage of its covered payroll | -0.66% | -0.27% | -0.38% | -0.57% | 0.31% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 104.33% | 101.62% | 102.20% | 103.57% | 98.02% |

| ASRS - Long-term disability | Reporting Fiscal Year (Measurement Date) | | | | |
|--|---|------------------------|------------------------|------------------------|------------------------|
| | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) |
| Proportion of the net OPEB (asset) | 0.017210% | 0.017230% | 0.018210% | 0.015280% | 0.015280% |
| Proportionate share of the net OPEB (asset) | \$ 13,056 | \$ 11,224 | \$ 9,515 | \$ 5,539 | \$ 5,491 |
| Covered payroll | \$ 1,856,043 | \$ 1,787,975 | \$ 1,734,509 | \$ 1,482,748 | \$ 1,444,948 |
| Proportionate share of the net OPEB (asset) as a percentage of its covered payroll | 0.70% | 0.63% | 0.55% | 0.37% | 0.38% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 68.01% | 72.85% | 77.83% | 84.44% | 85.17% |

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2021

| | Reporting Fiscal Year (Measurement Date) | | | | | | |
|--|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) |
| PSPRS Police - Pension | | | | | | | |
| Total pension liability | | | | | | | |
| Service cost | \$ 88,682 | \$ 131,207 | \$ 134,501 | \$ 160,918 | \$ 118,486 | \$ 125,205 | \$ 117,492 |
| Interest on total pension liability | 612,087 | 561,707 | 561,746 | 516,687 | 505,576 | 485,413 | 362,813 |
| Changes of benefit terms | - | - | - | 134,635 | (180,718) | - | 227,203 |
| Difference between expected and actual experience of the total net pension liability | 215,877 | 485,225 | (317,901) | 37,688 | 111,434 | 22,866 | 277,339 |
| Changes of assumptions | - | 198,620 | - | 285,573 | 268,033 | - | 945,302 |
| Benefit payments, including refunds of employee contributions | (621,473) | (458,753) | (426,912) | (413,682) | (376,953) | (369,607) | (374,824) |
| Net change in total pension liability | 295,173 | 918,006 | (48,566) | 721,819 | 445,858 | 263,877 | 1,555,325 |
| Total pension liability - beginning | 8,606,805 | 7,688,799 | 7,737,365 | 7,015,546 | 6,569,688 | 6,305,811 | 4,750,486 |
| Total pension liability - ending (a) | <u>\$ 8,901,978</u> | <u>\$ 8,606,805</u> | <u>\$ 7,688,799</u> | <u>\$ 7,737,365</u> | <u>\$ 7,015,546</u> | <u>\$ 6,569,688</u> | <u>\$ 6,305,811</u> |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | \$ 281,483 | \$ 370,470 | \$ 409,080 | \$ 372,025 | \$ 388,358 | \$ 274,652 | \$ 300,744 |
| Contributions - employee | 43,459 | 49,158 | 59,887 | 74,896 | 80,710 | 72,855 | 66,534 |
| Net investment income | 31,221 | 135,005 | 162,773 | 253,122 | 12,011 | 69,641 | 222,689 |
| Benefit payments, including refunds of employee contributions | (621,473) | (458,753) | (426,912) | (413,682) | (376,953) | (369,607) | (374,824) |
| Hall/Parker Settlement | - | - | (117,844) | - | - | - | - |
| Administrative Expense | (2,546) | (3,334) | (3,177) | (2,640) | (2,129) | (2,081) | - |
| Other (net transfer) | - | - | 28 | 25 | 89,353 | (6,639) | 40,316 |
| Net change in plan fiduciary net position | (267,856) | 92,546 | 83,835 | 283,746 | 191,350 | 38,821 | 255,459 |
| Adjustment to beginning of year | - | (8,115) | - | - | - | - | - |
| Plan fiduciary net position - beginning | 2,588,776 | 2,504,345 | 2,420,510 | 2,136,764 | 1,945,414 | 1,906,593 | 1,651,134 |
| Plan fiduciary net position - ending (b) | <u>\$ 2,320,920</u> | <u>\$ 2,588,776</u> | <u>\$ 2,504,345</u> | <u>\$ 2,420,510</u> | <u>\$ 2,136,764</u> | <u>\$ 1,945,414</u> | <u>\$ 1,906,593</u> |
| Net pension liability - ending (a) - (b) | <u>\$ 6,581,058</u> | <u>\$ 6,018,029</u> | <u>\$ 5,184,454</u> | <u>\$ 5,316,855</u> | <u>\$ 4,878,782</u> | <u>\$ 4,624,274</u> | <u>\$ 4,399,218</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 26.07% | 30.08% | 32.57% | 31.28% | 30.46% | 29.61% | 30.24% |
| Covered payroll | \$ 446,114 | \$ 443,934 | \$ 680,329 | \$ 704,852 | \$ 621,324 | \$ 682,144 | \$ 655,491 |
| Net pension liability as a percentage of covered payroll | 1475.20% | 1355.61% | 762.05% | 754.32% | 785.22% | 677.90% | 671.13% |

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2021

| PSPRS Police Health Insurance Premium Benefit | Reporting Fiscal Year (Measurement Date) | | | |
|---|---|------------------------|------------------------|------------------------|
| | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) |
| Total OPEB liability | | | | |
| Service cost | \$ 2,616 | \$ 2,925 | \$ 3,061 | \$ 3,806 |
| Interest on total OPEB liability | 12,709 | 16,861 | 15,292 | 15,533 |
| Changes of benefit terms | - | - | - | 78 |
| Difference between expected and actual experience of the total net OPEB liability | 894 | (64,572) | 18,922 | 539 |
| Changes of assumptions or other inputs | - | 3,167 | - | (4,352) |
| Benefit payments | (14,337) | (14,037) | (20,882) | (10,517) |
| Net change in total OPEB liability | 1,882 | (55,656) | 16,393 | 5,087 |
| Total OPEB liability - beginning | 176,291 | 231,947 | 215,554 | 210,467 |
| Total OPEB liability - ending (a) | \$ 178,173 | \$ 176,291 | \$ 231,947 | \$ 215,554 |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 8,407 | \$ 9,226 | \$ 2,998 | \$ 8,978 |
| Net investment income | 1,038 | 4,362 | - | 10,095 |
| Benefit payments | (14,337) | (14,037) | 6,120 | (10,517) |
| Administrative expense | (84) | (75) | (20,882) | (90) |
| Other changes | - | - | (93) | - |
| Net change in plan fiduciary net position | (4,976) | (524) | (11,857) | 8,466 |
| Adjustment to beginning of year | - | 8,115 | - | - |
| Plan fiduciary net position - beginning | 91,047 | 83,456 | 95,313 | 86,847 |
| Plan fiduciary net position - ending (b) | \$ 86,071 | \$ 91,047 | \$ 83,456 | \$ 95,313 |
| Net OPEB liability - ending (a) - (b) | \$ 92,102 | \$ 85,244 | \$ 148,491 | \$ 120,241 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 48.31% | 51.65% | 35.98% | 44.22% |
| Covered payroll | \$ 446,114 | \$ 443,934 | \$ 680,329 | \$ 704,852 |
| Net OPEB (asset) liability as a percentage of covered payroll | 20.65% | 19.20% | 21.83% | 17.06% |

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Pension and OPEB Contributions
June 30, 2021

| ASRS - Pension | Reporting Fiscal Year | | | | | | | |
|--|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually required contribution | \$ 224,218 | \$ 212,457 | \$ 200,356 | \$ 196,898 | \$ 160,163 | \$ 157,461 | \$ 162,602 | \$ 167,106 |
| Contributions in relation to the contractually required contribution | \$ (224,218) | \$ (212,457) | \$ (200,356) | \$ (196,898) | \$ (160,163) | \$ (157,461) | \$ (162,602) | \$ (167,106) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 1,906,397 | \$ 1,856,043 | \$ 1,787,975 | \$ 1,734,509 | \$ 1,482,748 | \$ 1,444,948 | \$ 1,492,080 | \$ 1,545,034 |
| Contributions as a percentage of covered payroll | 11.76% | 11.45% | 11.21% | 11.35% | 10.80% | 10.90% | 10.90% | 10.82% |

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Pension and OPEB Contributions
June 30, 2021

| ASRS - Health insurance premium benefit | Reporting Fiscal Year | | | | |
|--|------------------------------|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Contractually required contribution | \$ 7,506 | \$ 9,092 | \$ 8,211 | \$ 7,939 | \$ 8,297 |
| Contributions in relation to the contractually required contribution | (7,506) | (9,092) | (8,211) | (7,939) | (8,297) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 1,906,397 | \$ 1,856,043 | \$ 1,787,975 | \$ 1,734,509 | \$ 1,482,748 |
| Contributions as a percentage of covered payroll | 0.39% | 0.49% | 0.46% | 0.46% | 0.56% |
| ASRS - Long-term disability | | | | | |
| | Reporting Fiscal Year | | | | |
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Contractually required contribution | \$ 3,464 | \$ 3,155 | \$ 2,863 | \$ 2,889 | \$ 2,078 |
| Contributions in relation to the contractually required contribution | (3,464) | (3,155) | (2,863) | (2,889) | (2,078) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 1,906,397 | \$ 1,856,043 | \$ 1,787,975 | \$ 1,734,509 | \$ 1,482,748 |
| Contributions as a percentage of covered payroll | 0.18% | 0.17% | 0.16% | 0.17% | 0.14% |

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Pension and OPEB Contributions
June 30, 2021

| PSPRS Police-Pensions | Reporting Fiscal Year | | | | | | | |
|--|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Actuarially determined contribution | \$ 348,742 | \$ 281,483 | \$ 370,470 | \$ 409,080 | \$ 372,025 | \$ 388,358 | \$ 274,652 | \$ 300,744 |
| Contributions in relation to the actuarially determined contribution | \$ (348,742) | \$ (281,483) | \$ (370,470) | \$ (409,080) | \$ (372,025) | \$ (388,358) | \$ (274,652) | \$ (300,744) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 645,515 | \$ 446,114 | \$ 443,934 | \$ 680,329 | \$ 704,852 | \$ 621,324 | \$ 682,144 | \$ 655,491 |
| Contributions as a percentage of covered payroll | 54.03% | 63.10% | 83.45% | 60.13% | 52.78% | 62.50% | 40.26% | 45.88% |

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Pension and OPEB Contributions
June 30, 2021

| PSPRS Police Health Insurance Premium Benefit | Reporting Fiscal Year | | | | |
|--|------------------------------|-------------|-------------|-------------|-------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Actuarially determined contribution | \$ 6,526 | \$ 8,407 | \$ 9,226 | \$ 2,998 | \$ 8,978 |
| Contributions in relation to the actuarially determined contribution | \$ (6,526) | \$ (8,407) | \$ (9,226) | \$ (2,998) | \$ (8,978) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 645,515 | \$ 446,114 | \$ 443,934 | \$ 680,329 | \$ 704,852 |
| Contributions as a percentage of covered payroll | 1.01% | 1.88% | 2.08% | 0.44% | 1.27% |

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2021

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 | Entry Age Normal |
| Amortization Method | Level percent of pay, closed |
| Remaining Amortization Period as of the 2019 actuarial valuation | 27 years for underfunded; 20 years for overfunded |
| Asset valuation method | 7-Year smoothed market; 80%/120% market corridor |
| Actuarial assumptions: | |
| Investment rate of return | In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. |
| Projected salary increases | In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%. |
| Wage growth | In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. 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 | In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females) |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2021

NOTE 2. Factors that Affect Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS

General Fund

The **General Fund** is used to account for resources traditionally associated with Town which are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds

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

- **Highway User Revenue Fund (Streets)** – This fund is used to account for the Town’s share of motor fuel tax revenues which are set aside for the maintaining, repairing, and upgrading of streets.
- **Recreation and Tourism Fund** - 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
- **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.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual
For the Fiscal Year Ended June 30, 2021

| REVENUES: | Budgeted Amounts | | | Variance with |
|--------------------------------------|-------------------|-------------------|---------------------|--|
| | Original | Final | Actual | Final Budget - Positive (Negative) |
| Taxes: | | | | |
| Local sales tax | \$ 3,665,060 | \$ 3,665,060 | \$ 4,724,050 | \$ 1,058,990 |
| Auto lieu tax | 270,500 | 270,500 | 379,334 | 108,834 |
| Franchise tax | 240,000 | 240,000 | 251,176 | 11,176 |
| Other Tax | - | - | 8,819 | 8,819 |
| Intergovernmental revenue | 1,568,380 | 1,568,380 | 1,681,925 | 113,545 |
| Licenses and permits | 153,400 | 153,400 | 262,705 | 109,305 |
| Charges for services | 127,200 | 127,200 | 37,084 | (90,116) |
| Fines and forfeitures | 38,000 | 38,000 | 50,026 | 12,026 |
| Interest | 700 | 700 | 78 | (622) |
| Lease income | 9,600 | 9,600 | - | (9,600) |
| Miscellaneous | 20,700 | 20,700 | 28,103 | 7,403 |
| Total Revenues | <u>6,093,540</u> | <u>6,093,540</u> | <u>7,423,300</u> | <u>1,329,760</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government: | | | | |
| General services | 622,465 | 622,465 | 385,643 | 236,822 |
| Town council | 47,490 | 47,490 | 42,276 | 5,214 |
| Town clerk | 180,625 | 180,625 | 179,728 | 897 |
| Town manager | 152,715 | 152,715 | 153,015 | (300) |
| Finance | 270,100 | 270,100 | 259,937 | 10,163 |
| Fleet maintenance | 115,556 | 115,556 | 17,912 | 97,644 |
| Public Safety: | | | | |
| Police | 2,552,860 | 2,543,185 | 2,275,051 | 268,134 |
| Magistrate | 77,500 | 77,500 | 77,703 | (203) |
| Public Works/Streets | 889,210 | 889,210 | 879,261 | 9,949 |
| Parks and recreation | 437,835 | 437,835 | 369,926 | 67,909 |
| Community & economic development | 118,810 | 118,810 | 128,195 | (9,385) |
| Capital outlay | 71,500 | 81,175 | 170,162 | (88,987) |
| Total Expenditures | <u>5,536,666</u> | <u>5,536,666</u> | <u>4,938,809</u> | <u>597,857</u> |
| Excess of Revenues | | | | |
| Over (Under) Expenditures | <u>556,874</u> | <u>556,874</u> | <u>2,484,491</u> | <u>1,927,617</u> |
| Other Financing Sources (Uses): | | | | |
| Sale of assets | 30,000 | 30,000 | 12,020 | (17,980) |
| Transfers out | (351,210) | (351,210) | (201,645) | 149,565 |
| Total Other Financing Sources (Uses) | <u>(321,210)</u> | <u>(321,210)</u> | <u>(189,625)</u> | <u>131,585</u> |
| Net change in fund balance | 235,664 | 235,664 | 2,294,866 | 2,059,202 |
| Fund Balance, Beginning of Year | <u>696,440</u> | <u>696,440</u> | <u>696,440</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 932,104</u> | <u>\$ 932,104</u> | <u>\$ 2,991,306</u> | <u>\$ 2,059,202</u> |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Highway Users Revenue Fund
Special Revenue Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with |
|---------------------------------------|-------------------------|-------------------|-------------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | | Final Budget - |
| | | | | Positive |
| | | | | (Negative) |
| REVENUES: | | | | |
| Taxes | \$ 682,500 | \$ 682,500 | \$ 946,237 | \$ 263,737 |
| Intergovernmental revenue | 992,500 | 992,500 | 851,704 | (140,796) |
| Total Revenue | <u>1,675,000</u> | <u>1,675,000</u> | <u>1,797,941</u> | <u>122,941</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public Works: | | | | |
| Administration | 16,574 | 16,574 | 15,133 | 1,441 |
| Street maintenance | 1,123,792 | 1,123,792 | 920,646 | 203,146 |
| Street rehabilitation | 42,000 | 42,000 | 53,406 | (11,406) |
| Utilities | 11,000 | 11,000 | 18,357 | (7,357) |
| Total Expenditures | <u>1,193,366</u> | <u>1,193,366</u> | <u>1,007,542</u> | <u>185,824</u> |
| Excess of Revenues | | | | |
| Over (Under) Expenditures | <u>481,634</u> | <u>481,634</u> | <u>790,399</u> | <u>308,765</u> |
| Other Financing Sources (Uses): | | | | |
| Sale of capital assets | 25,000 | 25,000 | 9,876 | (15,124) |
| Transfers out | (564,451) | (564,451) | (449,954) | 114,497 |
| Total Other Financing Sources (Uses): | <u>(539,451)</u> | <u>(539,451)</u> | <u>(440,078)</u> | <u>99,373</u> |
| Net change in fund balance | (57,817) | (57,817) | 350,321 | 408,138 |
| Fund Balance, Beginning of Year | <u>285,533</u> | <u>285,533</u> | <u>285,533</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 227,716</u> | <u>\$ 227,716</u> | <u>\$ 635,854</u> | <u>\$ 408,138</u> |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Recreation and Tourism Fund
Special Revenue Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---------------------------------------|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Taxes | \$ 816,500 | \$ 816,500 | \$ 1,118,620 | \$ 302,120 |
| Charges for services | 1,500 | 1,500 | 1,875 | 375 |
| Interest earnings | - | - | 25 | 25 |
| Miscellaneous | - | - | 2,300 | 2,300 |
| Total Revenue | <u>818,000</u> | <u>818,000</u> | <u>1,122,820</u> | <u>304,820</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Tourism and recreation | <u>914,891</u> | <u>899,891</u> | <u>910,248</u> | <u>(10,357)</u> |
| Total Expenditures | <u>914,891</u> | <u>899,891</u> | <u>910,248</u> | <u>(10,357)</u> |
| Excess of Revenues | | | | |
| Over (Under) Expenditures | <u>(96,891)</u> | <u>(81,891)</u> | <u>212,572</u> | <u>294,463</u> |
| Other Financing Sources (Uses): | | | | |
| Sale of capital assets | 5,000 | 5,000 | 3,777 | (1,223) |
| Transfers out | <u>(156,457)</u> | <u>(171,457)</u> | <u>(115,469)</u> | <u>55,988</u> |
| Total Other Financing Sources (Uses): | <u>(151,457)</u> | <u>(166,457)</u> | <u>(111,692)</u> | <u>54,765</u> |
| Net change in fund balance | (248,348) | (248,348) | 100,880 | 349,228 |
| Fund Balance, Beginning of Year | <u>525,300</u> | <u>525,300</u> | <u>525,300</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 276,952</u> | <u>\$ 276,952</u> | <u>\$ 626,180</u> | <u>\$ 349,228</u> |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Grants Fund
Special Revenue Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental revenue | \$ 3,746,730 | \$ 3,746,730 | \$ 536,585 | \$ (3,210,145) |
| Total Revenue | <u>3,746,730</u> | <u>3,746,730</u> | <u>536,585</u> | <u>(3,210,145)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | 1,216,500 | 1,216,500 | 202,021 | 1,014,479 |
| Public works | 1,483,730 | 1,483,730 | 562,328 | 921,402 |
| Tourism and recreation | 1,659,000 | 1,659,000 | 97,255 | 1,561,745 |
| Economic development | 31,000 | 31,000 | - | 31,000 |
| Total Expenditures | <u>4,390,230</u> | <u>4,390,230</u> | <u>861,604</u> | <u>3,528,626</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(643,500)</u> | <u>(643,500)</u> | <u>(325,019)</u> | <u>318,481</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | <u>643,500</u> | <u>643,500</u> | <u>326,989</u> | <u>(316,511)</u> |
| Total Other Financing Sources | <u>643,500</u> | <u>643,500</u> | <u>326,989</u> | <u>(316,511)</u> |
| Net change in fund balances | - | - | 1,970 | 1,970 |
| Fund Balance, Beginning of Year | <u>65,465</u> | <u>65,465</u> | <u>65,465</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 65,465</u> | <u>\$ 65,465</u> | <u>\$ 67,435</u> | <u>\$ 1,970</u> |

SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS
AND BUDGETARY COMPARISON SCHEDULES

Non-major Governmental 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.
- **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.
- **Capital Projects Fund** – This fund is used to account for major capital asset purchases and capital projects.

TOWN OF PINETOP-LAKESIDE, ARIZONA
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2021

| | Development Impact Fee Fund | Acquisition & Development Fund | Capital Projects Fund | Total |
|---------------------------------------|--|---|--------------------------------------|-------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 58,894 | \$ 10,136 | \$ 109,935 | \$ 178,965 |
| Total Assets | <u>\$ 58,894</u> | <u>\$ 10,136</u> | <u>\$ 109,935</u> | <u>\$ 178,965</u> |
| Fund Balance | | | | |
| Restricted for: | | | | |
| Highways and streets | \$ 32 | \$ - | \$ - | \$ 32 |
| Community and economic development | 58,862 | - | - | 58,862 |
| Assigned for : | | | | |
| Community and economic development | - | 10,136 | - | 10,136 |
| Other purposes | <u>-</u> | <u>-</u> | <u>109,935</u> | <u>109,935</u> |
| Total Fund Balances | <u>58,894</u> | <u>10,136</u> | <u>109,935</u> | <u>178,965</u> |
| Total Liabilities and Fund Balances | <u>\$ 58,894</u> | <u>\$ 10,136</u> | <u>\$ 109,935</u> | <u>\$ 178,965</u> |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2021

| REVENUES | Development Impact Fee Fund | Acquisition & Development Fund | Capital Projects Fund | Total |
|---|--|---|--------------------------------------|-------------------|
| Intergovernmental revenue | \$ - | \$ 35,000 | \$ - | \$ 35,000 |
| Interest | 9 | 6 | 2 | 17 |
| Total Revenues | <u>9</u> | <u>35,006</u> | <u>2</u> | <u>35,017</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community and economic development | - | 138 | - | 138 |
| Capital outlay | 119,479 | 34,868 | 114,395 | 268,742 |
| Debt Service: | | | | |
| Principal | - | - | 246,508 | 246,508 |
| Interest | - | - | 89,507 | 89,507 |
| Total Expenditures | <u>119,479</u> | <u>35,006</u> | <u>450,410</u> | <u>604,895</u> |
| Excess of Revenues | | | | |
| Over (Under) Expenditures | <u>(119,470)</u> | <u>-</u> | <u>(450,408)</u> | <u>(569,878)</u> |
| Other Financing Sources (Uses): | | | | |
| Debt issuance | - | - | 43,074 | 43,074 |
| Transfers in | - | - | 408,571 | 408,571 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>451,645</u> | <u>451,645</u> |
| Net change in fund balances | (119,470) | - | 1,237 | (118,233) |
| Fund Balances, Beginning of Year | <u>178,364</u> | <u>10,136</u> | <u>108,698</u> | <u>297,198</u> |
| Fund Balances, End of Year | <u>\$ 58,894</u> | <u>\$ 10,136</u> | <u>\$ 109,935</u> | <u>\$ 178,965</u> |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Development Impact Fee Fund
Capital Projects Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2021

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|--------------------|-------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES: | | | | |
| Interest | \$ - | \$ - | \$ 9 | \$ 9 |
| Total Revenue | <u>-</u> | <u>-</u> | <u>9</u> | <u>9</u> |
| EXPENDITURES: | | | | |
| Capital Outlay | <u>164,245</u> | <u>164,245</u> | <u>119,479</u> | <u>44,766</u> |
| Total Expenditures | <u>164,245</u> | <u>164,245</u> | <u>119,479</u> | <u>44,766</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(164,245)</u> | <u>(164,245)</u> | <u>(119,470)</u> | <u>44,775</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers out | <u>(18,500)</u> | <u>(18,500)</u> | <u>-</u> | <u>18,500</u> |
| Total Other Financing Sources (Uses): | <u>(18,500)</u> | <u>(18,500)</u> | <u>-</u> | <u>18,500</u> |
| Net Change in Fund Balance | (182,745) | (182,745) | (119,470) | 63,275 |
| Fund Balance, Beginning of Year | <u>182,745</u> | <u>182,745</u> | <u>178,364</u> | <u>(4,381)</u> |
| Fund Balance, End of Year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 58,894</u></u> | <u><u>\$ 58,894</u></u> |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Acquisition & Development
Capital Projects Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|---|------------------|----------|-----------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ 35,000 | \$ 35,000 |
| Investment earnings | - | - | 6 | 6 |
| Total Revenue | - | - | 35,006 | 35,006 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community and economic development | 19,000 | 9,000 | 138 | 8,862 |
| Capital Outlay | 25,000 | 35,000 | 34,868 | 132 |
| Total Expenditures | 44,000 | 44,000 | 35,006 | 8,994 |
| Excess of Revenues Over (Under) Expenditures | (44,000) | (44,000) | - | 44,000 |
| Fund Balance, Beginning of Year | 44,000 | 44,000 | 10,136 | 33,864 |
| Fund Balance, End of Year | \$ - | \$ - | \$ 10,136 | \$ 44,000 |

TOWN OF PINETOP-LAKESIDE, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Capital Projects Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|---|------------------|------------|------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment earnings | \$ - | \$ - | \$ 2 | \$ 2 |
| Total Revenue | - | - | 2 | 2 |
| EXPENDITURES: | | | | |
| Capital Outlay | 260,000 | 260,000 | 114,395 | 145,605 |
| Debt Service: | | | | |
| Principal | 262,926 | 262,926 | 246,508 | 16,418 |
| Interest | 89,507 | 89,507 | 89,507 | - |
| Total Expenditures | 612,433 | 612,433 | 450,410 | 162,023 |
| Excess of Revenues Over (Under) Expenditures | (612,433) | (612,433) | (450,408) | 162,025 |
| Other Financing Sources (Uses): | | | | |
| Debt issuance | - | - | 43,074 | 43,074 |
| Transfers in | 612,433 | 612,433 | 408,571 | (203,862) |
| Total Other Financing Sources (Uses): | 612,433 | 612,433 | 451,645 | (160,788) |
| Net Change in Fund Balance | - | - | 1,237 | 1,237 |
| Fund Balance, Beginning of Year | 108,698 | 108,698 | 108,698 | - |
| Fund Balance, End of Year | \$ 108,698 | \$ 108,698 | \$ 109,935 | \$ 1,237 |

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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 | 81 |
| <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 | 86 |
| <i>These schedules contain information to help the reader assess the government’s most significant local revenues source, the sales tax.</i> | |
| Debt Capacity | 88 |
| <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..... | 92 |
| <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 | 93 |
| <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>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 5,880,494 | \$ 6,005,581 | \$ 5,734,415 | \$ 5,295,494 | \$ 5,572,726 | \$ 5,143,699 | \$ 6,325,201 | \$ 6,824,075 | \$ 9,923,564 | \$ 10,342,064 |
| Restricted | 667,609 | 788,771 | 194,130 | 300,409 | 589,590 | 479,647 | 445,077 | 757,621 | 475,779 | 708,600 |
| Unrestricted | (58,958) | (463,612) | 171,629 | (5,216,205) | (5,635,914) | (5,100,632) | (5,300,047) | (6,217,842) | (6,481,495) | (4,800,522) |
| Total governmental activities net position | \$ 6,489,145 | \$ 6,330,740 | \$ 6,100,174 | \$ 379,698 | \$ 526,402 | \$ 522,714 | \$ 1,470,231 | \$ 1,363,854 | \$ 3,917,848 | \$ 6,250,142 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 636 | \$ 32,727 | \$ 37,838 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | - | - | - | - | - | - | - | (13,266) | (14,738) | (29,171) |
| Total business-type activities net position | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (12,630) | \$ 17,989 | \$ 8,667 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 5,880,494 | \$ 6,005,581 | \$ 5,734,415 | \$ 5,295,494 | \$ 5,572,726 | \$ 5,143,699 | \$ 6,325,201 | \$ 6,824,711 | \$ 9,956,291 | \$ 10,379,902 |
| Restricted | 667,609 | 788,771 | 194,130 | 300,409 | 589,590 | 479,647 | 445,077 | 757,621 | 475,779 | 708,600 |
| Unrestricted | (58,958) | (463,612) | 171,629 | (5,216,205) | (5,635,914) | (5,100,632) | (5,300,047) | (6,231,108) | (6,496,233) | (4,829,693) |
| Total primary government net position | \$ 6,489,145 | \$ 6,330,740 | \$ 6,100,174 | \$ 379,698 | \$ 526,402 | \$ 522,714 | \$ 1,470,231 | \$ 1,351,224 | \$ 3,935,837 | \$ 6,258,809 |

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

| Expenses | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental activities: | | | | | | | | | | |
| General government | \$ 1,235,522 | \$ 1,240,409 | \$ 1,152,393 | \$ 1,025,609 | \$ 1,327,775 | \$ 1,198,079 | \$ 1,261,387 | \$ 1,425,548 | \$ 1,391,933 | \$ 1,257,842 |
| Public safety | 2,091,653 | 2,239,765 | 2,362,975 | 2,655,844 | 2,490,393 | 2,363,177 | 2,829,418 | 2,892,140 | 2,855,218 | 3,207,092 |
| Public works/Streets | 1,143,070 | 790,877 | 943,183 | 823,575 | 1,002,330 | 1,490,644 | 2,019,910 | 2,258,835 | 2,686,500 | 2,477,676 |
| Culture and recreation | 995,126 | 1,132,279 | 1,282,073 | 1,001,255 | 967,222 | 866,281 | 689,889 | 1,067,555 | 1,066,822 | 1,407,693 |
| Economic development | 394,438 | 403,912 | 366,771 | 301,189 | 225,575 | 71,573 | 237,021 | 101,962 | 130,288 | 143,380 |
| Interest on long-term debt | 38,793 | 24,294 | 8,325 | - | 13,876 | 25,676 | 190,712 | 100,160 | 93,834 | 83,851 |
| Total governmental activities expenses | <u>5,898,602</u> | <u>5,831,536</u> | <u>6,115,720</u> | <u>5,807,472</u> | <u>6,027,171</u> | <u>6,015,430</u> | <u>7,228,337</u> | <u>7,846,200</u> | <u>8,224,595</u> | <u>8,577,534</u> |
| Business-type activities: | | | | | | | | | | |
| Solid waste | - | - | - | - | - | - | - | 17,438 | 161,831 | 180,926 |
| Total business-type activities expenses | <u>-</u> | <u>17,438</u> | <u>161,831</u> | <u>180,926</u> |
| Total primary government expenses | <u>\$ 5,898,602</u> | <u>\$ 5,831,536</u> | <u>\$ 6,115,720</u> | <u>\$ 5,807,472</u> | <u>\$ 6,027,171</u> | <u>\$ 6,015,430</u> | <u>\$ 7,228,337</u> | <u>\$ 7,863,638</u> | <u>\$ 8,386,426</u> | <u>\$ 8,758,460</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 312,155 | \$ 234,243 | \$ 236,111 | \$ 215,126 | \$ 193,380 | \$ 237,697 | \$ 285,484 | \$ 168,371 | \$ 205,337 | \$ 285,715 |
| Public safety | 83,198 | 91,322 | 75,839 | 52,519 | 62,000 | 61,207 | 75,810 | 181,360 | 57,172 | 52,992 |
| Public works/Streets | - | - | - | - | - | - | - | - | - | - |
| Culture and recreation | 24,818 | 23,237 | 22,517 | 40,966 | 32,307 | 37,748 | 46,515 | 50,488 | 29,134 | 19,121 |
| Economic development | - | 9,404 | - | 10 | - | - | - | - | - | 35,000 |
| Operating grants and contributions | 738,207 | 688,041 | 799,252 | 689,368 | 807,733 | 710,715 | 931,054 | 862,794 | 1,324,480 | 1,500,634 |
| Capital grants and contributions | 751,168 | 293,116 | 129,764 | 233,074 | 232,160 | 102,447 | 1,246,212 | 65,805 | 2,823,399 | 424,992 |
| Total governmental activities program revenues | <u>1,909,546</u> | <u>1,339,363</u> | <u>1,263,483</u> | <u>1,231,063</u> | <u>1,327,580</u> | <u>1,149,814</u> | <u>2,585,075</u> | <u>1,328,818</u> | <u>4,439,522</u> | <u>2,318,454</u> |
| Business-type activities | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Solid waste | - | - | - | - | - | - | - | 464 | 88,812 | 140,096 |
| Total business-type activities program revenues | <u>-</u> | <u>464</u> | <u>88,812</u> | <u>140,096</u> |
| Total primary government program revenues | <u>\$ 1,909,546</u> | <u>\$ 1,339,363</u> | <u>\$ 1,263,483</u> | <u>\$ 1,231,063</u> | <u>\$ 1,327,580</u> | <u>\$ 1,149,814</u> | <u>\$ 2,585,075</u> | <u>\$ 1,329,282</u> | <u>\$ 4,528,334</u> | <u>\$ 2,458,550</u> |

(continued)

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

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (3,989,056) | \$ (4,492,173) | \$ (4,852,237) | \$ (4,576,409) | \$ (4,699,591) | \$ (4,865,616) | \$ (4,643,262) | \$ (6,517,382) | \$ (3,785,073) | \$ (6,259,080) |
| Business-type activities | - | - | - | - | - | - | - | (16,974) | (73,019) | (40,830) |
| Total primary government net expense | <u>\$ (3,989,056)</u> | <u>\$ (4,492,173)</u> | <u>\$ (4,852,237)</u> | <u>\$ (4,576,409)</u> | <u>\$ (4,699,591)</u> | <u>\$ (4,865,616)</u> | <u>\$ (4,643,262)</u> | <u>\$ (6,534,356)</u> | <u>\$ (3,858,092)</u> | <u>\$ (6,299,910)</u> |
| General Revenues and Other | | | | | | | | | | |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Sales taxes | 3,373,567 | \$ 3,286,485 | \$ 3,484,164 | \$ 3,543,376 | \$ 3,578,240 | \$ 3,609,646 | \$ 4,264,424 | \$ 4,919,136 | \$ 4,863,571 | \$ 6,788,907 |
| Franchise taxes | 50,930 | 48,550 | 49,231 | 49,716 | 55,631 | 69,734 | 159,273 | 231,637 | 242,871 | 251,176 |
| State revenue sharing | 361,404 | 437,397 | 477,283 | 518,363 | 515,552 | 531,579 | 542,257 | 527,911 | 573,250 | 647,502 |
| State sales taxes | 334,597 | 350,490 | 372,717 | 391,327 | 404,308 | 397,955 | 410,416 | 439,263 | 458,196 | 530,171 |
| Auto-in-lieu | 213,147 | 210,755 | 218,764 | 225,562 | 245,717 | 258,797 | 277,435 | 295,007 | 303,481 | 379,334 |
| Investment earnings | 5,382 | 91 | 2,512 | 3,411 | 6,306 | 707 | 1,670 | 2,189 | 1,336 | 119 |
| Gain on Sale of assets | - | - | - | - | 40,541 | (6,490) | 49,518 | (4,138) | (103,638) | 25,673 |
| Other | - | - | - | - | 40,541 | (6,490) | 49,518 | (4,138) | (103,638) | (31,508) |
| Total governmental activities | <u>4,339,027</u> | <u>4,333,768</u> | <u>4,604,671</u> | <u>4,731,755</u> | <u>4,846,295</u> | <u>4,861,928</u> | <u>5,704,993</u> | <u>6,411,005</u> | <u>6,339,067</u> | <u>8,591,374</u> |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | - | - | - | - | - | - | - | 206 | - | - |
| Other | - | - | - | - | - | - | - | 4,138 | 103,638 | 31,508 |
| Total business-type activities | <u>-</u> | <u>4,344</u> | <u>103,638</u> | <u>31,508</u> |
| Total primary government | <u>\$ 4,339,027</u> | <u>\$ 4,333,768</u> | <u>\$ 4,604,671</u> | <u>\$ 4,731,755</u> | <u>\$ 4,846,295</u> | <u>\$ 4,861,928</u> | <u>\$ 5,704,993</u> | <u>\$ 6,415,349</u> | <u>\$ 6,442,705</u> | <u>\$ 8,622,882</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 349,971 | \$ (158,405) | \$ (247,566) | \$ 155,346 | \$ 146,704 | \$ (3,688) | \$ 1,061,731 | \$ (106,377) | \$ 2,553,994 | \$ 2,332,294 |
| Business-type activities | - | - | - | - | - | - | - | (12,630) | 30,619 | (9,322) |
| Total primary government | <u>\$ 349,971</u> | <u>\$ (158,405)</u> | <u>\$ (247,566)</u> | <u>\$ 155,346</u> | <u>\$ 146,704</u> | <u>\$ (3,688)</u> | <u>\$ 1,061,731</u> | <u>\$ (119,007)</u> | <u>\$ 2,584,613</u> | <u>\$ 2,322,972</u> |

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

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|-------------------------------------|-------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General fund | | | | | | | | | | |
| Nonspendable | \$ 31,496 | \$ 21,651 | \$ 14,458 | \$ 12,026 | \$ 34,013 | \$ 33,424 | \$ 5,292 | \$ - | \$ - | \$ 7,827 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | 692,853 | 389,664 | 169,169 | - | - | - | - |
| Unassigned | 133,020 | (272,671) | (254,888) | 217,472 | 302,942 | 862,349 | 1,056,272 | 482,081 | 696,440 | 2,983,479 |
| Total general fund | <u>\$ 164,516</u> | <u>\$ (251,020)</u> | <u>\$ (240,430)</u> | <u>\$ 922,351</u> | <u>\$ 726,619</u> | <u>\$ 1,064,942</u> | <u>\$ 1,061,564</u> | <u>\$ 482,081</u> | <u>\$ 696,440</u> | <u>\$ 2,991,306</u> |
| All other governmental funds | | | | | | | | | | |
| Nonspendable: | | | | | | | | | | |
| Prepays | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,148 | \$ - | \$ - | \$ - | \$ 5,000 |
| Restricted: | | | | | | | | | | |
| Public safety | 14,952 | - | 4,239 | 10,651 | 9,037 | 13,584 | 24,219 | 27,327 | 15,531 | - |
| Highways and streets | 537,341 | 671,045 | 819,951 | 440,620 | 420,213 | 387,829 | 330,956 | 616,863 | 324,486 | 635,886 |
| Community and economic development | 59,602 | 65,573 | 86,032 | 111,894 | 129,849 | 48,724 | 85,390 | 102,993 | 123,880 | 58,862 |
| Other | 55,714 | 52,153 | 6,021 | 30,323 | 30,491 | 19,510 | 4,512 | 10,438 | 11,882 | 13,852 |
| Committed for: | | | | | | | | | | |
| Tourism and recreation | 20,593 | - | - | - | - | 270,493 | 426,670 | 451,982 | 525,300 | 621,180 |
| Assigned for: | | | | | | | | | | |
| Community and economic development | - | 13 | 2,575 | 27,252 | 79,161 | 10,119 | 10,128 | 10,135 | 10,136 | 10,136 |
| Other | - | - | - | 145 | - | 23,600 | 81,336 | 95,378 | 162,281 | 163,518 |
| Unassigned, reported in: | | | | | | | | | | |
| Special revenue funds | - | (8,137) | - | - | - | - | - | - | - | - |
| Capital projects funds | - | - | - | - | - | - | - | - | - | - |
| | <u>\$ 688,202</u> | <u>\$ 780,647</u> | <u>\$ 918,818</u> | <u>\$ 620,885</u> | <u>\$ 668,751</u> | <u>\$ 784,007</u> | <u>\$ 963,211</u> | <u>\$ 1,315,116</u> | <u>\$ 1,173,496</u> | <u>\$ 1,508,434</u> |

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

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 3,373,568 | \$ 3,286,485 | \$ 3,484,164 | \$ 3,543,376 | \$ 3,578,244 | \$ 3,609,645 | \$ 4,541,859 | \$ 5,214,143 | \$ 5,167,052 | \$ 7,177,060 |
| Franchise taxes | 50,930 | 48,550 | 49,231 | 49,716 | 55,631 | 69,734 | 159,273 | 231,637 | 242,871 | 251,176 |
| Intergovernmental | 1,920,673 | 1,952,454 | 1,942,947 | 1,902,646 | 2,099,580 | 1,933,054 | 1,906,395 | 1,848,341 | 3,435,131 | 3,105,214 |
| Licenses, permits, and fees | 93,428 | 126,153 | 141,228 | 127,540 | 110,028 | 153,108 | 201,378 | 176,085 | 217,300 | 262,705 |
| Charges for services | 109,043 | 119,806 | 107,562 | 104,633 | 103,339 | 105,904 | 72,332 | 36,781 | 32,633 | 38,959 |
| Fines and forfeitures | 82,131 | 53,239 | 47,674 | 43,474 | 51,068 | 45,958 | 42,190 | 39,582 | 33,231 | 50,026 |
| Interest | 5,382 | 91 | 2,512 | 3,411 | 6,304 | 707 | 1,671 | 1,983 | 1,336 | 120 |
| Lease income | 22,275 | 17,820 | 17,820 | 18,732 | 18,581 | 14,494 | - | - | - | - |
| Impact fees | 13,102 | 19,553 | 36,974 | 47,559 | 29,990 | 42,666 | 74,376 | 43,662 | 90,541 | - |
| Other | 127,241 | 48,981 | 38,043 | 121,730 | 80,569 | 42,962 | 110,905 | 151,747 | 1,662,132 | 30,403 |
| Total Revenues | \$ 5,797,773 | \$ 5,673,132 | \$ 5,868,155 | \$ 5,962,817 | \$ 6,133,334 | \$ 6,018,232 | \$ 7,110,379 | \$ 7,743,961 | \$ 10,882,227 | \$ 10,915,663 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | \$ 1,142,334 | \$ 1,149,334 | \$ 1,045,142 | \$ 1,025,155 | \$ 1,365,521 | \$ 1,260,878 | \$ 1,309,197 | \$ 1,365,667 | \$ 1,151,461 | \$ 1,038,511 |
| Public safety | 2,215,692 | 2,167,567 | 2,197,726 | 2,215,856 | 2,216,526 | 2,068,093 | 2,293,675 | 2,344,444 | 2,388,498 | 2,554,775 |
| Public works/streets | 985,898 | 822,572 | 604,730 | 637,870 | 841,805 | 1,270,020 | 1,942,811 | 2,109,243 | 3,863,711 | 2,449,131 |
| Tourism and recreation | 847,481 | 979,971 | 1,122,825 | 899,584 | 933,750 | 781,299 | 751,892 | 1,021,257 | 957,955 | 1,377,429 |
| Community and economic development | 394,736 | 406,802 | 439,094 | 290,996 | 343,656 | 96,876 | 266,058 | 149,665 | 117,434 | 128,333 |
| Capital outlay | 712,874 | 131,674 | 133,552 | 157,384 | 953,137 | 472,340 | 1,933,156 | 1,052,728 | 1,935,175 | 438,904 |
| Debt service | | | | | | | | | | - |
| Principal | 381,415 | 374,009 | 185,000 | - | 27,536 | 38,648 | 523,606 | 189,872 | 191,922 | 246,508 |
| Interest and fiscal charges | 38,793 | 24,294 | 8,325 | - | 13,876 | 25,676 | 150,686 | 100,556 | 99,694 | 89,507 |
| Total expenditures | 6,719,223 | 6,056,223 | 5,736,394 | 5,226,845 | 6,695,807 | 6,013,830 | 9,171,081 | 8,333,432 | 10,705,850 | 8,323,098 |
| Revenues over (under) expenditures | (921,450) | (383,091) | 131,761 | 735,972 | (562,473) | 4,402 | (2,060,702) | (589,471) | 176,377 | 2,592,565 |
| Other finance sources (Uses) | | | | | | | | | | |
| Proceeds of long-term debt issuance | 613,770 | 60,000 | - | 128,876 | 372,857 | - | 2,180,211 | 366,031 | - | 43,074 |
| Proceeds from sale of capital assets | - | - | - | - | 41,750 | 449,177 | 56,317 | - | - | 25,673 |
| Transfers in | 428,686 | 537,635 | 402,969 | 693,293 | 573,309 | 261,896 | 744,416 | 865,700 | 668,084 | 735,560 |
| Transfers out | (428,686) | (537,635) | (402,969) | (693,293) | (573,309) | (261,896) | (744,416) | (865,700) | (771,722) | (767,068) |
| Total other finance sources (uses) | 613,770 | 60,000 | - | 128,876 | 414,607 | 449,177 | 2,236,528 | 366,031 | (103,638) | 37,239 |
| Net change in fund balances | \$ (307,680) | \$ (323,091) | \$ 131,761 | \$ 864,848 | \$ (147,866) | \$ 453,579 | \$ 175,826 | \$ (223,440) | \$ 72,739 | \$ 2,629,804 |
| Debt service as a percentage of noncapital expenditures | 7.30% | 6.98% | 3.39% | 0.00% | 0.65% | 1.15% | 9.78% | 4.11% | 4.10% | 4.62% |

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 |
|--------------------|-------------------------------|-----------------------|----------------------|-----------------------|----------------------------|--------------------------------|
| 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 |
| 2016 | 404,308 | 3,587,540 | 55,631 | 568,921 | 245,717 | 515,552 |
| 2017 | 397,955 | 3,618,501 | 69,734 | 601,781 | 258,797 | 531,579 |
| 2018 | 410,416 | 4,263,316 | 159,273 | 608,381 | 277,435 | 542,257 |
| 2019 | 439,263 | 4,919,136 | 231,637 | 656,359 | 295,007 | 528,117 |
| 2020 | 458,196 | 4,863,571 | 242,871 | 849,976 | 303,481 | 573,251 |
| 2021 | 530,171 | 6,788,907 | 251,176 | 747,486 | 379,334 | 647,502 |

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 Seven Fiscal Years (Unaudited)

| | 2015 | | 2016 | | 2017 | | 2018 | | 2019 | | 2020 | | 2021 | |
|---------------------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|----------------------|---------------|--------------------|---------------|
| | Collections | % of Total | Collections | % of Total | Collections | % of Total |
| Communication & Utilities | 290,537 | 8.2% | 283,598 | 7.9% | 291,625 | 8.1% | 307,251 | 7.2% | 328,989 | 6.7% | 340,520 | 7.0% | 399,399 | 5.9% |
| Construction | 218,496 | 6.2% | 156,183 | 4.4% | 175,226 | 4.8% | 257,434 | 6.0% | 220,628 | 4.5% | 185,446 | 3.8% | 407,098 | 6.0% |
| Manufacturing | 150,686 | 4.3% | 132,830 | 3.7% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% |
| Retail | 1,341,772 | 37.9% | 1,424,764 | 39.7% | 1,563,107 | 43.2% | 1,719,631 | 40.3% | 2,035,383 | 41.4% | 2,007,834 | 41.3% | 2,809,614 | 41.4% |
| Real Estate Leasing | 159,388 | 4.5% | 156,619 | 4.4% | 110,195 | 3.0% | 122,436 | 2.9% | 146,280 | 3.0% | 135,582 | 2.8% | 140,714 | 2.1% |
| Restaurant & Bar | 808,379 | 22.8% | 843,104 | 23.5% | 1,024,428 | 28.3% | 1,178,314 | 27.6% | 1,382,606 | 28.1% | 1,434,940 | 29.5% | 1,742,380 | 25.7% |
| Accommodation | 248,587 | 7.0% | 289,336 | 8.1% | 376,258 | 10.4% | 427,699 | 10.0% | 534,594 | 10.9% | 511,868 | 10.5% | 907,682 | 13.4% |
| Services | 143,359 | 4.0% | 96,195 | 2.7% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% |
| All Other | 182,172 | 5.1% | 204,911 | 5.7% | 77,662 | 2.1% | 250,551 | 5.9% | 270,656 | 5.5% | 247,481 | 5.1% | 382,020 | 5.6% |
| Total | 3,543,376 | 100.0% | 3,587,540 | 100.0% | 3,618,501 | 100.0% | 4,263,316 | 100.0% | 4,919,136 | 100.0% | 4,863,671 | 100.0% | 6,788,907 | 100.0% |
| | 1.70% | | 1.25% | | 0.86% | | 17.82% | | 15.38% | | -1.13% | | 39.58% | |
| | up from prior year | | up from prior year | | up from prior year | | up from prior year | | up from prior year | | down from prior year | | up from prior year | |

Source: Arizona Department of Revenue

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.

Note: In 2016, the Arizona Department of Revenue changed categories of classification in reporting. This happened in June, 2016. Consequently, totals reported for Manufacturing and Services are for eleven months only.

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

| Fiscal Year | Governmental Activities | | | Business-Type Activities | Total Primary Government | Percentage of Personal Income | Population | Per Capita |
|-------------|-------------------------|------------------------|----------------|--------------------------|--------------------------|-------------------------------|------------|------------|
| | Revenue Bonds | General Obligaion Debt | Capital Leases | Capital Leases | | | | |
| 2012 | 540,000 | - | 560,741 | - | 1,100,741 | 37.90% | 4,303 * | 256 |
| 2013 | 185,000 | - | 56,102 | - | 241,102 | 8.07% | 4,389 * | 55 |
| 2014 | - | - | 497,043 | - | 497,043 | 16.16% | 4,303 * | 116 |
| 2015 | - | - | 604,330 | - | 604,330 | 19.10% | 4,370 * | 138 |
| 2016 | - | - | 890,325 | - | 890,325 | 28.23% | 4,402 * | 202 |
| 2017 | - | - | 796,554 | - | 796,554 | 24.62% | 4,463 * | 178 |
| 2018 | 1,986,448 | - | 454,455 | - | 2,440,903 | 75.44% | 4,545 * | 537 |
| 2019 | 1,953,639 | - | 623,345 | 210,000 | 2,786,984 | 84.06% | 4,563 * | 611 |
| 2020 | 1,900,831 | - | 481,423 | 191,573 | 2,573,827 | 72.45% | 4,557 * | 565 |
| 2021 | 1,843,022 | - | 332,989 | 173,020 | 2,349,031 | 64.75% | 4,044 (1) | 581 |

* Population estimates adjusted to results of 2010 US Census

(1) Population numbers are based on Arizona Office of Economic Opportunity

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

| Governmental Unit | Net Debt Outstanding (1) | Percentage Applicable to the Town of Pinetop-Lakeside | Amount Applicable to the Town of Pinetop-Lakeside |
|--|-----------------------------|--|--|
| Blue Ridge Unified School District #32 | \$ 18,920,000 | 21.4% | \$ 4,048,880 |
| Pinetop-Lakeside Sanitary District | - | 79.0% | - |
| Pinetop Fire District | 2,822,692 | 85.0% | 2,399,288 |
| Timber Mesa Fire District | 4,457,632 | 31.0% | 1,381,866 |
| Subtotal, overlapping debt | | | 7,830,034 |
| Town direct debt | | | 2,176,011 |
| Total direct and overlapping debt | | | \$ 10,006,045 |

(1) Includes general obligation bonds outstanding

Source: Navajo County Finance Department, Pinetop Fire District, Timber Mesa Fire District

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 |
|-------------|---------------------|-----------|----------|---------|----------|
| 2012 | 4,282,715 | 170,000 | 23,905 | 193,905 | 22.09 |
| 2013 | 4,285,127 | 180,000 | 16,425 | 196,425 | 21.82 |
| 2014 | 4,552,928 | 185,000 | 8,325 | 193,325 | 23.55 |
| 2015 | Paid Off | - | - | - | - |

GADA Loan

| Fiscal Year | Excise Tax Revenues | Principal | Interest | Total | Coverage |
|-------------|---------------------|-----------|----------|---------|----------|
| 2012 | 4,282,715 | 165,000 | 14,888 | 179,888 | 23.81 |
| 2013 | 4,285,127 | 175,000 | 7,875 | 182,875 | 23.43 |
| 2014 | 4,552,928 | - | - | - | - |
| 2015 | Paid Off | - | - | - | - |

Series 2017 Revenue Bonds

| Fiscal Year | Excise Tax Revenues | Principal | Interest | Total | Coverage |
|-------------|---------------------|-----------|----------|---------|----------|
| 2019 | 6,181,523 | 30,000 | 74,468 | 104,468 | 59.17 |
| 2020 | 6,198,498 | 50,000 | 69,700 | 119,700 | 51.78 |
| 2021 | 8,345,914 | 55,000 | 68,125 | 123,125 | 67.78 |

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 (3) | Pinetop-Lakeside Public School Enrollment (4) | Unemployment Averages (1) | | |
|---------------|---|------------------------------|---|--|--|---|---------------------------|---------------|------------------|
| | | | | | | | Town of Pinetop-Lakeside | Navajo County | State of Arizona |
| 2012 | 4,269 | 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 | \$ 28,851 | \$ 28,058 | 2,153 | 9.2% | 9.0% | 6.9% |
| 2016 | 4,402 | 108,277 | 3,154,284 | \$ 29,132 | \$ 27,246 | 2,165 | 9.5% | 9.5% | 6.4% |
| 2017 | 4,463 | 110,026 | 3,235,693 | \$ 29,408 | \$ 26,517 | 2,060 | 3.4% | 7.6% | 5.3% |
| 2018 | 4,545 | 112,746 | 3,315,634 | \$ 29,408 | \$ 27,917 | 2,007 | 3.3% | 5.8% | 4.7% |
| 2019 | 4,563 | 112,825 | 3,552,491 | \$ 31,487 | \$ 31,344 | 2,097 | 3.8% | 6.9% | 4.6% |
| 2020 | 4,557 | 107,449 | 3,627,679 | \$ 33,762 | \$ 31,177 | 2,043 | 8.7% | 9.5% | 6.5% |
| 2021 | 4,044 | 106,717 | 4,054,959 | \$ 36,169 | \$ 33,351 | 1,851 | 9.9% | 9.9% | 4.5% |

(1) Population estimated from these sources:
- Arizona Department of Administration estimates
- Arizona Office of Economic Opportunity
- Other State and Federal sites

(2) Source: US Department of Commerce, Bureau of Economic Analysis.

(3) Source: Arizona Department of Administration; Bureau of the Census American FactFinder
Per capita income comes from indexed estimates of the Census Bureau.

(4) Source: Arizona Office of the Auditor General reports

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

| Function | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | 12 | 12.5 | 12.5 | 12.5 | 12.85 | 12.35 | 12 | 10.5 | 11 | 11 |
| Public Safety | | | | | | | | | | |
| Officers | 17 | 17 | 17 | 17 | 17 | 15 | 16 | 15 | 15 | 15 |
| Civilians | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 8 | 6 | 2.5 | 3.5 | 4 |
| Streets | 6.5 | 5.5 | 5.5 | 5.5 | 7.65 | 8 | 10 | 7.5 | 8 | 8 |
| Parks and Recreation | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6 | 8.5 | 12 | 12 | 12 |
| Library | 5 | 5 | 5 | 5 | 5 | 4.5 | 5 | 5 | 5.5 | 5 |
| Solid Waste | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.5 | 2 | 2 |
| Total | <u>54.5</u> | <u>54.0</u> | <u>54.0</u> | <u>54.0</u> | <u>56.5</u> | <u>53.9</u> | <u>57.5</u> | <u>54.0</u> | <u>57.0</u> | <u>57.0</u> |

Source: Town of Pinetop-Lakeside, Arizona

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

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Building Permits | | | | | | | | | | |
| Residential | 10 | 18 | 24 | 18 | 21 | 32 | 31 | 33 | 65 | 71 |
| Commercial | 1 | 0 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 1 |
| Value of Construction | | | | | | | | | | |
| Residential | \$ 3,313,000 | \$ 4,725,000 | \$ 6,165,000 | \$ 5,053,000 | \$ 4,115,000 | \$ 6,516,000 | \$ 8,953,000 | \$ 9,866,500 | \$ 16,804,000 | \$ 18,114,000 |
| Commercial | 1,238,000 | 455,000 | 830,800 | 726,500 | 1,286,000 | 5,287,000 | 1,548,000 | 696,500 | 917,000 | 223,000 |
| Total | \$ 4,551,000 | \$ 5,180,000 | \$ 6,995,800 | \$ 5,779,500 | \$ 5,401,000 | \$ 11,803,000 | \$ 10,501,000 | \$ 10,563,000 | \$ 17,721,000 | \$ 18,337,000 |

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 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------------|------|------|------|------|------|------|------|------|------|------|
| 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 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 158 | 158 |
| 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 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------------|--------|-------|-------|-------|-------|--------|--------|-------|-------|-------|
| General Government | | | | | | | | | | |
| Building Permits Issued | 111 | 107 | 116 | 131 | 107 | 126 | 132 | 140 | 188 | 171 |
| Building Inspections Conducted | 10 | 18 | 25 | 20 | 23 | 32 | 32 | 33 | 65 | 71 |
| Police | | | | | | | | | | |
| Physical Arrests | 529 | 387 | 395 | 395 | 494 | 557 | 1,008 | 639 | 436 | 552 |
| Parking Violations | 0 | 1 | 0 | 0 | 0 | 9 | 0 | 2 | 0 | 2 |
| Traffic Violations | 2,010 | 1,438 | 3,376 | 3,376 | 3,236 | 2,916 | 2,957 | 667 | 752 | 1,050 |
| Calls for Service | 10,787 | 7,991 | 8,209 | 8,209 | 9,241 | 10,037 | 13,525 | 4,623 | 4,682 | 5,080 |
| Streets ** | | | | | | | | | | |
| Street Resurfacing (Miles) | 2 | 10 | 1 | 1 | 9 | 2 | 10 | 13 | 0 | 0 |
| Potholes Repaired | 1,500 | 1,620 | 1,740 | 1,200 | 2,000 | 4,500 | 4,000 | 320 | 400 | 40 |
| Street Sweeping (Miles) | 1,135 | 1,135 | 1,135 | 1,135 | 1,135 | 1,550 | 2,000 | 211 | 275 | 1,356 |
| Culture and recreation | | | | | | | | | | |
| Parks acreage | 148 | 148 | 148 | 148 | 148 | 148 | 148 | 148 | 158 | 158 |
| Ball fields | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |

Source: Town of Pinetop-Lakeside, Arizona

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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HINTONBURDICK
CPAs & ADVISORS

**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, business-type 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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 21, 2022.

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) as a basis for designing 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.

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 financial statements. 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
Gilbert, Arizona
January 21, 2022



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 fiscal year ended June 30, 2021, and have issued our report thereon dated January 21, 2022. 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 fiscal year ended June 30, 2021.

The results of our auditing procedures disclosed an instance of noncompliance, which is described in a separate schedule of findings and recommendations letter dated January 21, 2022 as item 2021-001.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

HintonBurdick, PLLC

HintonBurdick, PLLC
Gilbert, Arizona
January 21, 2022